



COMMONWEALTH OF MASSACHUSETTS

OMB Circular A-133 Report

June 30, 2012

COMMONWEALTH OF MASSACHUSETTS

OMB Circular A-133 Report

June 30, 2012

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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 Benison, 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, 2012, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated December 19, 2012. 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 statements of certain entities identified in note 13 to the Commonwealth's basic financial statements were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants, and other matters did not include those entities separately audited by us 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

Management of the Commonwealth is responsible for establishing and maintaining effective 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 2012-01 through 2012-03 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 Commonwealth in a separate letter dated December 19, 2012.

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 Board, management of the Commonwealth of Massachusetts, the Honorable Members of the General Court and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 19, 2012



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Independent Auditors' 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 Benison, Comptroller
Commonwealth of Massachusetts:

Compliance

We have audited the Commonwealth of Massachusetts' (the Commonwealth) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2012. 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 (1) to the schedule of expenditures of federal awards, the Commonwealth's basic financial statements include the operations of certain entities whose federal awards are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2012. Our audit, described below, did not include the operations of the entities identified in note (1) as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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.

In our opinion, the Commonwealth complied, in all material respects, with the compliance 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, 2012. However, the results of our auditing procedures disclosed 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 2012-04 through 2012-07, 2012-10, 2012-12, 2012-16 through 2012-21, 2012-23, and 2012-24.



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.

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 control 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.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-04 through 2012-24. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 2012, which referred to the use of reports of other auditors and which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 19, 2012. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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 the responses.

This report is intended solely for the information and use of the members of the Comptroller's Advisory Board, 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

February 28, 2013 (except for the Schedule of Expenditures of Federal Awards, which is as of December 19, 2012)

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

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	\$ 10,228,660
10.156	Federal-State Marketing Improvement Program	473,472
10.199	Federal Operating Reimb-EGG Grading	2,457
10.307	Organic Agriculture Research and Extension Initiative	64,942
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	109,918,899
10.558	Child and Adult Care Food Program	58,618,933
10.560	State Administrative Expenses for Child Nutrition	3,719,141
10.572	WIC Farmers' Market Nutrition Program (FMNP)	408,760
10.576	Senior Farmers Market Nutrition Program	547,121
10.578	ARRA - WIC Grants To States (WGS)	288,525
10.579	Child Nutrition Discretionary Grants Limited Availability	637,494
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program	910,095
10.582	Fresh Fruit and Vegetable Program	2,965,038
10.664	Cooperative Forestry Assistance	1,203,143
10.675	Urban and Community Forestry Program	2,404
10.676	Forest Legacy Program	7,616,612
10.678	Forest Stewardship Program	126,373
10.688	ARRA - Recovery Act of 2009: Wildland Fire Management	2,446,221
10.904	Race to the Top – Early Learning Challenge	6,388
10.913	Farm and Ranch Lands Protection Program	5,362,311
10.914	Wildlife Habitat Incentive Program	6,439
<i>SNAP Cluster:</i>		
10.551	Supplemental Nutrition Assistance Program (SNAP)	1,351,915,062
10.561	State Administrative Matching Grants for Food Stamp Program	57,072,756
	<i>Total SNAP Cluster</i>	<u>1,408,987,818</u>
<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program	40,790,005
10.555	National School Lunch Program	172,287,974
10.556	Special Milk Program for Children	234,568
10.559	Summer Food Service Program for Children	6,924,689
	<i>Total Child Nutrition Cluster</i>	<u>220,237,236</u>
<i>Emergency Food Assistance Cluster:</i>		
10.568	Emergency Food Assistance Program administrative costs	1,362,334
	<i>Total Emergency Food Assistance Cluster</i>	<u>1,362,334</u>
		<u>1,836,140,816</u>
U.S. Department of Commerce:		
11.407	Interjurisdictional Fisheries Act of 1986	106,900
11.419	Coastal Zone Management Administration Awards	3,209,618
11.420	Coastal Zone Management Estuarine Research Reserves	698,184
11.452	Unallied Industry Projects	338,206
11.463	Habitat Conservation	913,563
11.472	Unallied Science Program	650,077
11.474	Atlantic Coastal Fisheries Cooperative Management Act	304,977
11.555	Public Safety Interoperable Communications Grant Program	10,670,574
		<u>16,892,099</u>

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Defense:		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	\$ 1,245,488
12.400	Military Construction, National Guard	377,989
12.401	National Guard Military Operations and Maintenance (O&M) Projects	29,547,089
		<hr/> 31,170,566
U.S. Department of Housing and Urban Development:		
14.231	Emergency Shelter Grants Program	2,735,950
14.235	Supportive Housing Program	7,593,885
14.238	Shelter Plus Care	515,624
14.239	HOME Investment Partnerships Program	17,107,719
14.241	Housing Opportunities for Persons with AIDS	148,765
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	60,000
14.257	ARRA -Homelessness Prevention and Rapid Re-Housing Program	3,177,932
14.258	ARRA -Tax Credit Assistance Program	7,399,839
14.401	Fair Housing Assistance Program State and Local	633,027
14.855	Section 8 Rental Voucher Program	4,804,238
14.181	Supported Housing for Person with Disabilities (Mainstream 5)	679,601
14.881	Moving to Work Demonstration Program	216,696,374
14.906	Healthy Homes Technical Studies Grants	206,133
	<i>Section 8 Project-Based Cluster:</i>	
14.182	Section 8 New Construction Program	7,592,748
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	19,055,521
	<i>Total Section 8 Project-Based Cluster</i>	<hr/> 26,648,269
	<i>CDBG - State Administered CDBG Cluster:</i>	
14.228	Community Development Block Grants/State's Program	46,394,642
14.255	ARRA -Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	908,387
	<i>Total CDBG - State Administered CDBG Cluster</i>	<hr/> 47,303,029
	<i>Housing Voucher Cluster:</i>	
14.871	Section 8 Housing Choice Vouchers	2,197,619
14.880	Family Unification Program (FUP 09)	1,098,483
	<i>Total Housing Voucher Cluster</i>	<hr/> 3,296,102
	<i>Lead Hazard Control Cluster:</i>	
14.907	ARRA -Lead-Based Paint Hazard Control in Privately-Owned Housing	798,363
	<i>Total Lead Hazard Control Cluster</i>	<hr/> 798,363
		<hr/> 339,804,850
U.S. Department of the Interior:		
15.608	Fish and Wildlife Management Assistance	3,866
15.622	Sportfishing and Boating Safety Act	1,083,368
15.630	Coastal Program	4,929
15.631	Partners for Fish and Wildlife	20,614
15.633	Landowner Incentive	45,802
15.634	State Wildlife Grants	9,305
15.808	U.S. Geological Survey Research and Data Collection	905
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	33,077
15.904	Historic Preservation Fund Grants-In-Aid	896,316
15.916	Outdoor Recreation Acquisition, Development and Planning	1,332,120
15.923	Hydropower Recreation Assistance	29,371
15.926	American Battlefield Protection	19,113
15.929	Save America's Treasures	96,087
15.999	Dept of Interior - Miscellaneous	31,365

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
	<i>Fish and Wildlife Cluster:</i>	
15.605	Sport Fish Restoration	\$ 3,657,214
15.611	Wildlife Restoration	1,851,763
	<i>Total Fish and Wildlife Cluster</i>	<u>5,508,977</u>
		<u>9,115,215</u>
	U.S. Department of Justice:	
16.017	Sexual Assault Services Formula Program	198,380
16.393	Residential Substance Abuse Treatment For State Prisoners	221,402
16.523	Juvenile Accountability Incentive Block Grants	642,647
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	460,224
16.541	Part E - Developing, Testing and Demonstrating Promising New Programs	71,517
16.543	Missing Children's Assistance	533,378
16.544	Youth Gang Prevention	163,700
16.550	State Justice Statistics Program for Statistical Analysis Centers	66,822
16.555	National Criminal History Implementation Program	264,467
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	752,485
16.575	Crime Victim Assistance	7,067,291
16.576	Crime Victim Compensation	1,199,795
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	231,231
16.585	Drug Court Discretionary Grant Program	41,527
16.588	ARRA -Violence Against Women Formula Grants	360,533
16.588	Violence Against Women Formula Grants	2,093,388
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	338,539
16.595	Community Capacity Development Office	9,511
16.606	State Criminal Alien Assistance Program	4,371,980
16.609	Community Prosecution and Project Safe Neighborhoods	135,715
16.610	Regional Information Sharing Systems	4,291,319
16.710	Public Safety Partnership and Community Policing Grants	1,098,494
16.726	Juvenile Mentoring Program	86,214
16.727	Enforcing Underage Drinking Laws Program	437,595
16.741	Forensic DNA Capacity Enhancement Program	619,030
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	466,211
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	102,394
16.750	Support for Adam Walsh Act Implementation Grant Program	86,100
16.753	Congressionally Recommended Awards	680,344
16.754	Harold Rogers Prescription Drug Monitoring Program	212,511
16.800	ARRA -Internet Crimes against Children Task Force Program (ICAC)	189,065
16.801	ARRA -State Victim Assistance Formula Grant Program	355,719
16.812	Second Chance Act Prisoner Reentry Initiative	1,153,064
16.816	John R. Justice Prosecutors and Defenders Incentive Act	194,192
	<i>JAG Program Cluster:</i>	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	4,554,789
16.803	ARRA -Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	2,657,777
16.804	ARRA -Edward Byrne Memorial Justice Assistance Grant (JAG) Program /Grants To Units Of Local Government	248,582
	<i>Total JAG Program Cluster</i>	<u>7,461,148</u>
		<u>36,657,932</u>
	U.S. Department of Labor:	
17.002	Labor Force Statistics	2,115,280
17.005	Compensation and Working Conditions	244,740
17.225	ARRA -Unemployment Insurance	3,818,269

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
17.225	Unemployment Insurance	\$ 3,350,345,653
17.235	Senior Community Service Employment Program	2,538,637
17.245	Trade Adjustment Assistance Workers	9,435,859
17.261	WIA Pilots, Demonstrations, and Research Projects	248,045
17.275	ARRA -Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	1,895,364
17.277	Workforce Investment Act (WIA) National Emergency Grants	8,033,432
17.504	Consultation Agreements	1,248,223
17.505	OSHA Data Initiative	79,571
17.600	Mine Health and Safety Grants	58,472
17.805	Homeless Veterans Reintegration Project	1,004,729
17.999	Dept of Labor - Miscellaneous	87,594
	<i>Employment Service Cluster:</i>	
17.207	ARRA -Employment Service	18,491
17.207	Employment Service	16,570,987
17.801	Disabled Veterans' Outreach Program (DVOP)	1,031,751
17.804	Local Veterans' Employment representative Program	1,634,843
	<i>Total Employment Service Cluster</i>	<u>19,256,072</u>
	<i>WIA Cluster:</i>	
17.258	WIA Adult Program	16,068,896
17.259	ARRA -WIA Youth Activities	8,005
17.259	WIA Youth Activities	18,094,967
17.278	ARRA - WIA Dislocated Worker Formula Grants	1,991,934
17.278	WIA Dislocated Worker Formula Grants	23,662,317
	<i>Total WIA Cluster</i>	<u>59,826,119</u>
		<u>3,460,236,059</u>
	U.S. Department of Transportation:	
20.106	Airport improvement Program	531,384
20.218	National Motor Carrier Safety	3,346,818
20.231	Performance and Registration Information Systems Management	222,890
20.232	Commercial Driver License State Programs	388,614
20.234	Safety Data Improvement Program	108,285
20.237	Commercial Vehicle Information Systems and Networks	352,028
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	1,135,578
20.505	Federal Transit_Metropolitan Planning Grants	3,240,154
20.509	ARRA -Formula Grants for Other Than Urbanized Areas	7,197,646
20.509	Formula Grants for Other Than Urbanized Areas	1,785,716
20.614	Safety Incentive Grants for Use of Seatbelts	123,901
20.700	Pipeline Safety	959,977
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	257,585
20.932	ARRA -Surface Transportation - Discretionary Grants for Capital Investment	14,225,579
	<i>Highway Planning and Construction Cluster:</i>	
20.205	ARRA - Highway Planning and Construction	83,738,574
20.205	Highway Planning and Construction	635,450,867
20.219	Recreational Trails Program	878,927
	<i>Total Highway Planning and Construction Cluster</i>	<u>720,068,368</u>
	<i>Transit Service Program Cluster:</i>	
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	8,600,385
20.516	Job Access Reverse Commute	1,243,599
20.521	New Freedom Program	842,385
	<i>Total Transit Service Program Cluster</i>	<u>10,686,369</u>

