



COMMONWEALTH OF MASSACHUSETTS

OMB Circular A-133 Report

June 30, 2014

COMMONWEALTH OF MASSACHUSETTS

OMB Circular A-133 Report

June 30, 2014

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

Mr. Martin Benison, Comptroller
Commonwealth of Massachusetts:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated December 23, 2014. Our report includes an emphasis of matter paragraph regarding the Commonwealth adopting the provisions of Governmental Accounting Standards Board (GASB) Statements No. 65, *Items Previously Reported as Assets and Liabilities* and No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Our report includes a reference to other auditors who audited the financial statements of the entities described in note 13 to the Commonwealth's basic financial statements. The financial statements of certain entities identified in note 13 to the Commonwealth's basic financial statements were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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 were not 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 a material weakness and others that we consider to be 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 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 2014-001 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 2014-002 through 2014-017 to be significant deficiencies.

Compliance and Other Matters

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

The Commonwealth's Responses to Findings

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

Purpose of this Report

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

KPMG LLP

December 23, 2014



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

Mr. Martin Benison, Comptroller
Commonwealth of Massachusetts:

Report on Compliance for Each Major Federal Program

We have audited the Commonwealth of Massachusetts' (the Commonwealth) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2014. The Commonwealth's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

As discussed in note (1) to the schedule of expenditures of federal awards, the Commonwealth's basic financial statements include the operations of certain entities whose federal awards are not included in the accompanying schedule of expenditures of federal awards for the year ended June 30, 2014. Our audit, described below, did not include the operations of the entities identified in note (1) as these entities conducted separate audits in accordance with OMB Circular A-133, if required.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Commonwealth's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commonwealth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commonwealth's compliance.



Opinion on Each Major Federal Program

In our opinion, the Commonwealth complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-018, 2014-019, 2014-021 through 2014-028, 2014-030, 2014-031, 2014-033 through 2014-038 and 2014-040 through 2014-043. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the Commonwealth is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commonwealth's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2014-018 through 2014-043.

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



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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements. We issued our report thereon dated December 23, 2014, which referred to the use of reports of other auditors and which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

March 18, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

CFDA number	Federal agency/program or cluster title	Expenditures
	U.S. Department of Agriculture:	
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 6,055,230
10.156	Federal-State Marketing Improvement Program	549,325
10.307	Organic Agriculture Research and Extension Initiative	57,191
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	81,276,948
10.558	Child and Adult Care Food Program	63,696,138
10.560	State Administrative Expenses for Child Nutrition	4,653,698
10.572	WIC Farmers' Market Nutrition Program (FMNP)	386,393
10.576	Senior Farmers Market Nutrition Program	521,316
10.578	WIC Grants To States (WGS)	1,049,778
10.579	Child Nutrition Discretionary Grants Limited Availability	713,969
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program	153,390
10.582	Fresh Fruit and Vegetable Program	3,064,745
10.664	Cooperative Forestry Assistance	1,080,502
10.675	Urban and Community Forestry Program	291,952
10.676	Forest Legacy Program	405,723
10.678	Forest Stewardship Program	96,704
10.913	Farm and Ranch Lands Protection Program	2,984,416
	SNAP Cluster:	
10.551	Food Stamps	1,315,904,839
10.561	State Administrative Matching Grants for Food Stamp Program	60,575,125
	Total SNAP Cluster	<u>1,376,479,964</u>
	Child Nutrition Cluster:	
10.553	School Breakfast Program	41,840,521
10.555	National School Lunch Program	394,347,301
10.556	Special Milk Program for Children	248,321
10.559	Summer Food Service Program for Children	7,406,898
	Total Child Nutrition Cluster	<u>443,843,041</u>
	Food Distribution Cluster:	
10.568	Emergency Food Assistance Program administrative costs	1,199,152
	Total Food Distribution Cluster	<u>1,199,152</u>
	Total U.S. Department of Agriculture	<u>1,988,559,575</u>
	U.S. Department of Commerce:	
11.407	Interjurisdictional Fisheries Act of 1986	98,520
11.419	Coastal Zone Management Administration Awards	2,369,389
11.420	Coastal Zone Management Estuarine Research Reserves	777,289
11.454	Unallied Management Projects	740,000
11.463	Habitat Conservation	876,696
11.472	Unallied Science Program	611,274
11.474	Atlantic Coastal Fisheries Cooperative Management Act	341,890
11.549	State and Local Implementation Grant Program	399,061
	Total U.S. Department of Commerce	<u>6,214,119</u>
	U.S. Department of Defense:	
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	1,041,032
12.400	Military Construction, National Guard	8,764,328
12.401	National Guard Military Operations and Maintenance (O&M) Projects	37,366,432
	Total U.S. Department of Defense	<u>47,171,792</u>
	U.S. Department of Housing and Urban Development:	
14.181	Supportive Housing for Persons with Disabilities	712,529
14.231	Emergency Shelter Grants Program	4,005,105
14.235	Supportive Housing Program	7,524,313
14.238	Shelter Plus Care	466,922
14.239	HOME Investment Partnerships Program	9,658,084
14.241	Housing Opportunities for Persons with AIDS	150,390
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants	29,400

