



COMMONWEALTH OF MASSACHUSETTS

Independent Auditors' Reports as Required by Title 2 U.S. Code
of Federal Regulations Part 200, *Uniform Administrative Requirements,
Cost Principles, and Audit Requirements for Federal Awards and
Government Auditing Standards* and Related Information

Year ended June 30, 2018

(With Independent Auditors' Report Thereon)

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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. Andrew W. Maylor, 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, 2018, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated January 18, 2019. Our report includes an emphasis of matter paragraph regarding the Commonwealth adopting provisions of Governmental Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our report includes a reference to other auditors who audited the financial statements of the entities described in note 14 of the Commonwealth's basic financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of certain entities identified in note 14 to the Commonwealth's basic financial statements were not audited in accordance with *Government Auditing Standards*.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a material weakness. 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-003 through 2018-007 to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commonwealth's basic financial statements are free from 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

Boston, Massachusetts
January 18, 2019



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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Mr. Andrew W. Maylor, 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 *OMB 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, 2018. 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 expenditures are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of those entities identified in note 1 as these entities conducted separate audits in accordance with the Uniform Guidance, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 unmodified and modified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Commonwealth's compliance.



Basis for Qualified Opinion on the Employment Service and WIOA Clusters

As described in the accompanying schedule of findings and questioned costs, the Commonwealth did not comply with requirements regarding the Employment Service Cluster (CFDA 17.207 and 17.801) and WIOA Cluster (CFDA 17.258, 17.259 and 17.260) as described in finding 2018-011 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to those programs.

Qualified Opinion on the Employment Service and WIOA Clusters

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Employment Service and WIOA Clusters for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-008, 014, 016 through 019, 022 and 025. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-011 and 021 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-008 through 010, 012 through 020, 022 through 026 to be significant deficiencies.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2018, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements. We have issued our report thereon dated January 18, 2019, that referred to the reports of other auditors and contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 the Uniform Guidance 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Boston, Massachusetts
March 29, 2019

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

CFDA Number	Federal Agency, Program, or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
U.S Department of Agriculture:			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ —	\$ 4,225,832
10.093	Voluntary Public Access and Habitat Incentive Program	100,972	100,972
10.170	Specialty Crop Block Grant Program - Farm Bill	372,897	398,794
10.307	Organic Agriculture Research and Extension Initiative	86,568	95,295
10.331	Beginning Farmer and Rancher Development Program	355,288	1,687,134
10.547	Professional Standards for School Nutrition Employees	78,509	78,509
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	65,940,997	74,232,562
10.558	Child and Adult Care Food Program	25,450,179	25,794,653
10.560	State Administrative Expenses for Child Nutrition	520,000	4,918,078
10.572	WIC Farmers' Market Nutrition Program	—	439,259
10.574	Team Nutrition Grants	13,986	13,986
10.575	Farm to School Grant Program	—	11,765
10.576	Senior Farmers Market Nutrition Program	—	516,495
10.578	WIC Grants To States	13,499	237,260
10.579	Child Nutrition Discretionary Grants Limited Availability	356,433	372,111
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program	—	104,267
10.582	Fresh Fruit and Vegetable Program	3,332,581	3,481,482
10.589	Child Nutrition Direct Certification Performance Awards	—	31,725
10.664	Cooperative Forestry Assistance	184,200	1,096,216
10.675	Urban and Community Forestry Program	—	66,296
10.676	Forest Legacy Program	11,680	1,779,130
10.680	Forest Health Protection	—	18,040
10.868	Rural Energy for America Program	27,094	34,301
10.916	Watershed Rehabilitation Program	—	1,007,400
10.931	Agricultural Conservation Easement Program	438,625	1,662,572
10.932	Regional Conservation Partnership Program	6,583	6,583
SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program	—	1,162,157,076
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	6,163,022	66,819,459
	Total SNAP Cluster	<u>6,163,022</u>	<u>1,228,976,535</u>
Child Nutrition Cluster:			
10.555	National School Lunch Program	290,271,110	318,731,161
10.559	Summer Food Service Program for Children	7,498,308	7,624,817
	Total Child Nutrition Cluster	<u>297,769,418</u>	<u>326,355,978</u>
Food Distribution Cluster:			
10.565	Commodity Supplemental Food Program	93,575	107,278
10.568	Emergency Food Assistance Program administrative costs	909,053	1,047,930
	Total Food Distribution Cluster	<u>1,002,628</u>	<u>1,155,208</u>
	Total U.S. Department of Agriculture	<u>402,225,159</u>	<u>1,678,898,438</u>
U.S. Department of Commerce:			
11.014	Band 14 Incumbent Spectrum Relocation	—	1,149,218
11.407	Interjurisdictional Fisheries Act of 1986	—	163,548
11.419	Coastal Zone Management Administration Awards	—	2,424,633
11.420	Coastal Zone Management Estuarine Research Reserves	39,321	681,587
11.427	Fisheries Development and Utilization Research and Development Grants and Cooperative Agreement Program	124,205	285,604
11.454	Unallied Management Projects	143,625	1,492,008
11.463	Habitat Conservation	274,965	322,495
11.472	Unallied Science Program	721,931	740,566
11.474	Atlantic Coastal Fisheries Cooperative Management Act	11,959	273,672
11.549	State and Local Implementation Grant Program	—	392,600
	Total U.S. Department of Commerce	<u>1,316,006</u>	<u>7,925,931</u>
U.S. Department of Defense:			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	—	1,202,795
12.400	Military Construction, National Guard	—	83,643
12.401	National Guard Military Operations and Maintenance (O&M) Projects	—	45,390,397
	Total U.S. Department of Defense	<u>—</u>	<u>46,676,835</u>
U.S. Department of Housing and Urban Development:			
14.181	Supportive Housing for Persons with Disabilities	693,816	693,816
14.228	Community Development Block Grants / State's Program	27,551,424	28,990,753
14.231	Emergency Shelter Grants Program	3,562,475	3,689,467
14.238	Shelter Plus Care	175,003	175,003
14.239	HOME Investment Partnerships Program	6,229,722	224,474,730
14.241	Housing Opportunities for Persons with AIDS	290,114	292,478
14.267	Continuum of Care Program	7,181,288	8,658,180
14.275	Housing Trust Fund	1,002,249	1,112,455
14.326	Project Rental Assistance Program of Section 811	41,998	58,692
14.401	Fair Housing Assistance Program State and Local	—	1,185,777
14.880	Family Unification Program	1,965,692	1,965,692
14.881	Moving to Work Demonstration Program	254,634,046	259,352,771
14.896	Family Self-Sufficiency Program	645,516	645,516

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

CFDA Number	Federal Agency, Program, or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
Section 8 Project-Based Cluster:			
14.182	Section 8 New Construction and Substantial Rehabilitation	\$ 13,715,656	\$ 16,219,936
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	6,752,762	8,150,222
	Total Section 8 Project-Based Cluster	20,468,418	24,370,158
CDBG - Disaster Recovery Grant - Pub. L. No. 113-2 Cluster:			
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	1,475,510	1,475,510
	Total CDBG - Disaster Recovery Grant - Pub. L. No. 113-2 Cluster	1,475,510	1,475,510
Housing Voucher Cluster:			
14.871	Section 8 Housing Choice Vouchers	5,694,267	5,694,267
	Total Housing Voucher Cluster	5,694,267	5,694,267
	Total U.S. Department of Housing and Urban Development	331,611,538	562,835,265
U.S. Department of the Interior:			
15.608	Fish and Wildlife Management Assistance	4,693	24,313
15.614	Coastal Wetlands Planning, Protection and Restoration Act	2,308	1,011,627
15.616	Clean Vessel Act Program	807,186	987,661
15.622	Sportfishing and Boating Safety Act	207,758	207,758
15.631	Partners for Fish and Wildlife	—	18,134
15.634	State Wildlife Grants	—	24,496
15.657	Endangered Species Conservation - Recovery Implementation Funds	—	18,586
15.677	Hurricane Sandy Disaster Relief Activities-FWS	81,930	282,055
15.904	Historic Preservation Fund Grants-In-Aid	230,100	895,288
15.916	Outdoor Recreation Acquisition, Development and Planning	698,187	698,187
15.925	Agricultural Water Enhancement Program	210,556	220,470
15.947	Boston Harbor Islands Partnership	—	57,084
15.957	Emergency Supplemental Historic Preservation Fund	—	27,430
15.980	National Ground-Water Monitoring Network	—	84,406
15.981	Water Use and Data Research	—	14,471
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration Program	—	5,991,590
15.611	Wildlife Restoration and Basic Hunter Education	—	1,757,044
	Total Fish and Wildlife Cluster	—	7,748,634
	Total U.S. Department of the Interior	2,242,718	12,320,600
U.S Department of the Justice:			
16.017	Sexual Assault Services Formula Program	401,371	422,829
16.321	Antiterrorism Emergency Reserve	1,381,590	1,501,203
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	—	187,449
16.543	Missing Children's Assistance	5,342	398,182
16.550	State Justice Statistics Program for Statistical Analysis Centers	—	78,028
16.554	National Criminal History Improvement Program	—	43,851
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	—	931,108
16.575	Crime Victim Assistance	21,578,032	25,459,414
16.576	Crime Victim Compensation	—	19,946,948
16.582	Crime Victim Assistance/Discretionary Grants	198,634	235,574
16.585	Drug Court Discretionary Grant Program	66,896	206,735
16.588	Violence Against Women Formula Grants	975,874	1,949,708
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	—	153,514
16.593	Residential Substance Abuse Treatment for State Prisoners	21,243	59,257
16.606	State Criminal Alien Assistance Program	—	161,590
16.609	Project Safe Neighborhoods	—	14,293
16.710	Public Safety Partnership and Community Policing Grants	—	863,546
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	—	2,971
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,997,451	4,589,868
16.741	Forensic DNA Capacity Enhancement Program	—	1,079,870
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	17,293	60,548
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	68,998	196,517
16.746	Capital Case Litigation Initiative	19,997	64,877
16.751	Edward Byrne Memorial Competitive Grant Program	90,660	319,401
16.754	Harold Rogers Prescription Drug Monitoring Program	—	344,663
16.812	Second Chance Act Prisoner Reentry Initiative	447,261	731,711
16.816	John R. Justice Prosecutors and Defenders Incentive Act	31,452	31,452
16.820	Post-conviction Testing of DNA Evidence to Exonerate the Innocent	—	170,521
16.827	Justice Reinvestment Initiative	50,520	54,915
16.922	Equitable Sharing Program	—	762,333
	Total U.S Department of the Justice	27,352,614	61,022,876
U.S. Department of Labor:			
17.002	Labor Force Statistics	—	2,004,146
17.005	Compensation and Working Conditions	—	136,940
17.225	Unemployment Insurance	2,349,325	1,579,770,234
17.235	Senior Community Service Employment Program	1,462,714	1,574,197
17.245	Trade Adjustment Assistance Workers	861,676	14,247,172
17.268	H-1B Job Training Grants	265,902	265,902
17.271	Work Opportunity Tax Credit Program	—	17,582
17.273	Temporary Labor Certification for Foreign Workers	8,323	687,800
17.277	Workforce Investment Act (WIA) National Emergency Grants	3,269,278	3,391,684
17.281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	368,295	565,431
17.283	Workforce Innovation Fund	—	2,600
17.285	Apprenticeship USA Grants	248,199	416,574

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

CFDA Number	Federal Agency, Program, or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
17.504	Consultation Agreements	\$ —	\$ 1,348,028
17.600	Mine Health and Safety Grants	—	88,884
	Employment Services Cluster:		
17.207	Employment Service Wagner-Peyser Funded Activities	7,154,850	17,273,108
17.801	Disabled Veterans' Outreach Program (DVOP)	266,059	2,888,380
	Total Employment Services Cluster	7,420,909	20,161,488
	WIOA Cluster:		
17.258	WIOA Adult Program	10,638,413	11,592,923
17.259	WIOA Youth Activities	12,535,940	13,506,473
17.278	WIOA Dislocated Worker Formula Grants	11,517,473	17,446,504
	Total WIOA Cluster	34,691,826	42,545,900
	Total U.S Department of Labor	50,946,447	1,667,224,562
	U.S Department of Transportation:		
20.218	National Motor Carrier Safety	—	4,531,043
20.232	Commercial Driver License State Programs	—	134,418
20.237	Commercial Vehicle Information Systems and Networks	—	166,697
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	—	1,696,351
20.320	Rail Line Relocation and Improvement	—	546,803
20.505	Federal Transit Metropolitan Planning Grants	2,322,610	2,629,789
20.509	Formula Grants for Other Than Urbanized Areas	4,039,280	4,458,591
20.514	Transit Planning and Research	202,322	202,322
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	—	640,544
20.614	Safety Incentive Grants for Use of Seatbelts	—	110,934
20.700	Pipeline Safety	—	1,076,685
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	109,880	238,679
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	—	570,906,931
20.219	Recreational Trails Program	1,018,918	1,217,393
	Total Highway Planning and Construction Cluster	1,018,918	572,124,324
	Federal Transit Cluster:		
20.500	Federal Transit Capital Investment Grants	3,032,008	3,032,008
20.507	Federal Transit Formula Grants	39,474	39,474
20.526	Bus and Bus Facilities Formula Program	399,533	399,533
	Total Federal Transit Cluster	3,471,015	3,471,015
	Transit Services Programs Cluster:		
20.513	Enhanced Mobility for Seniors and Individuals with Disabilities	1,437,140	4,768,548
20.516	Job Access Reverse Commute	260,069	313,024
20.521	New Freedom Program	313,648	314,201
	Total Transit Services Programs Cluster	2,010,857	5,395,773
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	967,327	4,570,287
20.616	National Priority Safety Programs	1,037,155	3,527,072
	Total Highway Safety Cluster	2,004,482	8,097,359
	Total U.S Department of Transportation	15,179,364	605,521,327
	U.S Department of the Treasury:		
21.016	Equitable Sharing	—	910,606
	Equal Employment Opportunity Commission:		
30.002	Employment Discrimination State and Local Fair Employment Practices Agency Contracts	—	1,893,740
	National Endowment for the Arts:		
45.025	Promotion of the Arts Partnership Agreements	899,450	899,450
45.149	Promotion of the Humanities Division of Preservation and Access	—	73,293
45.310	State Library Program	586,564	3,083,853
	Total National Endowment for the Arts	1,486,014	4,056,596
	Small Business Administration:		
59.061	State Trade and Export Promotion Pilot Grant Program	430,218	430,407
	U.S. Department of Veterans Affairs:		
64.014	Veterans State Domiciliary Care	—	3,461,641
64.015	Veterans State Nursing Home Care	—	17,883,290
	Total U.S. Department of Veterans Affairs	—	21,344,931
	U.S. Environmental Protection Agency:		
66.032	State Indoor Radon Grants	—	147,218
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	—	699,570
66.040	State Clean Diesel Grant Program	—	7,077
66.454	Water Quality Management Planning	268,229	540,383
66.456	National Estuary Program	910,598	1,780,480
66.461	Regional Wetland Program Development Grants	—	88,679
66.472	Beach Monitoring and Notification Program Implementation Grants	—	296,118