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
20.600	<i>Highway Safety Cluster:</i> State and Community Highway Safety	\$ 6,606,547 <hr/> 6,606,547 <hr/> 771,237,439
30.002	Equal Employment Opportunity Commission: Employment Discrimination State and Local Fair Employment Practices Agency Contracts	<hr/> 1,311,150
34.002	Federal Mediation and Conciliation Service: Labor Management Cooperation	<hr/> 733
45.025	National Endowment for the Arts: Promotion of the Arts Partnership Agreements	1,083,394
45.149	Promotion of the Humanities Division of Preservation and Access	828
45.312	National Leadership Grants	23
		<hr/> 1,084,245
45.310	Institute of Museum and Library Services: State Library Program	<hr/> 3,156,479
59.061	Small Business Administration: State Trade and Export Promotion Pilot Grant Program	<hr/> 126,721
64.014	U.S. Department of Veterans Affairs: Veterans State Domiciliary Care	4,133,491
64.015	Veterans State Nursing Home Care	16,755,783
64.999	Environmental Protection Agency - Miscellaneous	159,434
		<hr/> 21,048,708
66.032	Environmental Protection Agency: State Indoor Radon Grants	176,048
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	736,299
66.039	ARRA - National Clean Diesel Emissions Reduction Program	34,593
66.040	ARRA - State Clean Diesel Grant Program	83,394
66.040	State Clean Diesel Grant Program	440,924
66.202	Congressionally Mandated Projects	82,418
66.432	State Underground Water Source Protection	16,911
66.454	ARRA - Water Quality Management Planning	260,226
66.454	Water Quality Management Planning	552,364
66.456	National Estuary Program	1,273,751
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	189,166
66.472	Beach Monitoring and Notification Program Implementation Grants	265,358
66.474	Water Protection Grants to the States	5,655
66.605	Performance Partnership Grants	17,088,715
66.608	Environmental Information Exchange Network Grant Program	242,592
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	401,689
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	89,443
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	324,506
66.708	Pollution Prevention Grants Program	9,225
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	1,160,058
66.804	State and Tribal Underground Storage Tanks Program	620,551
66.805	ARRA - Leaking Underground Storage Tank Trust Fund Program	992,630
66.805	Leaking Underground Storage Tank Trust Fund Program	1,262,199

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
66.808	Solid Waste Management Assistance Grants	\$ 11,805
66.817	State and Tribal Response Program Grants	1,360,468
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	364,842
66.999	Environmental Protection Agency - Miscellaneous	12,261,988
		<hr/> 40,307,818
U.S. Department of Energy:		
81.041	ARRA - State Energy Program	13,160,109
81.041	State Energy Program	1,152,563
81.042	ARRA - Weatherization Assistance for Low-Income Persons	37,798,998
81.042	Weatherization Assistance for Low-Income Persons	4,866,084
81.087	Renewable Energy Research and Development	1,600
81.090	State Heating Oil and Propane Programs	19,999
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	16,634
81.119	ARRA - State Energy Program Special Projects	36,211
81.119	State Energy Program Special Projects	461,527
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	106,019
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	3,781,202
		<hr/> 61,400,946
U.S. Department of Education:		
84.002	Adult education State Grant Program	9,909,124
84.011	Migrant education State Grant Program	1,551,218
84.013	Title I Program for Neglected and Delinquent Children	1,927,129
84.048	Vocational Education Basic Grants to States	18,144,265
84.128	Rehabilitation Services - Services Projects	135,407
<i>Centers for Independent Living Cluster:</i>		
84.132	Centers for Independent Living	1,687,238
84.400	ARRA - Centers for Independent Living, Recovery Act.	442,915
	<i>Total Centers for Independent Living Cluster</i>	<hr/> 2,130,153
84.144	Migrant Education_Coordination Program	72,833
84.161	Rehabilitation Services Client Assistance Program	211,036
<i>Independent Living State Grants Cluster:</i>		
84.169	Independent Living State Grants	61,694
84.398	ARRA - Independent Living State Grants, Recovery Act	66,195
	<i>Total Independent Living State Grants Cluster</i>	<hr/> 127,889
<i>Independent Living Services for Older Individuals Who Are Blind Cluster:</i>		
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	748,079
84.399	ARRA - Independent Living Services for Older Individuals Who are Blind, Recovery Act	148,683
	<i>Total Independent Living Services for Older Individuals Who Are Blind Cluster</i>	<hr/> 896,762
84.185	Byrd Honors Scholarships	505,500
84.186	Safe and Drug-Free Schools and Communities State Grants	599,744
84.187	Supported Employment Services for Individuals with Severe Disabilities	499,677
<i>Education for Homeless Children and Youth Cluster:</i>		
84.196	Education for Homeless Children and Youth	985,480
84.387	ARRA -Education for Homeless Children and Youth	71,633
	<i>Total Education for Homeless Children and Youth Cluster</i>	<hr/> 1,057,113
84.213	Even Start State Educational Agencies	282,239
84.224	Assistive Technology	522,271
84.235	Rehabilitation Services Demonstration and Training Programs	588,909

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
84.243	Tech-Prep Education	\$ 447,727
84.265	Rehabilitation Training State Vocational Rehabilitation Unit in-service Training	104,528
84.282	Charter Schools	3,207,247
84.287	Twenty-First Century Community Learning Centers	19,070,825
84.298	State Grants for Innovative Programs	1,584
84.305	Education Research, Development and Dissemination	786,929
84.323	Special Education - State Personnel Development	1,454,323
84.327	Special Education_Technology and Media Services for Individuals with Disabilities	2,440
84.330	Advanced Placement Program	447,288
84.331	Grants to States for Incarcerated Youth Offenders	43,528
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	3,420,781
84.357	Reading First State Grants	9,414
84.360	High School Graduation Initiative	2,602,487
84.365	English Language Acquisition Grants	13,882,232
84.366	Mathematics and Science Partnerships	1,976,942
84.367	Improving Teacher Quality State Grants	46,359,787
84.369	Grants for State Assessments and Related Activities	6,940,376
84.371	Striving Readers	51,991
	<i>Statewide Data Systems Cluster:</i>	
84.372	Statewide Data Systems	1,269,933
84.384	ARRA - Statewide Data Systems, Recovery Act	6,014,130
	<i>Total Statewide Data Systems Cluster</i>	7,284,063
	<i>Teachers Incentive Fund Cluster:</i>	
84.374	Teacher Incentive Fund	518,282
	<i>Total Teachers Incentive Fund Cluster</i>	518,282
84.378	College Access Challenge Grant Program	232,090
84.395	ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	36,386,728
84.410	Education Jobs Fund	122,961,814
84.412	Race to the Top – Early Learning Challenge	374,023
84.999	Dept of Education - Miscellaneous	189,029
	<i>Title I, Part A Cluster:</i>	
84.010	Title I Grants to Local Educational Agencies	237,269,038
84.389	ARRA -Title I Grants to Local Educational Agencies, Recovery Act	21,087,927
	<i>Total Title I, Part A Cluster</i>	258,356,965
	<i>Special Education Cluster (IDEA):</i>	
84.027	Special Education Grants to States	302,934,971
84.173	Special Education Preschool Grants	9,367,104
84.391	ARRA - Special Education Grants to States, Recovery Act	16,395,150
84.392	ARRA - Special Education - Preschool Grants	1,350,147
	<i>Total Special Education Cluster (IDEA)</i>	330,047,372
	<i>Vocational Rehabilitation Cluster:</i>	
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	55,536,649
84.390	ARRA -Rehabilitation Services-Vocational Rehabilitation Grants to States	1,102,083
	<i>Total Vocational Rehabilitation Cluster</i>	56,638,732
	<i>Early Intervention Services (IDEA) Cluster:</i>	
84.181	Special Education Grants for Infants and Families with Disabilities	5,408,101
	<i>Total Early Intervention Services (IDEA) Cluster</i>	5,408,101

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
	<i>Educational Technology State Grants Cluster:</i>	
84.318	Education Technology State Grants	\$ 979,107
84.386	ARRA -Education Technology State Grants, Recovery Act	1,975,458
	<i>Educational Technology State Grants Cluster</i>	<u>2,954,565</u>
	<i>School improvement Grants Cluster:</i>	
84.377	School Improvement Grants	3,437,501
84.388	ARRA -School Improvement Grants, Recovery Act	14,631,058
	<i>Total School improvement Grants Cluster</i>	<u>18,068,559</u>
	<i>State Fiscal Stabilization Fund Cluster:</i>	
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	6,573,879
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	3,086,863
	<i>Total State Fiscal Stabilization Fund Cluster</i>	<u>9,660,742</u>
		<u>989,052,763</u>
	National Archives and Records Administration:	
89.003	National Historical Publications and Records Grants	<u>9,200</u>
	U.S. Department of Health and Human Services:	
93.003	Public Health and Social Services Emergency Fund	858,590
93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	216,961
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	1,396,900
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	528,117
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	1,271,443
93.051	Alzheimer's Disease Demonstration Grants to States	137,291
93.052	National Family Caregiver Support	3,359,819
93.069	Public Health Emergency Preparedness	14,852,035
93.070	Environmental Public Health and Emergency Response	853,383
93.071	Medicare Enrollment Assistance Program	2,348
93.072	Lifespan Respite Care Program	63,012
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	525,192
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	254,753
93.090	Guardianship Assistance	2,177,308
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	356,444
93.103	Food and Drug Administration Research	1,015,836
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	2,454,092
93.110	Maternal and Child Health Federal Consolidated Programs	253,113
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	1,888,808
93.121	Oral Diseases and Disorders Research	451,164
93.127	Emergency Medical Services for Children	167,451
93.130	Primary Care Services Resource Coordination and Development	22,031
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,406,373
93.137	Community Programs to Improve Minority Health Grant Program	119,236
93.150	Projects for Assistance in Transition from Homelessness (PATH)	1,654,742
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	835,894
93.165	Grants to States for Loan Repayment Program	252,500
93.184	Disabilities Prevention	273,093

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
	<i>Health Centers Cluster:</i>	
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)	\$ 139,564
	<i>Total Health Centers Cluster</i>	<u>139,564</u>
93.226	Research on Healthcare Costs, Quality and Outcomes	1,252,131
93.236	Grants for Dental Public Health Residency Training	782,504
93.240	State Capacity Building	370,360
93.241	State Rural Hospital Flexibility Program	334,945
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	6,568,234
93.251	Universal Newborn Hearing Screening	329,339
93.262	Occupational Safety and Health Program	718,082
93.267	State Grants for Protection and Advocacy Services	405,569
93.270	Adult Viral Hepatitis Prevention and Control	119,276
93.275	Substance Abuse and Mental Health Services-Access to Recovery	3,906,419
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	14,142,790
93.296	State Partnership Grant Program to Improve Minority Health	129,290
93.301	Small Rural Hospital Improvement Grant Program	79,452
93.307	Minority Health and Health Disparities Research	71,546
93.414	ARRA - State Primary Care Offices	45,176
93.500	Pregnancy Assistance Fund Program	1,507,708
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	2,384,597
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	1,707,443
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	390,977
93.512	Affordable Care Act (ACA) Personal and Home Care Aide State Training Program (PHCAST)	570,626
93.517	Affordable Care Act – Aging and Disability Resource Center	316,975
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	471,940
93.519	Affordable Care Act (ACA) – Consumer Assistance Program Grants	415,621
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	1,211,705
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	1,336,737
93.535	Affordable Care Act Program for Early Detection of Certain Medical Conditions Related to Environmental Health Hazards	312,280
93.538	Affordable Care Act - National Environmental Public Health Tracking Program- Network Implementation	708,713
93.539	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	731,268
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	288,265
93.547	Affordable Care Act – National Health Service Corps	192,000
93.548	548 PPHF 2012: Nutrition, Physical Activity and Obesity Program - financed in part by 2012 Prevention and Public Health Funds (PPHF-2012)	474,500
93.551	Abandoned Infants	537,122
93.556	Promoting Safe and Stable Families	5,095,723
93.563	Child Support Enforcement	62,182,030
93.564	Child Support Enforcement research	149,541

COMMONWEALTH OF MASSACHUSETTS
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Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
93.566	Refugee and Entrant Assistance_State Administered Programs	\$ 10,642,483
93.568	Low-Income Home Energy Assistance	137,196,316
93.576	Refugee and Entrant Assistance Discretionary Grants	1,943,121
93.583	Refugee and Entrant Assistance Wilson / Fish Program	3,342,701
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants	583,382
93.586	State Court improvement Program	725,397
93.590	Child Abuse Prevention Activities	503,907
93.597	Grants to States for Access and Visitation Programs	144,913
93.599	Chafee Education and Training Vouchers Program (ETV)	901,138
93.601	Child Support Enforcement Demonstrations and Special Projects	16,543
93.617	Voting Access for Individuals with Disabilities Grants to States	834,310
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,505,435
93.643	Children's Justice Grants to States	305,506
93.645	Child Welfare Services State Grants	4,829,532
93.652	Adoption Opportunities	151,716
93.658	ARRA -Foster Care Title IV-E	218,032
93.658	Foster Care Title IV-E	48,115,630
93.659	ARRA -Adoption Assistance	524
93.659	Adoption Assistance	30,365,449
93.667	Social Services Block Grant	81,902,025
93.669	Child Abuse and Neglect State Grants	540,733
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,785,516
93.674	Chafee Foster Care Independence Program	3,370,250
93.701	ARRA - Trans-NIH Recovery Act Research Support	241,847
93.713	ARRA - Child Care and Development Block Grant	5,666,841
93.717	ARRA - Preventing Healthcare-Associated Infections	561,015
93.723	ARRA - Prevention and Wellness-State, Territories and Pacific Islands	1,060,551
93.724	ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	63,437
93.725	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	587,806
93.729	ARRA - Health Information Technology and Public Health	157,699
93.767	Children's Health Insurance Program	332,762,429
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	15,483
93.773	Medicare Hospital Insurance	11,059,740
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,516,242
93.791	Money Follows the Person Rebalancing Demonstration	1,169,453
93.889	National Bioterrorism Hospital Preparedness Program	7,767,549
93.913	Grants to States for Operation of Offices of Rural Health	167,816
93.917	HIV Care Formula Grants	29,013,242
93.926	Healthy Start initiative	3,740,924
93.928	Special Projects of National Significance	95,701
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	884,539
93.940	HIV Prevention Activities Health Department Based	8,101,900
93.941	HIV Demonstration, Research, Public and Professional Education Projects	590,695
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	731,463
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	1,382,995
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	160,148
93.958	Block Grants for Community Mental Health Services	8,118,260