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

CFDA number	Federal agency/program or cluster title	Expenditures
14.401	Fair Housing Assistance Program State and Local	\$ 569,523
14.855	Section 8 Rental Voucher Program	1,834,584
14.881	Moving to Work Demonstration Program	222,394,085
14.906	Healthy Homes Technical Studies Grants	254,307
	Section 8 Project-Based Cluster:	
14.182	Section 8 New Construction Program	6,848,082
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	17,963,580
	Total Section 8 Project-Based Cluster	<u>24,811,662</u>
	CDBG – State Administered CSBG Cluster:	
14.228	Community Development Block Grants/State’s Program	28,313,975
	Total CDBG – State Administered CSBG Cluster	<u>28,313,975</u>
	Housing Voucher Cluster:	
14.871	Section 8 Housing Choice Vouchers	6,134,878
14.880	Family Unification Program (FUP)	2,236,264
	Total Housing Voucher Cluster	<u>8,371,142</u>
	Total U.S. Department of Housing and Urban Development	<u>309,096,021</u>
	U.S. Department of the Interior:	
15.423	Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)	616,761
15.608	Fish and Wildlife Management Assistance	26,530
15.614	Coastal Wetlands Planning, Protection and Restoration Act	756,250
15.622	Sportfishing and Boating Safety Act	939,417
15.630	Coastal Program	317
15.631	Partners for Fish and Wildlife	10,248
15.633	Landowner Incentive	133,626
15.808	U.S. Geological Survey Research and Data Collection	28,084
15.904	Historic Preservation Fund Grants-In-Aid	1,009,847
15.947	Boston Harbor Islands Partnership	9,680
15.999	Dept of Interior – Miscellaneous	26,650
	Fish and Wildlife Cluster:	
15.605	Sport Fish Restoration	5,028,097
15.611	Wildlife Restoration	1,721,843
	Total Fish and Wildlife Cluster	<u>6,749,940</u>
	Total U.S. Department of the Interior	<u>10,307,350</u>
16.017	Sexual Assault Services Formula Program	299,970
16.321	Antiterrorism Emergency Reserve	135,920
16.393	Residential Substance Abuse Treatment For State Prisoners	150,852
16.523	Juvenile Accountability Incentive Block Grants	312,928
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	590,327
16.543	Missing Children’s Assistance	844,576
16.550	State Justice Statistics Program for Statistical Analysis Centers	70,786
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	606,101
16.575	Crime Victim Assistance	7,871,922
16.576	Crime Victim Compensation	1,645,928
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	593,655
16.585	Drug Court Discretionary Grant Program	459,881
16.588	Violence Against Women Formula Grants	2,533,777
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	361,160
16.606	State Criminal Alien Assistance Program	3,341,667
16.609	Community Prosecution and Project Safe Neighborhoods	116,929
16.610	Regional Information Sharing Systems	3,450,110
16.710	Public Safety Partnership and Community Policing Grants	1,016,930
16.727	Enforcing Underage Drinking Laws Program	40,255
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	101,645
16.741	Forensic DNA Capacity Enhancement Program	1,029,891
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	156,128
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	39,789
16.754	Harold Rogers Prescription Drug Monitoring Program	463,534
16.812	Second Chance Act Prisoner Reentry Initiative	968,156
16.816	John R. Justice Prosecutors and Defenders Incentive Act	7,009
16.820	Postconviction Testing of DNA Evidence to Exonerate the Innocent	127,191
16.824	Emergency Law Enforcement Assistance Grant	997,819

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

CFDA number	Federal agency/program or cluster title	Expenditures
	JAG Program Cluster:	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	\$ 6,276,113
16.803	Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	<u>111</u>
	Total JAG Program Cluster	<u>6,276,224</u>
	Total U.S. Department of Justice	<u>34,611,060</u>
	U.S. Department of Labor:	
17.002	Labor Force Statistics	2,091,382
17.005	Compensation and Working Conditions	201,754
17.225	Unemployment Insurance	2,163,675,808
17.235	Senior Community Service Employment Program	1,810,374
17.245	Trade Adjustment Assistance Workers	12,036,653
17.260	WIA Dislocated Workers	580,722
17.261	WIA Pilots, Demonstrations, and Research Projects	489
17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	<u>303,636</u>
17.277	Workforce Investment Act (WIA) National Emergency Grants	5,944,148
17.280	Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants	<u>49,219</u>
17.504	Consultation Agreements	1,285,966
17.600	Mine Health and Safety Grants	20,630
17.999	Dept of Labor – Miscellaneous	86,133
	Employment Service Cluster:	
17.207	Employment Service	19,723,332
17.801	Disabled Veterans’ Outreach Program (DVOP)	2,579,325
17.804	Local Veterans’ Employment representative Program	<u>385,947</u>
	Total Employment Service Cluster	<u>22,688,604</u>
	WIA Cluster:	
17.258	WIA Adult Program	10,778,974
17.259	WIA Youth Activities	12,660,958
17.278	WIA Dislocated Worker Formula Grants	<u>15,993,986</u>
	Total WIA Cluster	<u>39,433,918</u>
	U.S. Department of Labor	<u>2,250,209,436</u>
	U.S. Department of Transportation:	
20.106	Airport improvement Program	96,824
20.218	National Motor Carrier Safety	2,536,521
20.231	Performance and Registration Information Systems Management	664,079
20.232	Commercial Driver License State Programs	288,595
20.234	Safety Data Improvement Program	114
20.237	Commercial Vehicle Information Systems and Networks	141,928
20.238	Commercial Drivers License Information System	9,609
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants□	5,510,894
20.319	ARRA High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants□	16,119,143
20.505	Federal Transit – Metropolitan Planning Grants	2,742,634
20.509	Formula Grants for Other Than Urbanized Areas	3,367,940
20.614	Safety Incentive Grants for Use of Seatbelts	194,337
20.616	National Priority Safety Programs	6,735
20.700	Pipeline Safety	470,553
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	329,016
20.932	Surface Transportation – Discretionary Grants for Capital Investment	822,062
	Highway Planning and Construction Cluster:	
20.205	Highway Planning and Construction	477,169,162
20.219	Recreational Trails Program	<u>1,013,806</u>
	Total Highway Planning and Construction Cluster	<u>478,182,968</u>
	Federal Transit Cluster:	
20.500	Federal Transit – Capital Investment Grants	<u>18,232,056</u>
	Total Federal Transit Cluster	<u>18,232,056</u>
	Transit Service Program Cluster :	
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	3,669,105
20.516	Job Access Reverse Commute	2,510,257
20.521	New Freedom Program	<u>1,759,569</u>
	Total Transit Service Program Cluster	<u>7,938,931</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

