



COMMONWEALTH OF MASSACHUSETTS

OMB Circular A-133 Report

June 30, 2013

COMMONWEALTH OF MASSACHUSETTS

OMB Circular A-133 Report

June 30, 2013

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Independent Auditors' 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated December 20, 2013. Our report includes a reference to other auditors who 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commonwealth's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control.

A deficiency in internal control 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, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2013-01 through 2013-12 that we consider to be significant deficiencies.



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*.

The Commonwealth's Responses to Findings

The Commonwealth's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

December 20, 2013



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Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

Mr. Martin Benison, Comptroller
Commonwealth of Massachusetts:

Report on Compliance for Each Major Federal Program

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, 2013. The Commonwealth's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Commonwealth's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Commonwealth's compliance.



Opinion on Each Major Federal Program

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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-14, 2013-15, and 2013-17 through 2013-39. Our opinion on each major federal program is not modified with respect to these matters.

The Commonwealth's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Commonwealth is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commonwealth's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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 2013-13 through 2013-39.

The Commonwealth's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth's responses



were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements. We issued our report thereon dated December 20, 2013, which referred to the use of reports of other auditors and which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. 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 basic 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.

KPMG LLP

March 6, 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>CFDA number</u>	<u>Federal agency/program or cluster title</u>	<u>Expenditures</u>
	U.S. Department of Agriculture:	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 6,352,432
10.156	Federal-State Marketing Improvement Program	463,773
10.307	Organic Agriculture Research and Extension Initiative	50,040
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	107,987,665
10.558	Child and Adult Care Food Program	58,883,343
10.560	State Administrative Expenses for Child Nutrition	4,268,085
10.572	WIC Farmers' Market Nutrition Program (FMNP)	421,892
10.576	Senior Farmers Market Nutrition Program	542,956
10.579	Child Nutrition Discretionary Grants Limited Availability	1,220,576
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program	681,651
10.582	Fresh Fruit and Vegetable Program	2,852,880
10.664	Cooperative Forestry Assistance	1,184,220
10.675	Urban and Community Forestry Program	72,711
10.676	Forest Legacy Program	1,763,442
10.678	Forest Stewardship Program	105,684
10.688	ARRA – Recovery Act of 2009: Wildland Fire Management	24,051
10.904	Race to the Top – Early Learning Challenge	627
10.913	Farm and Ranch Lands Protection Program	8,191,192
10.914	Wildlife Habitat Incentive Program	153,332
	SNAP Cluster:	
10.551	Supplemental Nutrition Assistance Program (SNAP)	1,394,066,251
10.561	State Administrative Matching Grants for Food Stamp Program	52,423,693
	Total SNAP Cluster	<u>1,446,489,944</u>
	Child Nutrition Cluster:	
10.553	School Breakfast Program	38,935,178
10.555	National School Lunch Program	168,332,772
10.556	Special Milk Program for Children	182,527
10.559	Summer Food Service Program for Children	7,172,545
	Total Child Nutrition Cluster	<u>214,623,022</u>
	Food Distribution Cluster:	
10.568	Emergency Food Assistance Program administrative costs	581,143
	Total Food Distribution Cluster	<u>581,143</u>
		<u>1,856,914,661</u>
	U.S. Department of Commerce:	
11.407	Interjurisdictional Fisheries Act of 1986	27,129
11.419	Coastal Zone Management Administration Awards	2,108,247
11.420	Coastal Zone Management Estuarine Research Reserves	1,214,024
11.452	Unallied Industry Projects	86,239
11.454	Unallied Management Projects	260,000
11.463	Habitat Conservation	1,473,025
11.472	Unallied Science Program	816,342
11.474	Atlantic Coastal Fisheries Cooperative Management Act	328,827
11.555	Public Safety Interoperable Communications Grant Program	6,326,073
		<u>12,639,906</u>
	U.S. Department of Defense:	
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,290,516
12.400	Military Construction, National Guard	899,918
12.401	National Guard Military Operations and Maintenance (O&M) Projects	33,125,368
		<u>35,315,802</u>
	U.S. Department of Housing and Urban Development:	
14.181	Supportive Housing for Persons with Disabilities	696,369
14.231	Emergency Shelter Grants Program	4,753,938
14.235	Supportive Housing Program	7,077,504
14.238	Shelter Plus Care	478,662
14.239	HOME Investment Partnerships Program	13,186,425
14.241	Housing Opportunities for Persons with AIDS	130,776
14.251	Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants	40,000
14.257	ARRA – Homelessness Prevention and Rapid Re-Housing Program	513,943
14.401	Fair Housing Assistance Program State and Local	617,806
14.855	Section 8 Rental Voucher Program	1,834,584

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>CFDA number</u>	<u>Federal agency/program or cluster title</u>	<u>Expenditures</u>
14.881	Moving to Work Demonstration Program	\$ 221,603,764
14.906	Healthy Homes Technical Studies Grants	329,701
	Section 8 Project-Based Cluster:	
14.182	Section 8 New Construction Program	5,792,661
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	19,469,045
	Total Section 8 Project-Based Cluster	25,261,706
	CDBG – State Administered CDBG Cluster:	
14.228	Community Development Block Grants/State’s Program	44,845,885
	Total CDBG – State Administered CDBG Cluster	44,845,885
	Housing Voucher Cluster:	
14.871	Section 8 Housing Choice Vouchers	3,567,507
14.880	Family Unification Program (FUP 09)	2,180,885
	Total Housing Voucher Cluster	5,748,392
		327,119,455
	U.S. Department of the Interior:	
15.608	Fish and Wildlife Management Assistance	65,226
15.622	Sportfishing and Boating Safety Act	948,866
15.630	Coastal Program	7,426
15.631	Partners for Fish and Wildlife	41,779
15.633	Landowner Incentive	56,751
15.808	U.S. Geological Survey Research and Data Collection	12,298
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	37,734
15.904	Historic Preservation Fund Grants-In-Aid	918,986
15.916	Outdoor Recreation Acquisition, Development and Planning	1,038,963
15.929	Save America’s Treasures	4,224
15.999	Department of Interior – Miscellaneous	191
	Fish and Wildlife Cluster:	
15.605	Sport Fish Restoration	4,964,526
15.611	Wildlife Restoration	1,752,131
	Total Fish and Wildlife Cluster	6,716,657
		9,849,101
	U.S. Department of Justice:	
16.017	Sexual Assault Services Formula Program	198,201
16.202	Offender Reentry Program	15,942
16.393	Residential Substance Abuse Treatment For State Prisoners	243,976
16.523	Juvenile Accountability Incentive Block Grants	351,853
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	775,081
16.543	Missing Children’s Assistance	268,899
16.550	State Justice Statistics Program for Statistical Analysis Centers	121,067
16.555	National Criminal History Implementation Program	28,508
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	303,920
16.575	Crime Victim Assistance	7,792,618
16.576	Crime Victim Compensation	954,756
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	180,238
16.585	Drug Court Discretionary Grant Program	269,313
16.588	Violence Against Women Formula Grants	3,275,786
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	334,183
16.606	State Criminal Alien Assistance Program	3,194,920
16.607	Bulletproof Vest Partnership Program	7,250
16.609	Community Prosecution and Project Safe Neighborhoods	77,376
16.610	Regional Information Sharing Systems	3,582,852
16.710	Public Safety Partnership and Community Policing Grants	1,356,545
16.727	Enforcing Underage Drinking Laws Program	190,624
16.741	Forensic DNA Capacity Enhancement Program	428,306
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	282,279
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	2,441
16.750	Support for Adam Walsh Act Implementation Grant Program	207,968
16.753	Congressionally Recommended Awards	1,331
16.754	Harold Rogers Prescription Drug Monitoring Program	206,282
16.800	ARRA – Internet Crimes against Children Task Force Program (ICAC)	16,035
16.801	ARRA – State Victim Assistance Formula Grant Program	109,118

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>CFDA number</u>	<u>Federal agency/program or cluster title</u>	<u>Expenditures</u>
16.812	Second Chance Act Prisoner Reentry Initiative	\$ 819,713
16.816	John R. Justice Prosecutors and Defenders Incentive Act	192,876
	JAG Program Cluster:	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	5,739,429
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	210,431
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government	94,885
	Total JAG Program Cluster	6,044,745
		31,835,002
	U.S. Department of Labor:	
17.002	Labor Force Statistics	2,057,810
17.005	Compensation and Working Conditions	225,541
17.225	ARRA – Unemployment Insurance	66,905
17.225	Unemployment Insurance	2,881,410,768
17.235	Senior Community Service Employment Program	1,888,358
17.245	Trade Adjustment Assistance Workers	11,806,999
17.260	ARRA – WIA Dislocated Workers	31,658
17.260	WIA Dislocated Workers	399,864
17.261	WIA Pilots, Demonstrations, and Research Projects	10,871
17.275	ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	1,508,332
17.277	Workforce Investment Act (WIA) National Emergency Grants	8,499,562
17.280	Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants	3,174
17.504	Consultation Agreements	1,302,138
17.505	OSHA Data Initiative	58,387
17.600	Mine Health and Safety Grants	55,823
17.805	Homeless Veterans Reintegration Project	68,981
	Employment Service Cluster:	
17.207	Employment Service	22,109,804
17.801	Disabled Veterans’ Outreach Program (DVOP)	1,472,389
17.804	Local Veterans’ Employment representative Program	1,095,861
	Total Employment Service Cluster	24,678,054
	WIA Cluster:	
17.258	WIA Adult Program	13,970,260
17.259	WIA Youth Activities	15,222,494
17.278	WIA Dislocated Worker Formula Grants	18,047,001
	Total WIA Cluster	47,239,755
		2,981,312,980
	U.S. Department of Transportation:	
20.106	Airport improvement Program	418,650
20.218	National Motor Carrier Safety	3,081,292
20.231	Performance and Registration Information Systems Management	303
20.232	Commercial Driver License State Programs	270,021
20.234	Safety Data Improvement Program	113,610
20.237	Commercial Vehicle Information Systems and Networks	850,819
20.238	Commercial Drivers License Information System	27,055
20.319	ARRA – High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	26,445,236
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	5,032,922
20.505	Federal Transit Metropolitan Planning Grants	2,648,307
20.509	ARRA – Formula Grants for Other Than Urbanized Areas	692,342
20.509	Formula Grants for Other Than Urbanized Areas	6,762,101
20.614	Safety Incentive Grants for Use of Seatbelts	152,720
20.615	National Highway Traffic Safety Administration (NHTSA) – Discretionary Safety Grant	1,051,135
20.700	Pipeline Safety	1,025,651
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	239,836
20.932	ARRA -Surface Transportation – Discretionary Grants for Capital Investment	288,114
	Highway Planning and Construction Cluster:	
20.205	ARRA – Highway Planning and Construction	14,752,364

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>CFDA number</u>	<u>Federal agency/program or cluster title</u>	<u>Expenditures</u>
20.205	Highway Planning and Construction	\$ 623,415,275
20.219	Recreational Trails Program	660,176
	Total Highway Planning and Construction Cluster	<u>638,827,815</u>
	Federal Transit Cluster:	
20.500	Federal Transit Capital Investment Grants	92,251
	Total Federal Transit Cluster	<u>92,251</u>
	Transit Services Program Cluster:	
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	433,448
20.516	Job Access Reverse Commute	2,227,646
20.521	New Freedom Program	1,832,896
	Total Transit Services Program Cluster	<u>4,493,990</u>
	Highway Safety Cluster:	
20.600	State and Community Highway Safety	7,829,234
	Total Highway Safety Cluster	<u>7,829,234</u>
		<u>700,343,404</u>
	Equal Employment Opportunity Commission:	
30.002	Employment Discrimination State and Local Fair Employment Practices Agency Contracts	1,343,000
	Federal Mediation and Conciliation Service:	
34.002	Labor Management Cooperation	33,612
	National Endowment for the Arts:	
45.025	Promotion of the Arts Partnership Agreements	900,605
	Institute of Museum and Library Services:	
45.310	State Library Program	3,199,506
	Small Business Administration:	
59.061	State Trade and Export Promotion Pilot Grant Program	426,848
	U.S. Department of Veterans Affairs:	
64.014	Veterans State Domiciliary Care	3,873,813
64.015	Veterans State Nursing Home Care	17,232,358
64.999	Environmental Protection Agency – Miscellaneous	878,801
		<u>21,984,972</u>
	Environmental Protection Agency:	
66.032	State Indoor Radon Grants	134,881
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	682,650
66.040	State Clean Diesel Grant Program	569,633
66.110	Healthy Communities Grant Program	17,986
66.202	Congressionally Mandated Projects	74,779
66.432	State Underground Water Source Protection	2,112
66.454	Water Quality Management Planning	505,840
66.456	National Estuary Program	1,250,921
66.461	Regional Wetland Program Development Grants	111,245
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66,303
66.472	Beach Monitoring and Notification Program Implementation Grants	244,603
66.474	Water Protection Grants to the States	3,724
66.605	Performance Partnership Grants	14,396,154
66.608	Environmental Information Exchange Network Grant Program	244,518
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	328,200
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	161,683
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	375,544
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	891,360
66.804	State and Tribal Underground Storage Tanks Program	369,979
66.805	ARRA – Leaking Underground Storage Tank Trust Fund Program	209,962
66.805	Leaking Underground Storage Tank Trust Fund Program	686,517
66.817	State and Tribal Response Program Grants	1,198,363
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	213,982
66.999	Environmental Protection Agency – Miscellaneous	1,070,188
		<u>23,811,127</u>
	U.S. Department of Energy:	
81.041	ARRA – State Energy Program	9,423,448

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

CFDA number	Federal agency/program or cluster title	Expenditures
81.041	State Energy Program	\$ 1,531,098
81.042	ARRA – Weatherization Assistance for Low-Income Persons	1,770,520
81.042	Weatherization Assistance for Low-Income Persons	5,160,656
81.087	Renewable Energy Research and Development	298
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	521,401
81.119	State Energy Program Special Projects	424,259
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	955,342
81.138	State Heating Oil and Propane Programs	44,282
		<hr/>
		19,831,304
	U.S. Department of Education:	
84.002	Adult education State Grant Program	8,179,792
84.011	Migrant education State Grant Program	1,527,267
84.013	Title I Program for Neglected and Delinquent Children	2,112,390
84.033	Federal Work-Study Program	361,046
	TRIO Cluster:	
84.047	TRIO Upward Bound	7,328
	Total TRIO Cluster	<hr/>
		7,328
84.048	Vocational Education Basic Grants to States	17,002,062
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	55,739,537
84.128	Rehabilitation Services – Services Projects	42,452
	Centers for Independent Living Cluster:	
84.400	ARRA – Centers for Independent Living, Recovery Act.	434,840
	Total Centers for Independent Living Cluster	<hr/>
		434,840
84.144	Migrant Education_Coordination Program	65,798
84.161	Rehabilitation Services Client Assistance Program	234,740
84.169	Independent Living State Grants	1,735,403
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	688,003
84.181	Special Education Grants for Infants and Families with Disabilities	6,729,198
84.186	Safe and Drug-Free Schools and Communities State Grants	240,981
84.187	Supported Employment Services for Individuals with Severe Disabilities	453,110
84.196	Education for Homeless Children and Youth	942,433
84.224	Assistive Technology	426,608
84.235	Rehabilitation Services Demonstration and Training Programs	381,134
84.243	Tech-Prep Education	65,269
84.265	Rehabilitation Training State Vocational Rehabilitation Unit in-service Training	89,703
84.282	Charter Schools	5,971,255
84.287	Twenty-First Century Community Learning Centers	13,294,856
84.305	Education Research, Development and Dissemination	130,171
84.323	Special Education – State Personnel Development	1,036,453
84.330	Advanced Placement Program	423,358
84.331	Grants to States for Incarcerated Youth Offenders	614
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	4,138,074
84.357	Reading First State Grants	84,746
84.360	High School Graduation Initiative	3,754,161
84.365	English Language Acquisition Grants	11,644,318
84.366	Mathematics and Science Partnerships	1,548,185
84.367	Improving Teacher Quality State Grants	41,841,216
84.369	Grants for State Assessments and Related Activities	6,720,238
84.371	Striving Readers	39,941
	Statewide Data Systems Cluster:	
84.372	Statewide Data Systems	910,015
84.384	ARRA – Statewide Data Systems, Recovery Act	4,354,418
	Total Statewide Data Systems Cluster	<hr/>
		5,264,433
	Teachers Incentive Fund Cluster:	
84.374	Teacher Incentive Fund	2,868,980
	Total Teachers Incentive Fund Cluster	<hr/>
		2,868,980
84.378	College Access Challenge Grant Program	995,487
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act	63,826,185
84.410	Education Jobs Fund	12,098,745
84.412	Race to the Top – Early Learning Challenge	6,262,533
84.999	Dept of Education – Miscellaneous	126,920