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
93.959	Block Grants for Prevention and Treatment of Substance Abuse	\$ 35,185,397
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	1,742,595
93.982	Mental Health Disaster Assistance and Emergency Mental Health	460,775
93.991	Preventive Health and Health Services Block Grant	519,428
93.994	Maternal and Child Health Services Block Grant to the States	11,017,703
93.999	Dept of Health and Human Services - Miscellaneous	1,844,961
<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	8,675,657
93.045	Special Programs for the Aging Title III, Part Nutrition Services	11,708,187
93.053	Nutrition Services Incentive Program	3,213,454
<i>Total Aging Cluster</i>		<u>23,597,298</u>
<i>Immunization Cluster:</i>		
93.268	Immunization Grants	66,956,294
93.712	ARRA - Immunization	454,466
<i>Total Immunization Cluster</i>		<u>67,410,760</u>
<i>TANF Cluster:</i>		
93.558	Temporary Assistance for Needy Families	274,383,504
<i>Total TANF Cluster</i>		<u>274,383,504</u>
<i>CSBG Cluster:</i>		
93.569	Community Services Block Grant	16,153,768
<i>Total CSBG Cluster</i>		<u>16,153,768</u>
<i>CCDF Cluster:</i>		
93.575	Child Care and Development Block Grant	116,957,510
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	69,747,376
<i>Total CCDF Cluster</i>		<u>186,704,886</u>
<i>Head Start Cluster:</i>		
93.600	Head Start	179,197
93.708	ARRA - Head Start	347,411
<i>Total Head Start Cluster</i>		<u>526,608</u>
<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	2,306,108
93.777	State Survey and Certification of Health Care Providers and Suppliers	8,060,272
93.778	ARRA -Medical Assistance Program	57,527,886
93.778	Medical Assistance Program	6,771,259,782
<i>Total Medicaid Cluster</i>		<u>6,839,154,048</u>
Corporation for National and Community Services:		<u>8,352,272,442</u>
94.004	Learn and Serve America School and Community Based Programs	447,967
Social Security Administration:		
<i>Disability Insurance/SSI Cluster:</i>		
96.001	Social Security Disability Insurance	24,541,647
96.006	Supplemental Security Income	25,467,827
<i>Total Disability Insurance/SSI Cluster</i>		<u>50,009,474</u>
96.008	Social Security Work Incentive Planning and Assistance Planning	243,500
96.775	State Medicaid Fraud Control Units	1,399,706
96.999	Social Security Administration - Miscellaneous	482,864
<i>Total Social Security Administration</i>		<u>52,135,544</u>

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

CFDA number	Federal agency/program or cluster title	Expenditures
U.S. Department of Homeland Security:		
97.008	Non-Profit Security Program	\$ 7,349,936
97.012	Boating Safety Financial Assistance	2,311,945
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	87,414
97.029	Flood Mitigation Assistance	653
97.032	Crisis Counseling	155,852
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	66,068,750
97.039	Hazard Mitigation Grant	676,756
97.041	National Dam Safety Program	254,715
97.042	Emergency Management Performance Grants	4,834,861
97.043	State Fire Training Systems Grants	25,366
97.045	Cooperating Technical Partners	74,952
97.047	Pre-Disaster Mitigation	639,650
97.052	Emergency Operations Center	46,893
97.053	Citizen Corps	295,812
97.055	Interoperable Communications Equipment	370,942
97.056	Port Security Grant Program	4,654,349
97.071	Metropolitan Medical Response System	919,809
97.075	Rail and Transit Security Grant Program	17,051,706
97.078	Buffer Zone Protection Plan (BZPP)	637,341
97.088	Disaster Assistance Projects	9,353
97.089	Real ID Program	339,194
97.091	Homeland Security Biowatch Program	1,356,851
97.110	Severe Loss Repetitive Program	332,207
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)	429,640
97.067	Homeland Security Grant Program	17,078,901
		<u>126,003,848</u>
99.999	Federal Reimbursement - Miscellaneous	91,468
		<u>\$ 16,149,705,008</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(1) Single Audit Reporting Entity

For purposes of complying with The Single Audit Act of 1984, as amended in 1996, the Commonwealth of Massachusetts (the Commonwealth) reporting entity is defined in note 1 to its June 30, 2012 basic financial statements; except that the Massachusetts School Building Authority, the Pension Reserves Investment Trust Fund, the Massachusetts Municipal Depository Trust, the Massachusetts State Lottery Commission, the Institutions of Higher Education (which include the University of Massachusetts, the State Universities, and the Community Colleges), and all of the discretely presented component units are excluded, except for the Massachusetts Department of Transportation (MassDOT). Accordingly, the accompanying Schedule of Expenditures of Federal Awards (SEFA or Schedule) presents the federal award programs administered by the Commonwealth, as defined above, for the year ended June 30, 2012.

(2) Basis of Presentation

The accompanying SEFA is presented on the cash basis of accounting.

The SEFA is drawn primarily from the Massachusetts Management Accounting and Reporting System (MMARS), the centralized accounting system. Prior to fiscal 2012, the SEFA included certain federal programs administered by State Universities and Community Colleges. Beginning with fiscal 2012, the State Universities and Community Colleges began issuing their own Office of Management and Budget (OMB) Circular A-133 reports similar to the University of Massachusetts, which has historically issued its own OMB Circular A-133 report.

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

(3) Matching Costs

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

(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.

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(5) Noncash Awards

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

CFDA number	Program title	Noncash awards
10.551	Supplemental Nutrition Assistance Program	\$ 1,351,850,000
10.555	National School Lunch Program	20,035,868
10.558	Child and Adult Care Food Program	20,208
10.559	Summer Food Service Program for Children	151,557
93.268	Immunization Grants	<u>61,225,366</u>
	Total	<u><u>\$ 1,433,282,999</u></u>

Commodity inventories for the Food Donation Program at June 30, 2012 totaled approximately \$1,368,580.

(6) Unemployment Insurance Program (UI) CFDA 17.225

The U.S. Department of Labor, in consultation with the OMB, has determined that for the purpose of audits and reporting under OMB Circular A-133, Commonwealth UI funds as well as federal funds should be considered federal awards for determining Type A programs. The Commonwealth receives federal funds for administrative purposes. Commonwealth unemployment taxes must be deposited to a Commonwealth account in the Federal Unemployment Trust Fund, used only to pay benefits under the federally approved Commonwealth law. Commonwealth UI funds as well as federal funds are included on the Schedule. 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	\$ 1,747,462,897
Federal UI Funds – Benefits	1,514,005,011
Federal UI Funds – ARRA	3,818,269
Federal UI Funds – Administration	<u>88,877,745</u>
Total expenditures	<u><u>\$ 3,354,163,922</u></u>

(7) 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 portion of total expenditures for SNAP benefits that is supported by the Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in the participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 10.95% of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2012.

(8) 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 2012, 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	\$ 72,085
10.156	Federal-State Marketing Improvement Program	370,860
10.307	Organic Agriculture Research and Extension Initiative	58,795
10.551	Food Stamps	65,062
10.553	School Breakfast Program	40,790,005
10.555	National School Lunch Program	152,135,709
10.556	Special Milk Program for Children	234,568
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	77,245,903
10.558	Child and Adult Care Food Program	57,844,091
10.559	Summer Food Service Program for Children	6,554,713
10.561	State Administrative Matching Grants for Food Stamp Program	4,455,721
10.568	Emergency Food Assistance Program administrative costs	1,235,602
10.579	Child Nutrition Discretionary Grants Limited Availability	196,459
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program	8,651
10.582	Fresh Fruit and Vegetable Program	2,879,216
10.664	Cooperative Forestry Assistance	417,612
10.676	Forest Legacy Program	1,051,780
10.678	Forest Stewardship Program	37,235
10.688	ARRA - Recovery Act of 2009: Wildland Fire Management	306,519
10.913	Farm and Ranch Lands Protection Program	2,577,993
11.419	Coastal Zone Management Administration Awards	784,250
11.420	Coastal Zone Management Estuarine Research Reserves	13,734
11.452	Unallied Industry Projects	152,471
11.472	Unallied Science Program	580,902
11.555	Public Safety Interoperable Communications Grant Program	4,185,700
14.181	Supported Housing for Person with Disabilities (Mainstream 5)	694,455
14.182	Section 8 New Construction Program	4,517,107
14.228	Community Development Block Grants/State's Program	44,906,309
14.231	Emergency Shelter Grants Program	2,692,994

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

CFDA number	Program title	Expenditures
14.235	Supportive Housing Program	\$ 6,961,033
14.238	Shelter Plus Care	515,389
14.239	HOME Investment Partnerships Program	15,938,699
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	60,000
14.255	ARRA - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	908,387
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program	3,007,960
14.258	ARRA - Tax Credit Assistance Program	7,399,838
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	18,050,111
14.871	Housing Choice vouchers & VASH	2,039,962
14.880	Family Unification Program (FUP)	868,069
14.881	Moving to Work Demonstration Program	213,414,722
14.906	Healthy Homes Technical Studies Grants	96,892
14.907	ARRA - Lead-Based Paint Hazard Control in Privately-Owned Housing	748,542
15.622	Sportfishing and Boating Safety Act	958,074
15.631	Partners for Fish and Wildlife	7,977
15.904	Historic Preservation Fund Grants-In-Aid	133,000
15.916	Outdoor Recreation Acquisition, Development and Planning	1,326,118
15.923	Hydropower Recreation Assistance	6,059
15.926	American Battlefield Protection	18,562
16.017	Sexual Assault Services Formula Program	188,461
16.393	Residential Substance Abuse Treatment For State Prisoners	81,195
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	192,530
16.543	Missing Children's Assistance	150,000
16.544	Youth Gang Prevention	163,700
16.575	Crime Victim Assistance	6,189,750
16.588	Violence Against Women Formula Grants	1,176,478
16.588	ARRA - Violence Against Women Formula Grants	284,904
16.609	Community Prosecution and Project Safe Neighborhoods	49,950
16.610	Regional Information Sharing Systems	4,291,319
16.726	Juvenile Mentoring Program	85,898
16.727	Enforcing Underage Drinking Laws Program	256,775
16.738	Edward Byrne Memorial Justice Assistance Grant Program	596,589
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	75,140
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	102,284
16.753	Congressionally Recommended Awards	539,790
16.801	ARRA - State Victim Assistance Formula Grant Program	210,632
16.803	ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	2,336,449
16.804	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	210,608
16.812	Second Chance Act Prisoner Reentry Initiative	427,312
16.816	John R. Justice Prosecutors and Defenders Incentive Act	168,000

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

CFDA number	Program title	Expenditures
17.207	Employment Service	\$ 6,149,914
17.207	ARRA - Employment Service	8,734
17.225	Unemployment Insurance	1,475,977
17.225	ARRA - Unemployment Insurance	70,044
17.235	Senior Community Service Employment Program	2,436,021
17.245	Trade Adjustment Assistance Workers	15,651
17.258	WIA Adult Program	15,249,381
17.259	WIA Youth Activities	16,962,922
17.259	ARRA - WIA Youth Activities	8,005
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	1,846,340
17.277	Workforce Investment Act (WIA) National Emergency Grants	8,012,237
17.278	WIA Dislocated Worker Formula Grants	19,554,363
17.801	Disabled Veterans' Outreach Program (DVOP)	97,243
17.804	Local Veterans' Employment representative Program	175,188
17.805	Homeless Veterans Reintegration Project	920,151
20.205	Highway Planning and Construction	14,933,037
20.205	ARRA - Highway Planning and Construction	(50)
20.218	National Motor Carrier Safety	99,750
20.219	Recreational Trails Program	733,037
20.234	Safety Data Improvement Program	88,695
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	1,135,578
20.505	Federal Transit_Metropolitan Planning Grants	2,927,354
20.509	Formula Grants for Other Than Urbanized Areas	1,672,364
20.509	ARRA - Formula Grants for Other Than Urbanized Areas	7,197,646
20.516	Job Access Reverse Commute	1,100,080
20.521	New Freedom Program	752,393
20.600	State and Community Highway Safety	1,750,098
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	112,756
45.025	Promotion of the Arts Partnership Agreements	1,083,394
45.310	State Library Program	944,553
59.061	State Trade and Export Promotion Pilot Grant Program	104,375
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	23,445
66.040	State Clean Diesel Grant Program	296,484
66.432	State Underground Water Source Protection	16,911
66.454	Water Quality Management Planning	191,428
66.454	ARRA - Water Quality Management Planning	260,226
66.456	National Estuary Program	277,889
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	111,531
66.474	Water Protection Grants to the States	5,655
66.605	Performance Partnership Grants	2,027,877