CFDA number	Federal agency/program or cluster title	Expenditures
20.600	Highway Safety Cluster : State and Community Highway Safety	\$ 7,315,885
		<u>7,315,885</u>
	Total U.S. Department of Transportation	<u>544,970,824</u>
30.002	Equal Employment Opportunity Commission: Employment Discrimination State and Local Fair Employment Practices Agency Contracts	<u>1,436,305</u>
45.025	National Endowment for the Arts: Promotion of the Arts Partnership Agreements	816,708
45.310	State Library Program	<u>3,194,813</u>
	Total National Endowment for the Arts:	<u>4,011,521</u>
59.061	Small Business Administration: State Trade and Export Promotion Pilot Grant Program	<u>552,627</u>
64.014	U.S. Department of Veterans Affairs: Veterans State Domiciliary Care	4,436,014
64.015	Veterans State Nursing Home Care	20,630,750
64.999	Department of Veterans Affairs Miscellaneous	<u>1,778,425</u>
	Total U.S. Department of Veterans Affairs	<u>26,845,189</u>
66.032	Environmental Protection Agency: State Indoor Radon Grants	174,426
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	732,254
66.040	State Clean Diesel Grant Program	8,257
66.110	Healthy Communities Grant Program	6,648
66.202	Congressionally Mandated Projects	28,895
66.432	State Underground Water Source Protection	25,330
66.454	Water Quality Management Planning	621,279
66.456	National Estuary Program	1,155,613
66.461	Regional Wetland Program Development Grants	93,454
66.472	Beach Monitoring and Notification Program Implementation Grants	263,635
66.474	Water Protection Grants to the States	4,176
66.605	Performance Partnership Grants	13,102,954
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	411,105
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	135,693
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	389,106
66.708	Pollution Prevention Grants Program	1,476
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	882,219
66.804	State and Tribal Underground Storage Tanks Program	415,119
66.805	Leaking Underground Storage Tank Trust Fund Program	867,268
66.817	State and Tribal Response Program Grants	1,104,422
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	43,120
66.999	Environmental Protection Agency – Miscellaneous	<u>1,037,875</u>
	Total Environmental Protection Agency	<u>21,504,324</u>
81.041	U.S. Department of Energy: State Energy Program	1,763,806
81.042	Weatherization Assistance for Low-Income Persons	4,079,566
81.090	State Heating Oil and Propane Programs	24,578
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	4,103
81.119	State Energy Program Special Projects	852,053
81.138	State Heating Oil and Propane Program	<u>22,581</u>
	Total U.S. Department of Energy	<u>6,746,687</u>
84.002	Adult education State Grant Program	7,875,858
84.010	Title I Grants to Local Educational Agencies	217,609,247
84.011	Migrant education State Grant Program	1,575,110
84.013	Title I Program for Neglected and Delinquent Children	2,540,736
84.048	Vocational Education Basic Grants to States	18,156,931
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	54,405,605
84.144	Migrant Education – Coordination Program	60,889
84.161	Rehabilitation Services Client Assistance Program	221,837
84.169	Independent Living State Grants	1,614,618
84.176	Paul Douglas Teacher Scholarship	11,580
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	674,692
84.181	Special Education Grants for Infants and Families with Disabilities	5,946,959
84.187	Supported Employment Services for Individuals with Severe Disabilities	395,253

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

CFDA number	Federal agency/program or cluster title	Expenditures
84.196	Education for Homeless Children and Youth	\$ 892,866
84.224	Assistive Technology	501,307
84.235	Rehabilitation Services Demonstration and Training Programs	148,395
84.265	Rehabilitation Training State Vocational Rehabilitation Unit in-service Training	70,878
84.282	Charter Schools	3,744,186
84.287	Twenty-First Century Community Learning Centers	14,858,794
84.305	Education Research, Development and Dissemination	39,829
84.323	Special Education – State Personnel Development	1,141,718
84.330	Advanced Placement Program	522,264
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	3,944,223
84.360	High School Graduation Initiative	3,017,411
84.365	English Language Acquisition Grants	11,651,897
84.366	Mathematics and Science Partnerships	1,645,378
84.367	Improving Teacher Quality State Grants	41,682,115
84.369	Grants for State Assessments and Related Activities	7,611,434
84.371	Striving Readers	385
84.378	College Access Challenge Grant Program	625,614
84.394	ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	3,956
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act	78,630,559
84.400	ARRA – Centers for Independent Living, Recovery Act	265,575
84.410	Education Jobs Fund	50,749
84.412	Race to the Top – Early Learning Challenge	12,250,467
84.999	Dept of Education – Miscellaneous	125,056
	Special Education Cluster (IDEA):	
84.027	Special Education Grants to States	278,116,596
84.173	Special Education Preschool Grants	9,878,781
	Total Special Education Cluster (IDEA)	<u>287,995,377</u>
	Statewide Data Systems Cluster:	
84.372	Statewide Data Systems	167,281
84.384	ARRA – Statewide Data Systems, Recovery Act	1,815,162
	Total Statewide Data Systems Cluster	<u>1,982,443</u>
	Teacher Incentive Fund Cluster:	
84.374	Teacher Incentive Fund	4,532,663
	Total Teacher Incentive Fund Cluster	<u>4,532,663</u>
	School improvement Grants Cluster:	
84.377	ARRA – School Improvement Grants	8,568,908
84.388	ARRA – School Improvement Grants, Recovery Act	11,944,101
	Total School improvement Grants Cluster	<u>20,513,009</u>
	Total U.S. Department of Education	<u>809,537,863</u>
	National Archives and Records Administration:	
89.003	National Historical Publications and Records Grants	14,649
	U.S. Election Assistance Commission:	
90.401	Help America Vote Act Requirements Payments	159,341
	U.S. Department of Health and Human Services:	
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	123
93.041	Special Programs for the Aging – Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	35,047
93.042	Special Programs for the Aging – Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	1,978
93.043	Special Programs for the Aging – Title III, Part D Disease Prevention and Health Promotion Services	306,441
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	134,832
93.051	Alzheimer’s Disease Demonstration Grants to States	148,587
93.052	National Family Caregiver Support	3,266,572
93.069	Public Health Emergency Preparedness	13,873,228
93.070	Environmental Public Health and Emergency Response	664,382
93.071	Medicare Enrollment Assistance Program	51,344
93.072	Lifespan Respite Care Program	144,888
93.073	Birth Defects and Developmental Disabilities – Prevention and Surveillance	741,646
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	189,496
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	1,090,587
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	124,544
93.090	Guardianship Assistance	1,700,479
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	1,167,079
93.103	Food and Drug Administration Research	1,280,852
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,854,040