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Year ended June 30, 2013

<u>CFDA number</u>	<u>Federal agency/program or cluster title</u>	<u>Expenditures</u>
	Title I, Part A Cluster:	
84.010	Title I Grants to Local Educational Agencies	\$ 197,885,314
84.389	ARRA – Title I Grants to Local Educational Agencies, Recovery Act	222,040
	Total Title I, Part A Cluster	<u>198,107,354</u>
	Special Education Cluster (IDEA):	
84.027	Special Education Grants to States	279,971,318
84.173	Special Education Preschool Grants	9,965,268
84.173	ARRA – Special Education – Preschool Grants	85,332
	Total Special Education Cluster (IDEA)	<u>290,021,918</u>
	Educational Technology State Grants Cluster:	
84.318	Education Technology State Grants	370,476
84.386	ARRA – Education Technology State Grants, Recovery Act	119,500
	Educational Technology State Grants Cluster	<u>489,976</u>
	School improvement Grants Cluster:	
84.377	School Improvement Grants	6,314,396
84.388	ARRA – School Improvement Grants, Recovery Act	17,612,178
	Total School improvement Grants Cluster	<u>23,926,574</u>
84.397	ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act	<u>660</u>
		<u>792,076,445</u>
	National Archives and Records Administration:	
89.003	National Historical Publications and Records Grants	18,281
	U.S. Department of Health and Human Services:	
93.003	Public Health and Social Services Emergency Fund	133,281
93.041	Special Programs for the Aging_ Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	83,745
93.042	Special Programs for the Aging_ Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	340,055
93.043	Special Programs for the Aging_ Title III, Part D Disease Prevention and Health Promotion Services	448,916
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	301,865
93.051	Alzheimer’s Disease Demonstration Grants to States	453,142
93.052	National Family Caregiver Support	3,805,555
93.069	Public Health Emergency Preparedness	13,905,478
93.070	Environmental Public Health and Emergency Response	1,055,759
93.072	Lifespan Respite Care Program	127,165
93.073	Birth Defects and Developmental Disabilities – Prevention and Surveillance	52,138
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	724,457
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	202,247
93.090	Guardianship Assistance	1,659,089
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	1,316,035
93.103	Food and Drug Administration Research	1,310,866
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,964,053
93.110	Maternal and Child Health Federal Consolidated Programs	220,257
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	1,490,429
93.121	Oral Diseases and Disorders Research	335,534
93.127	Emergency Medical Services for Children	173,526
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,746,009
93.150	Projects for Assistance in Transition from Homelessness (PATH)	1,685,352
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	586,981
93.184	Disabilities Prevention	269,926
	Health Centers Cluster:	
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)	<u>127,870</u>
	Total Health Centers Cluster	<u>127,870</u>
93.226	Research on Healthcare Costs, Quality and Outcomes	972,537
93.236	Grants for Dental Public Health Residency Training	181,041
93.240	State Capacity Building	383,800
93.241	State Rural Hospital Flexibility Program	317,122
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	3,813,060
93.251	Universal Newborn Hearing Screening	285,353
93.262	Occupational Safety and Health Program	615,890
93.267	State Grants for Protection and Advocacy Services	112,460

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

CFDA number	Federal agency/program or cluster title	Expenditures
93.268	Immunization Cooperative Agreements	\$ 71,947,545
93.270	Adult Viral Hepatitis Prevention and Control	194,775
93.275	Substance Abuse and Mental Health Services – Access to Recovery	4,296,550
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	11,494,893
93.296	State Partnership Grant Program to Improve Minority Health	153,064
93.301	Small Rural Hospital Improvement Grant Program	4,484
93.307	Minority Health and Health Disparities Research	2,246
93.414	ARRA – State Primary Care Offices	91,432
93.500	Pregnancy Assistance Fund Program	2,071,510
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	7,426,275
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	1,214,671
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	760,606
93.512	Affordable Care Act (ACA) Personal and Home Care Aide State Training Program (PHCAST)	872,583
93.517	Affordable Care Act – Aging and Disability Resource Center	115,816
93.518	Affordable Care Act – Medicare Improvements for Patients and Providers	225,405
93.519	Affordable Care Act (ACA) – Consumer Assistance Program Grants	186,644
93.520	Centers for Disease Control and Prevention –Affordable Care Act (ACA) – Communities Putting Prevention to Work	202,818
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	1,796,947
93.525	State planning and establishment grants for the Affordable Care Act (ACA)’s Exchange	1,100,332
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	3,075,476
93.535	Affordable Care Act Program for Early Detection of Certain Medical Conditions Related to Environmental Health Hazards	1,930,517
93.538	Affordable Care Act – National Environmental Public Health Tracking Program – Network Implementation	1,063,685
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	1,656,853
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	285,391
93.547	Affordable Care Act – National Health Service Corps	278,000
93.548	548 PPHF 2012: Nutrition, Physical Activity and Obesity Program – financed in part by 2012 Prevention and Public Health Funds (PPHF-2012)	567,368
93.551	Abandoned Infants	168,924
93.556	Promoting Safe and Stable Families	5,717,750
93.563	Child Support Enforcement	92,943,228
93.564	Child Support Enforcement research	27,739
93.566	Refugee and Entrant Assistance_State Administered Programs	11,986,704
93.568	Low-Income Home Energy Assistance	133,524,748
93.569	Community Services Block Grant	14,944,651
93.576	Refugee and Entrant Assistance Discretionary Grants	1,558,182
93.583	Refugee and Entrant Assistance Wilson / Fish Program	3,502,009
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants	779,935
93.586	State Court improvement Program	545,229
93.590	Child Abuse Prevention Activities	515,084
93.597	Grants to States for Access and Visitation Programs	179,551
93.599	Chafee Education and Training Vouchers Program (ETV)	1,054,627
93.601	Child Support Enforcement Demonstrations and Special Projects	955
93.617	Voting Access for Individuals with Disabilities Grants to States	326
93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance	37,065
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,562,305
93.643	Children’s Justice Grants to States	285,993
93.645	Child Welfare Services State Grants	5,279,078
93.652	Adoption Opportunities	570,678
93.658	Foster Care Title IV-E	47,789,262
93.659	ARRA – Adoption Assistance	55,666
93.659	Adoption Assistance	28,045,174
93.667	Social Services Block Grant	80,752,798
93.669	Child Abuse and Neglect State Grants	337,590
93.671	Family Violence Prevention and Services/Grants for Battered Women’s Shelters Grants to States and Indian Tribes	1,921,753
93.674	Chafee Foster Care Independence Program	2,452,518
93.701	ARRA – Trans-NIH Recovery Act Research Support	69,320
93.724	ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	197,184
93.725	ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program	3,392
93.729	ARRA – Health Information Technology and Public Health	55,139

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>CFDA number</u>	<u>Federal agency/program or cluster title</u>	<u>Expenditures</u>
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	\$ 142,568
93.745	PPHF-2012: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by 2012 Prevention and Public Health Funds (PPHF-2012)	125,905
93.767	Children’s Health Insurance Program	368,149,837
93.773	Medicare Hospital Insurance	12,011,230
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,619,061
93.791	Money Follows the Person Rebalancing Demonstration	7,027,935
93.889	National Bioterrorism Hospital Preparedness Program	7,309,728
93.913	Grants to States for Operation of Offices of Rural Health	170,885
93.917	HIV Care Formula Grants	22,645,069
93.926	Healthy Start initiative	2,300,429
93.928	Special Projects of National Significance	932,608
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	603,142
93.940	HIV Prevention Activities Health Department Based	8,191,228
93.941	HIV Demonstration, Research, Public and Professional Education Projects	707,818
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	1,424,306
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	146,363
93.958	Block Grants for Community Mental Health Services	7,849,191
93.959	Block Grants for Prevention and Treatment of Substance Abuse	32,920,152
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	1,656,693
93.982	Mental Health Disaster Assistance and Emergency Mental Health	276,282
93.991	Preventive Health and Health Services Block Grant	415,657
93.994	Maternal and Child Health Services Block Grant to the States	10,510,346
93.999	Dept of Health and Human Services – Miscellaneous	3,025,178
	Aging Cluster:	
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	9,581,022
93.045	Special Programs for the Aging Title III, Part Nutrition Services	15,332,835
93.053	Nutrition Services Incentive Program	5,631,235
	Total Aging Cluster	30,545,092
	TANF Cluster:	
93.558	Temporary Assistance for Needy Families	367,430,213
	Total TANF Cluster	367,430,213
	CCDF Cluster:	
93.575	Child Care and Development Block Grant	119,610,673
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	79,060,272
	Total CCDF Cluster	198,670,945
93.600	Head Start	129,364
93.708	ARRA – Head Start	486,021
	Medicaid Cluster:	
93.775	State Medicaid Fraud Control Units	2,181,470
93.777	State Survey and Certification of Health Care Providers and Suppliers	8,085,535
93.778	ARRA – Medical Assistance Program	84,120,496
93.778	Medical Assistance Program	6,903,741,825
	Total Medicaid Cluster	6,998,129,326
		8,676,634,008
	Corporation for National and Community Services:	
94.004	Learn and Serve America School and Community Based Programs	214,337
	Social Security Administration:	
	Disability Insurance/SSI Cluster:	
96.001	Social Security Disability Insurance	23,680,241
96.006	Supplemental Security Income	23,233,665
	Total Disability Insurance/SSI Cluster	46,913,906
96.008	Social Security Work Incentive Planning and Assistance Planning	866
96.999	Social Security Administration – Miscellaneous	451,428
		47,366,200

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

<u>CFDA number</u>	<u>Federal agency/program or cluster title</u>	<u>Expenditures</u>
	U.S. Department of Homeland Security:	
97.008	Non-Profit Security Program	\$ 10,482,890
97.012	Boating Safety Financial Assistance	2,034,472
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	182,702
97.029	Flood Mitigation Assistance	131,329
97.032	Crisis Counseling	10,042
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	83,770,088
97.039	Hazard Mitigation Grant	1,230,475
97.041	National Dam Safety Program	176,480
97.042	Emergency Management Performance Grants	6,019,484
97.043	State Fire Training Systems Grants	23,690
97.044	Assistance to Firefighters Grant	387,134
97.045	Cooperating Technical Partners	91,211
97.047	Pre-Disaster Mitigation	181,168
97.052	Emergency Operations Center	152,607
97.053	Citizen Corps	308,119
97.055	Interoperable Communications Equipment	1,067,827
97.056	Port Security Grant Program	8,481,156
97.071	Metropolitan Medical Response System	433,160
97.075	Rail and Transit Security Grant Program	32,021,246
97.078	Buffer Zone Protection Plan (BZPP)	1,388,347
97.088	Disaster Assistance Projects	203,530
97.089	Real ID Program	84,795
97.091	Homeland Security Biowatch Program	1,447,366
97.110	Severe Loss Repetitive Program	39,290
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)	1,530,034
97.067	Homeland Security Grant Program	21,270,266
		<u>173,148,908</u>
99.999	Federal Reimbursement – Miscellaneous	459,784
		<u>\$ 15,716,779,248</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, 2013

(1) Single Audit Reporting Entity

For purposes of complying with The Single Audit Act of 1984, the Commonwealth of Massachusetts (the Commonwealth) reporting entity is defined in note 1 to its June 30, 2013 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, 2013.

(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.

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, 2013

(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	\$ 1,394,066,251
10.555	National School Lunch Program	21,725,071
10.558	Child and Adult Care Food Program	150,975
10.559	Summer Food Service Program for Children	4,376
93.268	Immunization Cooperative Agreements	66,013,213
	Total	<u>\$ 1,481,959,886</u>

Commodity inventories for the Food Donation Program at June 30, 2013 totaled approximately \$727,222.

(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	\$ 1,717,626,724
Federal UI Funds – Benefits	1,083,420,488
Federal UI Funds – ARRA	66,905
Federal UI Funds – Administration	80,363,556
Total expenditures	<u>\$ 2,881,477,673</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 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

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

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 7.79% of USDA’s total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2013.

(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 2013, the Commonwealth passed through the following amounts to subrecipients:

CDFA number	Program title	2013 expenditures
10.156	Federal – State Marketing Improvement Program	\$ 410,756
10.307	Organic Agriculture Research and Extension Initiative	45,491
10.555	National School Lunch Program	185,725,406
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	73,903,583
10.558	Child and Adult Care Food Program	58,054,956
10.559	Summer Food Service Program for Children	6,926,388
10.561	State Administrative Matching Grants for Food Stamp Program	2,639,167
10.568	Emergency Food Assistance Program administrative costs	458,141
10.579	Child Nutrition Discretionary Grants Limited Availability	183,470
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program	111,162
10.582	Fresh Fruit and Vegetable Program	2,759,908
10.664	Cooperative Forestry Assistance	515,492
10.676	Forest Legacy Program	1,762,884
10.678	Forest Stewardship Program	76,333
10.688	ARRA – Recovery Act of 2009: Wildland Fire Management	18,796
10.913	Farm and Ranch Lands Protection Program	1,734,267
11.419	Coastal Zone Management Administration Awards	5,000
11.420	Coastal Zone Management Estuarine Research Reserves	16,397
11.454	Unallied Management Projects	260,000
11.472	Unallied Science Program	728,049
11.555	Public Safety Interoperable Communications Grant Program	1,300,205
14.181	Supportive Housing for Persons with Disabilities	696,369
14.182	Section 8 New Construction Program	3,686,209
14.228	Community Development Block Grants / State’s Program	43,677,316
14.231	Emergency Shelter Grants Program	4,641,738
14.235	Supportive Housing Program	6,505,268
14.238	Shelter Plus Care	478,355
14.239	HOME Investment Partnerships Program	12,266,149
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	40,000
14.257	ARRA – Homelessness Prevention and Rapid Re-Housing Program	210,376
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	17,495,737
14.871	Section 8 Housing Choice Vouchers	3,557,977
14.880	Family Unification Program (FUP)	2,180,885