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

CFDA number	Program title	Expenditures
66.608	Environmental Information Exchange Network Grant Program	\$ 73,473
66.817	State and Tribal Response Program Grants	45,509
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	50,000
81.041	State Energy Program	240,242
81.041	ARRA - State Energy Program	6,338,244
81.042	Weatherization Assistance for Low-Income Persons	4,592,470
81.042	ARRA - Weatherization Assistance for Low-Income Persons	36,904,503
81.119	State Energy Program Special Projects	433,542
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	2,987,692
84.002	Adult education State Grant Program	7,682,159
84.010	Title I Grants to Local Educational Agencies	226,144,504
84.011	Migrant education State Grant Program	1,430,583
84.013	Title I Program for Neglected and Delinquent Children	929,755
84.027	Special Education Grants to States	276,120,566
84.048	Vocational Education Basic Grants to States	16,591,851
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	7,514,285
84.132	Centers for Independent Living	1,579,476
84.144	Migrant Education_Coordination Program	72,833
84.173	Special Education Preschool Grants	7,392,999
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	49,549
84.181	Special Education Grants for Infants and Families with Disabilities	2,144,815
84.185	Byrd Honors Scholarships	505,500
84.186	Safe and Drug-Free Schools and Communities State Grants	552,470
84.187	Supported Employment Services for Individuals with Severe Disabilities	142,743
84.196	Education for Homeless Children and Youth	716,595
84.213	Even Start State Educational Agencies	274,938
84.224	Assistive Technology	305,537
84.235	Rehabilitation Services Demonstration and Training Programs	125,336
84.243	Tech-Prep Education	391,008
84.282	Charter Schools	3,065,286
84.287	Twenty-First Century Community Learning Centers	18,050,366
84.318	Education Technology State Grants	923,726
84.330	Advanced Placement Program	447,288
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	2,877,427
84.360	High School Graduation Initiative	33,164
84.365	English Language Acquisition Grant s	12,863,429
84.366	Mathematics and Science Partnerships	1,794,591
84.367	Improving Teacher Quality State Grants	43,089,866
84.372	Statewide Data Systems	395
84.374	Teacher Incentive Fund	(40,772)
84.377	School Improvement Grants	2,384,477
84.378	College Access Challenge Grant Program	225,800
84.386	ARRA - Education Technology State Grants, Recovery Act	1,975,458
84.387	ARRA - Education for Homeless Children and Youth	71,633

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

CFDA number	Program title	Expenditures
84.388	ARRA - School Improvement Grants, Recovery Act	\$ 14,526,011
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	20,907,871
84.391	ARRA - Special Education Grants to States, Recovery Act	16,395,149
84.392	ARRA - Special Education - Preschool Grants	1,267,863
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	6,573,879
84.395	ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	25,442,526
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	743,088
84.399	ARRA - Independent Living Services for Older Individuals Who are Blind, Recovery Act	37,394
84.400	ARRA - Centers for Independent Living, Recovery Act	442,915
84.410	Education Jobs Fund	120,129,370
84.412	Race to the Top – Early Learning Challenge	188,400
93.003	Public Health and Social Services Emergency Fund	651,423
93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	30,723
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	1,381,473
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	523,288
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	7,208,169
93.045	Special Programs for the Aging Title III, Part Nutrition Services	11,671,476
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	508,211
93.051	Alzheimer's Disease Demonstration Grants to States	12,206
93.052	National Family Caregiver Support	3,224,795
93.053	Nutrition Services Incentive Program	1,567,737
93.069	Public Health Emergency Preparedness	1,670,895
93.070	Environmental Public Health and Emergency Response	235,985
93.071	Medicare Enrollment Assistance Program	2,348
93.072	Lifespan Respite Care Program	50,394
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	451,327
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	134,372
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	884,181
93.110	Maternal and Child Health Federal Consolidated Programs	11,000
93.136	Injury Prevention and Control Research and State and Community Based Programs	483,015
93.137	Community Programs to Improve Minority Health Grant Program	20,000
93.150	Project s for Assistance in Transition from Homelessness (PATH)	1,652,831
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	420,351
93.165	Grants To States for Loan Repayment Program	252,500
93.236	Grants for Dental Public Health Residency Training	127,681

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

CFDA number	Program title	Expenditures
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	\$ 2,813,666
93.267	State Grants for Protection and Advocacy Services	102,913
93.268	Immunization Grants	5,414
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	1,600,736
93.301	Small Rural Hospital Improvement Grant Program	79,452
93.500	Pregnancy Assistance Fund Program	1,368,207
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	1,337,056
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	205,700
93.512	Affordable Care Act (ACA) Personal and Home Care Aide State Training Program (PHCAST)	8,657
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	467,217
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	891,000
93.535	Affordable Care Act Program for Early Detection of Certain Medical Conditions Related to Environmental Health Hazards	75,353
93.547	Affordable Care Act – National Health Service Corps	192,000
93.548	548 PPHF 2012: Nutrition, Physical Activity and Obesity Program - financed in part by 2012 Prevention and Public Health Funds (PPHF-2012)	4,624
93.551	Abandoned Infants	324,824
93.556	Promoting Safe and Stable Families	3,453,959
93.566	Refugee and Entrant Assistance_State Administered Programs	6,434,856
93.568	Low-Income Home Energy Assistance	135,653,349
93.569	Community Services Block Grant	15,683,543
93.576	Refugee and Entrant Assistance Discretionary Grants	1,264,912
93.583	Refugee and Entrant Assistance Wilson/Fish Program	777,458
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants	552,076
93.590	Child Abuse Prevention Activities	461,091
93.630	Developmental Disabilities Basic Support and Advocacy Grants	485,602
93.645	Child Welfare Services State Grants	1,731,482
93.669	Child Abuse and Neglect State Grants	130,613
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,591,591
93.674	Chafee Foster Care Independence Program	5,532
93.701	ARRA - Trans-NIH Recovery Act Research Support	175,032
93.708	ARRA - Head Start	79,242
93.712	ARRA - Immunization	113,061
93.713	ARRA - Child Care and Development Block Grant	5,322,000
93.723	ARRA - Prevention and Wellness-State, Territories and Pacific Islands	34,375
93.725	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	462,841
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	908,509

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

CFDA number	Program title	Expenditures
93.889	National Bioterrorism Hospital Preparedness Program	\$ 4,787,681
93.917	HIV Care Formula Grants	4,440,788
93.928	Special Projects of National Significance	17,669
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	(15,000)
93.940	HIV Prevention Activities Health Department Based	3,032,491
93.941	HIV Demonstration, Research, Public and Professional Education Projects	29,280
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	484,185
93.958	Block Grants for Community Mental Health Services	7,920,780
93.959	Block Grants for Prevention and Treatment of Substance Abuse	19,918,077
93.991	Preventive Health and Health Services Block Grant	179,069
93.994	Maternal and Child Health Services Block Grant to the States	1,449,395
94.004	Learn and Serve America School and Community Based Programs	357,353
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	484,185
93.958	Block Grants for Community Mental Health Services	7,920,780
93.959	Block Grants for Prevention and Treatment of Substance Abuse	19,918,077
93.991	Preventive Health and Health Services Block Grant	179,069
93.994	Maternal and Child Health Services Block Grant to the States	1,449,395
94.004	Learn and Serve America School and Community Based Programs	357,353
97.008	Non-Profit Security Program	4,361,184
97.036	Public Assistance Grants	58,007,402
97.039	Hazard Mitigation Grant	482,625
97.042	Emergency Management Performance Grants	1,929,517
97.047	Pre-Disaster Mitigation	631,436
97.053	Citizen Corps	250,949
97.056	Port Security Grant Program	657,812
97.067	Homeland Security Grant Program	12,007,194
97.071	Metropolitan Medical Response System	919,809
97.075	Rail and Transit Security Grant Program	16,808,019
97.078	Buffer Zone Protection Plan (BZPP)	499,862
97.088	Disaster Assistance Projects	9,353
97.110	Severe Loss Repetitive Program	326,229
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)	411,052
	Total	\$ <u>2,093,069,509</u>

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	yes	<u> x </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> x </u>	yes	_____ none reported
Noncompliance material to the financial statements noted?	_____	yes	<u> x </u> no

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	_____	yes	<u> x </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> x </u>	yes	_____ none reported
Type of auditors' report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u> x </u>	yes	_____ no

Identification of Major Programs

U.S. Department of Agriculture

- SNAP Cluster (10.551 and 10.561)
- Child Nutrition Cluster (10.553, 10.555, 10.556 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 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, 2012

U.S. Department of Labor

- Unemployment Insurance (17.225)
- WIA Cluster (17.258, 17.259, and 17.278)

U.S. Department of Transportation

- Highway Planning and Construction Cluster (20.205 and 20.219)

U.S. Department of Energy

- Weatherization Assistance for Low-Income Persons (81.042)

U.S. Department of Education

- Title I, Part A Cluster (84.010 and 84.389)
- Special Education Cluster (IDEA) (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) - Race-to-the-Top Incentive Grants, Recovery Act (84.395)
- Education Jobs Fund (84.410)

U.S. Department of Health and Human Services

- Aging Cluster (93.044, 93.045 and 93.053)
- Immunization Cluster (93.268 and 93.712)
- TANF Cluster (93.558)
- Child Support Enforcement (93.563)
- Low-Income Home Energy Assistance (93.568)
- Foster Care – Title IV-E (93.658)
- Adoption Assistance (93.659)
- Social Services Block Grant (93.667)
- Children’s Health Insurance Program (93.767)
- Medicaid Cluster (93.775, 93.777 and 93.778)
- Block Grants for Preventive and Treatment of Substance Abuse (93.959)

Department of Homeland Security

- Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036)

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Dollar threshold used to distinguish between
type A and type B programs: \$30 million

Auditee qualified as low-risk auditee? _____ yes x no

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

See accompanying pages 30 through 32.

(3) Findings and Questioned Costs Relating to Federal Awards

See accompanying pages 33 through 66.

**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, 2012

Office of the Comptroller

Reporting of the Commonwealth's Fiduciary Funds

Finding Reference: 2012-01

Observation

During the preparation of the fiscal 2012 Comprehensive Annual Financial Report (CAFR), the Commonwealth identified significant adjustments in the reporting of its fiduciary funds. The majority of these adjustments were related to the allocation of external investment Trust Fund net assets between Commonwealth and non-Commonwealth entities. (It should be noted that total net assets were not affected by these adjustments and were correct.)

The adjustments were not discovered until days prior to the release of the 2012 CAFR and are likely due to legacy issues dating back several years if not longer.

Recommendation

- For the pension trust funds (State Employees' and Teachers' PERS), we recommend that the Office of the Comptroller (CTR) reconcile its books and records with those of the separately maintained books and records of the State Employees' and Teachers' retirement systems on a monthly basis. The Commonwealth may also consider requiring a separate audit of its pension trust funds which would provide an independent source of information for the CAFR reporting process.
- For the external investment trusts (MMDT and PRIT), we recommend that CTR reconcile its books and records to the separately issued MMDT and PRIT audited financial statements on an annual basis to properly identify and report the amount of net assets held by these external investment pools for entities not otherwise included in the Commonwealth's CAFR. The amount of net assets held by such entities is required by generally accepted governmental accounting standards to be reported in the Commonwealth's external investment trusts.

Views of Responsible Officials and Corrective Actions

For the fiscal year 2013 CAFR, CTR will utilize the pension and external trust financial statements to summarize the fiduciary funds for inclusion in the Commonwealth's CAFR. This will eliminate any reconciliation issues and late adjustments to the financial statements.

Responsible Official: B.J. Trivedi, Director, Financial Reporting Bureau, Office of the Comptroller
Michael Rodino, Manager, Financial Reporting Bureau, Office of the Comptroller

Implementation Date: Fiscal year 2013

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Office of the Comptroller

Fixed Asset Additions and Disposals

Finding Reference: 2012-02

Observation

During fiscal 2012, the Commonwealth initially identified approximately \$124 million in previously unrecognized assets and approximately \$1.8 million in disposals which had not previously been identified in the appropriate fiscal year. Upon further inquiry, it was identified that \$85 million of the \$124 million in previously unrecognized assets were historical treasures which should not have been identified as assets. The \$85 million was the insured value of the historical treasurers not the cost of items. The Commonwealth revised their records to exclude these historical treasure items. This resulted in net unrecognized assets of \$39 million. These adjustments highlight the need for continued monitoring and training on the identification of capital assets at the Commonwealth.

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 that 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

Over the last three fiscal years, departments have attempted to identify and record all capital asset activity. We anticipate that, based on past reconciliation efforts, the amount of unrecognized assets will be minimal going forward. We continue to work with departments to correct this issue.

The departments, in conjunction with CTR will continue to monitor capital asset activity through the normal fixed asset review process which occurs throughout the year. That process includes reconciliation of capital spending to capital asset additions. CTR will also continue to investigate any unusual fixed asset addition and deletion activity.

Responsible Official: B.J. Trivedi, Director, Financial Reporting Bureau, Office of the Comptroller
Michael Rodino, Manager, Financial Reporting Bureau, Office of the Comptroller

Implementation Date: On-going

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Information Technology Division

Change Management - Commonwealth Information Warehouse

Finding Reference: 2012-03

Observation

The Commonwealth Information Warehouse (CIW) data warehouse is comprised of two systems: Informatica and the Netezza appliance. 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 the Information Technology Division (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 proactively 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

It is to be noted that Netezza is an appliance, not an application. ITD completed the process of upgrading the Netezza 10100 appliances to the IBM 101000 Twinfin product (Netezza was acquired by IBM in 2010) and this upgraded appliance now supports auditing.