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

CFDA Number	Federal Agency, Program, or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
66.605	Performance Partnership Grants	\$ 1,967,846	\$ 14,172,968
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	—	35,175
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	—	326,121
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	—	272,077
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	—	297,519
66.708	Pollution Prevention Grants Program	—	36,285
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	—	1,145,154
66.804	State and Tribal Underground Storage Tanks Program	—	460,487
66.805	Leaking Underground Storage Tank Trust Fund Program	—	591,040
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	—	57,553
66.999	Environmental Protection Agency – Miscellaneous	—	1,591,877
	Total U.S. Environmental Protection Agency	3,146,673	22,545,781
	U.S. Department of Energy:		
81.041	State Energy Program	—	857,226
81.042	Weatherization Assistance for Low-Income Persons	5,923,711	6,563,482
81.086	Conservation Research and Development	—	25,949
81.119	State Energy Program Special Projects	—	102
81.138	State Heating Oil and Propane Program	—	22,288
	Total U.S. Department of Energy	5,923,711	7,469,047
	U.S. Department of Education:		
84.002	Adult education State Grant Program	9,010,083	11,349,613
84.010	Title I Grants to Local Educational Agencies	213,471,819	224,764,658
84.011	Migrant Education State Grant Program	1,222,193	1,370,770
84.013	Title I Program for Neglected and Delinquent Children	224,569	1,849,574
84.048	Vocational Education Basic Grants to States	15,668,828	17,727,721
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	2,105,546	56,881,530
84.144	Migrant Education Coordination Program	116,491	116,491
84.161	Rehabilitation Services Client Assistance Program	—	254,298
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	—	615,356
84.181	Special Education Grants for Infants and Families with Disabilities	2,216,300	8,590,496
84.184	Safe and Drug-Free Schools and Communities National Programs	—	366
84.187	Supported Employment Services for Individuals with Severe Disabilities	139,248	404,010
84.196	Education for Homeless Children and Youth	1,008,538	1,347,965
84.282	Charter Schools	2,933,320	3,128,399
84.287	Twenty-First Century Community Learning Centers	16,838,484	17,653,526
84.323	Special Education – State Personnel Development	59,225	977,259
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	4,289,235	5,105,848
84.358	Rural Education	46,673	46,673
84.365	English Language Acquisition Grant s	12,768,814	13,659,557
84.366	Mathematics and Science Partnerships	1,406,157	1,598,093
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	35,358,474	38,084,674
84.369	Grants for State Assessments and Related Activities	—	7,686,276
84.372	Statewide Data Systems	93,158	1,577,338
84.377	School Improvement Grants	6,989,272	7,292,112
84.419	Preschool Development Grants	13,591,209	14,999,998
84.421	Disability Innovation Fund	—	1,241,771
84.424	Student Support and Academic Enrichment Program	3,766,101	3,977,781
84.999	Department of Education – Miscellaneous	—	359,951
	Special Education Cluster (IDEA):		
84.027	Special Education Grants to States	256,128,487	286,628,863
84.173	Special Education Preschool Grants	6,941,431	9,139,098
	Total Special Education Cluster (IDEA)	263,069,918	295,767,961
	Total U.S. Department of Education	606,393,655	738,430,065
	National Archives and Records Administration:		
89.003	National Historical Publications and Records Grants	5,962	32,021
	U.S. Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	—	1,091,158
	U.S. Department of Health and Human Services:		
93.041	Neglect, and Exploitation Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse,	8,077	66,626
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	74,801	485,107
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	375,151	375,151
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	—	458,565
93.051	Alzheimer's Disease Demonstration Grants to States	423,572	481,966
93.052	National Family Caregiver Support	2,442,730	2,514,861
93.069	Public Health Emergency Preparedness	4,344,236	13,888,894
93.070	Environmental Public Health and Emergency Response	119,069	2,925,154
93.071	Medicare Enrollment Assistance Program	251,931	252,039
93.072	Lifespan Respite Care Program	66,411	66,411
93.073	Birth Defects and Developmental Disabilities – Prevention and Surveillance	397,201	993,072
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	28,992	352,578
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	194,913	292,058
93.090	Guardianship Assistance	—	3,196,415
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	803,999	1,133,903
93.103	Food and Drug Administration Research	15,115	1,909,337
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances	295,180	520,269
93.110	Maternal and Child Health Federal Consolidated Programs	—	860,269
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	—	2,303,504
93.127	Emergency Medical Services for Children	—	34,114

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

CFDA Number	Federal Agency, Program, or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
93.130	Primary Care Services Resource Coordination and Development	\$ —	\$ 163,497
93.136	Injury Prevention and Control Research and State and Community Based Programs	624,825	3,858,914
93.150	Projects for Assistance in Transition from Homelessness	1,511,240	1,513,039
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	279,507	483,900
93.184	Disabilities Prevention	33,105	369,453
93.217	Family Planning Services	1,328,802	1,415,657
93.234	Traumatic Brain Injury State Demonstration Grant Program	—	252,902
93.236	Grants for Dental Public Health Residency Training	—	56,372
93.240	State Capacity Building	—	336,467
93.241	State Rural Hospital Flexibility Program	—	364,693
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	3,648,929	9,454,920
93.251	Universal Newborn Hearing Screening	—	240,143
93.262	Occupational Safety and Health Program	—	904,475
93.268	Immunization Cooperative Agreements	6,521	66,808,872
93.270	Adult Viral Hepatitis Prevention and Control	—	588,170
93.276	Drug-Free Communities Support Program Grants	31,073	178,437
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	94,134	644,377
93.296	State Partnership Grant Program to Improve Minority Health	40,000	203,197
93.301	Small Rural Hospital Improvement Grant Program	54,000	54,000
93.305	National State Based Tobacco Control Programs	—	1,598,297
93.314	Early Hearing Detection and Intervention Information System Surveillance Program	—	238,332
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	—	3,875,545
93.324	State Health Insurance Assistance Program	660,160	867,244
93.336	Behavioral Risk Factor Surveillance System	—	48,773
93.369	ACL Independent Living State Grants	110,283	316,892
93.432	ACL Centers for Independent Living	—	1,232,686
93.464	ACL Assistive Technology	—	586,856
93.500	Pregnancy Assistance Fund Program	933,143	1,259,625
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	—	186,648
93.517	Affordable Care Act – Aging and Disability Resource Center	—	114,743
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease and Emerging Infections Program Cooperative Agreements	—	1,067,788
93.535	Affordable Care Act Program for Early Detection of Certain Medical Conditions Related to Environmental Health Hazards	933,022	1,084,892
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	—	3,348,114
93.556	Promoting Safe and Stable Families	—	4,616,522
93.563	Child Support Enforcement	—	76,984,970
93.566	Refugee and Entrant Assistance State Administered Programs	2,128,722	12,742,154
93.568	Low-Income Home Energy Assistance	157,617,291	158,699,206
93.569	Community Services Block Grant	18,251,954	19,080,653
93.576	Refugee and Entrant Assistance Discretionary Grants	390,598	427,831
93.583	Refugee and Entrant Assistance Wilson / Fish Program	943,571	2,714,704
93.584	Refugee and Entrant Assistance Targeted Assistance Grants	499,267	514,337
93.586	State Court improvement Program	—	439,927
93.590	Child Abuse Prevention Activities	480,073	493,447
93.597	Grants to States for Access and Visitation Programs	—	172,481
93.599	Chafee Education and Training Vouchers Program	—	1,068,127
93.600	Head Start	—	177,767
93.603	Adoption Incentive Payments	—	49,841
93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance	—	7,120,894
93.630	Developmental Disabilities Basic Support and Advocacy Grants	186,274	1,296,728
93.631	Developmental Disabilities Projects of National Significance	—	117,280
93.634	ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	202,643	559,235
93.643	Children's Justice Grants to States	—	330,096
93.644	Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	—	94,608
93.645	Child Welfare Services State Grants	—	3,664,283
93.652	Adoption Opportunities	—	106,091
93.658	Foster Care Title IV-E	—	123,002,057
93.659	Adoption Assistance	—	28,215,375
93.667	Social Services Block Grant	—	79,182,108
93.669	Child Abuse and Neglect State Grants	—	427,840
93.671	Family Violence Prevention and Services / Grants for Battered Women's Shelters Grants to States and Indian Tribes	2,050,063	2,096,681
93.674	Chafee Foster Care Independence Program	—	3,038,222
93.733	Performance – financed in part by the Prevention and Public Health Fund (PPHF-2012) Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	—	270,029
93.735	State Public Health Approaches for Ensuring Quiltline Capacity – Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	—	287,664
93.745	PPHF: Health Care Surveillance/Health Statistics - Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	—	262,377
93.747	Elder Abuse Prevention Interventions Program	5,095	165,967
93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health Program	—	412,130
93.757	State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding	1,721,318	4,707,880
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds	765,979	4,261,179
93.767	State Children's Insurance Program	—	741,105,912
93.773	Medicare Hospital Insurance	—	6,016,050
93.788	Opioid STR	2,478,821	9,747,133
93.791	Money Follows the Person Rebalancing Demonstration	—	9,821,372
93.800	Organized Approaches to Increase Colorectal Cancer Screening	—	672,203
93.810	Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	—	668,858
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases	—	906,323
93.817	Hospital Preparedness Program Ebola Preparedness and Response Activities	114,850	184,581
93.881	The Health Insurance Enforcement and Consumer Protections Grant Program	—	505,365
93.889	National Bioterrorism Hospital Preparedness Program	1,927,181	3,818,859
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	54,456	1,993,246
93.913	Grants to States for Operation of Offices of Rural Health	—	165,945
93.917	HIV Care Formula Grants	4,481,333	25,505,504
93.928	Special Projects of National Significance	—	169,885

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

CFDA Number	Federal Agency, Program, or Cluster Title	Passed Through to Subrecipients	Federal Expenditures
93.940	HIV Prevention Activities Health Department Based	\$ 1,935,452	\$ 5,538,845
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome and Human Immunodeficiency Virus Infection in Selected Population Groups	—	888,759
93.944	Human Immunodeficiency Virus/ Acquired Immunodeficiency Virus Syndrome Surveillance	—	1,167,833
93.945	Assistance Programs for Chronic Disease Prevention and Control	—	853,549
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	—	368,227
93.958	Block Grants for Community Mental Health Services	10,442,424	10,524,783
93.959	Block Grants for Prevention and Treatment of Substance Abuse	15,832,063	42,886,661
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	96,115	2,359,508
93.994	Maternal and Child Health Services Block Grant to the States	1,509,118	11,431,251
Aging Cluster:			
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	8,080,066	9,541,617
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	11,616,620	11,654,595
93.053	Nutrition Services Incentive Program	1,091,939	3,738,141
	Total Aging Cluster	20,788,625	24,934,353
Maternal, Infant, and Early Childhood Home Visiting Cluster:			
93.505	Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Cluster	149,949	444,326
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	4,447,275	5,880,936
	Total Maternal, Infant, and Early Childhood Home Visiting Cluster	4,597,224	6,325,262
TANF Cluster:			
93.558	Temporary Assistance for Needy Families	—	399,706,500
	Total TANF Cluster	—	399,706,500
CCDF Cluster:			
93.575	Child Care and Development Block Grant	—	130,219,859
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	—	75,955,035
	Total CCDF Cluster	—	206,174,894
Medicaid Cluster:			
93.775	State Medicaid Fraud Control Units	—	4,416,566
93.777	State Survey and Certification of Health Care Providers and Suppliers	—	8,310,942
93.778	Medical Assistance Program	—	10,439,204,759
	Total Medicaid Cluster	—	10,451,932,267
	Total U.S. Department of Health and Human Services	269,630,632	12,641,002,832
Social Security Administration:			
96.008	Social Security Benefits Planning, Assistance, and Outreach Program	—	231,278
Disability Insurance/SSI Cluster:			
96.001	Social Security Disability Insurance	—	48,128,785
	Total Disability Insurance/SSI Cluster	—	48,128,785
	Total Social Security Administration	—	48,360,063
U.S. Department of Homeland Security:			
97.008	Non-Profit Security Program	220,561	220,561
97.012	Boating Safety Financial Assistance	—	1,339,446
97.023	Community Assistance Program State Support Services Element	—	172,223
97.029	Flood Mitigation Assistance	171,719	182,760
97.036	Public Assistance Grants (Presidentially Declared Disasters)	37,855,560	38,889,093
97.039	Hazard Mitigation Grant	7,460,626	8,262,059
97.041	National Dam Safety Program	—	158,618
97.042	Emergency Management Performance Grants	2,555,731	8,426,373
97.043	State Fire Training Systems Grants	—	19,049
97.044	Assistance to Firefighters Grant	—	282,835
97.047	Pre-Disaster Mitigation	41,442	48,935
97.056	Port Security Grant Program	—	294,569
97.067	Homeland Security Grant Program	10,328,626	14,527,761
97.091	Homeland Security Biowatch Program	—	1,667,256
97.132	Financial Assistance for Countering Violent Extremism	116,222	127,287
	Total Department of Homeland Security	58,750,487	74,618,825
	Totals	\$ 1,776,641,198	\$ 18,204,611,906

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

(1) Reporting Entity

The Commonwealth of Massachusetts (the Commonwealth) reporting entity is defined in note 1 to its June 30, 2018 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, 2018.

(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 and Indirect 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.

The Commonwealth has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

(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, 2018

(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:

<u>CFDA number</u>	<u>Program title</u>	<u>Noncash awards</u>
10.551	Supplemental Nutrition Assistance Program.....	\$ 1,158,969,857
10.555	National School Lunch Program.....	27,660,971
10.558	Child and Adult Care Food Program.....	136,220
10.559	Summer Food Service Program for Children.....	2,780
93.268	Immunization Cooperative Agreements.....	<u>64,597,439</u>
	Total Noncash Awards.....	\$ <u>1,251,367,267</u>

Commodity inventories for the Food Donation Program at June 30, 2018 totaled approximately \$662,526.