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

CFDA number	Federal agency/program or cluster title	Expenditures
93.110	Maternal and Child Health Federal Consolidated Programs	\$ 237,471
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	1,627,275
93.127	Emergency Medical Services for Children	139,874
93.130	Primary Care Services Resource Coordination and Development	23,454
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,360,894
93.150	Project s for Assistance in Transition from Homelessness (PATH)	1,783,462
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	433,606
93.184	Disabilities Prevention	276,813
93.226	Research on Healthcare Costs, Quality and Outcomes	776,909
93.236	Grants for Dental Public Health Residency Training	286,435
93.240	State Capacity Building	380,841
93.241	State Rural Hospital Flexibility Program	190,393
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	4,795,390
93.251	Universal Newborn Hearing Screening	238,229
93.262	Occupational Safety and Health Program	605,086
93.267	State Grants for Protection and Advocacy Services	132,990
93.268	Immunization Cooperative Agreements	66,755,497
93.270	Adult Viral Hepatitis Prevention and Control	573,116
93.275	Substance Abuse and Mental Health Services-Access to Recovery	3,206,778
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	10,094,274
93.292	National Public Health Improvement Initiative	2,364
93.296	State Partnership Grant Program to Improve Minority Health	159,295
93.301	Small Rural Hospital Improvement Grant Program	160,920
93.414	ARRA – State Primary Care Offices	160,688
93.500	Pregnancy Assistance Fund Program	2,071,484
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	9,088,899
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	1,101,974
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	951,106
93.512	Affordable Care Act (ACA) Personal and Home Care Aide State Training Program (PHCAST)	402,181
93.517	Affordable Care Act – Aging and Disability Resource Center	482,391
93.519	Affordable Care Act (ACA) – Consumer Assistance Program Grants	312,787
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	1,361,767
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds	3,397,188
93.535	Affordable Care Act Program for Early Detection of Certain Medical Conditions Related to Environmental Health Hazards	1,861,093
93.538	Affordable Care Act – National Environmental Public Health Tracking Program-Network Implementation	801,062
93.539	PPHF 2012 – Prevention and Public Health Fund (Affordable Care Act) – Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	1,165,564
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program	181,896
93.547	Affordable Care Act – National Health Service Corps	396,075
93.548	548 PPHF 2012: Nutrition, Physical Activity and Obesity Program – financed in part by 2012 Prevention and Public Health Funds (PPHF-2012)	343,809
93.556	Promoting Safe and Stable Families	5,087,127
93.563	Child Support enforcement	87,658,207
93.566	Refugee and Entrant Assistance – State Administered Programs	13,245,089
93.568	Low-Income Home Energy Assistance	137,988,129
93.569	Community Services Block Grant	16,281,896
93.576	Refugee and Entrant Assistance Discretionary Grants	1,377,326
93.583	Refugee and Entrant Assistance Wilson / Fish Program	3,365,388
93.584	Refugee and Entrant Assistance – Targeted Assistance Grants	903,765
93.586	State Court improvement Program	572,789
93.590	Child Abuse Prevention Activities	513,935
93.597	Grants to States for Access and Visitation Programs	173,858
93.599	Chafee Education and Training Vouchers Program (ETV)	1,027,035
93.600	Head Start	159,789
93.609	The Affordable Care Act – Medicaid Adult Quality Grants Department of Health and Human Services The Affordable Care Act – Medicaid Adult Quality Grants Department of Health and Human Services The Affordable Care Act – Medicaid Adult Quality Grants	434,690
93.617	Voting Access for Individuals with Disabilities Grants to States	52,135
93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance	3,597,545
93.626	Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models	78,049