Responsible Official: Maureen Chew, Chief Application Officer, ITD
Kevin J. Burns, Chief Information Security Office

Implementation Date: November 2012

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

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Department of Transitional Assistance

Supplemental Nutritional Assistance Program (SNAP) (10.551)

Federal Award Number: 8MA400010 **Award Year:** 2012

U.S. Department of Agriculture

Finding Reference: 2012-04

Requirement

The State is required to maintain adequate security over, and documentation/records for, EBT cards (7 CFR section 274.12(h)(3)), to prevent their; theft, embezzlement, loss, damage, destruction; unauthorized transfer, negotiation, or use (7 CFR sections 274.7(b) and 274.11 (c)).

Finding

We selected 3 Temporary Assistance Office (TAO) locations to review the local offices' EBT card issuance signature sheets, which are used to document both the SNAP recipient and a TAO clerk's signature as an acknowledgement of the issuance and receipt of the EBT card.

During our Chelsea visit, through review of the daily binders, we noted 2 instances out of a sample of 15 where the EBT card signature sheets were not initialed by the issuing clerk.

During our Dudley visit, we noted 1 instance out of a sample of 16, where the issuing clerk who initialed the signature sheet was not the same as the individual who was logged into the system.

A similar finding was reported in the prior year single audit report as finding 2011-07.

Recommendation

We recommend the Department of Transitional Assistance institute controls over safeguarding and maintaining EBT card issuance signature sheets as a record and authorization for who distributed and received EBT cards. These signature sheets and having the issuing clerk log into the system are also necessary in assuring a proper inventory of EBT cards is maintained.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

- Transitional Assistance Office management reviews compliance with TAO EBT issuance internal controls to ensure that the EBT Card Log, as well as all other EBT logs, are safeguarded and maintained in a secure manner. At the end of each day staff secures the logs in a specific box to be placed in a secure area. This action is part of the daily and weekly required reconciliation process. Currently, Central Office is revising the written procedures for the "End of the day and/or week EBT Cards reconciliation process" to ensure that documentation related to the issuance and/or reissuance of EBT Cards had been completed, is

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

accurate, and is stored in a safe place, as well as to address the safeguarding of the EBT cards and related supplies.

- The new protocol includes a weekly inventory count procedures to prevent against theft, embezzlement, loss, and unauthorized use.
- During the annual EBT review, the Department will confirm and document that the EBT specific logs are retained in a safe and secure area as certified by the local office manager during daily and weekly reconciliations. Also, Central Office will include procedures in its review process to verify compliance with the new procedures included in the new protocol and require corrective actions as necessary. In case of errors found during a review at a particular TAO, Central Office will within a reasonable time, as necessary, return to that particular TAO and monitor compliance through subsequent reviews; and
- The Department now provides training to new staff regarding the security requirements of the EBT logs (curriculum updated January 2012).

Contact: Etienne Correa, Director of Internal Controls

Implementation Date: March 1, 2013

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Department of Transitional Assistance

Supplemental Nutritional Assistance Program (SNAP) (10.551)

Federal Award Number: 8MA400010 **Award Year:** 2012

U.S. Department of Agriculture

Finding Reference: 2012-05

Requirement

Under federal requirements, the Commonwealth of Massachusetts Department of Transitional Assistance is considered a public assistance agency. As such, it must prepare, submit, and receive approval for a Public Assistance Cost Allocation Plan (PACAP). The PACAP describes the procedures used to identify, measure, and allocate all costs to each of the programs administered by the Department. According to Title 45 of the *Code of Federal Regulations*, Part 95.517 “A State must claim Federal financial participation (FFP) for costs associated with a program only in accordance with its approved cost allocation plan”.

Finding

The Department made Federal Financial participation (FFP) claims based on allocations that were not in accordance with the approved PACAP. Two instances of non-compliance with the PACAP were noted affecting the claims for the quarters ending March 31, 2012 and June 30, 2012. In both instances the random moment time (RMT) sample results for the incorrect quarter were used to allocate costs to the program. Both instances resulted in the Department claiming more costs than if the correct quarter’s RMT sample results had been used.

Recommendation

The Department should implement a reconciliation process to ensure that the allocation statistics entered into the PACAP agree to the source documentation for that quarter.

Questioned Costs

\$215,500 federal financial participation

Views of Responsible Officials and Corrective Actions

The Federal Revenue Unit has revised its Cost Allocation Plan (CAP) claims for Q/E March 2012 and Q/E June 2012. The questioned costs were credited back to the Food and Nutrition Service under the U.S. Department of Agriculture (USDA) accordingly.

The Federal Revenue Unit has implemented a reconciliation process to ensure that the quarterly Random Moment Time Study results are downloaded and reviewed correctly.

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Schedule of Findings and Questioned Costs

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The new process is as follows:

The TANF Analyst will create a quarterly checklist to ensure compliance with the reconciliation procedures including but not limited to:

- Download the quarterly RMTS report.
- Download the monthly RMTS reports.
- Reconcile variances between the reports.
- Review with Assistant Director of Federal Revenue.
- Forward the quarterly RMTS report to the Cost Allocation Plan (CAP) analyst for input and allocation.
- Reconcile the final CAP RMTS allocations to the originally submitted RMTS report.
- Sign off on checklist: Assistant Director of Federal Revenue.

We will also implement a download date on the RMTS reports to ensure data integrity from an RMTS website standpoint.

Contact: Easton Hill, EOHHS Federal Revenue

Implementation Date: Implemented Q/E September 2012.

Projected implementation date for the RMTS date stamp is Q/E June 2013

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Department of Transitional Assistance

Temporary Assistance for Needy Families (TANF) (93.558)

Federal Award Number: 2012G991524 **Award Year:** 2012
2012G996115

U.S. Department of Agriculture

Finding Reference: 2012-06

Requirement

The TANF program is subject to the requirements set forth in 45 CFR Part 92: Uniform administrative requirements for grants and cooperative agreements to State, Local, and Tribal governments. Subsection 92.40(a) states: “(a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and sub-grant supported activities. Grantees must monitor grant and sub-grant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.” Therefore, state agencies must monitor in such a way to confirm that the funds are being used for the stated purpose and that it meets federal requirements. The responsibility for Federal compliance requirements has remained with the Department of Transitional Assistance, as grantee of these funds.

Finding

The Department of Transitional Assistance (DTA or the Department) does not maintain adequate monitoring controls over certain activities of certain state agencies and UMASS to ensure that federally funded TANF expenditures are being expended in accordance with certain Federal compliance requirements such as:

Interdepartment Service Agreement and Memorandum of Understanding

During fiscal 2012, there were significant funds allocated to the Department of Early Education and Care (EEC), Department of Higher Education (DHE), University of Massachusetts (UMASS), and Department of Elementary and Secondary Education (DESE) which were not specifically identified as Federal TANF funds to these parties in an Interdepartmental Service Agreement (ISA) or current Memorandum of Understanding (MOU). The purpose of the ISA or MOU is to set forth the general terms and conditions under which DTA will claim expenditures for certain programs administered for federal TANF reimbursement, or will designate such services for state Maintenance of Effort. However, certain federally funded costs expended by EEC, DHE, UMASS, and DESE for related educational scholarships, programs and services are not specifically identified as Federal TANF funds. In the ISA for UMASS, EEC and DESE, the Project Statement states that “DTA shall designate as TANF expenditures certain state-funded costs expended by either UMASS/EEC/DESE...to the extent such services meet one of the following TANF goals.” For the communication with DHE, neither an MOU or ISA was in effect for fiscal 2012. An MOU was finalized with DHE in August 2012, after the period under audit.

Due to the circumstances described above, agencies or third parties may not realize these expenditures are funded with Federal dollars and may not follow the Federal compliance requirements applicable to the TANF program.

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Year ended June 30, 2012

Administrative Costs

Certain administrative costs for the Department of Higher Education (DHE) were included as scholarship costs when they should have been excluded and considered as potential PCAP costs.

Review of Credits

Program income in the form of credits or refunds of scholarship dollars are received back from the community colleges. The requirement to credit these funds back to the TANF program was not readily known and those credits received in a different fiscal period are not credited back to the TANF program.

Suspension and Debarment

We noted that two (2) contracts from the Department of Early Education and Care did not contain the required suspension and debarment certifications.

Subrecipient Determination

DTA provides TANF funds to DHE which in turn provides those funds to public, private and community colleges in the Commonwealth for scholarships. DTA also provides TANF funds to UMASS for scholarships. DTA nor DHE perform any subrecipient monitoring functions over these entities as they do not consider them to be subrecipients. DTA has not adequately documented its conclusion that the public (including UMASS), private, and community colleges are vendors as opposed to subrecipients.

Recommendation

We recommend that the DTA institute stronger, more formal internal controls over monitoring compliance with the federal TANF regulations. Through DTA, each agency that is receiving federal TANF dollars should be informed of the applicable compliance requirements and monitored on an ongoing basis for compliance.

We further recommend that DTA confer with its cognizant agency to determine whether its subrecipient/vendor determination for entities that receive and pass-through TANF scholarship funds is proper.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

EOHHS/DTA plans to institute stronger, more formal internal controls over monitoring compliance with the federal TANF regulations. Each agency that is receiving federal TANF dollars will be informed of the applicable compliance requirements and monitored on an ongoing basis for compliance. DTA/EHS has hired a vendor to assist in developing a monitoring plan, including annual visits to agencies that receive TANF funds, and monitoring of the agency's TANF spending and spending controls.

ISA/MOE TANF Designation: EOHHS/DTA worked very diligently with our lawyers to accurately reflect the correct language in the ISA or MOU when the documents were created. EOHHS/DTA will review all our

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ISA's/MOU's and Project Statements to ensure that they clearly indicate the federal TANF program designation, where necessary.

Administrative Costs: Through the changes made to strengthen its internal controls and communication with agencies DTA/EHS will better monitor the classification of the different costs to run its programs. DTA/EHS will verify compliance during its monitoring of the agencies.

Review of Credits: Credits from the Department of Higher Education's scholarships program to the general fund for SFY 2011 totaled \$65.6K. In November 2012 (for SFY 12) the credits totaled only \$124.38. EOHHS and DTA will work to incorporate credits in our quarterly claim calculation.

Suspension and Debarment: EOHHS and DTA will confirm that agencies to include these certifications in their contracts.

Sub-recipient Determination: EOHHS/DTA will document our conclusions on sub-recipient monitoring and work with our cognizant agency to weigh in on our determination.

Contact: Easton Hill, EOHHS Federal Revenue

Implementation Date: Projected implementation date, July 2013

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Year ended June 30, 2012

Department of Public Health

Special Supplemental Nutrition Program for Women, Infants and Children (10.557)

Federal Award Number: 4MA700702 **Award Year:** 2012

U.S. Department of Agriculture

Finding Reference: 2012-07

Requirement

In accordance with 2 CFR sections 215.28 and 215.71, where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period.

Finding

Expenditures for Food Instruments (FI's) must be charged to the WIC Program within the grant award period in which the FI was issued. We tested 20 FI's for the period of availability and we noted one transaction where the WIC program charged the 2011 grant award (period ending September 30, 2011) for costs with a service date of October 6, 2011.

Recommendation

The Department should develop internal control procedures that will ensure the FI's are properly allocated to the proper grant year based on the FI date issued. The process should include the review of all payments that will extend beyond the end of the current grant award period and the beginning of the next grant award period.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

MA DPH accepts the recommendation and DPH WIC will develop a procedure for the Program Managers/Fiscal staff/IT Staff to run weekly expenditure reports to review and ensure that expenses are properly allocated to the grant periods and to make the necessary adjustments to the appropriations and subaccounts.

Contact: Beverly Andrew, Director of Fiscal Units

Implementation Date: October 1, 2012

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Year ended June 30, 2012

Department of Public Health

Special Supplemental Nutrition Program for Women, Infants and Children (10.557)

Federal Award Number: 4MA700702 **Award Year:** 2012

U.S. Department of Agriculture

Finding Reference: 2012-08

Requirement

The Women, Infants, & Children program (WIC) contracts with third-party banks for processing and reconciling the FIs (Food Instruments). Daily Activity Reports of the FI payments is produced by the third-party banks and emailed to WIC's accountant who reviews and approves the report and submits the report to the DPH accounting department with the proper appropriation code (state, federal, spend-forward or rebate) for processing and payment.

Finding

We tested 20 expenditure transactions for approval before processing by DPH for payment. We noted that the WIC department was not able to provide support of the email that is sent from the WIC department to the DPH accounting department for two transactions.

Recommendation

The Department should develop internal control procedures to ensure that the supporting documentation of the WIC emails received from the bank and forwarded to the accounting department are properly filed to support the approval process.

Questioned Costs

Not applicable

Views of Responsible Officials and Corrective Action

MA DPH accepts the recommendation and DPH WIC will develop a procedure and train the Fiscal Staff to print out the email from the third-party Bank along with the attached funding request document called, Commonwealth of Massachusetts WIC Daily Funding, as a proof that the daily funding request was received and reviewed before being sent to the DPH accounting office for processing.

Contact: Beverly Andrew, Director of Fiscal Units

Implementation Date: October 1, 2012

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Year ended June 30, 2012

Department of Public Health

Immunization Cluster (93.268/93.712)

Federal Award Number:	5H23IP122540-10	Award Year:	2012
	5H23IP122540-09		
	3H23IP122540-07S1		2011

U.S. Department of Health and Human Services

Finding Reference: 2012-09

Requirement

A record of vaccine administered shall be made in each person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) (42 USC 300aa-25) which includes:

- a) Date of administration of the vaccine;
- b) Vaccine manufacturer and lot number of the vaccine; and
- c) Name and address and, if appropriate, the title of the health care provider administering the vaccine.