(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 the Uniform Guidance, 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 into 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.....	\$ 1,502,632,882
Federal UI Funds – Benefits.....	10,121,902
Federal UI Funds – ARRA.....	351,607
Federal UI Funds – Administration.....	<u>66,663,843</u>
Total expenditures.....	\$ <u>1,579,770,234</u>

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

(7) Loans

The HOME Investment Partnerships Program (CFDA 14.239) is administered by the Commonwealth's Department of Housing and Community Development to expand the supply of affordable housing in the Commonwealth. Details of fiscal year 2018 loan activity are as follows:

Beginning Balance	Additions	Deletions	Ending balance
<u>\$ 217,392,386</u>	<u>\$ 6,773,947</u>	<u>\$ (2,175,583)</u>	<u>\$ 221,990,750</u>

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

(1) Summary of Auditors' Results

Financial Statements

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **Yes**
 - Significant deficiencies: **Yes**
- (c) Noncompliance material to the financial statements: **No**

Federal Awards

- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **Yes**
 - Significant deficiencies: **Yes**
- (e) Type of report issued on compliance for major programs:
 - Qualified (Noncompliance) – Employment Service and WIOA Clusters
 - The opinions for all other programs are unmodified.
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Major Programs

U.S. Department of Agriculture

- SNAP Cluster (10.551 and 10.559)

U.S. Department of Education

- Supporting Effective Instruction State Grants (84.367)
- Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

U.S. Department of Housing and Urban Development

- Section 8 Project-Based Cluster (14.182 and 14.856)

U.S. Department of Labor

- Employment Service Cluster (17.207 and 17.801)
- WIOA Cluster (17.258, 17.259 and 17.260)

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

U.S. Department of Health and Human Services

- Immunization Cooperative Agreements (93.268)
- Foster Care Title IV-E (93.658)
- Adoption Assistance (93.659)
- Social Services Block Grant (93.667)
- Block Grants for Prevention and Treatment of Substance Abuse (93.959)
- Aging Cluster (93.044, 93.045 and 93.053)
- TANF Cluster (93.558)
- CCDF Cluster (93.575 and 93.596)
- Medicaid Cluster (93.775, 93.777 and 93.778)

Social Security Administration

- Disability Insurance/SSI Cluster (96.001)

U.S. Department of Homeland Security

- Public Assistance Grants (97.036)

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

(i) Auditee qualified as low-risk auditee: **No**

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

See accompanying pages 18 through 30.

(3) Findings and Questioned Costs Relating to Federal Awards

See accompanying pages 32 through 72.

**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, 2018

Office of the Comptroller

Finding Reference: 2018-001

Financial Reporting

Type of Finding: Significant Deficiency

Prior Year Findings: Yes, 2017-001, 2016-002 and 2015-002

Statistically Valid Sample: No

Observation

The Commonwealth of Massachusetts Comprehensive Annual Financial Report (CAFR) reporting process is highly dependent upon state agencies to prepare financial reporting packages designed by the Office of the Comptroller (CTR). These financial reporting packages are completed by accounting personnel within each state agency who have varying levels of knowledge, experience, and understanding of generally accepted accounting principles (GAAP). Although these financial reporting packages are subject to review by CTR's Financial Reporting and Analysis Bureau (FRAB), adjustments to the CAFR continue to occur as errors and inaccuracies are often times not identified and resolved timely.

Although the deficiencies relative to the CAFR financial reporting processes have been reported for a number of years, problems continue to be identified. Some of the more chronic problems are noted below:

- Capital Asset activity for the Massachusetts Department of Transportation (MDOT) continues to experience inaccuracies and delays resulting in MDOT chronically being one of the last if not the last component unit to report final audited activity to the CTR.
- Management estimates are not submitted timely and accurately. For example the Executive Office of Labor and Workforce Development (EOLWD) had multiple versions of its allowance for uncollectible receivables. Often times there were significant changes among versions. The final version included a recorded audit adjustment of approximately \$37 million dollars to increase the reported allowance.

Recommendation

We recommend that the CTR annually review its CAFR instructions with the goal of clarifying and updating its instructions. 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 continue to suggest that consideration be given as to whether a hard close of the Commonwealth's financial records takes place at interim dates throughout the year such that certain account balances, are not reconciled on just an annual basis. While it may not be practical to perform a hard close on an entity-wide basis, there are many accounts within the control of the Comptroller's office for which an interim hard close would facilitate the closing process at year-end.

We also recommend that the CTR revisit its CAFR calendar to ensure that there is proper time allowed to complete its CAFR. We continue to believe that a date no later than December 1st of each year be used as milestone for having a complete draft CAFR (including all component unit information as well) available for review. Otherwise, meeting the December 31st reporting deadline could be compromised.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Views of Responsible Officials and Corrective Actions

The Financial Reporting Team works closely with the Comptroller's ESS Unit to monitor and correct any rejected MassDOT capital asset transactions on a timely basis. During FY2018 the ESS Unit reviewed, weekly, MMARS for all rejected capital asset transaction types and worked with Financial Reporting and MassDOT to process the transactions to final in MMARS prior to the annual depreciation process in early September. This is a continual, on-going process between CTR and MassDOT with constant communication in the form of emails and ad-hoc conference calls to discuss how to fix their capital asset transactions in an appropriate and timely manner.

Increased scrutiny over all GAAP packages will be stressed during the FY19 CAFR reporting process with specific attention paid to: 1) departments with large and complex accruals and/or: 2) departments which have historically had issues with their GAAP reporting. Over the spring and summer, the Financial Reporting Team will set-up meetings with specific identified departments to review their FY18 GAAP reporting submissions and walk them through any issues or questions that we think may arise that they should be aware of when preparing their FY19 submissions. We continue to stress the importance for the departments to fully understand our GAAP reporting requirements.

While we strive to prepare timely and accurate financial statements, there are situations that may be out of the Comptroller's control that affect its ability to enforce timely completion of a hard close. For example, the continual late enactment of the fiscal year close-out budget remains an issue which in turn pushes the preparation of the SBFR and the CAFR up to and possibly past their reporting deadlines. The Financial Reporting Team does prepare and review the annual report calendar with the goal of providing a "final draft" as early in December as possible.

Responsible Official(s)

Michael Rodino, Director of Financial Reporting, CTR

Implementation Date

FY2019

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Executive Office of Labor and Workforce Development

Finding Reference: 2018-002

Financial Reporting

Type of Finding: Material Weakness

Prior Year Finding: No

Statistically Valid Sample: No

Observation

The Executive Office of Labor and Workforce Development (EOLWD) is responsible for maintaining the books and records of the Unemployment Insurance Trust Fund (the Fund), which is a major fund in the Commonwealth of Massachusetts Comprehensive Annual Financial Report (CAFR). The Fund's financial statements are created from the Commonwealth's general ledger, Massachusetts Management Accounting & Reporting System (MMARS). The balances and transactions of the Fund in MMARS are based on monthly summary entries prepared from the Fund's subsidiary ledger, UI Online.

During our audit, we found instances where the detailed transaction data in UI Online did not agree to the summary transaction data in MMARS. Ultimately, management recorded audit adjustments to decrease revenue totaling approximately \$34.6 million. Additionally, we found instances where transactions were misclassified on the Comprehensive Annual Financial Report (CAFR), resulting in management recorded audit adjustments to decrease reported revenue by approximately \$19.4 million. The adjustments appear to be due to the lack of reconciliation controls between summary level transaction data in MMARS to detailed transaction data in UI Online.

Recommendation

We recommend EOLWD establish internal controls to reconcile, at least monthly, the detailed data in UI Online to the summary level data in MMARS. The control should be designed at a sufficient level to prevent and detect material misstatements in the Fund's financial statements.

View of Responsible Officials and Corrective Actions

EOLWD performs daily and monthly reconciliations of UI Online transactions and subsequently posts summary detail to MMARS. EOLWD will take steps to enhance the reconciliation process to mitigate future financial reporting errors.

The \$19.4 million is a reclassification of revenue, which EOLWD reports in MMARS as a revenue transaction and is eventually transferred to the UI Trust Fund. This revenue is classified as a reimbursement to the UI Trust Fund and is adjusted as part of the annual CAFR reconciliation with the Office of the State Comptroller's Office.

EOLWD is working with the Office of the State Comptroller to assign separate revenue sources/codes to track this revenue separately in the future.

Regarding the \$34.6 million in adjustments:

- \$15.6 million was for duplicate unmatched entries recorded for the year. As a result of these items being identified, adjusting revenue entries were booked at the end of the year.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

- \$19.0 million was identified late in the fiscal year. EOLWD undertook a lengthy review process of matching deposits and confirming the delta.

EOLWD has improved its reporting of unmatched amounts to ensure that the duplicate un-matched entry will not repeat again. EOLWD will only use the 326 Report, which includes the unmatched amounts on a daily and monthly basis. There will be no separate reporting of the unmatched items.

Responsible Official

Aaron D'Elia, Chief Financial Officer, EOLWD

Implementation Date

July 1, 2019

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Executive Office of Labor and Workforce Development

Finding Reference: 2018-003

Allowance for Uncollectible Receivables

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2017-003

Statistically Valid Sample: No

Observation

During our audit, we reviewed the Executive Office of Labor and Workforce Development's (EOLWD) allowance methodology and related documentation to support its estimate of uncollectible receivables in the Unemployment Trust Fund and noted the following:

- The analysis is not performed at the employer-type level.
- Approximately 94% of the gross employer accounts receivable balance has been outstanding greater than 24 months.
- Overpayments allowance calculation methodology did not change from the prior year and is not based upon an aging analysis.
- Gross employer accounts receivable balance has been increasing with additions outpacing collections

As a result of our analysis, management recorded an increase in their allowance for doubtful accounts of approximately \$36.7 million.

Recommendation

We recommend that EOLWD annually update its methodology based upon a look back of its actual collection experience. The methodology should properly reflect receivable type, including various employer types, and incorporate an accounts receivable aging analysis. The look back period should be established by management and should include sufficient history to accurately estimate the net realizable value of its receivables at year-end.

Views of Responsible Officials and Corrective Actions

Employer Type level analysis: EOLWD will review receivable detail at the employer-type level.

Aging of receivables: For FY18 accrual purposes, we identified receivables by year and grouped them in blocks of (2) to (5) years. EOLWD assigned allowance percentages based on the age of outstanding receivables. Going forward EOLWD and the Comptroller's Office will add additional rigor to the calculation process.

Adjustment of receivables: EOLWD has embarked on a systematic process of identifying, enforcing, and writing off receivables in FY19.

Responsible Official

Aaron D'Elia, Chief Financial Officer, EOLWD

Implementation Date

July 1, 2019

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Department of Transitional Assistance

Finding Reference: 2018 – 004

BEACON – Terminations

Type of Finding: Significant Deficiency

Prior Year Findings: Yes, 2017 – 014 and 2016 – 021

Statistically Valid Sample: No

Observation

Similar to prior year findings, terminated employees did not have their access to BEACON removed timely. We found 13 of 41 (32%) terminated employees sampled where access to BEACON was removed between six and 88 days after termination.

Upon termination, access should be removed swiftly to prevent unauthorized access to the system either by terminated employees or active employees leveraging the account of the terminated employee. If access is not removed timely, the risk increases that there is unauthorized access to systems and could result in unauthorized transactions and a breach in system confidentiality.

Recommendation

We recommend that management:

- Perform a review of all users on an annual basis. However, this is not adequately frequent to identify terminated employees with active access during the fiscal year. Therefore, management should perform a periodic review of all terminations to ensure that access was removed. If individuals are identified whose access was not removed timely, perform an impact analysis to determine whether inappropriate access resulted from the untimely access removal.
- Reinforce the importance of the termination process, and the resulting access removal, with all involved personnel including human resources, supervisors and managers, as well as information technology professionals.
- Retain documentation for all terminations and resulting access removals so an audit trail of a users' access is available.

Views of Responsible Officials and Corrective Actions

A quarterly review of all terminations was instituted by EOHHS-IT/DTA Application Security Management to ensure that BEACON access was removed for all terminated employees. As part of this review, a deeper analysis was conducted on all individuals whose access was not removed timely to determine whether any access was made between the employee termination date and the access removal date. The first Termination Review was conducted in August 2018 and covered terminations from the months of March, April, May and June of 2018. No inappropriate access was discovered. Additionally, procedural changes have been made to ensure that BEACON access will be revoked within 7 days from the termination date.

COMMONWEALTH OF MASSACHUSETTS
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

Responsible Official

Anand Selvaraj, Assistant Chief Information Officer, Department of Transitional Assistance

Implementation Date

August 2018

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Executive Office of Health and Human Services

Finding Reference: 2018 – 005

MA21 – Terminations

Type of Finding: Significant Deficiency

Prior Year Findings: Yes, 2017 – 009 and 2016 – 015

Statistically Valid Sample: No

Observation

Similar to prior year findings, terminated employees did not have their access to MA21 removed. We found 4 of 15 (27%) terminated employees sampled where termination requests were never sent and those terminated employees retained active access to MA21.

Upon termination, access should be removed swiftly to prevent unauthorized access to the system either by terminated employees or active employees leveraging the account of the terminated employee. If access is not removed timely, the risk increases that there is unauthorized access to systems and could result in unauthorized transactions and a breach in system confidentiality.

Recommendation

We recommend that management:

- Perform a periodic review of all terminations to ensure that access was removed. If individuals are identified whose access was not removed timely, perform an impact analysis to determine whether inappropriate access resulted from the untimely access removal.
- Reinforce the importance of the termination process, and the resulting access revocation, with all involved personnel including human resources, supervisors and managers, as well as information technology professionals.
- Retain documentation for all terminations and resulting access removals so that an audit trail of a users' access is available.

Views of Responsible Officials and Corrective Actions

In 2017, MassHealth Access and Controls (MassHealth A&C) implemented weekly audit procedures to proactively monitor active enterprise systems accounts to identify terminated staff and take swift action to deactivate those accounts. Since executing the audits, the threat of risky accounts has eroded. In September 2018, MassHealth Access and Controls expanded its annual audit practices to include, HR Weekly Terminations, System Administrator and User Access Reviews. To further enhance our efforts, systems' account specifications were created and agreed upon with the applications teams to distribute monthly active account lists beginning October 1st, 2018. Efforts are underway to standardise these practices and institute a database to automate the assessment process. All audit findings, summary reports and verified responses stored in MassForge for tracking purposes.