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

CDFA number	Program title	2013 expenditures
14.881	Moving to Work Demonstration Program	\$ 221,509,252
14.906	Healthy Homes Technical Studies Grants	227,592
15.608	Fish and Wildlife Management Assistance	45,740
15.622	Sportfishing and Boating Safety Act	823,527
15.631	Partners for Fish and Wildlife	28,897
15.904	Historic Preservation Fund Grants-In-Aid	150,000
15.916	Outdoor Recreation Acquisition, Development and Planning	1,030,560
16.017	Sexual Assault Services Formula Program	198,201
16.393	Residential Substance Abuse Treatment For State Prisoners	60,544
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	433,981
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	4,800
16.575	Crime Victim Assistance	6,828,280
16.585	Drug Court Discretionary Grant Program	18,365
16.588	Violence Against Women Formula Grants	2,209,203
16.609	Community Prosecution and Project Safe Neighborhoods	60,942
16.610	Regional Information Sharing Systems	3,582,852
16.727	Enforcing Underage Drinking Laws Program	167,287
16.738	Edward Byrne Memorial Justice Assistance Grant Program	3,489,720
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	60,876
16.801	ARRA – State Victim Assistance Formula Grant Program	97,508
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	14,007
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants To Units Of Local Government	74,567
16.812	Second Chance Act Prisoner Reentry Initiative	431,862
16.816	John R. Justice Prosecutors and Defenders Incentive Act	180,392
17.207	Employment Service	8,682,883
17.225	Unemployment insurance	1,394,554
17.235	Senior Community Service Employment Program	1,793,753
17.245	Trade Adjustment Assistance Workers	352,976
17.258	WIA Adult Program	13,218,085
17.259	WIA Youth Activities	14,416,452
17.260	ARRA – WIA Dislocated Workers	30,844
17.260	WIA Dislocated Workers	362,470
17.275	ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	1,470,086
17.277	Workforce Investment Act (WIA) National Emergency Grants	8,122,509
17.278	WIA Dislocated Worker Formula Grants	14,378,535
17.504	Consultation Agreements	8,000
17.801	Disabled Veterans’ Outreach Program (DVOP)	122,994
17.804	Local Veterans’ Employment representative Program	164,292
17.805	Homeless Veterans Reintegration Project	56,984
20.205	Highway Planning and Construction	85,300,886
20.218	National Motor Carrier Safety	36,968
20.219	Recreational Trails Program	511,655
20.234	Safety Data Improvement Program	33,396
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	26,445,236
20.500	Federal Transit_Capital Investment Grants	92,251
20.505	Federal Transit_Metropolitan Planning Grants	2,539,164

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

CDFA number	Program title	2013 expenditures
20.509	ARRA – Formula Grants for Other Than Urbanized Areas	\$ 692,342
20.509	Formula Grants for Other Than Urbanized Areas	6,584,276
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	178,881
20.516	Job Access Reverse Commute	2,046,314
20.521	New Freedom Program	1,490,404
20.600	State and Community Highway Safety	1,008,181
20.615	National Highway Traffic Safety Administration (NHTSA) – Discretionary Safety Grant National Highway Traffic Safety Administration (NHTSA) National Highway Traffic Safety Administration (NHTSA)	1,051,136
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	134,827
45.025	Promotion of the Arts Partnership Agreements	900,605
45.310	State Library Program	1,289,937
59.061	State Trade and Export Promotion Pilot Grant Program	419,697
64.999	Department of Veterans Affairs Miscellaneous	260,845
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	24,252
66.432	State Underground Water Source Protection	2,112
66.454	Water Quality Management Planning	230,376
66.456	National Estuary Program	420,157
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	24,098
66.474	Water Protection Grants to the States	3,224
66.605	Performance Partnership Grants	1,773,115
66.608	Environmental Information Exchange Network Grant Program	79,511
66.817	State and Tribal Response Program Grants	53,477
81.041	ARRA – State Energy Program	3,255,045
81.041	State Energy Program	449,201
81.042	ARRA – Weatherization Assistance for Low-Income Persons	1,314,392
81.042	Weatherization Assistance for Low-Income Persons	4,608,241
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis / Assistance	138,480
81.119	State Energy Program Special Projects	295,684
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	263,139
84.002	Adult education State Grant Program	5,955,252
84.010	Title I Grants to Local Educational Agencies	186,983,096
84.011	Migrant education State Grant Program	1,404,099
84.013	Title I Program for Neglected and Delinquent Children	879,798
84.027	Special Education Grants to States	255,080,110
84.048	Vocational Education Basic Grants to States	15,904,429
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	6,218,902
84.144	Migrant Education_Coordination Program	65,798
84.169	Independent Living State Grants	1,582,852
84.173	Special Education Preschool Grants	8,228,946
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	44,369
84.181	Special Education Grants for Infants and Families with Disabilities	2,546,817
84.186	Safe and Drug-Free Schools and Communities State Grants	240,981
84.187	Supported Employment Services for Individuals with Severe Disabilities	135,382
84.196	Education for Homeless Children and Youth	732,619
84.224	Assistive Technology	245,692
84.235	Rehabilitation Services Demonstration and Training Programs	17,588
84.243	Tech-Prep Education	65,269

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

CDFA number	Program title	2013 expenditures
84.282	Charter Schools	\$ 5,797,546
84.287	Twenty-First Century Community Learning Centers	12,497,031
84.318	Education Technology State Grants	244,298
84.330	Advanced Placement Program	423,358
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	3,187,633
84.365	English Language Acquisition Grant s	10,913,132
84.366	Mathematics and Science Partnerships	1,370,641
84.367	Improving Teacher Quality State Grants	39,829,237
84.377	School Improvement Grants	5,614,768
84.378	College Access Challenge Grant Program	981,200
84.386	ARRA – Education Technology State Grants,	119,500
84.388	ARRA – School Improvement Grants, Recovery Act	17,449,886
84.389	ARRA – Title I Grants to Local Educational Agencies, Recovery Act	150,889
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act	40,222,901
84.400	ARRA – Centers for Independent Living, Recovery Act.	434,840
84.410	ARRA – Education Jobs Fund	9,256,952
84.412	Race to the Top – Early Learning Challenge	2,492,732
93.003	Public Health and Social Services Emergency Fund	42,364
93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	50,250
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	340,055
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	448,916
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	7,679,315
93.045	Special Programs for the Aging Title III, Part Nutrition Services	14,770,498
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	152,578
93.051	Alzheimer’s Disease Demonstration Grants to States	316,250
93.052	National Family Caregiver Support	3,491,370
93.053	Nutrition Services Incentive Program	4,184,863
93.069	Public Health Emergency Preparedness	3,551,663
93.070	Environmental Public Health and Emergency Response	201,011
93.072	Lifespan Respite Care Program	108,560
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	529,900
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	981,071
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	74,824
93.136	Injury Prevention and Control Research and State and Community Based Programs	514,670
93.150	Projects for Assistance in Transition from Homelessness (PATH)	1,681,783
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	437,268
93.236	Grants for Dental Public Health Residency Training	29,724
93.241	State Rural Hospital Flexibility Program	23,000
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	1,557,074

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

CDFA number	Program title	2013 expenditures
93.267	State Grants for Protection and Advocacy Services	\$ 7,417
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	1,048,083
93.301	Small Rural Hospital Improvement Grant Program	4,484
93.500	Pregnancy Assistance Fund Program	1,806,609
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	4,757,229
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	243,000
93.518	Affordable Care Act – Medicare Improvements for Patients and Providers	225,405
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	1,212,079
93.535	Affordable Care Act Program for Early Detection of Certain Medical Conditions Related to Environmental Health Hazards	587,182
93.547	Affordable Care Act – National Health Service Corps	278,000
93.551	Abandoned Infants	109,869
93.556	Promoting Safe and Stable Families	3,961,261
93.566	Refugee and Entrant Assistance_State Administered Programs	8,325,683
93.568	Low-Income Home Energy Assistance	132,188,506
93.569	Community Services Block Grant	14,367,376
93.576	Refugee and Entrant Assistance Discretionary Grants	1,156,642
93.583	Refugee and Entrant Assistance Wilson / Fish Program	601,278
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants	737,677
93.590	Child Abuse Prevention Activities	434,865
93.630	Developmental Disabilities Basic Support and Advocacy Grants	338,095
93.645	Child Welfare Services State Grants	1,310,683
93.669	Child Abuse and Neglect State Grants	116,988
93.671	Family Violence Prevention and Services / Grants for Battered Women’s Shelters Grants to States and Indian Tribes	1,888,581
93.701	ARRA – Trans-NIH Recovery Act Research Support	25,000
93.708	ARRA – Head Start	149,314
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	130,024
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,084,490
93.791	Money Follows the Person Rebalancing Demonstration	264,100
93.889	National Bioterrorism Hospital Preparedness Program	4,272,859
93.917	HIV Care Formula Grants	4,818,816
93.928	Special Projects of National Significance	364,699
93.940	HIV Prevention Activities Health Department Based	3,982,650
93.941	HIV Demonstration, Research, Public and Professional Education Projects	40,360
93.958	Block Grants for Community Mental Health Services	7,500,435
93.959	Block Grants for Prevention and Treatment of Substance Abuse	19,054,928
93.991	Preventive Health and Health Services Block Grant	267,092
93.994	Maternal and Child Health Services Block Grant to the States	1,241,599
93.999	Dept of Health and Human Services – Miscellaneous	30,102
94.004	Learn and Serve America School and Community Based Programs	106,991
97.008	Non-Profit Security Program	8,233,752
97.029	Flood Mitigation Assistance	131,329
97.036	Public Assistance Grants	80,082,190

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

CDFA number	Program title	2013 expenditures
97.039	Hazard Mitigation Grant	\$ 815,587
97.042	Emergency Management Performance Grants	2,749,622
97.044	Assistance to Firefighters Grant	4,372
97.047	Pre-Disaster Mitigation	181,168
97.053	Citizen Corps	207,068
97.055	Interoperable Communications Equipment	274,296
97.056	Port Security Grant Program	5,300,562
97.067	Homeland Security Grant Program	16,759,227
97.071	Metropolitan Medical Response System	433,160
97.075	Rail and Transit Security Grant Program	31,569,197
97.078	Buffer Zone Protection Plan (BZPP)	829,535
97.088	Disaster Assistance Projects	203,530
97.110	Severe Loss Repetitive Program	39,290
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)	1,425,114
	Total	<u>\$ 1,930,093,107</u>

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified		
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> <u>no</u>
• 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:	Unmodified		
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

- Community Development Block Grants/State's Program (14.228)
- HOME Investment Partnership Program (14.239)
- Moving to Work Demonstration Program (14.881)

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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)
- High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (20.319)
- Formula Grants for Other Than Urbanized Areas (20.509)

U.S. Department of Education

- Rehabilitation Services Vocational Rehabilitation Grants to States (84.126)
- State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (84.395)

U.S. Department of Health and Human Services

- Immunization Cooperative Agreements (93.268)
- Temporary Assistance for Needy Families (93.558)
- CCDF Cluster (93.575 and 93.596)
- 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)
- HIV Care Formula Grants (93.917)

Social Security Administration

- Disability Insurance/SSI Cluster (96.001 and 96.006)

Department of Homeland Security

- Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)
- Rail and Transit Security Grant Program (97.075)

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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 26 through 42.

(3) Findings and Questioned Costs Relating to Federal Awards

See accompanying pages 43 through 90.

**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, 2013

Office of the Comptroller

Financial Reporting

Finding Reference: 2013-01

Observation

During the preparation of the fiscal 2013 Comprehensive Annual Financial Report (CAFR), several significant adjustments were made just days prior to the release of the CAFR such as:

- Pension assets of the former Massachusetts Turnpike Authority of approximately \$181M were not properly recorded at year-end.
- Non cash federal grant activity of over \$28M was improperly included as a receivable and payable in the federal grants fund.
- Lottery annuities valued at over \$154M were not properly included in the agency fund.

While all of the items noted above were corrected prior to the release of the CAFR, some other items which are not deemed material to the CAFR were unresolved and pending resolutions such as:

- Differences between the reported cash balances of the State Employees' Retirement System (SERS) and the Massachusetts Teachers' Retirement System (MTRS) and the Office of the Comptroller's (CTR) all fund pooled cash reconciliation.
- Whether the Department of Revenue (DOR) has properly recorded at year-end all the cut-off accounting amounts related to income taxes for transactions that occurred during the post year-end period from July to December.

Many of the topics discussed above are the result of inaccurate or incomplete information being reported to the CTR and/or inadequate quality assurance performed on the information received. These topics highlight the risk inherent in such a complex reporting process as the CAFR.

Recommendation

We recommend that the CTR annually review its CAFR instructions with the goal of clarifying and updating its instructions for changes in both business and accounting trends. We also recommend that CTR review its quality assurance protocols to ensure that the proper amount of analysis is performed prior to accepting departmental information. We also recommend that the CTR revisit its CAFR calendar to ensure that there is proper time allowed to implement any changes to its CAFR internal control process.

Views of Responsible Officials and Corrective Actions

While many of the items identified above were identified and resolved in time to be included in the final CAFR, the lateness of corrections further highlights the need for improvement in departmental reporting to CTR during the CAFR preparation process.

The Financial Reporting and Analysis Bureau (FRAB) will work with departments to 1) clarify reporting instructions for departments, 2) assure information is provided in a timely manner and 3) review the information thoroughly and follow-up, if necessary, with departments in a timely manner.

All members of FRAB will be made aware of the CAFR reporting calendar and will be held accountable for meeting all deadlines.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Responsible Official BJ Trivedi, Financial Reporting Director
Michael Rodino, Financial Reporting Manager

Implementation Date: Fiscal year 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

State Employees' Retirement System

Financial Reporting

Finding Reference: 2013-02

Observation

The balances and activity of the State Employees' Retirement System (SERS) are presented as a pension trust fund in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

During the preparation of the fiscal 2013 CAFR, we noted differences between the separate detailed accounting records maintained by SERS from the more summarized records maintained in the Massachusetts Management Accounting and Reports System (MMARS) which serve as the official books and records of the Commonwealth.

The differences went undetected primarily because there is no formal reconciliation between the SERS accounting records and the MMARS records as maintained by the Office of the Comptroller (CTR). To complicate the reconciliation process, SERS records are maintained on a calendar-year basis while MMARS records are on a fiscal year basis.

The differences were as follows:

- As required by Chapter 25 of the Acts of 2009 which transferred the administration of the former Massachusetts Turnpike Authority Employees Retirement System (MTAERS) to SERS, SERS maintains separate accounting records for the legacy pension assets. The net position of the MTAERS was approximately \$181M as of year-end. MMARS did not properly reflect the majority of the MTAERS activity. KPMG confirmed MTAERS's investments, which comprised the majority of MTAERS's, net position, with the Pension Reserve Investment Management (PRIM) Board.
- At year-end, the SERS cash position differed from the cash position reflected in MMARS.
- During the CAFR reporting process, SERS did not promptly identify to CTR that certain activity was not properly converted from a calendar-year basis of accounting to a fiscal year basis of accounting.

Recommendation

We recommend that SERS reconcile its books and records with MMARS on a monthly basis.

Views of Responsible Officials and Corrective Actions

- SERS, recognizing the accounting issues because of different year ends, requested the legislature for a change of SERS' year-end to be June 30, rather than December 31. See G.L. c.32, §23(1)(a). Beginning June 30, 2014, both the Commonwealth and SERS will have the same year end. At each year end, SERS will inform CTR of SERS' cash position and assist in CTR's reconciliation of the all fund pooled cash, which includes funds from the MTAERS and SERS.
- Chapter 447 of the Acts of 2012, as enacted by the Legislature, modified the statutory financial reporting requirements for SERS. Pursuant to G.L. c.32, §20 & §23, SERS will now be required to file its annual report of financial condition with the Public Employee Retirement Administration

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Commission (PERAC) on or before December 31, describing its financial condition as of June 30 of the prior fiscal year.

- SERS is regularly audited by PERAC (every three years) and is subject to audit as part of the annual Commonwealth audit.
- The PRIM Board manages and invests the assets for SERS and the MTAERS, which are reported to the PERAC and the CTR. SERS will work with CTR by providing separate MTAERS information so that this can be properly reflected in MMARS.
- On a monthly basis, SERS reconciles its cash position and reports this to PERAC.

Responsible Official: Nicola Favorito, Executive Director, State Board of Retirement

Implementation Date: June 30, 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Information Technology Division

Change Management – Commonwealth Information Warehouse

Finding Reference: 2013-03

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

Netezza is an appliance and was upgraded to another product (Twinfin) – auditing is supported on this appliance.