Finding

To acquire or reinstate a provider that administers vaccines, the Department will have the provider complete a Provider Enrollment Form which the medical director is required to signed and along with the provider site number. This form contractually obligates the provider to comply with State and Federal requirements. To ensure that the agreement is begin followed the Department conducts vaccine provider assessments each year to determine among other items if the provider is recording the administering of the vaccines appropriately.

During our audit, one of the 25 items that was selected did not have a completed sign off on the Provider Enrollment Form by the Medical Director, as it did not include their Vaccine Provider Site Number as a part of the signature, as required.

Recommendation

The Department should develop and implement procedures to review of the Provider Enrollment Form to ensure that the complete signature is provided on the form to ensure compliance with the requirements.

Questioned Costs

Not applicable

Views of Responsible Officials and Corrective Actions

MA DPH accepts the recommendation and DPH Immunization Program will follow their internal control procedures to ensure that VFC provider enrollment forms are properly signed with inclusion of the provider site number.

Contact: Ceci Dunn, Director of Operations, Bureau of Infectious Disease

Implementation Date: October 1, 2012

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Department of Public Health

Immunization Cluster (92.368/93.712)

Federal Award Number:	5H23IP122540-10	Award Year:	2012
	5H23IP122540-09		
	3H23IP122540-07S1		2011

U.S. Department of Health and Human Services

Finding Reference: 2012-10

Requirement

In accordance with 2 CFR 225 Appendix B 8 (h) (4), where an employee works on multiple activities, a distribution of their salaries or wages will be supported by personnel activity reports. Personnel activity reports or equivalent documentation must meet the following standards:

- a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- b) They must account for the total activity for which each employee is compensated,
- c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- d) They must be signed by the employee.
- e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - i. The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed
 - ii. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than 10%; and
 - iii. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Finding

During our audit, we noted one employee whose time was allocated 50% of the Immunization Program. The 50% allocation was pre-populated on their timesheet in what appears to be more of an estimate of labor distribution rather than an after-the-fact distribution of actual activity. Management was not able to produce any reconciling information to support the 50% rate used.

We understand that management routinely uses the same estimation process for other split-funded employees at the Department which could impact other Federal programs in addition to the Immunization program.

A similar finding was reported in the prior year single audit report as finding 2011-37.

Recommendation

The Department should develop internal controls to substantiate its budgetary estimates or other distribution percentages when allocation split-funded employees to all Federal programs it administers. The Department

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should consider the guidance in 2 CFR 225 Appendix B8 (h) (5) (e) (I through iii) in developing those internal controls.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

MA DPH accepts the recommendation to strengthen activity reporting for positions that are funded with federal dollars. We have developed a system that requires employees that work on multiple activities, from different federal sources, to demonstrate their distribution of time supported by personnel activity reports. This system was put into place on July 1, 2012. These reports are required to be completed every two weeks and will coincide with the applicable pay period. The activity report is an after the fact determination of time expended by employees identified as doing different activities from different federal sources. These forms will be signed by the individual employee and a supervisory official having firsthand knowledge of the activity performed by the employee.

Contact: Carol E. Foltz, Chief Financial Officer
Debra Lambert, Deputy Budget Director

Implementation Date: July 1, 2012

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Department of Health

Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Federal Award Number:	3B08T1010023-10	Award Year:	2012
	3B08T1010023-11		
	3B08T1010023-112		2011

U.S. Department of Health and Human Services

Finding Reference: 2012-11

Requirement

The Department's system of internal control over payroll requires that an employee document their hours worked on daily attendance sheets, which are reviewed and approved by a unit supervisor. Daily attendance sheets are summarized onto a departmental time log which is reviewed and approved by the department head prior to submission.

Finding

We selected 25 employees, which represented 25 pay periods throughout the year and as noted the prior year, the unit supervisor did not document his/her approval for two employees; one during the pay period ending December 31, 2011, and one during the pay period ending July 16, 2011.

A similar finding was reported in the prior year single audit report as finding 2011-40.

Recommendation

We recommend that the Department adhere to its policies and procedures when processing payroll, if necessary, additional training should be required to ensure that its policies are adequately enforced.

Questioned Costs

Not applicable

Views of Responsible Officials and Corrective Action

MA DPH accepts the recommendation and DPH BSAS will develop and reinforce the following internal procedures:

- Personnel that are allocated to the SAPT Block Grant are required to send signed timesheets and time logs to their supervisor every Thursday.
- Personnel that do not work directly for the Bureau of Substance Abuse Services must forward a copy of their signed timesheets to the BSAS Director of Administration of Finance every Thursday. The Director of A&F will review the timesheets and make sure these are signed and in compliance with internal controls.
- BSAS will continue to comply with the Budget Office quarterly time sheet and time log checks.

Contact: Charles A. Whiteman, Director of Admin and Finance

Implementation Date: October 1, 2012

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Department of Public Health

Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Federal Award Number:	3B08T1010023-10	Award Year:	2012
	3B08T1010023-11		
	3B08T1010023-112		2011

U.S. Department of Health and Human Services

Finding Reference: 2012-12

Requirement

In accordance with 2 CFR 225 Appendix B 8 (h) (4), where an employee works on multiple activities, a distribution of their salaries or wages will be supported by personnel activity reports. Personnel activity reports or equivalent documentation must meet the following standards:

- a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- b) They must account for the total activity for which each employee is compensated,
- c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- d) They must be signed by the employee.
- e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - i. The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed
 - ii. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than 10%; and
 - iii. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Finding

We selected 25 employees which represented 25 pay periods throughout the year and noted that one employee was allocated 50% to the SAPT program, which was based on a certification signed by the employee and their supervisor. The certification appeared to be an estimate of the labor distribution rather than an after the fact distribution of the actual activity. Management was not able to support the 50% allocation in support of the certification.

Recommendation

The Department should develop internal controls to substantiate its budgetary estimates or other distribution percentages when allocation split-funded employees to all Federal programs it administers. The Department should consider the guidance in 2 CFR 225 Appendix B8 (h) (5) (e) (I through iii) in developing those internal controls.

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Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

MA DPH accepts the recommendation to strengthen activity reporting for positions that are funded with federal dollars. We have developed a system that requires employees that work on multiple activities, from different federal sources, to demonstrate their distribution of time supported by personnel activity reports. This system was put into place on July 1, 2012. These reports are required to be completed every two weeks and will coincide with the applicable pay period. The activity report is an after the fact determination of time expended by employees identified as doing different activities from different federal sources. These forms will be signed by the individual employee and a supervisory official having firsthand knowledge of the activity performed by the employee.

Contact: Carol E. Foltz, Chief Financial Officer
Debra Lambert, Deputy Budget Director

Implementation Date: July 1, 2012

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State Military Department

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

Federal Award Number: W912SV 11 2 1001 **Award Year:** 2012

U.S. Department of Defense

Finding Reference: 2012-13

Requirement

Personnel files are required to be maintained for all employees. Some of the key documents to be included in each file in accordance with the Commonwealth Of Massachusetts Human Resources Division's Checklist for New Employee Orientation are as follows: the employees' resume/application, reference checks, documentation of work status, form W-4 and a form I-9, documented in a separate binder, on their first day of employment.

Finding

During our audit we selected twenty-five (25) employees for employee file testing and noted that four (4) employee files resulted in exceptions. One (1) file improperly contained the form I-9, and three (3) files did not have a form I-9 available for review. The absence of key employment documentation within personnel files does not provide for adequate assurance that payroll files are complete and accurate.

Recommendation

Procedures should be implemented to ensure that employee files are complete and contain the necessary documents.

Questioned Costs

Not applicable

Views of Responsible Officials and Corrective Actions

The Military Division will do an internal review of the personnel files to ensure they are complete and contain the necessary documentation.

Contact: Jeanne Spadorcia, Grants Manager

Implementation Date: March 1, 2013

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State Military Department

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

Federal Award Number: W912SV 11 2 1001 **Award Year:** 2012

U.S. Department of Defense

Finding Reference: 2012-14

Requirement

2 CFR Part 225 Appendix B 8(h)(1) indicates that 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.

Finding

During our audit we selected twenty-five (25) employees for the biweekly payroll period ended February 11, 2012 and noted that three (3) employees did not have proper supervisory signatures on their timesheets. 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 worked on a program.

A similar finding was reported in the prior year single audit report as finding 2011-10.

Recommendation

Procedures should be implemented to ensure the supervisors are reviewing and approving employee timecards on a biweekly basis.

Questioned Costs

Not applicable

Views of Responsible Officials and Corrective Actions

Effective January 27th, 2013, the Military Division began using the Self Service Time and Attendance System for time reporting and approval. Time will be reviewed and approved on line, eliminating the need for manual signatures. An employee will not be compensated without this approval.

Contact: Jeanne Spadorcia, Grants Manager

Implementation Date: March 1, 2013

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State Military Department

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

Federal Award Number: W912SV 11 2 1001 **Award Year:** 2012

U.S. Department of Defense

Finding Reference: 2012-15

Requirement

A physical inventory of the property was taken and the results reconciled with the previous grantee property records reported to the grantor (National Guard Regulation 5-1 Chapter 8-2(c)(2) Equipment Use, Accountability and Disposition).

Finding

During our audit, we obtained the June 30, 2012 final inventory listing and noted that it had not been updated for fiscal 2012 activity. Failure to maintain proper inventory records does not adequately safeguard against loss or theft of valuable assets.

A similar finding was reported in the prior year single audit report as finding 2011-11.

Recommendation

We recommend that procedures be implemented to ensure the inventory list is properly maintained. This includes updating the listing for any new purchases in addition to reviewing the listing for items taken out of service.

Questioned Costs

Not applicable

Views of Responsible Officials and Corrective Actions

The Military Division has completed a DRAFT Inventory Control Plan and will coordinate with key staff to implement the plan accordingly.

Contact: Jeanne Spadorcia, Grants Manager

Implementation Date: June 1, 2013

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Year ended June 30, 2012

Department of Transportation

Highway Planning and Construction Cluster (20.205/20.219)

Federal Award Number: Various **Award Year:** Various

U.S. Department of Transportation

Finding Reference: 2012-16

Requirement

According to 29 CFR 5.5, contractors shall submit weekly for each week in which any contract work is performed a copy of all payrolls accompanied by a statement of compliance signed by the contractor or subcontractor.

Finding

For 2 of the 50 weeks selected for testwork, MassDOT did not have the certified payroll and signed statement of compliance on file.

Recommendation

MassDOT should implement a process to ensure that all certified payrolls and signed statements of compliance are obtained from contractors and subcontractors and properly maintained.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Highway Division continues to develop electronic tools to assist in meeting the requirements of Davis-Bacon.

The software package, EBO, which allows contractors to file their certified payroll information electronically, is in use. This program allows the payroll information to be viewed electronically, after the Contractors enter the data, but it is not yet fully programmed to replace the required paper copies of the payrolls. As a result, the less reliable collection of paper copies is still required. The Highway Division is working towards full capabilities within EBO to eliminate the need for paper copies of the certified payrolls. [Note: The finding cites the lack of paper copies of the payrolls. It is unclear whether the payroll information was entered into EBO for the subject periods.]

In addition, the Highway Division is developing a new database that will consolidate all of the existing construction databases. A new feature will be added to the computer application used by the construction staff to process Contractor pay estimates. The new feature will require that the Resident Engineer verify, by answering a question in the program, that certified payrolls have been received before the pay estimate can be completed. This control will be implemented when EBO is fully implemented and as allowed by the development of the larger system consolidation.

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Schedule of Findings and Questioned Costs

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

Contact: Michael A. McGrath, Deputy Chief Engineer for Construction

Implementation Date: February 7, 2013

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Year ended June 30, 2012

Department of Education

State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (84.395)

Federal Award Number: 5395A100058 **Award Year:** 2012

U.S. Department of Education

Finding Reference: 2012-17

Requirement

According to 2 CFR 215.43, the State is required to conduct procurements in a manner that promotes open and free competition to the maximum extent practicable.

Finding

We selected a sample of 10 procurements to review the evaluation of vendors responding to the solicitation which is used to determine the winning bidder for the procurement.

During our testing, the Department of Education (DOE) was unable to provide evaluation of vendors responding to the solicitation for two of the selections. DOE staff noted a vendor was selected from the State's pre-approved vendor list instead of instituting a competitive bidding process.

Recommendation

We recommend the Department of Education institute internal controls over the procurement process to ensure a competitive bidding process and compliance with 2 CFR 215.43.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

The two contracts in question were continued in FY12 on a one-time basis only to ensure the continuity of critical professional development and wraparound school zone support for local education authority staff.

The Department has proper internal controls to ensure compliance with federal and state procurement laws and regulations; and continues to exercise proper diligence in all of its procurement activities.

Contact: William Bell, CFO, Department of Elementary and Secondary Education

Implementation Date: Proper procurement process is already implemented within the Department.