The goal of these audits will strategically position MassHealth A&C with the infrastructure to enhance enterprise system's accounts monitoring wherewithal across agencies and vendors. In 2019, efforts will begin by designing an awareness campaign around the annual audits; as well as on and off boarding standards to educate users.

COMMONWEALTH OF MASSACHUSETTS
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

Responsible Official

Amanda Joubert, Director of MassHealth Eligibility, EOHHS

Implementation Date

November 2018

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Executive Office of Health and Human Services

Finding Reference: 2018 – 006

MMIS – Terminations

Type of Finding: Significant Deficiency

Prior Year Findings: Yes, 2017 – 011, 2016 – 017 and 2015 – 011

Statistically Valid Sample: No

Observation

Similar to prior year findings, terminated employees did not have their access to the Medicaid Management Information System (MMIS) removed. We found 7 of 25 (28%) terminated employees sampled retained active access to MMIS.

Upon termination, access should be removed swiftly to prevent unauthorized access to the system either by terminated employees or active employees leveraging the account of the terminated employee. If access is not removed timely, the risk increases that there is unauthorized access to systems and could result in unauthorized transactions and a breach in system confidentiality.

Recommendation

We recommend that management:

- Perform a periodic review of all terminations to ensure that access was removed. If individuals are identified whose access was not removed timely, perform an impact analysis to determine whether any inappropriate access resulted from the untimely access removal.
- Reinforce the importance of the termination process, and the resulting access removal, with all involved personnel including human resources, supervisors and managers as well as information technology professionals.
- Retain documentation for all terminations and resulting access removals so that an audit trail of a users' access is available.

Views of Responsible Officials and Corrective Actions

In 2017, MassHealth Access and Controls (MassHealth A&C) implemented weekly audit procedures to proactively monitor active enterprise systems accounts to identify terminated staff and take swift action to deactivate those accounts. Since executing the audits, the threat of risky accounts has eroded. In September 2018, MassHealth Access and Controls expanded its annual audit practices to include, HR Weekly Terminations, System Administrator and User Access Reviews. To further enhance our efforts, systems' account specifications were created and agreed upon with the applications teams to distribute monthly active account lists beginning October 1st, 2018. Efforts are underway to standardise these practices and institute a database to automate the assessment process. All audit findings, summary reports and verified responses stored in MassForge for tracking purposes.

The goal of these audits will strategically position MassHealth A&C with the infrastructure to enhance enterprise system's accounts monitoring wherewithal across agencies and vendors. In 2019, efforts will begin by designing an awareness campaign around the annual audits; as well as on and off boarding standards to educate users.

COMMONWEALTH OF MASSACHUSETTS
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

Responsible Official

Vamsi Vandurangi, Director of MMIS, EOHHS

Implementation Date

November 2018

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Executive Office of Health and Human Services

Finding Reference: 2018 – 007

MMIS and MA21 – User Access Reviews

Type of Finding: Significant Deficiency

Prior Year Findings: Yes, 2017 – 012, 2016 – 018 and 2015 – 010

Statistically Valid Sample: No

Observation

Similar to prior year findings, management does not perform a formal periodic review of all users and their access rights to MMIS and MA21. Also, a formal periodic review of the users with the ability to perform specific high privileged functions is not performed. Since 2016, management performs a review of users with active accounts who have over 6 months of inactivity. However, that review by design does not capture users that are actively using their account but have inappropriate access. Lastly, completeness and accuracy of the listing used for the review was not considered.

We did not identify users with inappropriate levels of access to administrative privileges or other MMIS and MA21 functionality as part of our audit procedures.

A user access review is a detective control to identify users who have inappropriate access and whose accounts may have been used to perform unauthorized activity. Without user access reviews, the risk increases that users may have inappropriate access to the system and may perform unauthorized transactions.

Recommendation

We recommend that management:

- Implement a user access review for MMIS and MA21. Reviewers should be aware of the importance of their review. Furthermore, which reviewer is responsible for which user should be identified and reviewers should provide positive confirmation that the review is completed.
- Ensure reviewers use a complete and accurate population of users.
- Ensure access is changed accordingly for all identified deviations and that reviewers obtain a new access list to confirm the resolution of deviations.

Views of Responsible Officials and Corrective Actions

MassHealth Access and Controls is underway implementing an annual User Access Review to enhance efforts toward identifying users with inappropriate access, verifying access profiles and changes. In October 1st, 2018 enterprise application teams began distributing monthly active account lists to support this effort. The annual User Access Review will strategically position the team with a baseline infrastructure to implement an “Access Profile” management system to enhance our ability to manage enterprise account access profiles across agencies and vendors. Other initiatives in the planning stages include instituting an awareness campaign and a improve change control processes.

COMMONWEALTH OF MASSACHUSETTS
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

Responsible Officials

Amanda Joubert, Director of MassHealth Eligibility, EOHHS

Vamsi Vandrangi, Director of MMIS, EOHHS

Implementation Date

December 2018

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

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Department of Early Education and Care

Child Care and Development Fund (CCDF) (93.575, 93.596)

Federal Award Numbers: 2018G996005; 2018G999004; 2018G999005

Award Year: 2018

U.S. Department of Health and Human Services

Finding Reference: 2018 – 008

Special Tests and Provisions: Health and Safety Requirements

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

As part of their CCDF plans, Lead Agencies must certify that procedures are in effect (e.g., monitoring and enforcement) to ensure that providers serving children who receive subsidies comply with all applicable health and safety requirements. This includes verifying and documenting that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to health and safety. Prior to September 30, 2016, these requirements included prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers. Starting September 30, 2016 (unless the State received a temporary extension under a waiver), these requirements must address 10 specific areas—including first aid and CPR, safe sleeping practices, and administration of medication—and child care workers must be trained in these areas (42 USC 9858c(c)(2)(I); 45 CFR section 98.41).

In accordance with 2 CFR section 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The Department of Early Education and Care (EEC) has designed and implemented internal controls to ensure childcare providers comply with all applicable health and safety standards. To ensure compliance with health and safety standards, licensors perform on-site visits of childcare providers and document the results of the review on a “turnaround” document. The turnaround document is reviewed and approved by a licensing supervisor to ensure all licensing, including health and safety standards, are appropriately met and the licensing review was completed according to department guidelines.

While testing compliance with health and safety standards, we found one provider out of a sample of 25 did not have a current license on file. The license on file was for the period December 31, 2019 through December 31, 2021, instead of the prior two-year period. It appears that the dates were incorrectly entered into the Department’s tracking system, therefore, a licensing renewal site-visit may have been delayed two years.

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

We also found the turnaround document was not reviewed by a licensing supervisor for one other provider out of a sample of 25. Absent supervisory review, the risk of issuing an inappropriate license or license renewal increases.

Recommendation

We recommend EEC strengthen controls to ensure that all licensing and re-licensing visits are reviewed by a supervisor prior to license issuance. This review should include the accuracy of license effective dates.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The license practice noted in the finding is now reviewed by the Supervisors before issuance, not just by licensors, and the turnaround sheet is now part of due diligence which is in LEAD.

With the Department's implementation of the Licensing Education Analytic Database (LEAD) system which first began in November 2016 and was most recently updated as of July 25, 2018, the turnaround document and other checklists no longer exist as paper documents that require "sign off" but are incorporated into the system for review and approval by the appropriate licensing supervisor. LEAD requires that a licensor enter the appropriate information for a new license/renewed license into the system which is then reviewed by the licensing supervisor before it is approved for issuance. The licensing supervisor then gives approval to issue and the licensor forwards the license to the administrative assistant for printing and mailing. The information contained on the turnaround sheet, regarding capacity, conditions on the license, approved space, etc. is also sent electronically to the licensing supervisor once the license/renewal application is ready for review.

The LEAD system also has incorporated a differential licensing model that ensures that EEC meets the federal requirement of an annual unannounced monitoring visit to all licensed programs. EEC licensors are prompted to schedule an unannounced visit -- which could be a regular monitoring, enhanced monitoring, or renewal visit -- depending upon a program's compliance history and where the program is in its licensing cycle. Due to the parameters built into LEAD, a licensing monitoring visit would not be delayed by two years.

Responsible Official

Carmel Craig, Deputy Commissioner for Field Operations, EEC

Implementation Date

July 25, 2018

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Department of Housing and Community Development

Section 8 Project-Based Cluster (14.182, 14.856)

Federal Award Number: MA06H052013

Federal Award Year: 2017

U.S. Department of Housing and Urban Development

Finding Reference: 2018 – 009

Subrecipient Monitoring

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2017-026

Statistically Valid Sample: No

Requirements

The State is required to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward.

Additionally, according to 2 CFR 200.331(d), a pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The Department of Housing and Community Development (DHCD) funds two types of projects within the Section 8 Project-Based Cluster (Section 8): Moderate Rehabilitation (MR) and New Construction and Substantial Rehabilitation (NC/SR). The MR developments are operated by Regional Administering Agencies (RAAs) and the NC/SR developments are operated predominately by Local Housing Authorities (LHAs); however, certain for-profit entities also operate certain NC/SR developments. RAAs, LHAs and any for-profit entities managing MR and NC/SR developments are considered subrecipients as they are responsible for determining tenant eligibility, conducting the annual inspections, ensuring vacant units are not billed, and replacement reserves are maintained at the respective developments.

During our testwork over the subrecipient monitoring of NC/SR developments we noted no exceptions.

During our testwork over the subrecipient monitoring of MR developments, we noted that the MR monitoring policies do not include the Section 8 requirements to review the wait list, and ensure vacant units are not billed at the respective developments.

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Recommendations

We recommend that DHCD evaluate, supervise and monitor its subrecipients in accordance with applicable federal and departmental guidelines.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

DHCD acknowledges that the MR monitoring policy does not include the requirements related to the wait list and vacant units. DHCD will update the policy for these requirements and will implement procedures going forward to ensure that these areas are reviewed during the monitoring of the MR subrecipients.

Responsible Officials

Brendan Goodwin, Director, Bureau of Rental Assistance, DHCD
Karlene Maiolino, Assistant Director of Federal Programs, Bureau of Rental Assistance, DHCD
Maryssa Schneider McLean, Housing Specialist, Bureau of Rental Assistance, DHCD

Implementation Date

March 31, 2020

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Department of Housing and Community Development

Section 8 Project-Based Cluster (14.182, 14.856)

Federal Award Number: MA06H052013

Federal Award Year: 2017

U.S. Department of Housing and Urban Development

Finding Reference: 2018 – 010

Special Tests and Provisions - Contract Rent Adjustment

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2017-027

Statistically Valid Sample: No

Requirement:

The Public Housing Agencies (PHAs) or owner applies or ensures annual adjustments to contract rents are applied. The Housing Assistance Payments (HAP) contract specifies the method to be used to determine rent adjustments. Adjustments must not result in material differences between rents charged for assisted units and comparable unassisted units except as those differences existed at contract execution. Special adjustments to contract rents, within the original contract term, may also be made to the extent deemed necessary by the PHA or HUD (24 CFR sections 880.609, 881.601, 882.410, 882.808(e), 883.701, 884.109, 886.112, and 886.312).

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

For Moderate Rehabilitation developments, department policies require the Project Based Voucher (PBV) managers to recalculate rates and review that rate increases are within allowable ranges. From July 2017 to March 2018, the Department was not able to provide documentation to support that the PBV managers performed their review of the contract rent adjustment process. During the year the Department implemented a process to document the review done. KPMG audited the new control process in place for quarter April 2018 – June 2018 and found the process to be functioning as designed.

During our testwork, we noted no noncompliance with the contract rent adjustment requirements.

Recommendation

As noted above, the new process was in affect for a portion of the year. The Department of Housing and Community Development (DHCD) should finalize and execute the new process to ensure the PBV managers document their reviews of the contract rent adjustment process for the full year. Such documentation should also include evidence of any supervisory review of the PBV managers work.

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Findings and Questioned Costs Relating to Federal Awards
Year ended June 30, 2018

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

DHCD is now in compliance with the recommendation made by KPMG related to documenting the reviews of the contract rent adjustments, as this recommendation was adopted as of April 1, 2018, based on the results of the FY 2017 audit. The PBV manager currently signs and certifies the contract rent adjustments after reviewing them, prior to submission to HUD, and will continue to do so going forward.

Responsible Officials

Brendan Goodwin, Director, Bureau of Rental Assistance, DHCD
Dan Tobyne, Rental Management Specialist, Bureau of Rental Assistance, DHCD

Implementation Date

April 1, 2018

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Executive Office of Labor and Workforce Development

Employment Service Cluster (17.207, 17.801)

WIOA Cluster (17.258, 17.259, 17.278)

Federal Award Numbers: ES274961555A25; ES294181655A25; ES294181655A25; ES309931755A25; ES309931755A25; MI264311460A25; MI274681575A25; MI296861660A25; DV300181755525; DV314231855525

Award Years: 2016, 2017, 2018

U.S. Department of Labor

Finding Reference: 2018 – 011

Allowable Costs/Cost Principles

Type of Finding: Material Weakness and Material Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

The standards for documentation of personnel expenses are outlined in 2 CFR 200.430. The standards require charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- i. Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- ii. Be incorporated into the official records of the non-Federal entity;
- iii. Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities
- iv. Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- v. Comply with the established accounting policies and practices of the non-Federal entity

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The Employment Service Cluster and the WIOA Cluster grants incur direct payroll charges and represent approximately 36% and 9% of total Employment Services and WIOA spending, respectively. The Executive Office of Labor and Workforce Development (EOLWD) assigns direct payroll to grants based on budgeted time

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

and effort. We found that budgeted time and effort is not verified and/or adjusted based on actual time and effort incurred on a grant.

Additionally, we were not able to recalculate payroll allocations charged to the grants due to the budgeted time and effort documentation not being maintained. We found this for 30 of 40 (75%) Employment Services items tested and for 36 of 40 (90%) WIOA items tested.

EOLWD allocates certain central service costs (payroll and other than payroll) to Federal and non-Federal programs, including the Employment Services cluster and WIOA cluster. Allocated charges represent approximately 5% and 1% of Employment Services and WIOA spending, respectively. The basis for the allocation of such costs is direct payroll costs charged to an individual program compared to total direct payroll costs. The basis for allocation may not be representative of actual effort incurred on a grant. As noted above, direct payroll charged to these grants is based on budgeted time and effort, not actual time and effort.