ITD/CIW can respond to the monitoring of activities on the Netezza appliances. The information data warehouse is not an application; it is a data repository (aka, a data warehouse) which users access through state desktop application such as Microsoft EXCEL or Microsoft Access via their established and state systemically controlled LANID.

CIW management (within ITD) generates Informatica reports itemizing changes applied to Informatica objects. These reports document any changes to workflows, sessions, connections, etc.

These reports capture Informatica object and component names as well as User ID and computer name of the issuer. These reports are reviewed and maintained in a restricted folder with manager-only access.

Responsible Official: Kevin J. Burns, Chief Information Security Office

Implementation Date: November 2012

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Information Technology Division

Data Center Access Authorization and Review

Finding Reference: 2013-04

Observation

The established data center access authorization process was not followed for 7 out of 9 users granted access to the Information Technology Division (ITD) data center during the year. The required access authorization documentation (e.g. e-mail approvals/access authorization forms) was not completed for the 7 users. We were informed that data center access for these users was verbally approved prior to access being granted and that these users were appropriate to have such access based on their job responsibilities.

In addition, we noted that the first semi-annual review of the users with access to the ITD Data Center was not performed by ITD in FY 2013.

The lack of following an established access authorization process and the lack of periodic review of data center user access present the following risks:

- Unauthorized/inappropriate users gaining access to the data center.
- Users may retain access that is no longer appropriate, typically caused by changes in job responsibilities, transfers or terminations.

Recommendation

The established data center access authorization process should be followed by ITD prior to granting users access to the ITD Data Center.

A periodic review of the Data Center user access should be performed as designed (i.e. on a semi-annual basis) to ensure that the current access for individuals is in line with their job responsibilities.

Views of Responsible Officials and Corrective Actions:

ITD has improved the process relative to reviewing user access, including writing formalized procedures and quarterly access review sessions to review lists of all persons having access to the ITD Center for the purpose of, but not limited to, ensuring that access is necessary per the business unit and ensuring that any users who have terminated their employment no longer have access. Such a review was conducted in January 2014 and will continue throughout the year.

Responsible Official: Kevin J. Burns, CISO, ITD

Implementation Date: March 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Information Technology Division

MMIS – Job Scheduler Access

Finding Reference: 2013-05

Observation

Two users were noted to have inappropriate access to make changes to the Medicaid Management Information System (MMIS) jobs scheduled within the Cybermation ESP Workload Manager Job scheduler.

Inappropriate access to MMIS job schedules/jobs presents the risk of undetected changes being made to the underlying job schedules and/or jobs that could potentially impact financial data/transactions in the application.

Recommendation

Access to make changes to the MMIS jobs scheduled in the Cybermation ESP Workload Manager Job scheduler should be available only to appropriate and authorized personnel based on their job responsibilities.

Views of Responsible Officials and Corrective Actions:

The Information Technology Division (ITD) has instituted a process in which on an annual basis, the RACF Administrator will disseminate user lists to the Production Scheduling manager for review to ascertain need for access.

Responsible Official: Kevin J. Burns, CISO, ITD

Implementation Date: May 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Information Technology Division

BEACON – Server Password Parameters

Finding Reference: 2013-06

Observation

System enforced password restrictions including minimum length, history, complexity, expiration and account lockout were not configured on the AIX production servers hosting the Benefit Eligibility and Control On-line Network (BEACON) application and database.

Password parameters not being configured significantly increases the risk of financial data being compromised and enabling unauthorized and unmonitored access to financial information.

Recommendation

The Information Technology Division (ITD) should systematically enforce password parameters including minimum length, complexity, expiration, account lockout etc. on the AIX production servers hosting the BEACON application and database.

Views of Responsible Officials and Corrective Actions:

The AIX production servers hosting the BEACON application have had their password lengths, complexities, expirations, account lockouts, etc., upgraded to in order to improve the security of the information contained therein.

Responsible Official: Kevin Burns, CISO, ITD

Implementation Date: January 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Executive Office of Health and Human Services

BEACON – Database Password Parameters

Finding Reference: 2013-07

Observation

System enforced password restrictions including minimum length, history, complexity, expiration and account lockout were not configured on the Oracle Database supporting the Benefit Eligibility and Control On-line Network (BEACON) application.

Password parameters not being configured significantly increase the risk of financial data being compromised and enabling unauthorized and unmonitored access to financial information.

Recommendation

The Executive Office of Health and Human Services (EOHHS) should systematically enforce password parameters including minimum length, complexity, expiration, account lockout etc. on the Oracle database supporting the BEACON application.

Views of Responsible Officials and Corrective Actions

Password and access controls are required to adequately manage and prevent unauthorized access as well as adhere to policy and regulatory requirements. EOHHS will assess the requirements, impact and resources needed to implement the recommendations and develop a plan to address the observations identified within BEACON.

Responsible Official: Val Moutsopoulos, Chief Security Officer – EOHHS
David Whitham, ACIO – MH/DTA

Implementation Date: A project plan and remediation dates will be established by March 31, 2014.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Executive Office of Health and Human Services

MMIS – User Access Reviews

Finding Reference: 2013-08

Observation

The Executive Office of Health and Human Services (EOHHS) implemented an annual Medicaid Management Information System (MMIS) user access review control and subsequently performed an annual review of the MMIS application users and their privileges in FY 2012 as a remediation to a prior year audit finding. However, it was noted that the annual review of user access and privileges and was not performed in FY 2013.

The lack of periodic reviews of user access increases the risk that users may retain access that is no longer appropriate, typically caused by changes in job responsibilities, transfers or terminations.

Recommendation

- EOHHS should perform a periodic review of user accounts with access to the MMIS application and their privileges to ensure that only authorized personnel have system access based on their job responsibilities. IT administrators should perform follow-up procedures to perform corrective action for identified deviations.
- EOHHS should re-assess the frequency of the review control from annual to a higher frequency (e.g. Quarterly or Semiannual) given that a high number of terminated employees were noted to have active access to the MMIS application post their termination date.
- Considering that a high number of users have access to the MMIS application and a more frequent review of all users may not be feasible, it is recommended that the increased frequency user review process could focus on validating that terminated users don't have access to the application. In addition to the termination check on a more frequent basis, an annual review of the complete user base with access to the application should be performed to ensure that the access privileges granted to each one of user's is line with their job responsibilities.

Views of Responsible Officials and Corrective Actions

Periodic access controls are required to adequately manage and prevent unauthorized access as well as adhere to policy and regulatory requirements.

EOHHS currently performs an annual review of MMIS user accounts. Existing MMIS access control processes will be reviewed and a determination will be made if additional process enhancements are required including ensuring the timing of the review is on a more predictable schedule. The frequency and ability to review terminated users will be assessed after the current annual assessment has been completed.

Responsible Official: Val Moutsopoulos, Chief Security Officer – EOHHS

Implementation Date: June 30, 2014 – Review of MMIS access control process

August 29, 2014 – Assessment of recommended enhancements

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Executive Office of Health and Human Services

MMIS – Terminations

Finding Reference: 2013-09

Observation

Sixteen out of the 25 terminated users selected for our testing had active access to the Medicaid Management Information System (MMIS) application beyond their termination date.

Terminated users with access to the application present a potential risk of unauthorized/fraudulent financial transactions being processed that may not be detected for a prolonged period of time.

Recommendation

- The access revocation process should be tightened to ensure that access for terminated employees is being revoked across all systems that the user had access to within a timely manner.
- EOHHS should re-assess the frequency of the review control from annual to a higher frequency (e.g. Quarterly or Semiannual) given that high number of terminated employees were noted to have active access to MMIS application post their termination date. A review control, if designed correctly should detect any terminated users with active access to the application that may have been missed during the termination process.

Views of Responsible Officials and Corrective Actions

Access revocation is required to adequately manage and prevent unauthorized access as well as adhere to policy and regulatory requirements.

Existing MMIS access revocation processes will be reviewed and a determination will be made if additional enhancements can be made to meet the intent and requirement of the control.

Responsible Official: Val Moutsopoulos, Chief Security Officer – EOHHS

Implementation Date: May 30, 2014

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Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Department of Workforce Development

QUEST Revenue Application and Oracle Database Access and Password Management

Finding Reference: 2013-10

Observation

Due to technical limitations of the application's password management solution, the QUEST (Quality Unemployment System Transformation) system is unable to differentiate between different types of user security groups. As QUEST Revenue application password change is not enabled for client users (approx. 180,000 employers) it is consequently not enabled for internal Department of Workforce Development (DWD) users either. Additionally, password parameters for the production Oracle database that stores QUEST data use the 'out-of-the-box' default parameters.

A 'one-size fits all' security solution for user access, while lightening the support burden for DWD staff by not having to manage the resetting of infrequently used and often forgotten client password, significantly increases the internal risk to application security. Static, unchangeable passwords are a common cause of system compromise and exploitation. Continued use of default passwords for significant system databases is also a common reason for unauthorized system exploitation.

Recommendation

It is recommended that DWD take steps to ensure that the different QUEST user populations (clients/employers, QUEST internal users, QUEST administrators, and in the future benefit recipients) have password controls appropriate to their security role and operational needs. Several possible solutions could be considered including:

- Increasing the length and complexity of passwords to limit the risk brought about by no password change.
- Upgrade the Windows server environment to Windows 2008 which supports multiple user security groups with separate password policies (Fine Grained Password) within a single Active Directory Domain and link to QUEST application using Single Sign-on (SSO).
- Enhance application level password management to differentiate the various user security types to apply different password policies.

It is further recommended that DWD take steps to immediately strengthen Oracle password parameters. For example:

- Password expiration = 45-60 days.
- Account lockout = 5 (and require a manual reset following authentication of the user).
- Password complexity = enabled and to comprise at least 1 alpha, 1 numeric, 1 uppercase, 1 lower case and 1 special character.
- Password history = last 10 passwords used (to prevent recycling).

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Views of Responsible Officials and Corrective Actions

Password Parameters

IT has successfully implemented the password security in the UI Online production database for individual users that access the database.

Windows Upgrade

IT plans to upgrade UI-Online production servers

Responsible Official: Roody Herold, Chief Information Officer Executive Office of Labor and Workforce Development
Michelle Amante, Director of Unemployment Assistance.

Implementation Date: **Password Parameters:** Completed (June 2013)
Windows Upgrade to Windows 2008 R2: March 2014

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Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Department of Workforce Development

Employee QUEST Termination and Job Change Procedures

Finding Reference: 2013-11

Observation

There is no formal documented Human Resources (HR) process in place to consistently manage the termination of employees, including the removal of QUEST (Quality Unemployment System Transformation) and other system access rights. It was also noted that the HR procedure in use did not cover nonemployees such as contractors. Contractor hiring and termination processing is the purview of the hiring manager. Seasonal employees also retained system access (albeit disabled) after termination so as supervisors did not have to reestablish credentials when the person was rehired the following season. Additionally, if an employee with access to QUEST changes job role, there is no formal process to remove access rights that are no longer required or conversely add new access rights that are needed.

Informal, undocumented, and inconsistently enforced access and job management procedures increase the risk that critical control objectives, such as ensuring that only authorized staff retain access to important systems and that the access retained is appropriate to their duties, will not be achieved.

Recommendation

It is recommended that the Department of Workforce Development (DWD) management document, introduce, and enforce:

- Employee termination procedures that ensures that access to sensitive locations and systems is removed appropriately and timely for all persons working at DWD (i.e. full time employees, contractors and seasonal and temporary workers).
- A job changes procedure intended to manage job changes and the impact to QUEST access.

In regards to both terminations and job changes, it is recommended that management perform a regular review of user access to identify terminated personnel and to ensure that authorized users do not retain access rights they no longer require.

Views of Responsible Officials and Corrective Actions

A Notice of Personnel Actions spreadsheet is sent by Human Resources on a weekly basis to notify certain business units with a list of Personnel Actions related to hires, promotions, transfers and terminations of EOLWD Employees. This list allows each unit to prepare for updates and changes associated with a particular action and to ensure appropriate system access or to remove system access. Non-EOLWD Staff (Contractors, Consultants, Temps, and DCS Partners) are included on the list of actions. HR will update the list when final approvals are received and a start/promotion/transfer date is determined. If an action is related to terminations, managers/supervisors are required to complete a form, collect the ID badge, and submit them to HR on the employee's last day worked (per Management Guidelines located on the EOLWD intranet site).

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Schedule of Findings and Questioned Costs

Year ended June 30, 2013

The distribution list includes the following units:

IS, IT – UI Mainframe, Internal Controls, Contracts & Procurements, Finance, IS Systems and Programming, DUA Economic Research, DUA Quality Control, DUA Business Processing Development, Human Resources, DUA Employer Liability, Payroll and Labor Management, Telecommunications, Network Operations & Customer Service Unit, Budget and Expense Management, IS Mainframe Support, UI Policy and Performance, Revenue, Executive Office, DUA Central Wage Admin, DUA Employer Reports Office, DCS, MOSES, UI Online

A Helpdesk ticket is created/closed when an action takes place.

HR is currently working on procedures to ensure nonemployees, such as contractors and temporary workers, satisfy onboarding requirements on the first day of assignment. Nonemployees will be required to sign an Acknowledgement of Receipt Form for certain HR policies and receive clearance to obtain a badge.

Responsible Official: Cheryl A. (Willis) Stanton, Personnel Officer Executive Office of Labor and Workforce Development

Sarah O’Toole, Human Resource Director Executive Office of Labor and Workforce Development

Implementation Date: July 1, 2013

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Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Department of Workforce Development

QUEST Physical and Logical Access and Security Event Monitoring and Oversight

Finding Reference: 2013-12

Observation

Periodic reviews of QUEST (Quality Unemployment System Transformation) Revenue general user and privileged account access rights are not being conducted. Additionally, reviews of the Department of Workforce Development (DWD) data center access, DWD Area Network, Remote Access capability, QUEST platform OS, and Database access rights are either not being conducted or are not being conducted in a reasonable time frame. Additionally, currently there is no formal DWD policy regarding which QUEST related security and other events should be captured and stored in logs and when they should be reviewed.

Without periodic reviews of access rights to sensitive locations or systems there is a risk that terminated employees, persons with new job responsibilities or unauthorized persons may have obtained or retained inappropriate access rights thereby placing DWD physical and electronic assets at risk. Event logging is a forensic tool largely intended to capture events that may indicate unusual activity or misuse of an application or its data often brought about by unauthorized access. The absence of an appropriate logging regimen reduces key forensic evidence needed when investigating application problems or misuse of the QUEST system.

Recommendation

It is recommended that:

- DWD data center management conduct quarterly reviews of data center access and retain evidence of periodic reviews and actions taken.
- DWD management perform quarterly user access reviews to determine that access rights to the network (including remote access capability), systems and applications (including QUEST Revenue) are authorized, appropriate, and consistent with job responsibilities.
- DWD IT review and formalize its current platform and application logging requirements. At a minimum, the following security-related events should be logged where appropriate to the system, platform and technology:
 - startup date and time
 - shutdown date and time
 - event date and time
 - valid logins and logouts
 - invalid login attempts
 - privileged access activities (e.g., ID creation and deletion, access-rights modifications, password resets, configuration changes)
- It is also recommended that logs be maintained online and in archive for a defined period of time, for example 3 months online and 12 months in archive.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Views of Responsible Officials and Corrective Actions

- DWD has instituted reviews of data access; and will continuously retain evidence of the periodic reviews
- The UI Online system will define, design, develop and implement a report indicating roles and access rights granted to users in the UI Online application system. The system will also list for the staffs granted administrative privileges. This will enable the business unit to review user access and job responsibilities, identify, and eliminate a potential separation of duties conflicts. Senior Management will be required to review and make necessary changes on the roles on active users and a quarterly review of inactive users.
- IT has implemented a process by which application log files are automatically copied to an archive server daily and be made available to the technical team for diagnostic purpose (read only). The logs are then archived to tapes after 30 days to be stored according to EOLWD archiving policies.