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Department of Children and Families

Foster Care Title IV-E (93.658)

Federal Award Number:	1101MA1401	Award Year:	2011-2012
	1201MA1401		
	1101MA1404		

Adoption Assistance Title VI-E (93.659)

Federal Award Number:	1101MA1405	Award Year:	2011-2012
	1201MA1405		
	1101MA1407		
	1201MA1407		

U.S. Department of Health and Human Services

Finding Reference: 2012-18

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 referenced federal programs above, the Department was unable to provide a timesheet for 2 out of 80 individuals tested. Additionally, the Department requires its managers to review the weekly timesheet and create an exception report, which notes any deviations from the standard 37.5 regular hours worked, prior to paying individuals. As an internal control over the accuracy of the leave records, the weekly timesheet and exception report must be approved by a manager. For 3 of the 80 individuals tested, an exception report was not approved by a manager in a timely fashion. For an additional 5 of the remaining 78 time sheets obtained, the timesheet was not approved by a manager. Questioned costs could not be readily determined for these exceptions 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.

A similar finding was included in the prior year single audit report as finding number 2011-42.

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.

Questioned Costs

Not determinable

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Views of Responsible Officials and Corrective Actions

MA DCF acknowledges that it was unable to provide a timesheet for 2 out of 80 individuals tested and that for 5 of the remaining 78 time sheets obtained, the timesheet was not approved by a manager. MA DCF also recognizes that, a weekly attendance exception report was not approved by a manager in a timely fashion for 3 of the 80 individuals tested.

This finding is a repeat of areas found to be deficient as cited in the FY10 & FY11 Single State audits. Most field offices took actions during the course of FY12 to improve time and attendance reporting as a result of:

- Continued guidance stressing the importance of documenting time/attendance. This included notification to all Supervisory and Managerial staff that timesheets must be reviewed and signed by appropriate Supervisor and retained on site for review. It also stressed that completed weekly attendance (exception) reports must be approved and/or signed by an authorized office manager with a hard copy kept in a secure location with unit timesheets attached
- An internal audit of randomly selected time and attendance records that was conducted in April 2012.

Corrective Action:

DCF implemented the Commonwealth's Self Service Time and Attendance (SSTA) application on July 18, 2012. Prior DCF findings pertaining to missing timesheets and unsigned attendance reports should be eliminated through agency-wide use of SSTA.

SSTA is the first of several components of the Human Resources Division's (HRD) Mass-HR initiative. SSTA allows all DCF employees to complete HR activities including time reporting and viewing leave balance online, 24/7. SSTA gives each employee (and his/her supervisor) responsibility for reporting and approving time. In order for an employee to be paid, employees must access SSTA to submit a timesheet each week. Supervisors and/or Managers must then approve timesheets received from employees assigned to them on SSTA.

DCF preparations for the roll-out of SSTA began in May 2012. Mass-HR delivered standardized learning and development programs to DCF. All DCF employees were encouraged to participate in available trainings so that the significance, knowledge, and skills required to make the application successful were understood. All DCF staff received weekly reminders about online and classroom trainings beginning in early May. More frequent reminders occurred in June - continuing until SSTA went live on July 18, 2012.

Contact: Barry Kroening, Administrative Manager for Internal Control and Audits

Implementation Date: SSTA live date July 18, 2012

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Year ended June 30, 2012

Executive Office of Health and Human Services

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

Federal Award Number: 75X0512 Award Year: 2012

U.S. Department of Health and Human Services

Finding Reference: 2012-19

Requirement

There are specific requirements that must be followed to ensure that individuals meet the financial and categorical requirements for Medicaid/CHIP. These include that the State or its designee shall re-determine the eligibility of Medicaid/CHIP 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 65 program participants receiving benefits from the Children Health Insurance 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 and/or re-determine the eligibility of program recipients that turned 19 during the year. In our selection of 65 program participants we noted that the re-determination for one participant that turned 19 during the year was not performed.

A similar finding was reported in the prior year single audit report as finding 2011-44.

Recommendation

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

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

The state identified a defect in the profile selection logic in which, in very rare instances, the head of household is a Care-Taker not receiving benefits and therefore not eligible for annual review. Because the member(s) in the household is in a different family group the profile logic was not selecting the family group belonging to the members.

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Year ended June 30, 2012

On October 19, 2012, IT systems moved a revised profile selection logic into production and confirmation was received validating that this issue has been resolved for future profiles of this type.

Contact: Joseph Sousa, Director, Intergraded MassHealth Enrollment Center

Implementation Date: December 1, 2012

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Executive Office of Health and Human Services

Medical Assistance Program (93.778)

Federal Award Number: 75X0512 **Award Year:** 2012

U.S. Department of Health and Human Services

Finding Reference: 2012-20

Requirement

The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10).

Finding

During our testwork, we selected 65 member files. For one of the files selected, no member file existed as it was later determined that this particular file was under investigation by the Bureau of Special Investigation as a potential fraudulently prepared file by one of its Benefit Eligibility and Referral Social Workers. For the year ended June 30, 2012, a total of approximately \$1,678 of federal funds were paid related to this file.

Recommendation

We recommend that the Executive Office adhere to all state requirements to internally report employee misconduct as well as report any adjustments for any ineligible costs identified at the conclusion of its investigation for this particular file or any other files identified to have been fraudulently prepared by this employee.

Questioned Costs

\$1,678

Views of Responsible Officials and Corrective Actions

Upon discovery the agency took prompt action to minimize further risk and in the process the employee associated with the misconduct resigned. The agency reported the misconduct to the Office of the State Auditor's Bureau of Special Investigation and investigations on all related member cases continue.

To mitigate future risk the MassHealth agency is putting in place the following internal controls and policies. While some controls can be implemented in a short period of time others require systems enhancements and or the Health Insurance Exchange/Integrated Eligibility System (HIX-IES) Phase I deployment and the creation of a segregated quality assurance unit. MassHealth is in the process of hiring the staff for this unit.

1. Develop a clear internal protocol to report suspected employee misconduct to the Program Integrity Unit Director. Target implementation date January 31, 2013.
2. The agency will take action to suspend access to mainframe eligibility systems for anyone on Family Medical Leave Approved for more than two weeks. Target implementation date January 31, 2013.

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Year ended June 30, 2012

3. Propose the inclusion of language in our next labor contract, anticipated to go into effect January 2014, to record 100% of eligibility worker calls from members and in a real time basis monitor member calls and randomly sample such encounters for quality assurance. Target implementation date February 1, 2014.
4. The creation of a shared Customer Relationship Management (CRM) System for MassHealth Eligibility Operations and Customer Services to document member encounters. Propose functionality within Phase I of the Health Insurance Exchange/Integrated Eligibility System build to associate such encounters with the actions a worker took in the HIX/IES and mainframe eligibility systems. Target implementation date January 1, 2014.
5. The creation of an Eligibility Quality Assurance (EQA) Unit that regularly reviews a random sample of eligibility work processed by eligibility workers and indexed by clerical staff to identify quality assurance and potential discrepancies. Target implementation date July 1, 2013.
6. Request quarterly eligibility systems reports that show systems transactions by a user with 2 or more transactions in a case over a 24 month period. The report will be reviewed by the Quality Assurance staff to determine if the actions are supported by documentation or recorded member encounters. If not the case will be reported to the Program Integrity Unit for further investigation. Implementation is dependent on the HIX target date January 2, 2014.

Contact: Joseph Sousa, Director, Integrated MassHealth Enrollment Centers

Implementation Date: SFYs 2013 & 2014

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Executive Office of Health and Human Services

Medical Assistance Program (93.778)

Federal Award Number: 75X0512 **Award Year:** 2012

U.S. Department of Health and Human Services

Finding Reference: 2012-21

Requirement

Funds can only be used for Medicaid benefit payments (as specified in the State plan, Federal regulations, or an approved waiver), expenditures for administration and training, expenditures for the State Survey and Certification Program, and expenditures for State Medicaid Fraud Control Units (42 CFR sections 435.10, 440.210, 440.220, and 440.180).

Finding

During our testwork, we selected 65 claims for participants receiving benefits from the Medicaid Assistance program. For one pharmacy claim, we noted that MassHealth paid the maximum co-pay amount allowed (\$50.00) rather than the actual amount of the claim submitted (\$46.29).

Recommendation

We recommend that the Executive Office review its system edit checks to determine if this is an isolated instance or a systemic programming issue. Regardless of the system determination, the Executive Office should consider additional manual controls to ensure that all its claims payments are accurate.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

During the audit, following identification of this finding, subsequent investigation determined that a subset of pharmacy claims, where MassHealth was the secondary payer, were not adjudicated at the correct amount. MassHealth billing regulations at 130 CMR 450.317 Third-Party Liability: Payment Limitations on Claim Submissions state:

- (a) Subject to compliance with all conditions of payment, for members who have health insurance in addition to MassHealth, the MassHealth agency's liability is the lesser of:
 - (1) the member's liability, including coinsurance, deductibles, and co-payments; or
 - (2) the provider's charges or maximum allowable amount payable under the MassHealth agency's payment methodology, whichever is less, minus the insurance payments.

It was determined that a pricing algorithm was overlooking the providers' charge when pricing certain third party liability (TPL) claims. This defect occurred in the pharmacy on-line processing system (POPS) on or around

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April 4, 2007 when a change order request (COR) was implemented that concerned TPL billing. A new COR to correct this pricing issue was implemented in POPS on December 15, 2012.

During the investigation it was determined that as of October 31, 2012 there were 391,325 affected claims with a gross overpayment \$2,049,195 (Federal share: \$1,024,597). The pharmacy unit will conduct a final review of claims through the implementation of the systems edit (December 15, 2012) to assure full identification of all related overpayments and federal share.

Contact: Vic Vangel, Pharmacy Manager, Pharmacy Program Unit Operations

Implementation Date: December 15, 2012

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Year ended June 30, 2012

Executive Office of Health and Human Services

Medical Assistance Program (93.778)

Federal Award Number: 75X0518 **Award Year:** 2012

U.S. Department of Health and Human Services

Finding Reference: 2012-22

Requirement

The A-102 Common Rule require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objectives of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs), as found in §____.105 of OMB Circular A-133, include providing reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.

Finding

The Massachusetts Executive Office of Health and Human Services (EOHHS or the Executive Office) began implementing the Medicaid Electronic Health Record (EHR) Incentive Payment Program in FY 2012. The Executive Office has entered into interdepartmental service agreements (ISAs) with the Massachusetts eHealth Institute (MEHI) and the University of Massachusetts Provider Compliance Unit (PCU) to administer key components of the program, including verification of the allowability and accuracy of incentive payments made to the eligible professionals and eligible hospitals participating in the program. While the Commonwealth has several monitoring controls in place to oversee the activities performed by MEHI and PCU, most of those controls are not performed regularly or are not properly documented or inconsistently documented.

Recommendation

We recommend the Executive Office conduct a risk assessment of the activities related to administering these incentive payments. Such an assessment should focus on activities contracted out through ISA's as well as activities performed by EOHHS management and or the collaboration of states that assist in administering these incentive payments. The result of the risk assessment should be a set of documented controls including who performs them and the frequency of the controls.

Questioned Costs

Not applicable

Views of Responsible Officials and Corrective Actions

The Executive Office of Health and Human Services/MassHealth implemented the Electronic Health Record (EHR) Incentive Payment Program with close and careful guidance from the Centers for Medicare and Medicaid Services (CMS), the agency that regulates and funds this program. As part of this guidance, CMS approved all plans and procedures put in place by MassHealth. The approved plans include increased and improved efforts around monitoring controls, contractor oversight, and documentation as the program progresses into FY 2014.

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Year ended June 30, 2012

The findings by the auditor are consistent with the direction of the agency. MassHealth agrees with the findings and the need for a risk assessment and the resulting controls and documentation.

Contact: Corbin Petro, Chief Operating Officer, MassHealth

Implementation Date: Fall 2013

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Massachusetts Emergency Management Agency (MEMA)

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Federal Award Number: Various **Award Year:** Various

US Department of Homeland Security

Finding Reference: 2012-23

Requirement

The Federal Funding Accountability and Transparency Act (FFATA), requires grant and cooperative agreement recipients and contractors to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report certain subaward data through FSRS.

For grants and cooperative agreements, the effective date was October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date.

Finding

During fiscal 2012, the Massachusetts Emergency Management Agency (MEMA) was subject to the FFATA reporting requirements however did not demonstrate a “good faith effort” to comply with the FFATA reporting requirements. MEMA indicated they were not aware of the requirements and as such did not attempt to report such awards subject to FFATA nor were they able to provide documentation that they attempted to report such awards subject to FFATA.

Recommendation

We recommend MEMA designate an individual to be responsible for FFATA reporting. In addition, MEMA should put procedures in place to track reporting deadlines and ensure all federal reports are submitted timely and accurately.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

Implementation of FFATA requirements has lagged across many federal and state grant programs. MEMA has acted quickly to address this finding and to conduct its grant programs to meet all FFATA requirements. MEMA has developed language to be included in all Public Assistance contracts alerting subrecipients to FFATA requirements and will include a standard subrecipient reporting form with all contract documentation. MEMA will verify compliance and report required information on a monthly basis.

Contact: David Mahr, Chief Fiscal Officer

Implementation Date: Effective immediately

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Massachusetts Emergency Management Agency (MEMA)

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Federal Award Number: **Various** **Award Year:** **Various**

US Department of Homeland Security

Finding Reference: **2012-24**

Requirement

OMB Circular A-133 Subpart D part 400(d) and (e) require pass through entities to ensure each subrecipient expending more than \$500,000 in a fiscal year obtain an A-133 audit, and if findings related to the pass-through entity's program, a management decision should be issued by the pass through entity within 6 months of obtaining the subrecipient's audit report.