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

CFDA number	Federal agency/program or cluster title	Expenditures
93.628	Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	\$ 2,412,890
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,206,564
93.643	Children's Justice Grants to States	382,932
93.645	Child Welfare Services State Grants	4,725,914
93.652	Adoption Opportunities	572,527
93.658	Foster Care Title IV-E	56,254,437
93.659	Adoption Assistance	29,888,870
93.667	Social Services Block Grant	78,911,803
93.669	Child Abuse and Neglect State Grants	549,393
93.671	Family Violence Prevention and Services / Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,760,525
93.674	Chafee Foster Care Independence Program	3,022,761
93.708	ARRA – Head Start	349,658
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF-2012)	248,686
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	633,798
93.735	State Public Health Approaches for Ensuring Qutline Capacity – Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	378,699
93.745	PPHF-2012: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by 2012 Prevention and Public Health Funds (PPHF-2012)	111,344
93.767	Children's Health Insurance Program	347,584,245
93.773	Medicare Hospital Insurance	12,088,470
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	2,556,671
93.791	Money Follows the Person Rebalancing Demonstration	5,225,254
93.889	National Bioterrorism Hospital Preparedness Program	6,314,107
93.913	Grants to States for Operation of Offices of Rural Health	112,323
93.917	HIV Care Formula Grants	19,930,052
93.926	Healthy Start initiative	3,909,628
93.928	Special Projects of National Significance	1,039,658
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	293,890
93.940	HIV Prevention Activities Health Department Based	6,641,316
93.941	HIV Demonstration, Research, Public and Professional Education Projects	578,430
93.944	Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	940,216
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,289,640
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	130,824
93.958	Block Grants for Community Mental Health Services	9,278,198
93.959	Block Grants for Prevention and Treatment of Substance Abuse	32,482,439
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	1,532,404
93.978	Preventive Health Services Sexually Transmitted Diseases Research, Demonstrations, and Public Information and Education Grants	4,968
93.991	Preventive Health and Health Services Block Grant	2,066,976
93.994	Maternal and Child Health Services Block Grant to the States	11,391,438
93.999	Dept of Health and Human Services – Miscellaneous	2,235,600
	Aging Cluster:	
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	8,093,287
93.045	Special Programs for the Aging Title III, Part Nutrition Services	11,483,730
93.053	Nutrition Services Incentive Program	4,616,824
	Total Aging Cluster	24,193,841
	Health Center Cluster:	
93.224	Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, Public Housing Primary Care, and School Based Health Centers)	107,658
	Total Health Center Cluster	107,658
	TANF Cluster:	
93.558	Temporary Assistance for Needy Families	378,526,662
	Total TANF Cluster	378,526,662
	CCDF Cluster:	
93.575	Child Care and Development Block Grant	125,343,667
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	82,003,223
	Total CCDF Cluster	207,346,890

COMMONWEALTH OF MASSACHUSETTS

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

CFDA number	Federal agency/program or cluster title	Expenditures
	Medicaid Cluster:	
93.775	State Medicaid Fraud Control Units	\$ 6,058,766
93.777	State Survey and Certification of Health Care Providers and Suppliers	8,265,917
93.778	Medical Assistance Program	7,229,435,871
	Total Medicaid Cluster	<u>7,243,760,554</u>
	U.S. Department of Health and Human Services	<u>8,920,587,380</u>
	Social Security Administration:	
96.008	Social Security Benefits Planning, Assistance, and Outreach Program	135,058
96.999	Social Security Administration – Miscellaneous	416,600
	Disability Insurance SSI Cluster:	
96.001	Social Security Disability Insurance	44,021,705
96.006	Supplemental Security Income	4,901,318
	Total Disability Insurance SSI Cluster	<u>48,923,023</u>
	Total Social Security Administration:	<u>49,474,681</u>
	U.S. Department of Homeland Security:	
97.008	Non-Profit Security Program	16,738,889
97.012	Boating Safety Financial Assistance	1,508,497
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	191,360
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	37,062,176
97.039	Hazard Mitigation Grant	5,962,665
97.041	National Dam Safety Program	107,084
97.042	Emergency Management Performance Grants	6,851,250
97.043	State Fire Training Systems Grants	22,284
97.044	Assistance to Firefighters Grant	538,384
97.045	Cooperating Technical Partners	95,032
97.047	Pre-Disaster Mitigation	195,550
97.053	Citizen Corps	153,057
97.055	Interoperable Communications Equipment	5,575
97.056	Port Security Grant Program	985,278
97.067	Homeland Security Grant Program	24,152,226
97.071	Metropolitan Medical Response System	596,106
97.078	Buffer Zone Protection Plan (BZPP)	368,404
97.089	Real ID Program	451,758
97.091	Homeland Security Biowatch Program	1,480,205
97.110	Severe Loss Repetitive Program	56,616
97.111	Regional Catastrophic Preparedness Grant Program (RCPPG)	2,233,211
	Total U.S. Department of Homeland Security	<u>99,755,607</u>
99.999	Federal Reimbursement – Miscellaneous	<u>543,406</u>
		<u>\$ 15,132,309,757</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

(1) Single Audit Reporting Entity

For purposes of complying with the Single Audit Act of 1984, the Commonwealth of Massachusetts (the Commonwealth) reporting entity is defined in note 1 to its June 30, 2014 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, 2014.

(2) Basis of Presentation

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

The SEFA is drawn primarily from the Massachusetts Management Accounting and Reporting System (MMARS), the centralized accounting system.

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

(3) Matching Costs

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

(4) Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule.

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

(5) Noncash Awards

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

CFDA number	Program title	Noncash awards
10.551	Supplemental Nutrition Assistance Program	\$ 1,315,904,839
10.555	National School Lunch Program	22,603,591
10.558	Child and Adult Care Food Program	141,130
10.559	Summer Food Service Program for Children	18,210
93.268	Immunization Cooperative Agreements	61,048,514
	Total	<u>\$ 1,399,716,284</u>

Commodity inventories for the Food Donation Program at June 30, 2014 totaled approximately \$633,778.