Responsible Official: Michelle Amante, Director of Unemployment Assistance
Terry Fancher, Director of Operations Facilities Executive office of labor and Workforce Development.
Roody Herold, Chief Information Officer Executive Office of Labor and Workforce Development

Implementation Date: March 2014

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

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Transitional Assistance

Supplemental Nutrition Assistance Program (10.551)

Temporary Assistance for Needy Families (93.558)

Federal Award Number:	4MA400402	Award Year:	2013
	4MA420409		
	2013G991524		
	2013996115		

U.S. Department of Health and Human Services

U.S. Department of Agriculture

Finding Reference: **2013-13**

Requirement

Under federal requirements, the Commonwealth of Massachusetts Department of Transitional Assistance (DTA or the Department) is considered a public assistance agency. As such, it must prepare, submit, and receive approval for a Public Assistance Cost Allocation Plan (PACAP) by the Federal Division of Cost Allocation. 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 95.509, once a PACAP is approved, state public assistance agencies are required to promptly submit amendments to the plan if a material defect is discovered in the cost allocation plan.

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

A defect was discovered in the Public Assistance Cost Allocation Plan.

A defect was discovered in the allocation methods for certain plan departments listed in the Public Assistance Cost Allocation Plan (PACAP) narrative. The defects were as follows:

1. Plan Department 2835.02 Postage Field Office should be allocated based on Total Full-Time Equivalent Across Office of Field Operations (Monthly), however, the PACAP narrative listed the allocation method as total Full-Time Equivalent Across DTA (Monthly).
2. Plan Department 2835.03 Pitney Bowes Central should be allocated based on Total Full-Time Equivalent Across DTA (Monthly), however, the PACAP narrative listed the allocation method as Total Full-Time Equivalent Across Office of Field Operations (Monthly).

The allocation methodology was accurately reflected in the PACAP system; however, it was inconsistent with that reflected in the PACAP narrative.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

The cause of this finding was human error when inputting the allocation methodologies by plan department into the PACAP narrative resulting from a control deficiency that allowed the error to go undetected.

Additionally, inconsistencies in allocation methodologies were noted between the approved Public Assistance Cost Allocation Plan and the Public Assistance Cost Allocation Plan Software.

The following plan departments were not allocated in the PACAP system in accordance with the PACAP Narrative approved by the Federal Department of Cost Allocation:

3. Plan Department 2838 HMIS Development is allocated Direct to EADC in the PACAP system, however, in the approved PACAP Narrative, this Plan Department should be allocated Direct to Unallowable and/or Removed from the CAP for allocation purposes.
4. Plan Department 2835.02 Postage Field Office is allocated based on Total Full-Time Equivalent Across Office of Field Operations (Monthly) in the PACAP system, however, in the approved PACAP Narrative, this Plan Department should be allocated based on Total Full-Time Equivalent Across DTA (Monthly). However, it was subsequently discovered that the allocation method included in the PACAP Narrative was inaccurate. Refer to Finding above.
5. Plan Department 2835.03 Pitney Bowes Central is allocated based on Total Full-Time Equivalent Across DTA (Monthly) in the PACAP system, however, in the approved PACAP Narrative, this Plan Department should be allocated based on Total Full-Time Equivalent Across Office of Field Operations (Monthly). However, it was subsequently discovered that the allocation method included in the PACAP Narrative was inaccurate. Refer to Finding above.

The following plan departments were included in the PACAP system; however, the plan departments were not identified in the PACAP Narrative:

1. Plan Department 2876 – Shelter Resource Unit
2. Plan Department 2878 – Family Shelter
3. Plan Department 2879 – Housing Admin
4. Plan Department 7642 – HMIS Only

This finding is the result of a control deficiency, where changes made in the PACAP Narrative are not implemented in the PACAP system, and obsolete accounts are not allocated as unallowable or removed from the PACAP system.

Recommendation

The Department should develop procedures to ensure that the information included in the PACAP narrative is accurate, and is consistent with that listed in the cost allocation plan software. Obsolete accounts should be allocated as unallowable or removed from the PACAP system.

Questioned Costs

None

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Views of Responsible Officials and Corrective Actions

Even though these inconsistencies are immaterial, the Federal Revenue Unit will update the narrative by submitting a PACAP amendment to the Division of Cost Allocation (DCA) during quarter ending December 2013 for an effective date of October 1st 2013.

We acknowledge the following:

- The minor inconsistencies in Plan Departments 2835.02 and 2835.03 in the PACAP narrative. While DTA/EOHHS has allocated these costs appropriately through the PACAP software application, the PACAP narrative requires a minor wording update to correctly reflect the PACAP software allocation.
- Plan Department 2838, HMIS Development has no costs associated with it, therefore; no costs were allocated to EAEDC. The allocation should be shown as allocated to Unallowable or removed from the PACAP software application entirely. EAEDC by definition is an unallowable cost since EAEDC is a state only program.
- Plan Departments 2876, 2878 & 2879 were all housing activity codes that were used for the Emergency Housing Assistance Program when it was managed by DTA, now managed by DHCD. These codes will be moved in the PACAP narrative to the obsolete category or be removed from the PACAP software application entirely.
- Plan Department 7642 – HMIS was mentioned in the PACAP narrative as consolidated under activity 2836.

All the changes that are made in the PACAP narrative are simultaneously made in the PACAP software application. Plan Departments' 2835.02 and 2835.03 inconsistency was in place since the PACAP software application was developed in 2007. The other inconsistencies occurred as a result of PACAP narrative amendments that were overlooked, but are very minor in nature. Also, these minor inconsistencies did not result in any incorrect allocation methodology being used and did not have any dollar impact.

Contact: Easton Hill, Federal Revenue

Implementation Date: December 31, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Transitional Assistance

Supplemental Nutritional Assistance Program (SNAP) (10.551/10.561)

Federal Award Number: 4MA400402 **Award Year:** 2013
4MA420409

U.S. Department of Agriculture

Finding Reference: 2013-14

Requirement

The Department of Transitional Assistance is responsible for carrying out the SNAP program. Reporting is one of the applicable compliance requirements of the SNAP program. Required reports for Federal awards are to include all activity of the reporting period, supported by applicable accounting or performance records, and fairly presented in accordance with governing requirements.

Additionally, as stated in the OMB Circular A-133, subpart C 0.300(b), it is the responsibility of the auditee to “maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

This requirement includes maintaining a system of internal controls over the reporting requirements of federal programs robust enough to assure that required reports are submitted timely and with accurate information.

Finding

The State is required to submit reports to the Federal government that are complete, accurate, and in accordance with the required accounting basis. We selected 3 FNS-46 reports related to fiscal year 2013 to test that each report was complete, accurate, agreed to underlying support, and was submitted timely. Through review of the selected reports, we noted the February 2013 FNS-46 Issuance Reconciliation Report contained an error where the amount of issuances reported to the U.S. Department of Agriculture Food and Nutrition Service (FNS) was less than the underlying support by \$2 million. The original report was certified as correct prior to being submitted. Once the error was identified, the Department of Transitional Assistance (DTA) resubmitted the report.

Recommendation

As it appears this instance was a data input error, we recommend that DTA strengthen their controls over ensuring amounts submitted electronically to the FNS agree to supporting documentation, prior to signing off on the accuracy of the information submitted.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

DTA acknowledges that in this instance all the supporting documents (Xerox Electronic Payment Processing Information Control System (EPPIC) report and the Automated Standard Application for Payments (ASAP) from

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

the US Department of Treasury) related to the completion of the FNS-46 Issuance Reconciliation Report were properly reviewed, by a Supervisor and a Manager, and reconciled without exception to the hard copy of the report maintained by the agency on file for its compliance record. DTA submits monthly the FNS-46 report, with a value for total fiscal year benefits issuance, in the current year, of \$1.4 billion. In addition DTA submits an annual report of its benefits issuance to the Office of the Comptroller (CTR), which is added to Commonwealth of Massachusetts' Schedule of Expenditures of Federal Awards (SEFA). This report reconciles DTA and Xerox issuance totals for the Federal fiscal year. No errors were found in the annual report (SEFA) submitted to CTR and audited by KPMG. This yearly reconciliation would correct errors made in the monthly reports. Even though an error occurred in one of the monthly issuance reports, the total yearly actual issuance report was correct. The error occurred when a Staff was entering the data from the hard copy of the report into the system. Consequently, DTA changed its procedures to include the data entry screen print of the report as it would be submitted and certified to FNS in the documents submitted for review and approval. Once the approval has been obtained, the supervisor certifies/submits electronically the final report to FNS.

Contact: Etienne Correa, Director of Internal Controls

Implementation Date: January 31, 2014

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Transitional Assistance

Supplemental Nutritional Assistance Program (SNAP) (10.551)

Federal Award Number: 4MA400402 **Award Year:** 2013
4MA420409

U.S. Department of Agriculture

Finding Reference: 2013-15

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 4 Transitional Assistance Office (TAO) locations to review the EBT card issuance procedures, including daily reconciliation of the cards issued. In reviewing our sample of 25 daily reconciliations spread through the 4 TAOs, we noted 6 instances where the CIS daily card reconciliation logs were not signed by a manager and where the reconciliation was not properly performed based on the Department of Transitional Assistance (DTA) procedures. We noted that DTA established new EBT reconciliation procedures as of April 30, 2013. We did not identify any control or compliance issues with the EBT reconciliation procedures after this date, but did note differences in the reconciliation methods used by the different TAO's compared to DTA policy.

Recommendation

The Department should strengthen controls and procedures to ensure that Transitional Assistance Offices are completing the EBT card reconciliations consistently and in accordance with DTA procedures.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

DTA concurs with KPMG's assessment about the recording and computation errors for the items that were posted in the CIS log before April 30, 2013. DTA expected that situation to occur based on the prior year findings. After receiving those previous year findings, DTA established new EBT procedures, the formulas were added correctly and all the postings in the logs were properly reviewed by a Manager and not by a staff or clerk. To standardize a uniform method of completion of the CIS Daily reconciliation log, a new job aid titled – CIS Daily Card Reconciliation Log Instructions has been posted to DTA Online. This document is intended to clarify and standardize the way designated staff complete the CIS Daily Card Reconciliation Log in all TAOs statewide. To ensure ongoing compliance, DTA has established a monitoring plan that includes random audits of TAOs.

Contact: Etienne Correa, Director of Internal Controls

Implementation Date: November 31, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Transitional Assistance

Temporary Assistance for Needy Families (93.558)

Federal Award Number: 2013G991524 **Award Year:** 2013
2013996115

U.S. Department of Health and Human Services

Finding Reference: 2013-16

Requirement

The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objective of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs) are found in section 105 of OMB Circular A-133.

Further, The Temporary Assistance for Needy Families (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, "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 the 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.

Finding

Prior to December 31, 2012, the Department of Transitional Assistance (DTA) did not have a formal monitoring and/or review control in place for reimbursement payments to the University of Massachusetts (UMASS) for scholarships funded with TANF funds. However, this control deficiency did not result in noncompliance with allowability compliance requirements.

A similar finding was reported in the prior year single audit report as finding 2012-06

Recommendation

The DTA should have had a formal control in place to validate whether the UMASS expenditures claimed were allowable costs under the TANF program. We noted that a formal claim justification review checklist which includes formal approval of each claim was established for all programs as of December 31, 2012.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Executive Office of Health & Human Services (EOHHS) Federal Revenue Unit always reviewed/monitored the expenditures for the programs claimed to TANF and TANF/MOE. We reviewed the Q/E 9/30/12 UMASS claim on 11/6/12 and produced documentation supporting this review, however; the process was not formalized

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

with a checklist sign-off until quarter ending December 31, 2012. The checklist is used as a tool to indicate the programs claimed and reviewed. It also identifies who performed the review as well as when it was done. The EOHHS Federal Revenue Unit is also creating improved monitoring and reviewing standards for programs claimed to TANF.

Contact: Easton Hill, Federal Revenue

Implementation Date: December 31, 2012

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Transitional Assistance

Temporary Assistance for Needy Families (93.558)

Federal Award Number: 2013G991524 Award Year: 2013
2013996115

U.S. Department of Health and Human Services

Finding Reference: 2013-17

Requirement

The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objective of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs) are found in section 105 of OMB Circular A-133.

Per 42 USC 609(a)(14); 45 CFR sections 261.14, 261.16, and 261.54, State agency must reduce or terminate the assistance payable to the family if an individual in a family receiving assistance refuses to work, subject to any good cause or other exemptions established by the State.

Finding

For the samples tested, we noted the following control and compliance exceptions:

For two of forty Temporary Assistance for Needy Families (TANF) recipients tested for Special Test and Provision #3, Penalty for Refusal to Work, we noted the following:

For one recipient, a secondary review was not performed as required over the Benefit Eligibility and Control On-line Network (BEACON) system sanction notification for “failure to comply with work requirements”. However, the case was determined to be closed; therefore, the lack of control did not result in any benefits being paid or received inappropriately.

For another recipient, the case was not reviewed and closed after a BEACON system sanction notification for “failure to comply with work requirement” was received. This lack of control resulted in \$3,591 of benefits paid or received inappropriately. Consequently, we are questioning \$3,591.

Further, in performing our testwork over the Special Test and Provision #4- Adult Custodial Parent of a Child Under Six When Child Care Not Available, we noted the following control and compliance exceptions related to Special Test and Provision #3:

For two of twenty-five recipients tested, the Department of Transitional Assistance (DTA) failed to perform a review and approval of the Refusal to comply with work requirements sanction identified. This lack of control resulted in \$5,084 of benefits paid or received inappropriately. Consequently, we are questioning \$5,084.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Recommendation

The DTA should strengthen controls and processes over ensuring assistance is reduced or terminated if an individual in a family receiving assistance refuses to work.

Questioned Costs

\$8,675

Views of Responsible Officials and Corrective Actions

For the first item noted, DTA concurs that this is an error, based on the worker's selection of actions to be taken as part of the eligibility determination. If the transaction were processed correctly, there would have been two signatures. An enhancement in the system was done on November 25, 2013 to prevent user from partially processing the sanction.

For the remaining items noted, DTA concurs with KPMG that this is an error due to the worker's partial removal of the sanction. If the sanction removal were completed correctly, a new sanction would have been created for review and authorization. An informational alert instructing the case manager on proper approval was directing the case manager to the correct BEACON page but not directing the case manager to an additional page that is also required.

The BEACON alert was modified on November 25, 2013 to direct the case manager to the additional BEACON pages. Changes will be made in the system to ensure that these types of situations are identified in the BEACON "Work Participation" summary tab and the "TAFDC WP/ESP Participation Report".

Contact: Etienne Correa, Director of Internal Controls

Implementation Date: For the first item noted, the estimated completion date is March 2014

For the remaining items noted, the estimated completion date is November 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: **Various** **Award Year:** **2013**

U.S. Department of Labor

Finding Reference: **2013-18**

Requirement

In accordance with the Code of Federal Regulations, 20 CFR 602.21, the Commonwealth is required to “Perform the requirements of this section in accordance with instructions issued by the Department, pursuant to §602.30(a) of this part, to ensure standardization of methods and procedures in a manner consistent with this part...Complete prompt and in-depth case investigations to determine the degree of accuracy and timeliness in the administration of the State UC law and Federal programs with respect to benefit determinations, benefit payments, and revenue collections; and conduct other measurements and studies necessary or appropriate for carrying out the purposes of this part”.