Finding

During our testing of subrecipient monitoring, we noted that while MEMA does perform other subrecipient monitoring procedures during the award, the agency is not collecting the A-133 audit results of its subrecipients. For the 25 subrecipients tested, we reviewed the Federal Audit Clearinghouse results for the most recent audit submitted, and noted there was one that had a finding related to CFDA 97.036.

Recommendation

We recommend the agency develop policies and procedures to monitor the A-133 audit results of its subrecipients. This can be done through reviewing the Federal Audit Clearinghouse, obtaining certifications from subrecipients as to whether they have findings in a given year, and obtaining A-133 reports. Once the reports are obtained, we recommend MEMA issue the required management's decision on those entities for which there were findings related to MEMA-funded programs.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MEMA, in conjunction with FEMA, closely monitors project spending for awards under the Public Assistance program. Funds are awarded for specific projects in specific categories of defined work. MEMA monitors project performance. Prior to payment of the federal reimbursement, MEMA conducts a thorough review of all expenditures to ensure they are eligible under the approved project and category of work, are documented, and meet all state and federal requirements. This level of oversight provides MEMA and FEMA assurances that subrecipient spending is monitored throughout the life of a project.

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Year ended June 30, 2012

MEMA has implemented procedures for the collection and review of subrecipient monitoring information specifically related to A-133 audits. Language has been added to all Public Assistance contracts notifying subrecipients of their A-133 obligations, that any audit reports must be sent to MEMA, that MEMA will issue management decisions for any findings directly related to or otherwise impacting MEMA programs. An A-133 certification form will be provided to all subrecipients that must be completed before Public Assistance contracts are issued.

Contact: David Mahr, Chief Fiscal Officer

Implementation Date: Effective immediately

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

(Not Covered by Auditors' Reports)



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**Commonwealth of Massachusetts
Summary Schedule of Prior Year Audit Findings
FY 2012**

The attached summary schedule of prior year findings (Schedule) lists the finding reference, CFDA #, state agency, program and description for the 45 findings included in the fiscal year 2011 Single Audit Report. It also lists the status of any other prior year finding whose corrective action plan has not been fully implemented. The Schedule indicates “fully” if the corrective action plan (CAP) was fully implemented, “partially” if the CAP was not fully implemented and “not implemented” if not implemented at all. If not fully implemented, an updated CAP is included.

14 of the 45 findings occurred at Commonwealth institutions of higher education. Beginning with fiscal 2012, the State Universities and Community Colleges began issuing their own Office of Management and Budget (OMB) Circular A-133 reports. In this report, readers are referred to each institution’s A-133 report for the status of the corrective action plans related to the fiscal year 2011 findings.

Prior year findings that no longer warrant further action in accordance with OMB Circular A-133 section 315(b)(4) have been excluded from the Schedule.

COMMONWEALTH OF MASSACHUSETTS
Schedule of Prior Year Findings
Year ended June 30, 2012

Finding Reference	CFDA #	Agency	Program(s)	Description/ Summary	Implementation Status	Corrective Action Plan
2011-01		OSC	State	Timeliness of Closing Process	Fully	
2011-02		OSC	State	Reporting of the Commonwealth's Fiduciary Funds	Partially	See finding 2012-01
2011-03 & 2010-01		OSC	State	Fixed Asset Additions and Disposals	Partially	See finding 2012-02
2011-04 & 2010-05		GIC	State	Post-Employment Benefits Accrual	Partially	See MLC 2012-13
2011-05 & 2010-06		EHS	State	Access Privileges	Fully	
2011-06 & 2010-07		ITD	State	Change Management- CIW	Partially	See finding 2012-03
2011-07	10.551	DTA	SNAP	The TAO staff was unable to locate and provide the EBT card issuance signature sheets for the period July 1, 2010 to January 31, 2011.	Partially	See finding 2012-04
2011-08	10.551	DTA	SNAP	The households received ineligible SNAP benefits after the eligibility period had ended but before the household was recertified and approved for their next eligibility period.	Fully	
2011-09	93.558	DTA	TANF	3 of 40 recipients tested had dependents removed from the home for >120 consecutive days, yet they remained active and received benefits after the 120 days. Also, as part of the periodic data matching between DTA and DCF, DCF did not respond timely in one instance and not at all for the other two instances.	Fully	
2011-10	12.401	MIL	National Guard Military O&M Projects	The absence of a payroll supervisor's signature does not provide for adequate assurance that payroll expenditures are accurate and valid and that the program is being charged only for the actual time an employee worked on a program	Partially	See finding 2012-14
2011-11	12.401	MIL	National Guard Military O&M Projects	We obtained the June 30, 2011 final inventory listing and noted that it had not been updated for fiscal 2011 activity. Failure to maintain proper inventory records does not adequately safeguard against loss or theft of valuable assets	Partially	See finding 2012-15
2011-12	17.225	EOL	Unemployment Insurance	For 1 out of 25 employers selected, the experience-related tax rate was calculated incorrectly.	Fully	
2011-13	17.258, 17.259, 17.277, 17.278	EOL	WIA Cluster and NEG's	EOL did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements.	Fully	
2011-14	81.042	OCD	Weatherization Assistance for Low-Income Persons	Per review of the Department of Housing and Community Development's (DHCD) grant management practices disclosed that balances of available WAP funds are not reconciled to MMARS. 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	Fully	
2011-15 & 2010-11	93.568	OCD	LIHEAP	Cash drawdown reconciliations are not being done	Fully	
2011-16 & 2010-28	84.126, 84.390	MRC	Vocational Rehabilitation Grants to States	Inaccurate SF- 269, and SF- 425 Reports	Fully	
2011-17 & 2010-30	84.126, 84.390	MRC	Vocational Rehabilitation Grants to States	Internal controls over supervisory review of employee attendance records needs improvement - not all employee timesheets were reviewed and approved by the employees' supervisor	Fully	
2011-18	84.126, 84.390	MRC	Vocational Rehabilitation Grants to States	Annual Inventory in MMARS was not fully updated for all physical equipment at the locations - no reconciliation of the fixed asset inventory against the books and records maintained by the dept, either on the FA subsystem or other documented records.	Fully	
2011-19	84.126, 84.390	MRC	Vocational Rehabilitation Grants to States	4 of 25 eligibility cases were not determined within 60 days of the date of the clients applications. W/O adequate IC, the MRC will continue to be exposed to the risk that its MRCIS client database contains inaccurate client information that will impede management's ability to effectively monitor area office compliance with federal and state regulations.	Fully	

COMMONWEALTH OF MASSACHUSETTS
Schedule of Prior Year Findings
Year ended June 30, 2012

Finding Reference	CFDA #	Agency	Program(s)	Description/ Summary	Implementation Status	Corrective Action Plan
2011-20	84.033	Fitchburg State University	Federal Work Study	Student's Federal Work Study hours were not properly documented	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-21	84.268	Fitchburg State University	Federal Direct Loans	Although FSC have policies and procedures for the submission of student enrollment data to the NSLDS, it doesn't have adequate IC to ensure that all information is being reported and in a timely manner.	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-22	84.268	Framingham State University	Federal Direct Loans	FRC did not establish a transmission schedule with NSC that ensured enrollment info was being received by the NSLDS in a timely manner.	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-23	84.268, 84.038, 84.379	Framingham State University	Federal Direct Loans, Federal Perkins Loan, Teacher Education Assist. for College & Higher Education Grants	Although FRC was sending students an award letter notifying them of the amount of their awards, they were not sending out the required notification when their accounts were being completed/credited with Direct Loan, Fed Perkins Loan or TEACH grant funds.	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-24	84.268	Framingham State University	Federal Direct Loans	The entrance counseling for one student had not been conducted prior to the disbursement of the Direct Loan funds. Thus, they could not be assured the student understood his rights and obligations as a borrower and the federal compliance regulations were being met.	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-25	84.063	Roxbury Community College	Federal Pell Grant	Out of 25 students, one student file contained no evidence of a HS diploma or its recognized equivalent, and another student for which a grant was awarded contained conflicting info as to the date of HS graduation.	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-26	84.063	Roxbury Community College	Federal Pell Grant	Noted 9 instances for which the Pell Grant student disbursement data was not submitted within the 30 day time frame requirement.	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-27	84.063, 84.007, 84.033	Roxbury Community College	Federal Pell Grant, Federal Supplemental Education Opportunity Grant, Federal Work-Study	RCC did not maintain written consortium agreements in compliance with federal requirements with host institutions for RCC students taking part of their educational programs. Furthermore, RCC did not maintain a listing of students taking courses at local colleges while enrolled at RCC.	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-28	84.063, 84.007, 84.033	Roxbury Community College	Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work-Study	22 of 25 students' cost of attendance (COA) calculations for each student's institutional budget within PowerFAIDS did not agree to the tuition and fee(s) amounts approved by the RCC Board of Trustees as provided in the RCC Fall 2010 and Spring 2011 Tuition State of Massachusetts Resident Budget information form.	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-29	84.063	Roxbury Community College	Federal Pell Grant	Three students had received Title IV financial aid for ineligible courses totaling \$4,166, disbursed over a two year period	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-30	84.033	Roxbury Community College	Federal Work Study	RCC was not in compliance with the federal requirements of the Work Study Community Service Program regarding earmarking and community service placements	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-31	84.063, 84.007	Roxbury Community College	Federal Pell Grant, Federal Supplemental Educational Opportunity Grant	RCC did not comply with the processing of Title IV refunds for 16 students of a sample of 30 students who officially or unofficially withdrew	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-32	84.033	Roxbury Community College	Federal Work Study	Noncompliance with Federal Work Study (FWS) regulations for two students	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).
2011-33	84.063, 84.007, 84.033	Roxbury Community College	Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work-Study	RCC did not perform monthly reconciliation of disbursements between the financial records of the Business Office (BO) and the Financial Aid Office (FAO) for the Federal Student Aid (FSA) programs (Pell Grant and Federal Supplemental Educational Opportunity Grant (FSEOG)) for the award year 2010-2011	See Corrective Action Plan	For the status of this corrective action plan, please refer to the institution's 2012 Single Audit Report (now filed directly by the institution at the Federal Audit Clearinghouse).

COMMONWEALTH OF MASSACHUSETTS
Schedule of Prior Year Findings
Year ended June 30, 2012

Finding Reference	CFDA #	Agency	Program(s)	Description/ Summary	Implementation Status	Corrective Action Plan
2011-34	93.044	ELD	Special Programs for the Aging - Title III, Part B	ELD does not prepare semi-annual certifications to state that certain employees worked solely on the Title III, Part B program	Fully	
2011-35	93.044, 93.045, 93.053	ELD	Special Programs for the Aging - Title III, Part B & Part C and NSIP	ELD did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements	Fully	
2011-36	93.044, 93.045, 93.053, 93.705, 39.707	ELD	Special Programs for the Aging, NSIP & ARRA	Drawdown Reconciliation	Fully	
2011-37	93.268, 93.712	DPH	Immunization & ARRA	For three employees, the 50% allocation was pre-populated on their timesheet in what appears to be more an estimate of labor distribution rather than an after-the-fact distribution of actual activity	Partially	See finding 2012-10
2011-38	93.268, 93.712	DPH	Immunization & ARRA	Of the 25 vaccine orders tested, 4 were varicella and the remaining 21 were other vaccines. For the 21 non varicella vaccines, we noted one of the order forms was not stamped "APPROVED". Also, of the 25 vaccine orders tested, seven orders did not match the totals of vaccines administered per the usage aggregate report.	Fully	
2011-39	93.268, 93.712	DPH	Immunization & ARRA	Of the 25 assessment samples tested, 4 of the results of the VFC Provider Site Visit Questionnaires differed from the IMP in regards to the records of administered vaccines compliance section. 3 of the 4 control findings existed because the questionnaire was initially filled out incorrectly, yet the IMP was correct. The other error existed because the IMP was not filled out appropriately, whereas the questionnaire was.	Fully	
2011-40	93.959	DPH	Block Grants for Prevention & Treatment of Substance Abuse	The unit supervisor did not document his/her approval for the payroll cycle ending June 18, 2011. Additionally, the department head did not document his/her approval for the payroll cycles ending October 9, 2010 and June 18, 2011	Partially	See finding 2012-11
2011-41 & 2010-34	93.563	DOR	Child Support Enforcement	DOR did not adhere to the respective time frames as required for seven of the forty cases selected for test work.	Fully	
2011-42 & 2010-39	93.658, 93.659	DCF	Foster Care Adoption Assistance	Timesheet could not be located and exception reports not signed by manager	Partially	See finding 2012-18
2011-43 & 2010-42	93.778	EHS	Medicaid	Unable to report Line 27 Emergency Services Undocumented Aliens	Fully	
2011-44 & 2010-44	93.767	EHS	CHIP	Re-determination not being done on certain area of population	Partially	See finding 2012-19
2011-45	93.778	EHS	Medicaid	In our selection of 40 claims, we noted that an incorrect service code rate was used for one claim. The correct code rate that should have been applied was \$16.44 instead of the \$18.08 rate used.	Fully	
2010-09	12.401	MIL	National Guard Military O&M Projects	Department requested funds in advance of disbursement and didn't remit interest earning to Federal government	Partially	Effective December 2009, SMD is drawing Federal funds on a reimbursement basis. SMD tendered a payment for 4535,107.53 as the full and final settlement on the federal demand of \$1,669,743.81. Department of Defense lawyers are still looking into this matter but have no official response.