(6) Unemployment Insurance Program (UI) CFDA 17.225

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

Commonwealth UI Funds – Benefits	\$ 1,594,657,924
Federal UI Funds – Benefits	480,931,916
Federal UI Funds – Administration	88,085,968
Total expenditures	<u>\$ 2,163,675,808</u>

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

(7) Subrecipients

In OMB Circular A-133 § __.105 subrecipients are defined as nonfederal entities that expend federal awards received from a pass through entity to carry out a federal program, but do not benefit from that program. Negative amounts represent refunds of prior year expenditures or refunds of unspent federal awards. In fiscal year 2014, the Commonwealth passed through the following amounts to subrecipients:

CDFA number	Program title	2014 Expenditures
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 423
10.156	Federal-State Marketing Improvement Program	442,363
10.307	Organic Agriculture Research and Extension Initiative	52,263
10.555	National School Lunch Program	218,426,878
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	71,995,520
10.558	Child and Adult Care Food Program	63,096,759
10.559	Summer Food Service Program for Children	7,201,733
10.561	State Administrative Matching Grants for Food Stamp Program	2,460,071
10.568	Emergency Food Assistance Program administrative costs	1,081,454
10.579	Child Nutrition Discretionary Grants Limited Availability	416,974
10.580	Supplemental Nutrition Assistance Program, Outreach/Participation Program	7,440
10.582	Fresh Fruit and Vegetable Program	2,949,965
10.664	Cooperative Forestry Assistance	371,225
10.676	Forest Legacy Program	18,860
10.678	Forest Stewardship Program	20,281
10.913	Farm and Ranch Lands Protection Program	1,355,791
11.419	Coastal Zone Management Administration Awards	5,000
11.420	Coastal Zone Management Estuarine Research Reserves	20,491
11.454	Unallied Management Projects	740,000
11.472	Unallied Science Program	604,103
14.181	Supportive Housing for Persons with Disabilities	712,529
14.182	Section 8 New Construction Program	4,050,456
14.228	Community Development Block Grants / State's Program	27,102,389
14.231	Emergency Shelter Grants Program	3,903,486
14.235	Supportive Housing Program	6,755,985
14.238	Shelter Plus Care	466,614
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	29,400
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	16,901,471
14.871	Section 8 Housing Choice Vouchers	5,932,485
14.880	Family Unification Program (FUP)	2,236,264
14.881	Moving to Work Demonstration Program	222,394,085
14.906	Healthy Homes Technical Studies Grants	177,205
15.423	Bureau of Ocean Energy Management (BOEM) Environmental Studies Program (ESP)	616,761
15.622	Sportfishing and Boating Safety Act	810,951
15.631	Partners for Fish and Wildlife	1,901
15.904	Historic Preservation Fund Grants-In-Aid	185,700
15.999	Dept of Interior – Miscellaneous	20,000
16.017	Sexual Assault Services Formula Program	284,972
16.321	Antiterrorism Emergency Reserve	14,070
16.393	Residential Substance Abuse Treatment For State Prisoners	52,851

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

C DFA number	Program title	2014 Expenditures
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	\$ 323,856
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	8,700
16.575	Crime Victim Assistance	6,673,970
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	140,635
16.585	Drug Court Discretionary Grant Program	17,968
16.588	Violence Against Women Formula Grants	1,509,464
16.609	Community Prosecution and Project Safe Neighborhoods	97,045
16.610	Regional Information Sharing Systems	3,450,110
16.727	Enforcing Underage Drinking Laws Program	37,667
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	9,117
16.738	Edward Byrne Memorial Justice Assistance Grant Program	4,169,563
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	23,944
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	39,789
16.812	Second Chance Act Prisoner Reentry Initiative	310,075
16.820	Postconviction Testing of DNA Evidence to Exonerate the Innocent	6,189
16.824	Emergency Law Enforcement Assistance Grant	957,324
17.207	Employment Service	7,915,207
17.225	Unemployment insurance	1,112,355
17.235	Senior Community Service Employment Program	1,728,190
17.245	Trade Adjustment Assistance Workers	560,888
17.258	WIA Adult Program	9,470,339
17.259	WIA Youth Activities	12,103,532
17.260	WIA Dislocated Workers	540,533
17.275	ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	303,636
17.277	Workforce Investment Act (WIA) National Emergency Grants	5,731,907
17.278	WIA Dislocated Worker Formula Grants	10,091,178
17.801	Disabled Veterans’ Outreach Program (DVOP)	177,232
17.804	Local Veterans’ Employment representative Program	41,478
20.219	Recreational Trails Program	658,577
20.319	ARRA – High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	16,119,143
20.500	Federal Transit_Capital Investment Grants	64,564
20.505	Federal Transit_Metropolitan Planning Grants	2,285,393
20.509	Formula Grants for Other Than Urbanized Areas	3,107,594
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	209,563
20.516	Job Access Reverse Commute	2,300,920
20.521	New Freedom Program	1,521,055
20.600	State and Community Highway Safety	1,720,883
20.616	National Priority Safety Programs	6,735
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	133,506
45.025	Promotion of the Arts Partnership Agreements	815,145
45.310	State Library Program	922,140
59.061	State Trade and Export Promotion Pilot Grant Program	552,627
64.999	Department of Veterans Affairs Miscellaneous	780,385
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	32,982

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Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