As such, the Commonwealth is required to follow the Benefit Accuracy Measurement (BAM) State Operations Handbook: ET Handbook No. 395, 5th Edition (The Handbook) published by the U.S. Department of Labor, which in part requires that a minimum of 70% of cases must be completed within 60 days of the week ending date of the batch, and 95% of cases must be completed within 90 days of the week ending date of the batch. Additionally, the Handbook requires that each case file must contain, at a minimum, a copy of all agency documents from the claimant’s original claim file, in addition to any documents pertaining to the BAM investigation that were utilized, and retained by the state for the same time periods required by the state for other claims records. All forms used for interviews must provide space for the name or signature of the person being interviewed, the investigator’s signature, the method used to obtain the information, and the date of the interview. Each state must develop written procedures to guide the operation of the BAM program, covering all investigative and administrative functions of the BAM unit. The procedures should be adapted to the particular circumstances of the state, but must adhere to the guidelines contained in the Handbook.

Finding

During fiscal year 2013, we noted the following deficiencies with BAM procedures:

- 93.65% of cases were completed within 90 days of the week ending date of the batch.
- DUA’s BAM Procedures Handbook has not been updated to reflect the new workflow activities related to recent technology changes.
- For one of twenty items tested, a copy of Form 579 was not included in the case file as required by the Handbook.
- For four of twenty items tested, certain forms were missing required fields for method of data collection or missing the investigator signature.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Recommendation

We recommend that the Department of Unemployment Assistance (DUA) consider putting resources and procedures in place to complete the required percentage of cases within the required time frame. Additionally, we recommend that DUA's BAM Procedures Handbook be updated to reflect current practice and that case reviewers ensure that the most recent versions of required forms are used in case review documentation and included in the case file.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The BAM unit did experience a lower completion rate, 93.85%, the 3rd quarter of 2013 due to implementation of the new UI Online system in July 2013. Extensive training has been and continues to be provided to BAM staff. As a result, staff quickly learned the new system and how to obtain all required case information. The Massachusetts BAM unit is striving to maintain a 95% or greater completion rate of cases within 90 days. Monitoring of case completion is in place to meet this goal.

The BAM Procedures Handbook had not been updated to reflect workflow activities of the new UI Online system following implementation of Revenue functionality. As a result, procedures listed in the Handbook are antiquated, including forms that had previously been used as a communication tool such as the Form 579. The Handbook is being updated to reflect all technological changes implemented as a result of implementation of the full UI Online system in July 2013 that encompassed both Benefit and Revenue functionality. Updating the BAM Operational Handbook and training BAM staff in new system procedures will align staff action with expected procedures. Cases investigated will continue to be monitored for omissions of signatures and non-SUN system required fields.

Contact: Rena Kottcamp, Director of Economic Research (DUA)
Michelle Amante, Director (DUA)

Implementation Date: July 1, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: **Various** **Award Year:** **2013**

U.S. Department of Labor

Finding Reference: **2013-19**

Requirement

The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objective of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs) are found in section 105 of OMB Circular A-133.

In addition per 29 CFR, Subpart C – Post Award Requirement sections 97.40–97.44 outlines rules and regulations regarding reports, records retention and enforcement.

Finding

During fiscal year 2013, we noted the following deficiencies in controls over compliance and compliance with financial reporting requirements by the Commonwealth’s Department of Unemployment Assistance (DUA):

- For the 227 report dated September 30, 2012, the report was reviewed and submitted by the preparer. However, certain elements of the report were not adequately supported. Upon further inquiry, DUA discovered that mathematical errors had occurred, which required the filing of an amended September 227 report.
- DUA did not report overpayment detection and recovery information for the EUC08 grants as its legacy information technology system did not have the capability to accurately report the cumulated totals for the four different EUC08 tiers.

Recommendation

We recommend that DUA consider implementing policies to cross-train those in the reporting function of DUA to address the control risk present when key employees are not available due to a leave of absence, retirement, or resignation.

We recommend that DUA ensure that the new UI online system has the capability to report overpayment and recovery information for EUC08 grants.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

In preparation and conjunction with the implementation of UI Online and Data Warehouse reporting, ETA 227 has been developed to capture and report overpayment and recovery information for EUC08. ETA 227 reports

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

commencing Q3 2013 forward will now capture and include the Fraud and Non Fraud EUC08 data fields. DUA is currently in the process of cross-training additional authorized staff in the reporting/submission function of ETA 227 to address the control risk currently present when key employees may not be available due to a leave of absence, retirement, or resignation.

Contact: Michelle Amante, Director (DUA)

Implementation Date: July 1, 2013

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Executive Office of Labor and Workforce Development

WIA Adult Program (17.258)

WIA Youth Activities (17.259)

WIA Dislocated Worker Formula Grants (17.278)

**Federal Award Number: AA-24098-13-55-A-25
 AA-22941-12-55-A-25**

Award Year: 2013

U.S. Department of Labor

Finding Reference: 2013-20

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 2013, the Executive Office of Labor and Workforce Development (EOLWD) was subject to the FFATA reporting requirements however did not demonstrate a “good faith effort” to comply with the FFATA reporting requirements.

Recommendation

We recommend that EOLWD should put procedures in place to track reporting deadlines and ensure all federal reports are submitted timely and accurately.

Questioned Costs

None

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Views of Responsible Officials and Corrective Actions

Executive Office of Labor and Workforce Development has developed a comprehensive policy to ensure timely and accurate FFATA reporting. The EOLWD will continue to comply with FFATA reporting requirements for all first-tier sub awards (sub grants and subcontracts) related to prime Federal awards. In this bid EOLWD's designated staff, has registered and started the reporting on the FFATA Subaward Reporting System (FSRS), to date the staff have entered 30 Federal grants. However EOLWD still encounters difficulties related to Total compensation of the five most highly compensation of the sub awardee for four of EOLWD nonstate/city Workforce Investment Boards. EOLWD will continue to work through the process as effectively and timely as possible.

Contact: Lisa Nocera, Budget Director (EOLWD)
Bob Ford, Chief Financial Officer (EOLWD)

Implementation Date: July 1, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Views of Responsible Officials and Corrective Actions

It is normal practice of the Executive Office of Labor and Workforce Development (EOLWD) that each local area review be conducted during the Fiscal year. However, the policy/practice includes the ability to adjust the schedule for changes in critical program priorities that affect state and local scheduling. That occurred in this case, but in FY14, we will return to our practice of conducting the monitoring reviews during the fiscal year.

Contact: Alice Sweeney, Director (Director of Career Services)

Implementation Date: July 1, 2014

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Public Health

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

Federal Award Number: 4MA700702 **Award Year:** 2013, 2012

U.S. Department of Agriculture

Finding Reference: 2013-22

Requirement

In accordance with 7 CFR 246.12(j)(4)(i) Retail food delivery systems: Monitoring vendors and identifying high-risk vendors – A compliance investigation of a high-risk vendor may be considered complete when the State agency determines that a sufficient number of compliance buys have been conducted to provide evidence of program noncompliance, when two compliance buys have been conducted in which no program violations are found, or when an inventory audit has been completed.

Finding

We noted during a U.S. Department of Agriculture (USDA) fiscal year 2013 state technical assistance review and management evaluation and within our sample testing of high-risk vendors that vendor files were deemed closed after only one compliance buy was conducted. The USDA review noted that the Department “Within the last 12–18 months, the State made the cost-saving decision to consider a compliance investigation complete after one compliance buy visit with no violations detected.” This method is not in compliance with USDA regulations.

Recommendation

The Department of Public Health (DPH) provided USDA with the formal corrective action plan to address the issue in June 2013. The Department should work with USDA to obtain approval for the corrective action plan and note any future change in the Department’s procedures that are noted as not in accordance with USDA’s grant regulations and obtain USDA approval before implementing the change.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MA DPH accepts the recommendation and DPH WIC will ensure the timely follow up and completion of compliance investigation. Upon completion of an initial investigation, all retailers will be scheduled for a second compliance investigation. This policy will apply for all new and future compliance investigations.

All investigations and outcomes will be tracked on the Vendor Management System and an Excel spreadsheet. Investigations will not be reported as “closed” on the annual TIP report until two clean compliance investigations have been conducted.

Contact: Beverly Andrew, Director of Fiscal Units

Implementation Date: July 1, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

other similar 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 2012-10.

Recommendation

The Department should develop internal controls to substantiate its budgetary estimates or other distribution percentages when allocating 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.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

Split funded employees

MA DPH accepts the recommendation to strengthen activity reporting for positions that are split funded. Starting July 1, 2012, the department developed a system that requires employees that work on multiple activities, from different funding sources, to demonstrate their distribution of time supported by personnel activity reports (PAR). Effective January 1, 2014, the department will be requiring all employees who are split funded, including state, retained revenue, federal and trust sources, to complete this form. These reports are required to be completed every two weeks and will coincide with the applicable pay period. The personnel activity report is an after the fact determination of time expended by employees across more than one account. These forms will be signed by the individual employee and a supervisory official having firsthand knowledge of the activity performed by the employee. A quarterly reconciliation process will occur to ensure that the expenditures are in compliance with the information contained in the personnel activity report.

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

Implementation Date: January 1, 2014

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Public Health

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

Federal Award Number:	2B08T010023-13	Award Year:	2012
	2B08T010023-13-12S2		2011
	2B08T010023-13-11S1		2010

U.S. Department of Health and Human Services

Finding Reference: 2013-24

Requirement

In accordance with the requirements for subrecipient monitoring contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)); OMB Circular A- 133 (§ ____.225, § ____.310(d)(5), and § ____.400(d)); A-102 Common Rule (§ ____.37 and § ____.40(a)); OMB Circular A-110 (2 CFR section 215.51(a)); and program legislation; the pass-through entity must properly identify Federal award information and compliance requirements to the subrecipient. Determine whether the pass-through entity identified in the SEFA the total amount provided to subrecipients from each Federal program.

Finding

We selected 25 sub-awards for testing and noted that there is no indication of the federal CFDA number or federal award information in the Department’s subrecipient contract. The lack of notification will not provide the subrecipient with the required information to include the expenditures within the Substance Abuse Block Grant (SABG) within their determination of federal expenditures for assessing the requirement to have a single audit in accordance with OMB Circular A-133. Additionally, we noted within our sub-award sample that five subrecipients did not report any federal funds received under the SABG within their OMB Circular A-133 audit report.

Recommendation

The Department should update their written internal controls procedures over subrecipient contracting to identify and document its significant subrecipient contracting processes required by the award. Specific procedures should include the procedures to initiate, authorize, and report the subrecipient contract and involve activities such as the following:

- Ensure the subrecipient provides a valid DUNS number
- Properly identify Federal award information and compliance requirements
- Approve only allowable activities in the subaward
- Properly monitor subrecipient activities
- Appropriate review and approval
- Ensure the required audits are performed
- Determine whether the pass-through entity identified in the Schedule of Expenditures of Federal Awards (SEFA) the total amount provided to subrecipients from each Federal program

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Questioned Costs

None

Views of Responsible Officials and Corrective Action

MA DPH accepts the recommendation and DPH Bureau of Substance Abuse will update its internal control procedures over subrecipient contracting to ensure the inclusion of the CFDA number on award letters. This insures that subrecipients are aware of the compliance requirements of the federal funding. The procedures will follow OMB Circular A-133.

The Bureau will also move the section regarding federal funding to the first paragraph that states:

“Providers receiving federal grant funds will be considered sub-recipients for federal grant purposes and will be required to comply with applicable federal requirements, including but not limited to sub-recipient audit requirements under OMB Circular A-133.”

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

Implementation Date: September 5, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Public Health

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

Federal Award Number:	2B08T010023-13	Award Year:	2012
	2B08T010023-13-12S2		2011
	2B08T010023-13-11S1		2010

U.S. Department of Health and Human Services

Finding Reference: 2013-25

Requirement

Internal control procedures should be documented in a written manual. Documenting a process involves identifying and gaining an understanding of the events or transactions that trigger performance of the process, the automated or manual procedures used in performing the process, the person(s) or position(s) responsible for performing the procedures, the source documents used or generated, the procedures for approval and review and correction of any errors detected, and the financial or operational entries or reports summarizing the result of the process. Procedures that may be used to gain an understanding of the workflow or flow of transactions include inquiry of Department personnel; observation of them performing their duties; inspection of documents, forms, and records used in or produced in the process; tracing transactions through the system; and performing a walk-through of the procedures performed in the process.

Finding

The Substance Abuse Block Grant requires the Department’s program management to monitor various levels of effort and earmarking requirements. We reviewed the calculation of these requirements and noted inconsistencies in the period used to meet the requirements, as some were based on the state fiscal year and others on the grant award year. Additionally, some of the amounts noted were encumbrance amounts vs. actual expenditures incurred or did not agree with the grant award period expenditures. The Department had developed written procedures to document the process used however they have not been updated in a number of years. The procedures do not document the time period to be used to support the related level of effort or earmarking requirement and the specific data used and review process.

Recommendation

The Department should update their written internal control procedures to methodically identify and document its significant level of effort and earmarking processes required by the award. Specific procedures should include the procedures to initiate, authorize, and report the level of effort and earmarking and involve activities such as the following:

- Capturing, sorting, and merging data by the appropriate grant or state fiscal year
- Making the calculations
- Retaining the underlying support
- Appropriate review and approval

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MA DPH accepts the recommendation and DPH Bureau of Substance Abuse (BSAS) will update the Block Grant internal control procedures on an annual basis. Additionally, BSAS will present information on Maintenance of Effort (MOE) and Earmarking expenditures based both on specific SAPT grant award and on state fiscal year. For the new SAPT13 Block Grant Award, the Bureau of Substance Abuse will ensure the following MOE's and Set Asides compliance:

- HIV MOE: 5% minimum expenditures when MA is a designated state
- Administration Expense: 5% cap on administration expenses
- Penal and Corrections cap of \$241,000.00
- State MOE: maintain the average of the previous two fiscal years
- Prevention MOE : 20% minimum expenditures on a SAPT Award
- TB MOE: Based on the actual caseloads reported by State
- Women's MOE: minimum expenditure based on \$4,839,208.00

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

Implementation Date: October 1, 2013

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Transportation

High Speed Rail Corridors & Intercity Passenger Rail – Capital Assistance Grants (20.319)

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

U.S. Department of Transportation

Finding Reference: 2013-26

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

For the High Speed Rail Corridors & Intercity Passenger Rail program, the Massachusetts Department of Transportation (MassDOT) reported the subaward information required by FFATA, but did not do so by the applicable deadline: by the end of the month following the month in which the subaward or obligations of \$25,000 or greater were made. More specifically, according to the subaward information displayed on www.usaspending.gov, subawards were made as follows: to the Massachusetts Bay Transportation Authority on January 18, 2012, Metropolitan Area Planning Council on July 1, 2012, and HNTB Corporation on July 1, 2012. However, these subawards were not reported in FSRS until after year-end in October 2013.

Recommendation

MassDOT should review the FFATA reporting requirements and put procedures in place to track reporting deadlines and ensure that federal reports are submitted timely and accurately.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MassDOT is in agreement that the subawards were not reported in to the FSRS within the required timeline. The reason is two-fold: 1) We were not aware of this specific federal reporting requirement in time to meet the 30 day deadline; and 2) technical issues on the FSRS prevented us from submitting the required data. MassDOT will develop a checklist for federally funded contracts to ensure grant and subaward recipients equal to or exceeding \$25,000 are registered in the FSRS along with the required subaward data. MassDOT will review the FFATA reporting requirements monthly.