Additionally, for Employment Services, we were not able to recalculate indirect costs allocated to the grants. We found differences between summary hours used to calculate allocation percentages and direct payroll hours that should have been the basis for allocation (16 of 40 samples) as well as calculation variances when applying the allocation percentage to the cost allocation pool (24 of 40 samples). We further note that the hours used to develop the allocation percentage are not based on the total direct payroll hours according to the payroll records retained by the Commonwealth.

Finally, EOLWD will make payroll adjustments to the grants for a variety of reasons, including correction of previous payroll charges, if necessary. We found that certain payroll adjustments had no documentation or approval of supporting documentation for 12 of 40 (30%) Employment Services adjustments and 5 of 40 (13%) WIOA adjustments.

Recommendation

We recommend that EOLWD implement policies and procedures to ensure that direct payroll costs charged to Federal grants are based on actual time and effort of employees. Further, these policies and procedures should also ensure that all documentation supporting federal charges is maintained.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

EOLWD understands that it needs to improve its time and attendance tracking.

As an improvement to the process, EOLWD is planning on implementing an additional Self-Service Time and Attendance (SSTA) time tracking module by early FY20. This module will provide detailed tracking of secretariat personnel.

Additionally, related to cost allocation, EOLWD is working with the Office of the Comptroller and the Executive Office for Administration and Finance to assist in designing new procedures for allocating indirect costs to Federal grants.

Responsible Officials

Aaron D'Elia, Chief Financial Officer, EOLWD
Heidi Henson, Human Resource Director, EOLWD

Implementation Date

July 1, 2019

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Department of Transitional Assistance

Supplemental Nutrition Assistance Program (10.551)

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

Federal Award Number: 4MA400402

Award Years: 2017 & 2018

U.S. Department of Agriculture

Finding Reference: 2018 – 012

Special Tests and Provisions – EBT Reconciliation

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

States must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and EBT contractor records. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor. States (generally through the EBT contractor that operates the EBT system) must also have systems in place to reconcile retailer credit activity as reported into the banking system to client transactions maintained by the processor and to the funds drawn down from the EBT benefit account with Treasury. States' EBT system processors should maintain audit trails that document the cycle of client transactions from posting to point-of-sale transactions at retailers through settlement of retailer credits. The financial and management data that comes from the EBT processor is reconciled by the State to the SNAP issuance files and settlement data to ensure that benefits are authorized by the State and funds have been properly drawn down. States may only draw Federal funds for authorized transactions, i.e., electronic point-of-sale purchases supported by entry of a valid personal identification number (PIN) or purchases using manual vouchers with telephone verification supported by a client signature and an EBT contractor authorization number (7 CFR sections 274.3(a)(1) and 274.4(a)).

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The Department of Transitional Assistance (the Department) reconciles EBT authorizations sent to their service provider to a corresponding EBT benefit issuances file maintained by their service provider, referred to as the EPPIC report. The EPPIC report is generated from the information technology systems of the service provider. In order for the Department to rely on the EPPIC report in their reconciliation process, the service provider should have effective information technology internal controls that provide assurances that the EPPIC report is complete and accurate. To evidence that the service provider has effective information technology internal

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controls, the service provider engages an independent auditor to conduct an examination regarding the issuance, redemption, and settlement of benefits under SNAP in accordance with the American Institute of Certified Public Accountants Statement on Standards for Attestation Engagements Section 801, *Reporting on Controls at Service Organization*, commonly referred to as a service organization control (SOC) 1 type 2 report.

During the audit, we obtained the SOC 1 type 2 report of the Department's service provider and found that certain information technology internal controls were not operating effectively and the independent auditor issued a qualified opinion on internal controls. Specifically, the following control objectives were found to not be operating effectively:

- Control provide reasonable assurance that logical access to programs, data and computer resources relevant to user entities' internal control over financial reporting is restricted to authorized and appropriate users and such users are restricted to performing authorized and appropriate actions
- Controls provide reasonable assurance that the settlement of funds to EBT providers is executed timely and accurately

During our testing of the Department's reconciliation process, we found that EPPIC reconciled to Department records for all of our sample items.

Recommendation

The Department should work with their service provider to understand the weaknesses in internal control and determine if they are working to resolve the weaknesses. Further, if the weaknesses continue to exist, the Department should assess whether additional controls are necessary to compensate for the control weaknesses at their service provider.

Questioned Costs

None.

Views of Responsible Officials and Corrective Actions

The Department will follow-up on the status of corrective actions taken by their service provider per their response to the SOC-1 reports. Any outstanding corrective actions will be monitored until complete and as needed, reported to the United States Department of Agriculture Food and Nutrition Service.

Responsible Official

Mary Sheehan, Chief Financial Officer, Department of Transitional Assistance

Implementation Date

April 12, 2019

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Department of Transitional Assistance

Supplemental Nutrition Assistance Program (10.551)

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

Federal Award Number: 4MA400402

Award Years: 2018, 2017

U.S. Department of Agriculture

Finding Reference: 2018 – 013

Special Tests and Provisions – ADP System for SNAP

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

State agencies are required to automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP (7 CFR sections 272.10 and 277.18). This includes: (1) processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration; (2) providing an automatic cutoff of participation for households which have not been recertified at the end of their certification period by reapplying and being determined eligible for a new period (7 CFR sections 272.10(b)(1)(iii) and 273.10(f) and (g)); and (3) generating data necessary to meet Federal issuance and reconciliation reporting requirements.

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The general control environment for Beacon was determined to not be operating effectively with regard to user termination considerations. (See 2018 – 004 for related findings.)

Without an effective general control environment, the Department of Transitional Assistance (the Department) cannot ensure that Beacon will process and store all information necessary for eligibility determination and benefit calculation and generate complete and accurate data necessary to meet Federal issuance and reconciliation reporting requirements.

Recommendation

The Department should develop an action plan with date specific milestones to address the general control information technology considerations (as enumerated in findings 2018 – 004) as this would allow them to leverage their significant investment in technology as a reliable platform for executing their internal control requirements.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The IT response related to the BEACON Terminations finding is:

A quarterly review of all terminations was instituted by EOHHS-IT/DTA Application Security Management to ensure that BEACON access was removed for all terminated employees. As part of this review, a deeper analysis was conducted on all individuals whose access was not removed timely to determine whether any access was made between the employee termination date and the access removal date. The first Termination Review was conducted in August 2018 and covered terminations from the months of March, April, May and June of 2018. No inappropriate access was discovered. Additionally, procedural changes have been made to ensure that BEACON access will be revoked within 7 days from the termination date.

DTA will also layer on the following additional steps:

- 1) The Internal Control Director (Pat Ghannam) will meet monthly with the Application Security lead (Fran Flynn) to review the prior month's terminations and the timeliness of the termination actions.
- 2) The Chief Operating Officer (Tom Massimo) and the Internal Control Director (Pat Ghannam) will join EOHHS-IT/DTA Application Security Management in the quarterly review of terminations.
- 3) Based on the monthly and quarterly reviews any terminations which have not been handled within 7 days will be immediately reported by email to the Commissioner (Jeff McCue), the Chief Operating Officer (Tom Massimo), the Chief Information Officer (Anand Selvaraj), and the EHS IT Chief Security Officer (Aaron Weismann). Included in the email will be the reasons for the delay in addressing the terminations.

The Chief Operating Officer (Tom Massimo) will follow up with the Chief Information Officer (Anand Selvaraj) daily until any unaddressed terminations are appropriately resolved.

Responsible Official

Thomas Massimo, Chief Operating Officer, Department of Transitional Assistance

Implementation Date

April 12, 2019

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Massachusetts Rehabilitation Commission

Social Security Disability Insurance (96.001)

Federal Award Number: 4005901

Award Years: 2015; 2017

Social Security Administration

Finding Reference: 2018 – 014

Period of Performance

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirements

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency made the Federal award that were authorized by the Federal awarding agency (2 CFR section 200.309).

According to U.S. Code of Federal Regulations 31 Chapter 15 Subchapter 1502, the balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.

According to Program Operations Manual System DI 39506.203, a fiscal year is considered open until all obligations have been liquidated. Regardless of whether unliquidated obligations remains, 31 U.S.C. 1552 provides that on September 30 of the fifth fiscal year after the period of availability for the obligation ends, the account closes and any remaining obligation or unexpected amounts are cancelled and become unavailable for expenditure.

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The grant has a specific period of performance of an individual federal fiscal year (e.g., October 1, 2017 to September 30, 2018). During our testwork, we found 4 out of 137 (3%) expenditures tested were incurred outside the respective grants period of performance. The expenditure types included indirect costs, goods, and external services.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Recommendation

We recommend the Disability Determination Services (DDS) within Massachusetts Rehabilitation Commission strengthen its internal controls over compliance with period of performance requirements. In particular, the controls should address expenditure grant allocations recorded after the end of grant periods.

Questioned Costs

\$ 2,276

View of Responsible Officials and Corrective Actions

In response to this audit findings report relating to compliance with period of performance, we will implement a process to ensure that all payments processed are within the correct grant award period of performance.

DDS will develop written internal control processes to ensure compliance with Federal requirements. The updated internal controls will include roles and responsibilities in the Department responsible for internal controls under each updated procedure. The monitoring component will include the process DDS will use to determine when instances of non-compliance exist and the action DDS will take under such circumstances. We will also train staff again on the importance of the change in Fiscal Years.

Method of evaluation: The revised policies and procedures will be submitted to the Assistant Commissioner of DDS for review and approval to document completion and make revisions as necessary.

Responsible Officials

Patricia Roda, Assistant Commissioner, DDS

Luis Mancebo, Fiscal Director, DDS

Christine Sentner, Fiscal Supervisor, DDS

Implementation Date

June 30, 2019

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

**Massachusetts Rehabilitation Commission
Social Security Disability Insurance (96.001)**

Federal Award Number: 4005901

Award Years: 2015; 2016; 2017

Social Security Administration

Finding Reference: 2018 – 015

Cash Management

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirements

In accordance with 2 CFR 200.303(a), Non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

During our testwork over cash management, we found that management’s quarterly reconciliation between the Massachusetts Management Accounting and Reporting System (MMARS) and the Federal payment system was performed in an excel spreadsheet that was written over each quarter. Documentation of preparation and review of the reconciliation was not maintained.

Recommendation

We recommend that formal documentation of reconciliation controls over cash management requirements are maintained.

Questioned Costs

None

View of Responsible Officials and Corrective Actions

In response to this audit findings report relating to cash management, we will implement a process to ensure that on a quarterly basis we perform a cash reconciliation between the MMARS warehouse report and the 4513 as opposed to the yearly reconciliation we are currently doing. The Disability Determination Services (DDS) within Massachusetts Rehabilitation Commission will also make sure obligations are committed and the funds are encumbered for any monies projected to be spent after the close of a Fiscal Year. On a quarterly basis after the DDS Fiscal Director completes the cash reconciliation and reviews it for compliance, the DDS Fiscal Director will meet with the DDS Assistant Commissioner. The DDS Assistant Commissioner will be given copies of all backup so they can review the quarterly cash management reconciliation to ensure compliance, sign it and keep a file for their records.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

DDS will develop written internal control processes to ensure compliance with Federal requirements. The updated internal controls will include clearly defined roles and responsibilities for staff who are responsible each updated procedure. The monitoring component will include the process DDS will use to determine when instances of non-compliance exist and the action DDS will take under such circumstances.

Method of evaluation: The revised policies and procedures will be submitted to the Assistant Commissioner of DDS for review and approval to document completion and make revisions as necessary

Responsible Officials

Patricia Roda, Assistant Commissioner, DDS

Luis Mancebo, Fiscal Director, DDS

Christine Sentner, Fiscal Supervisor, DDS

Implementation Date

June 30, 2019

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Massachusetts Rehabilitation Commission

Social Security Disability Insurance (96.001)

Federal Award Number: 4005901

Award Years: 2016 and 2017

Social Security Administration

Finding Reference: 2018 – 016

Reporting

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirements

Per Program Operations Manual System DI 39506.202, Form SSA-4513 is required to be filed on a quarterly basis. Per Program Operations Manual System DI 39506.210, amounts of all disbursements through the ending date of the report period and all unliquidated obligations as of the ending date of the report period for each category listed should be reported.

Per U.S. Code of Federal Regulations 31 Chapter 15 Subchapter 1501, an amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of 1) a binding agreement between an agency and another person (including an agency) that is— (A) in writing, in a way and form, and for a purpose authorized by law; and (B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided... (7) employment or services of persons or expenses of travel under law; (8) services provided by public utilities; or (9) other legal liability of the Government against an available appropriation or fund.

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

During our testwork, 2 of the 3 reports tested reported unliquidated obligations. For each of these reported amounts, we found that there was no documentation maintained to verify that the amount reported was obligated per the definition noted above.

Additionally, we found that internal spreadsheets used to create the report based on transactions recorded in the Massachusetts Management Accounting and Reporting System (MMARS), the official books and records of the Commonwealth of Massachusetts, did not consistently reflect the grouping of transactions by category as reported. In total, the disbursements as reported agreed to MMARS transaction data.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Recommendation

We recommend that amounts are reported as unliquidated obligations only when they meet the definition of the term, as described in U.S. Code of Federal Regulations 31 Chapter 15 Subchapter 1501.

Further, we recommend that the Disability Determination Services (DDS) within Massachusetts Rehabilitation Commission strengthen its internal controls over compliance with reporting requirements. In particular, controls should address maintenance of documentation to support dollar amounts and presentation of transactions reported in the Form SSA-4513.

Questioned Costs

None

View of Responsible Officials and Corrective Actions

In response to this audit findings report relating to unliquidated obligations and internal spreadsheets, the DDS will make sure obligations are committed and the funds are encumbered for any monies projected to be spent after the close of a Fiscal Year in accordance with the U.S. code of Federal Regulations 31 Chapter 15 Subchapter 1501. The DDS will also tighten up and update all internal spreadsheets to ensure they agree and match the MMAR's Warehouse report as well as the 4513.

DDS will develop written internal control processes to ensure compliance with Federal requirements. The updated internal controls will include roles and responsibilities in the Department responsible for internal controls under each updated procedure. The monitoring component will include the process DDS will use to determine when instances of non-compliance exist and the action DDS will take under such circumstances.