C DFA number	Program title	2014 Expenditures
66.432	State Underground Water Source Protection	\$ 25,330
66.454	Water Quality Management Planning	216,048
66.456	National Estuary Program	377,651
66.474	Water Protection Grants to the States	4,176
66.605	Performance Partnership Grants	2,745,137
66.817	State and Tribal Response Program Grants	55,309
81.041	State Energy Program	846,870
81.042	Weatherization Assistance for Low-Income Persons	3,414,370
81.119	State Energy Program Special Projects	446,490
84.002	Adult education State Grant Program	6,033,733
84.010	Title I Grants to Local Educational Agencies	209,089,753
84.011	Migrant education State Grant Program	1,441,680
84.013	Title I Program for Neglected and Delinquent Children	347,704
84.027	Special Education Grants to States	253,233,459
84.048	Vocational Education Basic Grants to States	16,196,978
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	4,270,228
84.144	Migrant Education_Coordination Program	60,889
84.169	Independent Living State Grants	1,413,703
84.173	Special Education Preschool Grants	8,186,720
84.176	Paul Douglas Teacher Scholarship	11,580
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	62,084
84.181	Special Education Grants for Infants and Families with Disabilities	1,431,356
84.187	Supported Employment Services for Individuals with Severe Disabilities	121,647
84.196	Education for Homeless Children and Youth	686,053
84.224	Assistive Technology	308,496
84.235	Rehabilitation Services Demonstration and Training Programs	45,563
84.282	Charter Schools	3,558,504
84.287	Twenty-First Century Community Learning Centers	13,720,971
84.323	Special Education – State Personnel Development	48,177
84.330	Advanced Placement Program	522,264
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	3,055,581
84.365	English Language Acquisition Grant s	10,945,081
84.366	Mathematics and Science Partnerships	1,508,116
84.367	Improving Teacher Quality State Grants	38,910,753
84.377	School Improvement Grants	7,570,536
84.378	College Access Challenge Grant Program	617,000
84.384	ARRA – Statewide Data Systems, Recovery Act	10,000
84.388	ARRA – School Improvement Grants, Recovery Act	11,815,954
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act	44,474,999
84.400	ARRA – Centers for Independent Living, Recovery Act.	265,575
84.412	Race to the Top – Early Learning Challenge	5,109,813
93.041	Special Programs for the Aging_Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	35,047
93.042	Special Programs for the Aging_Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	1,978
93.043	Special Programs for the Aging_Title III, Part D Disease Prevention and Health Promotion Services	306,441

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

C DFA number	Program title	2014 Expenditures
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	\$ 6,440,410
93.045	Special Programs for the Aging Title III, Part Nutrition Services	11,483,730
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	114,990
93.051	Alzheimer's Disease Demonstration Grants to States	124,182
93.052	National Family Caregiver Support	2,858,069
93.053	Nutrition Services Incentive Program	2,606,785
93.069	Public Health Emergency Preparedness	3,150,031
93.071	Medicare Enrollment Assistance Program	51,344
93.072	Lifespan Respite Care Program	113,759
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	22,555
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	759,852
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	948,418
93.136	Injury Prevention and Control Research and State and Community Based Programsz	299,248
93.150	Project s for Assistance in Transition from Homelessness (PATH)	1,780,580
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	256,858
93.236	Grants for Dental Public Health Residency Training	146,474
93.241	State Rural Hospital Flexibility Program	15,100
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	2,354,512
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	1,686,122
93.301	Small Rural Hospital Improvement Grant Program	160,920
93.500	Pregnancy Assistance Fund Program	1,627,843
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	5,603,620
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	278,250
93.517	Affordable Care Act – Aging and Disability Resource Center	312,213
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds	1,280,717
93.535	Affordable Care Act Program for Early Detection of Certain Medical Conditions Related to Environmental Health Hazards	586,893
93.547	Affordable Care Act – National Health Service Corps	396,075
93.556	Promoting Safe and Stable Families	3,251,769
93.566	Refugee and Entrant Assistance_State Administered Programs	9,316,621
93.568	Low-Income Home Energy Assistance	136,330,131
93.569	Community Services Block Grant	15,763,883
93.575	Child Care and Development Block Grant	87,321,311
93.576	Refugee and Entrant Assistance Discretionary Grants	1,243,428
93.583	Refugee and Entrant Assistance Wilson / Fish Program	721,896
93.584	Refugee and Entrant Assistance_Targeted Assistance Grants	862,419
93.590	Child Abuse Prevention Activities	424,796
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	69,896,402

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

C DFA number	Program title	2014 Expenditures
93.626	Affordable Care Act State Health Insurance Assistance Program (SHIP) and Aging and Disability Resource Center (ADRC) Options Counseling for Medicare-Medicaid Individuals in States with Approved Financial Alignment Models	\$ 78,049
93.628	Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	6,369
93.630	Developmental Disabilities Basic Support and Advocacy Grants	284,601
93.645	Child Welfare Services State Grants	831,539
93.669	Child Abuse and Neglect State Grants	126,052
93.671	Family Violence Prevention and Services / Grants for Battered Women's Shelters Grants to States and Indian Tribes	1,753,573
93.674	Chafee Foster Care Independence Program	6,245
93.708	ARRA – Head Start	113,298
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	489,730
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	942,867
93.791	Money Follows the Person Rebalancing Demonstration	230,700
93.889	National Bioterrorism Hospital Preparedness Program	2,797,300
93.917	HIV Care Formula Grants	4,278,068
93.928	Special Projects of National Significance	466,425
93.940	HIV Prevention Activities Health Department Based	2,864,886
93.941	HIV Demonstration, Research, Public and Professional Education Projects	62,720
93.958	Block Grants for Community Mental Health Services	8,417,942
93.959	Block Grants for Prevention and Treatment of Substance Abuse	15,955,927
93.991	Preventive Health and Health Services Block Grant	425,408
93.994	Maternal and Child Health Services Block Grant to the States	1,562,086
93.999	Dept of Health and Human Services – Miscellaneous	72,309
97.008	NonProfit Security Program	15,884,040
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	35,027,885
97.039	Hazard Mitigation Grant	5,440,461
97.042	Emergency Management Performance Grants	2,897,662
97.044	Assistance to Firefighters Grant	98,557
97.047	Pre-Disaster Mitigation	158,008
97.053	Citizen Corps	114,694
97.055	Interoperable Communications Equipment	3,990
97.056	Port Security Grant Program	628,114
97.067	Homeland Security Grant Program	19,778,533
97.071	Metropolitan Medical Response System	596,106
97.078	Buffer Zone Protection Plan (BZPP)	332,475
97.110	Severe Loss Repetitive Program	56,616
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)	2,168,527
		<u>\$ 1,911,794,037</u>