Contact: Amornrut Harnpukdipatima, Director Federal Grants Management

Implementation Date: March 1, 2014

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Transportation

High Speed Rail Corridors & Intercity Passenger Rail – Capital Assistance Grants (20.319)

Federal Award Number: FR-HSR-0040-11-01-00 Award Year: 2011
FR-HSR-0073-11-01-00

U.S. Department of Transportation

Finding Reference: 2013-27

Requirement

A pass-through entity is responsible for:

1. In addition to any programmatic eligibility criteria under E, “Eligibility for Subrecipients,” for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).
2. Central Contractor Registration (CCR) – For ARRA subawards, identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and maintaining the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c)). This requirement pertains to the ability to report pursuant to Section 1512 of ARRA and is not a pre-award eligibility requirement. Note that subrecipients of non-ARRA funds are not required to register in CCR.
3. Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC.
4. Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within nine months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Finding

1. The Massachusetts Department of Transportation (MassDOT) has no evidence that it obtained DUNS numbers for its subrecipients for the South Station Expansion project, a non-ARRA project, prior to the subaward.
2. MassDOT does not appear to have identified to its subrecipient for the Knowledge Corridor project the Massachusetts Bay Transportation Authority (MBTA), the requirement for CCR registration and presentation in the SEFA and SF-SAC.
3. MassDOT requested the subrecipient A-133 audit for the MBTA for FY13, which was not completed at the time of the audit; however, the subrecipient A-133 audit for the MBTA for FY12 was not on file as MassDOT implemented policies to collect A-133 reports in FY13.

Recommendation

MassDOT should put procedures in place to document that the DUNS number for each subrecipient is obtained prior to the issuance of the subaward.

MassDOT should put procedures in place to ensure that subrecipients of ARRA funds are made aware of the requirement for CCR registration and presentation in the SEFA and SF-SAC.

MassDOT should collect subrecipient A-133 audits for all its subrecipients. To the extent A-133 reports are not available related to the fiscal year under audit, MassDOT should obtain and review the prior year A-133 report to ensure management decisions are made on findings results from such audits, and subrecipients took corrective actions to address any such findings.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

1. As a matter of process, the MassDOT Accounting Office is responsible for obtaining DUNS numbers for subrecipients prior to issuance of awards. Fiscal will draft a contract checklist for federally funded contracts, that will require Grant Managers to confirm or request a DUNS number for a subrecipient.
2. The MBTA has been made aware of the requirement for CCR registration and presentation in the SEFA and SF-SAC. As no additional ARRA funds will be awarded, a procedure does not need to be put in place to ensure subrecipients are aware of the reporting requirements.
3. FY 13 was the first year that MassDOT required its component units, including the MBTA, to submit a copy of their A-133 audit. MBTA FY'13 A-133 report became available at the end of January, 2014. The finding noted in the report and the corrective action plan was discussed with MBTA management, and necessary corrections to address the finding are scheduled to be made by May 1, 2014.

Contact: Robert Shaughnessy, Deputy Director of Accounting
Amornrut Harnpukdiatima, Director of Federal Grants Management

Implementation Date: May 1, 2014

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Transportation

Formula Grants for Other than Urbanized Areas (20.509)

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

U.S. Department of Transportation

Finding Reference: 2013-28

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

For the Formula Grants for Other than Urbanized Areas program, the Massachusetts Department of Transportation (MassDOT) reported the subaward information required by FFATA, but did not do so by the applicable deadline: specifically by the end of the month following the month in which the subaward or obligations of \$25,000 or greater were made. More specifically, according to the subaward information displayed on www.usaspending.gov, several subawards were made by MassDOT during FY13, however none of them were reported until after year-end in October 2013.

Recommendation

MassDOT should review the FFATA reporting requirements and put procedures in place to track reporting deadlines and ensure that federal reports are submitted timely and accurately.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MassDOT is in agreement that the subawards were not reported in to the FSRS within the required timeline. The reason is we were not aware of this specific federal reporting requirement in time to meet the 30 day deadline. MassDOT Fiscal will develop a checklist for federally funded contracts to ensure grant and subaward recipients equal to or exceeding \$25,000 are registered in the FSRS along with the required subaward data. MassDOT will review the FFATA reporting requirements monthly.

Contact: Amornrut Harnpukdipatima, Director of Federal Grants Management

Implementation Date: March 1, 2014

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Early Education and Care

Child Care and Development Fund (93.575 and 93.596)

Federal Award Number: 2013G996005 **Award Year:** 2013
 2013G996004
 2013G999005
 2013G99WREL

U.S. Department of Health and Human Services

Finding Reference: 2013-29

Requirement

Per 45 CFR section 98.60, lead agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing fraud. According to the Department of Early Education and Care (EEC) policy, if any intention to defraud is found the case should be referred to the Bureau of Special Investigations (BSI) of the State Auditors' Office (SAO). The BSI will then assign an investigator to investigate the case and decide whether to prosecute the case or refer to the Attorney General.

Finding

We noted EEC did not follow established procedures to ensure child care payments that are the result of fraud are recovered. EEC found two instances of fraud, one in fiscal year 2012 and one in fiscal year 2013, amounting to \$76,942 and \$78,280, respectively. EEC appropriately referred them to the BSI; however, the BSI never assigned the cases to an investigator and EEC did not follow up nor monitor the status of the referred cases.

Recommendation

We recommend EEC establish procedures to ensure compliance with 45 CFR, section 98.60 and follow up with the BSI to ensure fraud cases are investigated timely and payments are properly recovered.

Questioned Costs

\$155,222

Views of Responsible Officials and Corrective Actions

EEC submitted the noted instances of fraud to the Bureau of Special Investigations (BSI) and did not receive a response. In response to the preliminary finding, EEC met on October 17, 2013, with the Bureau of Special Investigations to discuss two topics:

- A dollar value threshold or baseline to establish when issues of fraud or recoupment should be sent to BSI.
- The process to govern when BSI receives a fraud case from us and how we can ensure responsiveness within a prescribed time.

The two Assistant Directors from the BSI in attendance at the October 17, 2013 meeting suggested that EEC send a letter to the SAO BSI General Counsel to discuss the topics listed above. EEC is drafting this letter and,

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

once agreement is reached with BSI, we will integrate the final established process into EEC's Internal Control Plan.

In further explanation:

Case #1: During the course of the October 17, 2013 meeting with BSI, one of the BSI Assistant Directors asked EEC to provide income documentation verification on case #1. EEC provided this information on October 21, 2013.

Case #2: Subsequent to EEC's exit conference with KPMG, EEC found an email dated December 19, 2012 from the EEC Assistant General Counsel to EEC colleagues and employees at New England Farm Workers Council. In that email she let people know that she had referred this recoupment case to the State Auditor's Bureau of Special Investigations on that day through the website www.mass.gov/sao. She went on to report that an employee from the BSI unit contacted her immediately and said that from now on all referrals should be sent directly to her and not through the general fraud referral link. EEC passes on this information in an effort to show that there was initial follow through on this case and an acknowledgement from BSI that they received the case.

Contact: William Concannon, Deputy Commissioner for Administration and Finance

Implementation Date: Changes in the BSI referral and response process will be integrated into the EEC Internal Control Plan due to the Office of the Comptroller in July 2014.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Early Education and Care

Child Care and Development Fund (93.575 and 93.596)

Federal Award Number: 2013G996005 **Award Year:** 2013
2013G996004
2013G999005
2013G99WREL

U.S. Department of Health and Human Services

Finding Reference: 2013-30

Requirement

The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objective of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs) are found in section 105 of OMB Circular A-133.

In addition per 31 USC 7502 (f)(2)(B) the Department of Early Education and Care (EEC) is charged with monitoring the subrecipient activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements.

Finding

We noted key controls in place need to be strengthened to ensure reasonable compliance with Federal laws, regulations, and program requirements. During our testwork of 25 providers, we noted the following control deviations:

- In one selection, the Provider Risk Assessment Analysis Review (PRAAR) worksheet was not completed in fiscal year 2013.
- In two selections, the improper payment was not adjusted for the correct amount in EEC’s accounting system in accordance with EEC’s procedures.

Recommendation

The Department should strengthen controls in place to ensure they are operating effectively and provide reasonable assurance that compliance with Federal laws, regulations, and program requirements are met.

Questioned Costs

Not Determinable

Views of Responsible Officials and Corrective Actions

- **In one selection, the Provider Risk Assessment Analysis Review (PRAAR) worksheet was not completed in fiscal year 2013.**

EEC completed two hundred and thirty (230) PRAARs for the Contract Providers and eleven (11) Child Care Resource and Referral Agencies (CCRR) who held contracts in FY2013. The PRAAR exercise was

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

completed, in part, through a review of each agency’s FY2012 submission of its Uniform Financial Report and Independent Audits to the Operational Services Division (OSD). The PRAAR process was completed on August 22, 2012. The PRAAR for one contract provider was copied over from the previous fiscal year and not reviewed with the FY2013 information. However, we note that this provider was monitored during the FY2013 monitoring cycle. EEC has updated its PRAAR review process as of August 2013 to ensure that all providers and CCRRs are assessed for risk each fiscal year. A new PRAAR Microsoft Access database was built in FY2014 which allows for a warehouse query containing all the Contract Provider and CCRR current fiscal contracts from MMARS to be imported onto the PRAAR database. This control ensures that all active contracts are assessed for risk. Once the PRAARs are completed by the Audit Unit, the Director of Audit runs a report from the PRAAR database to quality check and ensure each provider is assessed a risk score. A secondary review consists of verifying the providers listed in the EEC vendor query that has an active Income Eligible and/or Priority Populations contract against the PRAAR database.

- **In two selections, the improper payment was not adjusted for the correct amount in EEC’s accounting system in accordance with EEC’s procedures.**

Selection #1 – The total FY2013 recoupment for this provider was \$603.00. The Provider incorrectly made adjustments to its April billing in the amount of \$603.00. The adjustment totaled \$0.00 (a wash). Accounting was notified of BARS placement on 8/16/2013 for the amount of \$603.00 and placed on BARS on 9/1/2013. The Provider paid on 9/27/2013.

Selection #2 – The total recoupment for this provider was \$65.00 for FY2012 and \$421.50 for FY2013. Accounting was notified of BARS placement on December 31, 2012 for the amount of \$65.00 and placed on BARS on 1/3/2013; the provider paid on 4/17/2013. Provider also made adjustments to its April 2013 billing in the amount of \$133.00; the remaining adjustments were not complete within that billing cycle. A check was submitted to EEC on August 1, 2013 in the amount of \$238.00 and August 10, 2013 in the amount of \$50.00 for the remaining recoupment amount.

EEC has taken the necessary steps to enhance its controls to ensure Improper Payments are completed in a timely manner. The revisions made include:

- The Fiscal Monitor will indicate the BARS notification via email and on a BARS notification form. Accounting will place the provider on BARS within ten (10) business days of receipt of the email.
- Contract Providers making adjustments on eCCIMS/CCIMS to the current fiscal year placements that may result in recoupment must submit a copy of the Service Delivery Report (SDR) to the Fiscal Monitor overseeing the review. The Fiscal Monitor will confirm the adjustment with the Accounting Specialist assigned to the contract provider for billing.
- The Audit Unit will conduct a biannual review of recoupments placed on BARS and adjustments completed on eCCIMS/CCIMS.
- The Accounting Unit will send the Director of Audit Compliance and Resolution a query of the customers placed on BARS on a monthly basis.

Contact: William Concannon, Deputy Commissioner for Administration and Finance

Implementation Date: Implemented

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Department of Children and Families

Foster Care–Title IV-E (93.658)

Adoption Assistance (93.659)

Federal Award Number: 1301MA1401 Award Year: 2013
1301MA1407

U.S. Department of Health and Human Services

Finding Reference: 2013-31

Requirement

Under federal requirements, the Commonwealth of Massachusetts Department of Children and Families (DCF or the Department) 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

Costs were not calculated in accordance with the approved Public Assistance Cost Allocation Plan.

The Department made Federal Financial Participation (FFP) claims based on allocations that were not calculated in accordance with the approved Public Assistance Cost Allocation Plan. Instances of noncompliance with the PACAP were noted affecting the claims for all four quarters in state fiscal year 2013. These instances were the result of an inaccurate calculation of Health and Welfare costs. Specifically, the Department utilized a rate other than the approved 2013 weekly rates for Health and Welfare costs as outlined in the Statewide Cost Allocation Plan (SWCAP) provided by the Human Resources Division, Executive Office of Administration and Finance and approved by the Federal Department of Cost Allocation for employees falling under bargaining unit 8 (Q1, Q2, Q3 and Q4) and bargaining unit 1 (Q4 only). This resulted in DCF claiming more costs than allowed.

The cause of this finding was human error when inputting the weekly rates and a control deficiency that allowed the error to go undetected.

Recommendation

The Department should develop procedures to ensure that the Health and Welfare costs are accurately calculated in accordance with the approved weekly rates as outlined in the Statewide Cost Allocation Plan (SWCAP) provided by the Human Resources Division, Executive Office of Administration and Finance and approved by the Federal Department of Cost Allocation.

Questioned Costs

CFDA #93.658 Foster Care–Title IV-E, Federal Financial Participation of \$5,769.

CFDA #93.659 Adoption Assistance, Federal Financial Participation of \$1,701.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Views of Responsible Officials and Corrective Actions

DCF and the Executive Office of Health and Human Services (EOHHS) have implemented corrective actions to correct the deficiency.

In preparing future quarterly cost allocation plans, DCF will go directly to the Office of the Comptroller's website to retrieve the most current published Health and Welfare rates. To the extent the new federal fiscal year's rates are not yet published, DCF will use the prior year's approved rates as published on the Comptroller's website and retroactively adjust claims once the new year's rates are published.

DCF and EOHHS have implemented an additional level of Quality Control. A secondary confirmation has been added to the Quality Control checklist. This provides an additional confirmation that the rates used in the development of the Cost Allocation Plan for the quarterly claim submission match the source document for each collective bargaining unit. This is in addition to our current Quality Control process which is a control check of the calculation of the H&W adjustment. This Quality Control list is reviewed as part of the Quarterly Claim Certification meetings.

DCF has updated rates for the quarter ending 9/30/13 Title IV-E claim submission and reimbursed the federal government by submitting a negative adjustment on the claim that was submitted in November 2013. A negative adjustment will be submitted for the remaining 3 quarters for FY13 (quarters ending 12/31/12, 3/31/13, and 6/30/13) on the quarter ending 12/31/13 claim to be submitted in January 2014.

Contact: Janice Axelrod, EOHHS Director of Federal Revenue Claiming

Implementation Date: September 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Massachusetts Commission for the Blind

Rehabilitation Services Vocational Rehabilitation Grants to States (84.126)

Federal Award Number: H126A130029 **Award Year:** 2013

U.S. Department of Education

Finding Reference: 2013-32

Requirement

In accordance with 2 CFR 225, Appendix B8(h)(3), when an employee works solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications should be prepared at least semi-annually and should be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Finding

During our audit, we found that employees whose time is charged to the grant were not supported by time and effort certifications. This occurred for 7 employees in our sample of 25. Upon further investigation, it was determined that this was limited to a group of personnel who work on a portion of the overall grant. During 2013, payroll charges for this group of employees represented approximately 9.8% of the total grant expenditures.

Recommendation

We recommend that management establish procedures to ensure that all time and effort is appropriately documented within the guidelines of 2 CFR 225.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

The Massachusetts Commission for the Blind (MCB) has implemented procedures to identify all employees who work solely on a single Federal award or cost objective and will certify periodically that the employees worked solely on that program for the period covered by the certification. The certification will be prepared at least semi-annually and will be signed by the supervisory official having firsthand knowledge of the work performed by the employee.

Contact: Leonard Kessler, Deputy Commissioner, MCB

Implementation Date: July 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Executive Office of Health and Human Services (MassHealth)

Medical Assistance Program (93.778)

Federal Award Number: 1305MA5MAP Award Year: 2013

U.S. Department of Health and Human Services

Finding Reference: 2013-33

Requirement

The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objective of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs) are found in section 105 of OMB Circular A-133.