Method of evaluation: The revised policies and procedures will be submitted to the Assistant Commissioner of DDS for review and approval to document completion and make revisions as necessary.

Responsible Officials

Patricia Roda, Assistant Commissioner, DDS

Luis Mancebo, Fiscal Director, DDS

Christine Sentner, Fiscal Supervisor, DDS

Implementation Date

June 30, 2019

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Massachusetts Rehabilitation Commission

Vocational Rehabilitation Services (84.126)

Federal Award Numbers: H126A160028; H126A170028; H126A180028

Award Years: 2016, 2017, 2018

U.S. Department of Education

Finding Reference: 2018 – 017

Program Income

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirements

Program income, whenever earned, must be used only for the provision of Vocational Rehabilitation (VR) services and the administration of the VR services portion of the Unified or Combined State Plan under the State VR Services program (29 USC 728).

The State VR agency may use program income only as an “addition” to the Federal award. The State VR agency may not use program income as a “deduction” to the Federal award. To the extent that program income funds are available, the grantee must disburse those funds before requesting additional funds from the U.S. Department of Education (ED) (34 CFR section 361.63).

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

During our audit we found that program income was recorded during fiscal year 2018 beginning on July 3, 2017; however, expenditures were not charged against this program income until January 4, 2018. During this timeframe, federal VR funds were requested from the Federal payment system to reimburse the VR program for grant related expenditures. As such, the grantee did not disburse program income funds prior to requesting additional funds from ED.

Additionally, controls over these compliance requirements are not designed to prevent noncompliance with the requirement to disburse program income funds before requesting additional grant funds.

Recommendation

We recommend that the Massachusetts Rehabilitation Commission (MRC) strengthen its internal controls over compliance with program income requirements, particularly those over the expenditure of such funds prior to request of additional Federal grant funds, in order to help ensure compliance with these requirements.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Questioned Costs

None

View of Responsible Officials and Corrective Actions

MRC is working with Rehabilitation Services Agency (RSA) in order to develop strategies to resolve this finding. In addition, MRC will explore options with the Office of Comptroller on potential solutions.

Responsible Officials

Joan Phillips, Assistant Commissioner VR, MRC

William Noone, R&D, MRC

Mauricio Vasquez, CFO, MRC

Implementation Date

September 30, 2019

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Massachusetts Rehabilitation Commission

Vocational Rehabilitation Services (84.126)

Federal Award Number: H126A160028

Award Year: 2016

U.S. Department of Education

Finding Reference: 2018 – 018

Period of Performance

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

Federal funds appropriated for a fiscal year under the Vocational Rehabilitation (VR) Services program remain available for obligation in the succeeding fiscal year only to the extent that the State VR agency met the matching requirement for those Federal funds by obligating, in accordance with 34 CFR section 76.707, the non-Federal share in the fiscal year for which the funds were appropriated.

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

During our testwork, we found 1 of 74 (1%) expenditures tested were charged to the grant subsequent to the period of performance. The payroll item found totaled \$5,551. Analysis performed by the Massachusetts Rehabilitation Commission (MRC) identified a total of \$9,543 in payroll transactions charged incorrectly to the expired grant, which are considered questioned costs.

Recommendation

We recommend the MRC strengthen its internal controls over compliance with period of performance requirements. In particular, the controls should address payroll grant allocations nearing the end of grant periods.

Questioned Costs

\$9,543

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

View of Responsible Officials and Corrective Actions

MRC has a process in place to ensure payroll posted is within the grant award period of performance. MRC effectively coordinates with the Executive Office of Health and Human Services (EOHHS) Human Resources to change employee federal award assignment near the end of the grant periods. The bi-weekly payroll is approximately \$1,100,000 and the error of \$9,543 (represents approximately <1.0% of the balance) was only in the first pay cycle of the grant award. In the subsequent pay cycles, 100% of the payroll costs (approximately \$29M annually) were assigned to the appropriate federal grant award.

MRC will develop written internal control processes to ensure compliance with Federal requirements. The updated internal controls will include roles and responsibilities and the MRC division responsible for ensuring compliance with the controls. MRC will also implement a quality improvement/monitoring process to ensure compliance. Any non-compliance will be documented along with actions taken.

Method of evaluation: The revised policies and procedures will be submitted to Rehabilitation Services Agency (RSA) for review and approval.

Responsible Officials

Joan Phillips, Assistant Commissioner VR, MRC

William Noone, R&D, MRC

Mauricio Vasquez, CFO, MRC

Implementation Date

April 30, 2019

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Massachusetts Rehabilitation Commission

Massachusetts Commission for the Blind

Vocational Rehabilitation Services (84.126)

Federal Award Numbers: H126A160028; H126A170028; H126A180028; H126A170029; H126A180029

Award Years: 2016, 2017, 2018

U.S. Department of Education

Finding Reference: 2018 – 019

Eligibility and Special Tests and Provisions: Completion of Individualized Plan for Employment

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirements

The State Vocational Rehabilitation (VR) agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless:

- a. exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. the State VR agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences (29 USC 722(a)(6)).

When an Individualized Plan for Employment (IPE) is required for the provision of VR services under Section 103(a) of the Act, it must be done as soon as possible, but not later than 90 days after the date of the determination of eligibility by the State VR agency, unless the State VR agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed (29 USC 722(b)(3)(F)).

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Finding

During our testwork over eligibility, we found that eligibility determinations were not completed within the 60 day required period and there were no related waiver requests. This occurred in our testing of eligibility determinations performed by the Massachusetts Rehabilitation Commission (MRC) and Massachusetts Commission for the Blind (MCB) as follows:

- MRC – 2 of 20 (10%) tested were 3 and 4 days late
- MCB – 2 of 17 (12%) tested were 18 and 71 days late

Additionally, we found that IPEs were not completed within 90 days of the eligibility determination and there were no related waiver requests. This occurred in our testing of IPE's performed by MRC and MCB as follows:

- MRC – 1 of 20 (5%) tested was 12 days late
- MCB – 5 of 17 (29%) tested were between 2 and 359 days late

Additionally, the internal controls over compliance with these requirements did not prevent or detect these instances of noncompliance.

Recommendation

We recommend that MRC and MCB strengthen existing controls over compliance with eligibility determination and IPE requirements to prevent and detect noncompliance with these requirements.

Questioned Costs:

None

View of Responsible Officials and Corrective Actions

MRC

MRC will ensure that eligibility is completed within the required 60 days and if there is a reason for an extension a written extension will be completed. MRC is in the process of piloting an Eligibility unit in Western Massachusetts which will help with ensuring compliance with required timelines. Best practices will be reviewed from this pilot and implemented statewide.

MRC will develop assurance reports at the Vocational Rehabilitation Counselor, supervisor, area office, district, and statewide level on timeliness of eligibility determinations. Reports will be produced on a monthly basis and sent to the Assistant Commissioner for analysis. This analysis will be shared with District Directors, Area Directors and supervisors to implement corrective actions as required. Progress will be reported back to leadership on a monthly basis.

A tickler reminder on eligibilities in the MRCIS system will be enhanced to include a report to supervisors/managers to ensure compliance with the standard. Quarterly program evaluation reports will be produced and distributed.

MRC will develop written internal control processes to ensure compliance with Federal requirements.

MCB

We believe some of the instances of the delay may have occurred on a weekend or during a field day on the 60th or 90th day and counselors were not able to enter the determination until they returned to the office. Most instances occurred in cases of students with disabilities managed by specialized Transition Counselors. The case management system was changed during the year and the different rules about tracking of "potentially

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

eligible” students with disabilities caused confusion; Transition Counselors did not fully understand that students with disabilities who have applied for vocational rehabilitation services require the same attention to mandatory deadlines as all other cases even though “potentially eligible” consumers are not subject to these kinds of deadlines. The Transition Counselors have been provided individualized training and supervision to prevent these errors from occurring in the future.

A dashboard feature has recently been added to the case management system to allow supervisors to conduct a review of all cases on a weekly basis to flag cases that are 45 days or longer in application status or 75 days or longer in eligibility status. We intend to further modify the system to provide a very noticeable (perhaps colored) flag to both counselors and supervisors. The Policy unit will work with the Deputy Commissioner to continuously monitor and train staff to ensure that this does not occur in the future.

Responsible Officials

MRC

Joan Phillips, Assistant Commissioner VR, MRC

MCB

Mary Otiato – Chief of Staff/ Director of Policy, MCB

John Oliveira – Deputy Commissioner, MCB

Implementation Dates

MRC

September 30, 2019

MCB

March 31, 2019

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Department of Public Health

Immunization Cooperative Agreements (93.268)

Federal Award Numbers: 5 NH23IP000751-05-01, 5 NH23IP000751-05-02

Award Years: 2017, 2018

U.S. Department of Health and Human Services

Finding Reference: 2018 – 020

Special Tests and Provisions - Control, Accountability, and Safeguarding of Vaccine and Record of Immunization

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2017-038

Statistically Valid Sample: No

Requirement

The Immunization Cooperative Agreements program consists of two parts: discretionary Section 317 immunization funding and Vaccine for Children (VFC) financed with mandatory Medicaid funding.

Effective control and accountability must be maintained for all vaccines under the VFC program. Vaccines must be adequately safeguarded and used solely for authorized purposes (42 USC 1396s).

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

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

Further, in accordance with 2 CFR 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The Department of Public Health's (DPH) providers are responsible for administering and tracking vaccines. DPH performs site visits to ensure the providers are in compliance with the federal requirements. DPH utilizes the following key controls to ensure compliance with the above requirements:

- At the beginning of each assessment year the immunization staff reviews a complete list of all provider sites in the Mass Immunization Information System (MIIS) to determine which providers require a site visit in the upcoming year. Throughout the year, the immunization staff will cross check between MIIS and CDC's online VFC Site Visit system to ensure that no providers have been improperly excluded from the planned list of site visits.

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- Upon the conclusion of the site visit, the immunization staff member uploads the Site Visit Questionnaire (SVQ) online, and it is also retained in the provider's files. On a weekly basis, the Director of Disease Response System reviews the number of site visits conducted, tracks over-due site visits, reviews site scores, and identifies any outliers.
- One of the Assessment Epidemiologists routinely reviews the completed SVQ for each site.

These controls were audited first during the FY 2017 audit. A finding was issued because there was no evidence of the execution of the controls. DPH was informed of the finding and a corrective action plan was implemented as of February 26, 2018. However, due to the timing of implementation of the corrective action plan, eight (8) months of FY 2018 had already passed. Therefore, the corrective action plan was only operational for the last four months of FY 2018, from March 2018 to June 2018. We are issuing a finding because evidence of execution of controls was not operational for eight months of FY 2018, from July 2017 to February 2018.

Recommendation

We recommend that DPH continue with their established controls.

Question Costs

None

Views of Responsible Officials and Corrective Action:

Since controls are already in place, DPH plans to proceed with established controls. No further corrective action is required.

Responsible Officials

Kathleen Shattuck, Associate Director, Immunization Program (Acting Assessment Coordinator), DPH
Kathryn Ahnger-Pier, Lead Assessment Epidemiologist, DPH
Sarah Sweet, Assessment Epidemiologist, DPH

Implementation Date:

Procedures were already implemented on February 26, 2018

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Year ended June 30, 2018

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Numbers: XIX-MAP18 and XIX-ADM-18

Award Year: 2018

U.S. Department of Health and Human Services

Finding Reference: 2018 – 021

Eligibility

Type of Finding – Material Weakness

Prior Year Finding – Yes, 2017-040

Statistically Valid Sample: No

Requirement

Certain individuals are deemed categorically eligible for Medicaid based on information received, through an interface from the Social Security Administration (SSA). In accordance with 42 CFR §435.120, the Supplemental Security Income (SSI) mandatory eligible coverage group for Medicaid covers a person who is aged, blind, or disabled and is receiving SSI or deemed to be receiving SSI. The Social Security Administration (SSA) determines eligibility for SSI. If SSA determines that a person is eligible for SSI, MassHealth accepts SSA's determination as an automatic determination of eligibility for Medicaid. SSA is approximately 34% of the MassHealth non-Modified Adjusted Gross Income (MAGI) eligibility population. SSA recipients are not required to be recertified by MassHealth as all information is interfaced with MassHealth from SSA. In addition, SSA recipients are not included in the MassHealth quality assurance process since the federal government determines eligibility.

In accordance with 2 CFR section 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

Individuals who are categorically eligible for Medicaid through receipt of SSI benefits are received from an SSA interface into a SDX data warehouse. Such information is then interfaced with MA21 and MMIS to document an individual's eligibility through SSA. During the MMIS interface, a daily exception report is produced of the various eligibility exceptions noted. Examples of these exceptions can include eligibility begin/end dates that start/continue past a death date or an eligibility end date when there was no start date. There is also a weekly summary report of the exception codes and the volume of exception transactions during the interface. MassHealth is currently implementing a process to work the exception reports to validate/correct the eligibility anomalies noted, however, during the year MassHealth was unable to document actions taken to resolve the 25 exceptions tested. Unresolved exceptions increases the risk of individuals receiving benefits who are no longer eligible for either fee for service or managed care services.

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Audit procedures also included a review of selected case files. A total of 65 Medicaid files were selected for test work of which 34 were deemed eligible due to information provided by SSA. The SSA designation was verified for each individual as noted within the MMIS system and per the SDX data warehouse. No compliance exceptions were noted for these selected items.

Recommendation

MassHealth has assigned a business owner within the Eligibility Quality Assurance Unit (EQU) who is currently establishing a process with related controls for review of the SSA exception reports. MassHealth should finalize and execute the new procedures and ensure sufficient documentation is retained to support the executed procedures.

Questioned Costs

None

View of Responsible Officials and Corrective Actions

MassHealth will finalize and execute its new procedures and retain documentation to support its executed procedures.

Responsible Official

Rosana Senise, IMEC Director MassHealth Operations

Implementation Date

June 2019. We have completed two phases of the project.

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Year ended June 30, 2018

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Numbers: XIX-MAP18, XIX-ADM-18

Award Year: 2018

U.S. Department of Health and Human Services

Finding Reference: 2018 – 022

Special Tests and Provisions – Provider Eligibility

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: Yes, 2017-047 & 2016-049

Statistically Valid Sample: No

Requirement

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 1396a(a)(9)) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106). The State Medicaid agency must (a) have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State (b) confirm that the provider's license has not expired and there are no current limitations on the providers' license. (42 CFR 455.412).