Per 45 CFR 92, appropriate controls are required to be designed, implemented and operating effectively to provide reasonable assurance that only eligible individuals receive assistance under Federal award programs, that subawards are made only to eligible subrecipients, and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements. Such control activities include verification of accuracy of information used in eligibility determination.

Finding

As part of the MassHealth enrollment process, on a weekly basis discrepancy reports are generated from the current enrollment system, MA-21, which documents potential errors in the system input of new enrollment participants. Management evaluates each discrepancy to ensure the system is appropriately updated to reflect all necessary changes.

Per discussion with management, the discrepancy reports and evidence of review is not retained beyond 90 days. As such, we were not able to substantiate that this control was being performed for the full period under audit (fiscal year 2013).

Recommendation

We recommend that appropriate documentation is maintained on a go forward basis including employee and management sign-off evidencing review.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

The state agrees, in part, with the finding and has requested the Information Technology Division (ITD) to retain the automated eligibility determination error reports for a period of 24 months after full HIX-IES implementation. This will allow the auditors access to test that the reports are being worked. In addition, until the reports are available on the HIX-IES and to the extent that the state continues to use MA-21 as a system of eligibility, the state will keep hard copies of the daily error reports. The Quality Assurance Unit will test a sample

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

of the daily error reports as a control. However, MassHealth does not believe that requiring sign-off by a worker and manager is necessary to ensure appropriate internal controls.

Contact: Joseph Sousa, Director, Integrated MassHealth Enrollment Centers

Implementation Date: November 1, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Executive Office of Health and Human Services (MassHealth)

Medical Assistance Program (93.778)

Federal Award Number: 1305MA5MAP Award Year: 2013

U.S. Department of Health and Human Services

Finding Reference: 2013-34

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 40 claims for participants receiving benefits from the Medicaid Assistance Program. For one claim, MassHealth paid the outdated rate (\$186.04) as compared to the updated rate code amount of (\$181.85).

Recommendation

We recommend that the Executive Office review similar calculation and payment amounts in an attempt to quantify total exposure.

Questioned Costs

Questioned costs for one identified participant noted above are less than \$50.00.

Views of Responsible Officials and Corrective Actions

The 2012 physician rates were adopted on July 23, 2012 retroactive to July 1, 2012. The physician program followed procedures by requesting that the new rates be updated in Medicaid Management Information System (MMIS) and a retroactive run be generated in a staging environment to quantify the total exposure.

The updates to the new rates were completed by systems on August 23, 2012. However, due to the budget neutrality of the 2012 physician rate updates as indicated below by DHCFP*, the request has not received a high priority. The request to produce a retroactive run is conflicting with other agency priorities, including the implementation of the ACA 1202 rate increases and subsequent reprocessing of affected claims.

The physician program will continue to monitor the systems queue and will request execution of the retro run. Please note that MassHealth also expects that providers will adhere to the regulations as cited in (450.325) which place the onus on providers to return overpayments.

* Fiscal Impact

There is no anticipated aggregate fiscal impact as a result of the proposed rate changes. However, the implementation of the payment modifiers results in an anticipated aggregate annual fiscal impact of \$2.3 million

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

or 0.78% in FY 2013 spending for physician services. The fiscal impact is summarized by regulation type as follows:

- Surgery \$0.72 million 0.95% increase
- Medicine \$1.86 million 1.00% increase
- Radiology -\$0.28 million 0.97% decrease

Contact: Lydia Hatch, Director, Provider Network Programs

Implementation Date: By or before June 30, 2014

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Executive Office of Health and Human Services (MassHealth)

Medical Assistance Program (93.778)

Federal Award Number: 1304MA5MAP Award Year: 2013

U.S. Department of Health and Human Services

Finding Reference: 2013-35

Requirement

The State Medicaid agency (MassHealth) 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 40 program participants receiving benefits from the Medicaid Assistance Program that used the MA 21 and/or PACES eligibility system. For one of the participants selected, it was determined that the member should not have been deemed eligible. The termination of a participant's eligibility status was not effectively communicated during a system interface and the member continued to receive funds during a period in which the member was not eligible. For the year ended June 30, 2013, a total of approximately \$4,400 of federal funds was paid related to this participant.

Recommendation

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

Questioned Costs

\$4,400

Views of Responsible Officials and Corrective Actions

The state agrees with the finding and has created a work group to initiate discussion about reconciliations between the MMIS and the eligibility systems. However, because of the Affordable Care Act (ACA) implementation and migration of the MassHealth membership from the current eligibility system to the HIX-IES, such reconciliations will likely occur post HIX-IES implementation and stabilization. This is scheduled to occur during 2014.

Contact: Joseph Sousa, Director, Integrated MassHealth Enrollment Centers

Implementation Date: January 1, 2014

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Executive Office of Health and Human Services (MassHealth)

Medical Assistance Program (93.778)

Federal Award Number:	1105MA5MAP	Award Year:	2011
	1205MA5MAP		2012
	1305MA5MAP		2013

U.S. Department of Health and Human Services

Finding Reference: 2013-36

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 40 program participants receiving benefits from the Medicaid Assistance Program that used the MA 21 and/or PACES eligibility system. In order to continue eligibility, the Executive Office is required, at least every 12 months, to redetermine the eligibility of program recipients with respect to circumstances that may change and/or redetermine the eligibility of program recipients during the year. In our selection of 40 program participants we noted that the redetermination for two participants during the year was not performed. Subsequently a year-end review was performed; refer to corrective actions noted below.

A similar finding was reported in the prior single audit report as finding 2012-19.

Recommendation

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

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The state agrees with the finding on the omission of the annual review in PACES for two of the cases selected referenced on the sample as M5 and M9. However, on 9/6/2013 the state reviewed the eligibility and found that both members continued to be eligible. In both cases the monthly income had been below 100% of the FPL and the assets below \$2,000.00 limits. The individual referenced as M5 on the sample has been in a Long Term Care Institution since 1990. The individual referenced as M9 has been in a Long Term Care Institution since 1995.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Further, the state has been working to prevent any future issues by converting all cases on the PACES eligibility legacy system to MA-21. The conversion will eliminate the manual annual reviews process, which we believe causes the issue, and will leverage the automated review process established on MA-21. All PACES cases are expected to be converted into MA-21 by the end of March 2014.

Contact: Joseph Sousa, Director, Integrated MassHealth Enrollment Centers

Implementation Date: November 1, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Massachusetts Emergency Management Agency

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

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

U.S. Department of Homeland Security

Finding Reference: 2013-37

Requirement

The A-102 Common Rule requires that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The objective of internal control pertaining to the compliance requirements for Federal programs (Internal Control Over Federal Programs), as found in section 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. 44 CFR section 13.22(a) allows grant funds to be used only for “(1) the allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and (2) reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or sub-grantee.”

Finding

The Massachusetts Emergency Management Agency (MEMA) is not reviewing and verifying 100% of project costs from subrecipients prior to certifying payment in accordance with 44 CFR section 13.22(a). For the 25 subrecipients sampled, KPMG determined that \$3,179,341 (Federal share) of the \$57,373,956 did not include full supporting documentation.

Recommendation

We recommend the agency develop policies and procedures to collect, review, verify and certify all invoices received from subrecipients are reviewed for supporting documentation of.

Questioned Costs

\$3,179,341

Views of Responsible Officials and Corrective Actions

Steps for verifying project costs are the most critical component of MEMA’s PA Policy and Procedures. These were comprehensively addressed in last year’s update and address both Small and Large project requirements. MEMA believes that the procedures as implemented more than satisfy the requirements of 44 CFR 13.22 and other PA-related sections (44 CFR 206). MEMA considers this finding addressed by policies that came into effect on May 1, 2013.

Contact: David Mahr, Chief Fiscal Officer

Implementation Date: Effective May 1, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Massachusetts Emergency Management Agency

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

Federal Award Number: Various Award Year: Various

U.S. Department of Homeland Security

Finding Reference: 2013-38

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 2013, 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.

A similar finding was reported in the prior year single audit report as finding 2012-23.

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

MEMA took a number of steps in 2013 to increase the diligence with which we adhere to FFATA requirements. As of May 1st all sub-recipients receive FFATA forms attached to each contract executed. MEMA maintains these as part of the program records.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

As of November 4, 2013, MEMA hired an Accountant III as our Recovery Accountant to, among other duties, establish policies and procedures specific to FFATA reporting and the use of the FRFS site for sub-recipient reporting. Since that date MEMA has set up all required FFATA online reporting elements and is actively reporting on a monthly basis for all obligations above \$25,000. Additionally, MEMA will update its subrecipient contract language to notify them that MEMA will be reporting on all activities per FFATA.

Contact: David Mahr, Chief Fiscal Officer

Implementation Date: Subrecipient FFATA reporting as of November 4, 2013

Policy and Procedures update and subrecipient notification as of December 1, 2013

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

Massachusetts Emergency Management Agency

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

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

U.S. Department of Homeland Security

Finding Reference: 2013-39

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 are present, 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 the Massachusetts Emergency Management Agency (MEMA) does perform other subrecipient monitoring procedures during the award, the agency is not collecting the A-133 audit results of its subrecipients in a timely manner. For the 25 subrecipients tested, we reviewed the Federal Audit Clearinghouse results for the most recent audit submitted, and noted there were three entities that had findings related to CFDA 97.036. Management was unaware of these results and as a result had not issued the required management response.

A similar finding was reported in the prior year single audit report as finding 2012-24.

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 finds related to MEMA-funded programs.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

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.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2013

MEMA recognizes that beyond reviewing A-133 audit reports sent by subrecipients, MEMA must also proactively search the Federal Audit Clearinghouse (FAC) website to identify audit reports that may not have been provided to MEMA. As of November 4, 2013, MEMA will add a dedicated Accountant III whose full time duties will include A-133 monitoring and reporting. Activities will include gathering and reviewing all reports received by MEMA or identified through the warehouse, notifying sub-recipients of findings related to MEMA programs, issuing management decisions, and following up with subrecipients for continuing compliance. Additionally, MEMA will update its subrecipient contract language to notify them that MEMA will be monitoring audit activity via FAC.

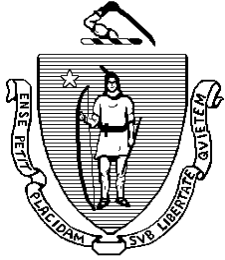
Contact: David Mahr, Chief Fiscal Officer

Implementation Date: Subrecipient A-133 monitoring via FAC as of November 4, 2013 (for activity as of January 1, 2013)

Policy and Procedures update and subrecipient notification as of December 1, 2013

**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 2013**

The attached summary schedule of prior year findings (Schedule) lists the finding reference, CFDA #, state agency, program and description for the 24 findings included in the fiscal year 2012 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.

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.

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Schedule of Prior Year Findings
Year ended June 30, 2013

Finding Reference	CFDA #	Agency	Program(s)	Description/Summary	Implementation Status	Corrective Action Plan
2012-01 & 2011-02		OSC	State	Reporting of the Commonwealth's Fiduciary Funds	Partially	See finding 2013-01
2012-02 & 2011-03		OSC	State	Fixed Asset Additions and Disposals	Fully	
2012-03 & 2011-06		ITD	State	Change Management - CIW	Partially	See finding 2013-03
2012-04 & 2011-07	10.551	DTA	SNAP	Visited 3 temporary Assistance Office (TAO) locations to review EBT card issuance signature sheets, in Chelsea, 2 of 15 samples were not initiated by the issuing clerk; in Dudley, 1 of 16 samples where the issuing clerk was not the same person who logged into the system.	Fully	
2012-05	10.551	DTA	SNAP	The department made Federal Financial participation (FFP) claims based on allocation that were not in accordance with the approved PACAP.	Fully	
2012-06	93.558	DTA	TANF	The department does not maintain adequate monitoring controls over certain activities of certain state agencies & UMASS to ensure TANF expenditures are in accordance with Federal compliance requirements.	Partially	See finding 2013-16
2012-07	10.557	DPH	WIC	Expenditures for Food Instruments (FIs) were not properly allocated to the proper grant year based on the FI date issued.	Fully	
2012-08	10.557	DPH	WIC	The WIC department was not able to provide support of the e-mail sent to the DPH accounting department for 2 of 20 expenditures transactions tested for approval before processing by DPH for payment.	Fully	
2012-09	93.268, 93.712	DPH	Immunization	1 of 25 items tested did not have a completed sign-off on the Provider Enrollment Form and did not include Vaccine Provider Site Number as required.	Fully	
2012-10 & 2011-37	93.268, 93.712	DPH	Immunization	For one employee, the 50% allocation was pre-populated on their time sheet in what appears to be more an estimate of labor distribution rather than an after-the-fact distribution of actual activity.	Partially	See finding 2013-23
2012-11 & 2011-40	93.959	DPH	Block Grants for Prevention & Treatment of Substance Abuse	2 of 25 employees tested, the unit supervisor did not document his/her approval for the payroll cycle period ending December 31, 2011 and July 16, 2011.	Fully	
2012-12	93.959	DPH	Block Grants for Prevention & Treatment of Substance Abuse	Management was not able to support the 50% allocation in support of the certification for 1 of 25 employees selected for testing.	Fully	
2012-13	12.401	MIL	National Guard Military O&M Projects	4 of 25 employees selected for employee file testing, 1 file contained improper form I-9 and 3 files did not have form I-9 available for review.	Fully	
2012-14 & 2011-10	12.401	MIL	National Guard Military O&M Projects	3 of 25 employees tested did not have proper supervisory signatures on their time sheets. 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.	Fully	
2012-15 & 2011-11	12.401	MIL	National Guard Military O&M Projects	The final inventory listing as of June 30, 2012 was obtained 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.	Fully	
2012-16	20.205, 20.219	DOT	Highway Planning and Construction	For 2 of the 50 weeks selected, MassDOT did not have the certified payroll and signed statement of compliance on file.	Fully	
2012-17	84.395	DOE	Race to the Top (ARRA)	A sample of 10 procurements were selected for testing, 2 of the selections the department was unable to provide evaluation of vendors responding to the solicitation.	Fully	
2012-18 & 2011-42	93.658, 93.659	DSS	Foster Care & Adoption Assistance	Time sheet could not be located for some individuals tested and exception reports not signed or approved by manager.	Fully	
2012-19 & 2011-44	93.767	EHS	CHIP	Redetermination of eligibility not being done on certain area of population.	Partially	See finding 2013-36

COMMONWEALTH OF MASSACHUSETTS
 Schedule of Prior Year Findings
 Year ended June 30, 2013

Finding Reference	CFDA #	Agency	Program(s)	Description/Summary	Implementation Status	Corrective Action Plan
2012-20	93.778	EHS	Medicaid	1 of 65 member 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.	Fully	
2012-21	93.778	EHS	Medicaid	1 of 65 pharmacy claims tested, MassHealth paid the maximum co-pay amount allowed rather than the actual amount of the claim submitted.	Fully	
2012-22	93.778	EHS	Medicaid	The Commonwealth has several monitoring controls in place to oversee the activities performed by the Mass eHealth Institute (MEHI) and the University of Mass Provider Compliance Unit (PCU), most of those controls are not performed regularly or are not properly documented or inconsistently documented.	Fully	
2012-23	97.036	CDA	Disaster Grants - Public Assistance	During fiscal 2012, MEMA was subject to the FFATA reporting requirement, however, did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements.	Partially	See finding 2013-38
2012-24	97.036	CDA	Disaster Grants - Public Assistance	As part of subrecipient monitoring, MEMA does perform other subrecipient monitoring procedures during the award, but the agency is not collecting the A-133 audit results of its subrecipients.	Partially	See finding 2013-39