In accordance with 2 CFR section 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

MassHealth uses third parties (MAXIMUS, DentaQuest and Optum) to assist with ensuring all providers required to be licensed under State law are currently licensed and eligible to provide services to Medicaid beneficiaries. Providers are required to be revalidated every five years under the Affordable Care Act (ACA) regulations. Provider information is maintained in the MMIS system and is updated as needed by the third parties. Many of the provider and license data points require manual entry into the MMIS system (i.e. not populated by electronic interfaces).

During our testwork of the revalidation process, we found that MassHealth does not monitor the quality of the revalidations performed by the third parties.

Further, during testing of provider eligibility files, we found one provider of 65 tested (2%), a Hospital Licensed Health Center, did not have a provider agreement.

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Finally, 11 of the 65 providers (17%) tested had revalidation dates within MMIS that were not within the next three to five years as required by federal regulations. Three providers reflected the default date of December 31, 2299, while 8 had dates in the past 1-6 years that had not been updated. All 11 providers had recently completed the revalidation process.

Recommendation

We recommend MassHealth enhance its internal controls for validating key points of provider data. One such control could be to use data queries designed to identify outlying data. For example, key expiration date fields could be queried to identify historical dates, dates within the next 30 to 60 days, and/or default dates.

We also recommend MassHealth implement controls over the revalidation process to monitor the quality of work done by the third parties.

Questioned Costs

There are no questioned costs related to exceptions noted above as all providers were determined to have a current license or to be eligible for enrollment in Medicaid program.

Views of Responsible Officials and Corrective Actions

Finding 1 – Licensing

All providers must have a valid license within MMIS, for the 1 provider under the responsibility of MAXIMUS, the current license has been updated.

To validate that all Providers in MMIS have a valid license in MMIS, MassHealth has approved a Change Request with MAXIMUS to implement a process in MMIS to identify expired licenses. The Change Request is in the solution development phase, MAXIMUS has proposed automating the data exchange process versus manually exporting licenses for the various boards or registry. MAXIMUS moved into the software development stage on February 25, 2019 and is targeting an implementation in late May of 2019.

In the interim, MAXIMUS is downloading files from the boards (when available) and comparing the expiration dates to MMIS data. MAXIMUS is focusing on updating those license expiration dates in MMIS for any provider who has an expired license.

Finding 2 – Revalidation

When MMIS was implemented in 2009, the Next Recred date was set to default to two years from the enrollment effective date. In 2017 MMIS reprogrammed this date with a default of five years to correspond with the ACA rules and MassHealth's current procedures.

For the 22 of the 65 files that have next revalidation dates within MMIS that are not within the next three to five years as required, MAXIMUS has manually updated these files in MMIS.

To validate that all files in the MMIS have an appropriate Next Recred date within five years the following steps are being taken: MAXIMUS is identifying all providers with a Next Recred date that requires correction in MMIS, MAXIMUS will then submit the list for corrections to the MMIS team to prioritize the provider file updates.

Responsible Official

Janice Wadsworth, Director of Provider Operations, MassHealth

Implementation Date

June 3, 2019

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Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Numbers: XIX-MAP18 and XIX-ADM-18

Award Year: 2018

U.S. Department of Health and Human Services

Finding Reference: 2018 – 023

Allowable Costs/Cost Principles, Cash Management, Matching/Level of Effort/Earmarking, and Reporting

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2017-042 & 2016-043

Statistically Valid Sample: No

Requirement

MassHealth utilizes the Medicaid Management Information System (MMIS) for processing Medicaid claims. In accordance with 2 CFR section 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The general control environment for MMIS was determined to not be operating as designed to enforce access in alignment with job responsibilities. (See 2018-005 to 2018-007 for related findings.) MassHealth utilizes this system to capture a variety of data that is used to determine allowable costs and activities, amounts to be drawn, applicable FMAP percentages, and information for the CM64 report.

Without an effective general control environment, an external auditor is unable to assess whether the related application level controls (e.g. automated controls) such as edit checks, interfaces, report queries, etc., are operating effectively. Without properly controlled user access, the risk is an unauthorized user can alter the application level controls thereby affecting the completeness and accuracy of the resulting output. More specifically some of these edits checks include:

- (1) Reports utilized for managed care health plans payments.
- (2) Access to the acute care and long term rate payment tables.
- (3) Report queries utilized for standard reports and utilization processes.

Although we were not able to rely on the general controls, we were able to identify and test certain higher level manual controls involving the reconciliation of the system generated information to summarized information utilized to manage the program. Ultimately, we performed more extensive compliance audit procedures including the review of various reconciliations involving the above queries and reports along with the testing of various allowable cost transactions. No compliance exceptions were noted for the selected items.

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Recommendation

We recommend MassHealth develop an action plan with date specific milestones to address the general information technology control considerations (as enumerated in findings 2018-005 to 2018-007) as this would allow them to leverage their significant investment in technology as a reliable platform for executing their internal control requirements under the State Plan as well as the code of federal regulations.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MassHealth is in the process of reviewing its access controls, specifically with regards to onboarding and offboarding users of MMIS and MA21. Consistent with the responses provided last year, MassHealth has made significant strides in shoring up its access controls and has implemented a periodic monitoring program to ensure that only appropriate users have access to MMIS and MA21. In addition, EOHHS has implemented a compensating control of terminating a user's Active Directory account (and therefore network access) when they leave service at EOHHS, rendering impossible access to MMIS and MA21 with their user credentials. As such, EOHHS believes that at all times during the audit it has had—and currently has—an effective general control environment, despite failures in a specific control environment. That being said, consistent with the responses to findings 2018-005 to 2018-007, MassHealth plans on improving the specific control environment objectives and will demonstrate such improvements.

Additionally, as part of the plan identified in last year's finding 2017-041 to address ADP review deficiencies, EOHHS will ensure long-term tracking of the remediation plan for this and related findings.

Responsible Official

Aaron Weismann, Chief Security Officer, Executive Office of Health and Human Services

Implementation Date

June 30, 2020

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Year ended June 30, 2018

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Numbers: XIX-MAP18, XIX-ADM-18

Award Year: 2018

U.S. Department of Health and Human Services

Finding Reference: 2018 – 024

Eligibility, Special Tests and Provisions – Utilization Control and Program Integrity, and Special Tests and Provisions – Inpatient Hospital and Long-Term Care Facility Audits

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2017-043 & 2016-044

Statistically Valid Sample: No

Requirement

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Also, the State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the State Plan (42 CFR section 447.253).

In accordance with 2 CFR section 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The MassHealth Medicaid program includes the use of third party vendors to perform various regulatory functions as required by the code of federal regulations. For example, a substantial portion of the utilization programs are contractually outsourced to either a third party or a MassHealth sister agency such as the University of Massachusetts (hereafter collectively referred to as Third Parties). Inpatient Hospital and Long-Term Care Facility Audits and certain eligibility redeterminations for disability are also outsourced to Third Parties.

Monitoring as defined by COSO includes ongoing evaluations, separate evaluations, or some combination of techniques to ascertain whether the Third Party is performing as expected. Ongoing evaluations, built into business processes at different levels of the entity, provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations.

MassHealth has contracts or Interdepartmental Service Agreements (ISA) with each of the Third Parties that are specific in nature to the procedures to be performed on behalf of MassHealth. In addition, the Third Parties

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have procedure manuals detailing how they execute the procedures with their employees or through an additional vendor. These manuals also include any oversight/control procedures being performed by the Third Parties and any periodic deliverables that are due to MassHealth.

Based on the nature of the ISAs, monitoring could include but should not be limited to (1) approval of sampling plans and/or audit approach; (2) periodic updates on results of the work being performed and potential impact to MassHealth; (3) approval of Third Party suggested action items; (4) completion/execution of the sampling plan and/or audit approach; and (5) overall assessment of the quality of work being performed by the Third Party. Quality of work can entail the qualifications of the Third Party personnel, the concurrence with the audit procedures being performed, and/or verification through quality control procedures, including reperformance if necessary. Risks to MassHealth could include (1) sampling plans being noncompliant with state policy; (2) noncompliant providers; (3) inappropriate communications with provider; (4) noncompliance with approved sampling approach; (5) reviews not conducted by qualified personnel in accordance with contract provisions.

The following are outsourced activities that do not appear to address the associated risks above and/or to be adequately documented by the current MassHealth monitoring processes:

- (1) Performance of noninstitutional provider case utilization reviews is currently not being monitored in any of the areas noted above.
- (2) Acute hospital utilization monitoring process currently does not address the approval of the sampling plan and ensuring that the approved sampling plan was executed.
- (3) Inpatient hospital and long term care facility audits process does not include monitoring for quality of work components. In addition, the monitoring process does not ensure the audit plan was executed as approved.
- (4) Chronic disease and rehabilitation hospitals utilization process does not include monitoring for quality of work components.
- (5) Non-SSI disability eligibility determinations are performed by Third Parties with no monitoring of the quality of the decisions made.

Recommendation

We recommend MassHealth's assigned business owner to each outsourced process establish effective monitoring controls over Third Parties, tailored to the specific subject matter being outsourced. The business owner would be responsible for collecting necessary data and/or performing oversight functions as part of the monitoring process to effectively document the monitoring processes.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

- (1) *Performance of noninstitutional provider case utilization reviews is currently not being monitored in any of the areas noted above – Business Owner: Lydia Hatch, Director, Primary Specialty Network, MassHealth*

The noninstitutional provider case utilization reviews (NIPR) do not have a sampling plan. NIPR operates on a referral basis. The referrals come in from both internal and external sources. The reviews are discussed bi-weekly in our Physical Health meetings which include NIPR reviews. The vendor supplies a full report for each meeting.

The referral process has been in place since NIPR began the review process in February 2017.

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- (2) *Acute hospital utilization monitoring process currently does not address the approval of the sampling plan and ensuring that the approved sampling plan was executed. – Business Owner: Lydia Hatch, Director, Primary Specialty Network, MassHealth*

A formal review process for the approval of the sampling plan and ensuring that the approved sampling plan was executed has been implemented. We have quarterly meetings to discuss the report “Trends and Recommended Modifications to Post Payment Inpatient Review Selection”.

MassHealth began this sampling approval process in July 2018.

- (3) *Inpatient hospital and long term care facility audits process does not include monitoring for quality of work components. In addition, the monitoring process does not ensure the audit plan was executed as approved. – Business Owner: Charles Patton, Director, Provider Program Integrity, MassHealth*

MassHealth is implementing an updated monitoring process of the UMass Financial Compliance Unit’s (FCU) audits of inpatient hospital and long term care audits. At the beginning of each fiscal year, FCU sends a list of inpatient hospitals and long term care facility audit candidates to the inpatient hospital and nursing facility program managers for their approval. On a quarterly basis, MassHealth will review the monthly report provided by FCU against the list of audit targets identified at the beginning of the fiscal year. At the monthly FCU/PCU revenue meetings, MassHealth will raise any questions stemming from this review and resolve any open issues to ensure all audits planned for the fiscal year remain on track. In addition, MassHealth will provide an administrative review and approval of each audit’s findings prior to FCU issuing to the provider. This review will focus on accuracy of cover letter against findings attachments and identify any inconsistencies to be corrected before sending to the provider.

The oversight activities will be in place as of April 1, 2019.

- (4) *Chronic disease and rehabilitation hospitals utilization process does not include monitoring for quality of work components.- Business Owner: Whitney Moyer, Acting Chief, LTSS, Director LTSS Fee-For-Service-Programs, MassHealth*

MassHealth will work with its vendor and incorporate a monitoring component for the quality of their utilization reviews of the chronic disease and rehabilitation hospitals which will include:

- Review of Monthly Report of Care Coordination Activity
- Quality assurance reviews performed by the clinical coordinator or other senior clinicians at OCA regularly comparing the clinical work and decisions of the nurse reviewers in a sample of cases against the MH regulations for CDRH in order to assure consistency within reviewers and adherence to the regulations
- Joint monthly and ad hoc MH OLTSS – OCA meetings

Tentative implementation date of July 1, 2019.

- (5) *Non-SSI disability eligibility determinations are performed by Third Parties with no monitoring of the quality of the decisions made. – Business Owner: Rosana Senise, Director Integrated MassHealth Enrollment Center (IMEC), MassHealth*

MassHealth and Disability Evaluation Services unit will meet quarterly. As part of the meeting, we will go over a monitoring plan and check off all the sections that DES is responsible for acting on for MassHealth.

Tentative implementation date of July 1, 2019.

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Responsible Officials

See above.

Implementation Date

See above.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Numbers: XIX-MAP18, XIX-ADM-18

Award Year: 2018

U.S. Department of Health and Human Services

Finding Reference: 2018 – 025

Special Tests and Provisions – Utilization Control and Program Integrity

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: Yes, 2017-044 & 2016-045

Statistically Valid Sample: No

Requirement

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002).

In accordance with 2 CFR section 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

The Executive Office of Health and Human Services oversees the activities of MassHealth and the Department of Mental Health (DMH). DMH operates a system of five mental health facilities, hereafter collectively referred to as state-owned providers. The DMH facilities provide community based care and in/out patient care for qualified individuals.

These state-owned providers are included in the MassHealth provider population for receiving Medicaid funding for allowable services rendered. During fiscal year 2018, the providers received approximately \$38 million in Medicaid payments.

MassHealth has established policies and procedures for actively monitoring its nonstate providers in accordance with the utilization standards noted above. However, MassHealth currently does not subject its DMH state-owned providers to the same utilization controls as its nonstate providers.

While the state-owned providers do have their own processes to assure the delivery of safe and high quality care, those processes are not necessarily designed to ensure compliance with the utilization standards noted above.

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Recommendation

MassHealth should determine which state-owned providers should be subject to a separate Medicaid utilization process and should assess existing procedures at the five DMH facilities. MassHealth should complete their assessment and then formalize the utilization process for the 5 DMH facilities. Once established, MassHealth should then determine how to monitor on a go-forward basis to ensure the process is executed and/or if the process needs to be updated.

Questioned Costs

Not determinable.

Views of Responsible Officials and Corrective Actions

MassHealth will perform an assessment of its current utilization process of these facilities and then formalize a process to monitor these facilities on a go-forward basis.

Responsible Officials

Susan Harrison, Director of Program Integrity, MassHealth
Margaret Harvey, Director, Behavioral Health Quality, MassHealth

Implementation Date

MassHealth will complete its assessment by October 1, 2019

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2018

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Numbers: XIX-MAP18, XIX-ADM-18

Award Year: 2018

U.S. Department of Health and Human Services

Finding Reference: 2018 – 026

Eligibility

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2017-046 & 2016-048

Statistically Valid Sample: No

Requirement

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

In accordance with 2 CFR section 200.303(a), non-Federal entities must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Finding

MassHealth has a quality control process over Medicaid eligibility to address the quality of the information being collected and input into the MA21 information technology system, which is primarily used for non-Modified Adjusted Gross Income (MAGI) eligibility information, which represents approximately 20% of Commonwealth of Massachusetts Medicaid recipients. The process involves weekly selections which approximate 3% of the cases. The results are compiled by the quality control unit into a report that is provided to the respective manager of the center reviewed.

In addition, the process is intended to have the managers report back to the quality control unit that they have discussed the items with their teams and provide evidence that action was taken to correct any issues noted (close out process). MassHealth operates six sites with a total of eight managers.

During our testwork, we found:

- Inconsistent documentation between the managers and the quality control unit regarding the close out process
- For one of the eight weeks selected, there were no cases reviewed
- For three of the eight weeks selected, cases were reviewed at selected sites rather than all sites

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Recommendation

We recommend MassHealth improve its policies and procedures over the quality control process to include documentation and rational over when to omit weeks or sites from the sample. In addition, we recommend MassHealth enhance their documentation of the quality control close out process to demonstrate managers concurrence with the final report and implementation of necessary changes to improve eligibility determinations.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

Mass Health has six Mass Health Enrollment Centers situated throughout the Commonwealth of Massachusetts (the Commonwealth). The Commonwealth employs a total of fifteen managers and with the probability of hiring at least four new managers. At each site, under each managerial unit we have approximately 10-15 Benefit Eligibility Representatives (BERS) with an approximate cumulative total of 380 A/B and C BERS serving the Commonwealth. The Eligibility Quality Assurance Unit (EQA) consists of five (5) EQA BERS C to process all EQA tasks pulled weekly to meet the state plan requirement (42 CFR Section 431.10).

In addition, each new A/B BERS and BERS C hired or promoted are EQA'd at 100% one month after training is completed. This EQA of new BERS will continue for one month. This is an ongoing process and EQA pull percentage is adjusted weekly to accommodate processing EQA at 100% for new BERS. This impacts the State's ability to pull an average three (3%) across the State.

EQA will continue to operate as Operations dictate pulling at least 3% EQA if EQA BERS are available to process and there are no new BERS being EQA at 100% during that month. As long as this occurs, EQA weekly percentage will be adjusted accordingly.

Currently, Mass Health uses offline excel spreadsheets to communicate an appeal request to EQA and MECs. Mass Health is currently working with our IT department to close the loop on the appeal process within the my Work Space (MWS) database and the whole appeal process will be housed online closing the appeal loop in MWS. We have established new tabs within MWS addressing each step of the appeal process. Once this release is rolled out into production, the appeal process becomes more efficient and easily tracked for all future audits. The new process will show immediately the closed loop in the EQA process.

The tentative rollout for this update release is September 2019 with partial implementation of requested changes relative to the EQA appeal process. The second part of this release is scheduled for March 2020.

The first release addresses the appeal process between Worker, Manager, EQA BERS and EQA Manager. The second release addresses the Final appeal process between EQA Director, EQA Manager, MEC Manager and Worker as well as all reports relative to MWS EQA process

Responsible Officials

Rosana Senise, IMEC Director MassHealth Operations
Donna M Saunders IMEC Manager MassHealth Operations

Implementation Date

The tentative rollout for this update release is September 2019 with partial implementation of requested changes relative to the EQA appeal process. The second part of this release is scheduled for March 2020.



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Commonwealth of Massachusetts Summary Schedule of Prior Year Audit Findings FY 2018

The attached summary schedule of prior year findings (Schedule) lists the finding reference, initial finding reference, CFDA #, state agency, program and description for the findings included in the fiscal year 2017 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 the Uniform Guidance Section 200.511(b)(3) have been excluded from the Schedule.

Schedule of Prior Year Findings						
Finding Reference	CFDA #	Agency	Program(s)	Description/ Summary	Implementation Status	Corrective Action Plan
2017-001 and 2016-002		CTR	State	Financial Reporting	Partially	See finding 2018-001
2017-002 and 2016-003		CTR	State	SEFA Reporting	Fully	
2017-003		EOL	State	Allowance for Uncollectible Receivables	Partially	See finding 2018-003
2017-004 and 2016-007		EOL	State	UI Online User Access Review	Fully	
2017-005 and 2016-008		EOL	State	UI Online Change Review and Segregation of Duties	Fully	
2017-006 and 2016-010		EHS	State	HIX SOC Reports	Fully	
2017-007 and 2016-012		EHS	State	MA21 - Change Management	Fully	
2017-008 and 2016-013		EHS	State	MA21 - Application Administrative Access	Fully	
2017-009 and 2016-015		EHS	State	MA21 - Terminations	Partially	See finding 2018-005
2017-010 and 2016-016		EHS	State	MMIS - Access provisioning	Fully	
2017-011 and 2016-017		EHS	State	MMIS - Terminations	Partially	See finding 2018-006
2017-012 and 2016-018		EHS	State	MMIS and MA21 - User Access Reviews	Partially	See finding 2018-007
2017-013 and 2016-019		EHS	State	BEACON - Change Management	Fully	
2017-014 and 2016-021		EHS	State	BEACON - Terminations	Partially	See finding 2018-004
2017-015	84.010	DOE	Title I Grants to Local Educational Agencies	Per testing of maintenance of effort and reportings requirements, the following deficiencies were noted: 4 of 40 LEAs certification Statements were not filed; no formal process for reviewing and approving of LEA agreed-upon procedures reports.	Fully	
2017-016	84.010	DOE	Title I Grants to Local Educational Agencies	Per testing of the Annual Report Card requirement, the department did not maintain a formally documented policy or communication that specifically addresses to LEAs, in accordance with 34 CFR section 200.19(b).	Fully	
2017-017	84.010	DOE	Title I Grants to Local Educational Agencies	Per testing of Assessment System Security requirements, the following deficiencies were noted: no documentation of risk assessments for which LEA will be visited; no log of allegation emails and phone calls were maintained; no review of attendance records for training to determine the risk of noncompliance.	Fully	
2017-018	84.010	DOE	Title I Grants to Local Educational Agencies	Per testing of eligibility and earmarking requirements, there was no procedures documented to ensure the reason and methodology for all changes to the Title I allocation process, review and approval process to meet the program requirements.	Fully	
2017-019	84.010, 84.027, 84.173	DOE	Title I Grants & Special Education Cluster	Per testing of subrecipient monitoring, the department did not identify some Federal Award Identification requirement to its subrecipient, did not issue Management Decision and did not document its risk assessment process. In addition, the issues of On-site Visit summaries to its subrecipients were not in timely manner.	Fully	
2017-020	84.027, 84.173	DOE	Special Education Cluster	The department had no procedures for documenting the review and approval process over the Special Education Cluster maintenance of effort calculation, in order to ensure compliance with this requirement.	Fully	
2017-021	14.228	OCD	Community Development Block Grants	Per testing of cash management the following were noted: the cash requested were not consistent with CMIA; the advance fund lacked adequate documentation of anticipated expenditure dates or amounts; 5 of 40 subrecipients tested received federal funds from the department while maintaining program income balances.	Fully	
2017-022	14.228	OCD	Community Development Block Grants	During the testwork over subrecipient monitoring it noted the controls performed over the risk evaluation are not documented. In addition, one of subrecipients the department did not monitor its compliance with the citizen participation federal requirements.	Fully	
2017-023	14.228	OCD	Community Development Block Grants	The department did not consistently inform its CDBG program subrecipients of the Federal Award Identification requirements.	Fully	
2017-024	14.228	OCD	Community Development Block Grants	During the testwork of earmarking requirements, it was noted no documentation of the review of the PR26 reports once the information is entered in the system.	Fully	
2017-025	14.228	OCD	Community Development Block Grants	The department required to submit a performance reporting on an annual basis, its controls include the review and approval prior to submission. However during the testwork, it unable to verify such reviews occurred. Also, the Performance and Evaluation Report was overstated by \$30,000.	Fully	
2017-026	14.182, 14.856	OCD	Section 8 Project-Based Cluster	During the testwork over the subrecipient monitoring of NC/SR developments, no LHA's and for-profit subrecipient were evaluated for risk of noncompliance in accordance with 200.331(b). Also, the Moderate Rehabilitation monitoring policies do not include the Section 8 requirements.	Partially	See finding 2018-009

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2017-027	14.182, 14.856	OCD	Section 8 Project-Based Cluster	For Moderate Rehabilitation, the department policies require the Project Based Voucher managers to recalculate rate and review rate increase are within allowable ranges. No documents were provided to support that the performance and review were occurred.	Partially	See finding 2018-010
2017-028	14.182, 14.856, 14.239	OCD	Section 8 Project and HOME Investment Partnerships	For Section 8 project and HOME Investment Partnerships, the department did not have a written procedures in place for all its federally funded programs.	Fully	
2017-029	14.239	OCD	HOME Investment Partnerships Program	During the audit it was identified the department's weaknesses over the monitoring of its third party: no monitoring for quality of work components for eligibility review and housing quality inspection processes. Lack documentation of review to support the inspection performed, reviewed and approved by the department.	Fully	
2017-030	14.239	OCD	HOME Investment Partnerships Program	The department enters the funded activities per earmarking requirements into a HUD nationwide database and monitor the caps using the PR35 report. However, there is no evidence of the review of the PR35 report.	Fully	
2017-031	14.239	OCD	HOME Investment Partnerships Program	During the testwork it was unable to verify that the key controls over period of performance were in place as they were not evidenced or documented during the year.	Fully	
2017-032	17.207, 17.801	EOL	Employment Service Cluster	The department's cost allocation methodology is not supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.	Partially	See finding 2018-011
2017-033	17.207, 17.801	EOL	Employment Service Cluster	The department allocates expenditures to the 10% earmarking requirement on the budget, not actual activity. Further, it's unclear if the budgeted expenditures meet the three uses specified in the regulations and if compliance with specified uses is tracked and monitored throughout the year.	Fully	
2017-034	17.207, 17.801	EOL	Employment Service Cluster	The department performed fiscal reviews of subrecipients during the year, but suspended its onsite monitoring of subrecipient programmatic compliance at the One-Stop career Centers. Also, no risk assessment performed during the FY2017 on its subrecipients.	Fully	
2017-035	17.207, 17.801	EOL	Employment Service Cluster	During the testwork its noted the following: 3 of 5 Form 9130 report was not supported by detailed accounting records for the specified time frame; 2 of 5 reports submitted past due date; 2 of 5 reports were prepared and approved by the same person; 2 of 2 VETS-402A report was not supported by detailed accounting records and prepared and approved by the same person.	Fully	
2017-036	20.319	DOT	High-Speed Rail Corridors and Intercity Passenger Rail Service	The department was not in compliance with the requirements related to subrecipient notification and documentation of subrecipient risk assessments in regards to its High Speed Rail subrecipients.	Fully	
2017-037	93.268	DPH	Immunization Cooperative Agreements	During the testwork over period of performance, one transaction was not charged within the period that activity actually occurred. In addition, the key control identified for transaction reviews failed to detect and correct the error.	Fully	
2017-038	93.268	DPH	Immunization Cooperative Agreements	The department performed site visits to ensure providers are in compliance with the federal requirements, however, during the testwork it was noted that no evidence or documentation for keys controls were identified. Also, one of 65 sample selected was not in compliance with the minimum amount of records required to be reviewed.	Partially	See finding 2018-020
2017-039	93.775, 93.777, 93.778	EHS	Medicaid Cluster	The department had seven of the ten 1915 waivers that are currently delinquent during the time of the audit. As a result, that audit was unable to validate the respective waiver information back to the department books and records.	Fully	
2017-040	93.775, 93.777, 93.778	EHS	Medicaid Cluster	During the second interface to MMIS from SDX data warehouse, a daily exception report is produced of the various eligibility exceptions noted and the department is not working to resolve these exceptions which may increases risk of individuals receiving benefit who is no longer eligible for services.	Partially	See finding 2018-021
2017-041	93.775, 93.777, 93.778	EHS	Medicaid Cluster	The department have not yet completed the redesign of their annual review to address the ADP risk analysis and system security review requirements, including third party providers.	Fully	
2017-042 and 2016-043	93.775, 93.777, 93.778	EHS	Medicaid Cluster	The department utilizes the two systems (MA21 & MMIS) for determine eligibility and processing claims. The general control environments for MA21 was determined to not be operating as designed with regard to various access and change management considerations. In addition, access for MMIS was determined to not be operating as designed to enforce access in alignment with job responsibilities. Without an effective general control environment, an auditor is unable to assess whether the related application level controls are operating effectively.	Partially	See finding 2018-023
2017-043 and 2016-044	93.775, 93.777, 93.778	EHS	Medicaid Cluster	During the testwork it was noted there are several outsourced activities that do not appear to address the associated risks as the department identified and/or to be adequately documented by the current department's monitoring processes.	Partially	See finding 2018-024
2017-044 and 2016-045	93.775, 93.777, 93.778	EHS	Medicaid Cluster	The department has established policies and procedures for actively monitoring its nonstate providers in accordance with the utilization standards noted above. However, the department currently does not subject its state-owned providers to the same utilization controls as its nonstate providers.	Partially	See finding 2018-025
2017-045 and 2016-047	93.775, 93.777, 93.778	EHS	Medicaid Cluster	During November 2016, the department designed a new process to address the consistency of documentation, review of work performed, and documentation that all reviews were completed for performing the case mix audit of nursing facilities. The auditor found the process to be functioning as designed. however, this process was only been put in place for the second half of the audit year.	Fully	

Schedule of Prior Year Findings

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2017-046 and 2016-048	93.775, 93.777, 93.778	EHS	Medicaid Cluster	During fiscal year 2017, the department was limited resources to execute the review of a quality control process on a consistent basis throughout the year. The department also lack in enhancing their documentation of the quality control close out process to demonstrate managers of the centers concurrence with the final report.	Partially	See finding 2018-026
2017-047 and 2016-049	93.775, 93.777, 93.778	EHS	Medicaid Cluster	The department lacked internal controls for validating key points of provider data. During the testwork, 22 of the 65 files have next revalidation dates within MMIS that were not within the next three to five years as required by federal regulations.	Partially	See finding 2018-022