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(1) Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of Major Programs

U.S. Department of Agriculture

- SNAP Cluster (10.551 and 10.561)
- Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

U.S. Department of Housing and Urban Development

- Community Development Block Grants/State's Program (14.228)
- Emergency Shelter Grants Program (14.231)
- HOME Investment Partnerships Program (14.239)

U.S. Department of Labor

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

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

U.S. Department of Transportation

- High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (20.319)
- Federal Transit – Capital Investment Grants (20.500)
- Formula Grants for Other Than Urbanized Areas (20.509)

U.S. Department of Education

- Title I Grants to Local Educational Agencies (84.010)
- Rehabilitation Services Vocational Rehabilitation Grants to States (84.126)
- Improving Teacher Quality State Grants (84.367)

U.S. Department of Health and Human Services

- Public Health Emergency Preparedness (93.069)
- Immunization Cooperative Agreements (93.268)
- Temporary Assistance for Needy Families (93.558)
- CCDF Cluster (93.575 and 93.596)
- Foster Care – Title IV-E (93.658)
- Adoption Assistance (93.659)
- Social Services Block Grant (93.667)
- Children’s Health Insurance Program (93.767)
- Medicaid Cluster (93.775, 93.777 and 93.778)
- National Bioterrorism Hospital Preparedness Program (93.889)
- Block Grants for Preventive and Treatment of Substance Abuse (93.959)

Social Security Administration

- Disability Insurance/SSI Cluster (96.001 and 96.006)

Department of Homeland Security

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

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Dollar threshold used to distinguish between
type A and type B programs:

\$30 million

Auditee qualified as low-risk auditee?

 x

yes

no

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

See accompanying pages 24 through 48.

(3) Findings and Questioned Costs Relating to Federal Awards

See accompanying pages 49 through 96.

**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, 2014

Department of Workforce Development

Financial Reporting

Finding Reference: 2014-001

Observation

The Department of Workforce Development does not maintain a departmental trial balance for the Unemployment Compensation Trust Fund (Trust Fund).

The department prepares and submits monthly summary entries to record Trust Fund activity into the Massachusetts Management Accounting & Reporting System (MMARS). However, there is no documented reconciliation between the amounts submitted by the department and the amounts recorded in MMARS. For year-end reporting, the department prepares and submits a GAAP Package to the Comptroller's Office to record its final Trust Fund accrual adjustments for the Comprehensive Annual Financial Report (CAFR).

We noted several significant late adjustments to the department's Trust Fund GAAP package and/or GAAP basis final balances including:

- A series of adjustments which ultimately increased cash by approximately \$26 million.
- A series of adjustments to more accurately record receivables at net realizable value including adjustments to both receivable balances (prepaid quarter 2 employer billings) and the allowances for uncollectible amounts.

Recommendation

We recommend that a departmental trial balance be maintained and formally reconciled to MMARS on a monthly basis. We also recommend that the department update its internal controls to ensure that the proper amount of analysis and review is performed prior to the submission of its GAAP package and prior to approval of final GAAP basis numbers presented on the CAFR.

Views of Responsible Officials and Corrective Actions

EOLWD will develop a trial balance which will include entries for both UI Revenue and Benefit. The development procedures will be as follows:

- Compilation and organization of accounts that will be included in trial balance by no later than February 20, 2015.
- Submit above document to comptroller's office for review and comments.
- By April 30th we will have reconciled the nine months from July 30, 2014 through March 31, 2015.
- Trial balance results will be available for the annual UI single audit.
- Initially all reconciliations will be manually computed with automated reconciliations to be developed by S FY16.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Responsible Official

Jack Defina

Financial Services Director

Executive Office of Labor and Workforce Development

Robert Ford

Chief Financial Officer

Executive Office of Labor and Workforce Development

Implementation Date

June 30, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Office of the Comptroller

Financial Reporting

Finding Reference: 2014-002

Observation

The Commonwealth issues two financial reports, the Statutory Basis Financial Report (SBFR) and the Comprehensive Annual Report (CAFR) which are due by October 31st and December 31st, respectively.

Currently, the closing process is such that complete and accurate fund trial balances are not available until just prior to the established deadlines. This increases the risk of errors or omissions in the Commonwealth's published financial results. At a minimum, the closing process should be completed such that the independent auditor would have at least two weeks to review both the SBFR and CAFR before they are issued.

There are many factors that contribute to the timing of the financial reporting process, including enactment of the final supplemental appropriations bill just before the deadline for the SBFR. That coupled with the complexity of both the SBFR and CAFR only magnify the importance of proper planning and coordination of the process.

During the preparation of the fiscal 2014 CAFR, several significant adjustments were made just days prior to the release of the CAFR such as:

- Various Department of Workforce Development (DWD) adjustments including an increase in cash by approximately \$26 million.
- Investment held in Trust and reported in Agency Funds were not booked to market value in MMARS. The draft of the CAFR reported the par value, instead of the fair value of the securities. The par value is recorded in MMARS by the General Accounting Bureau (GAB) in the Comptroller's Office, based on information provided by Treasury. A top level adjustment was booked for reporting the market value on the CAFR.

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

Recommendation

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

We continue to suggest that consideration to 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

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

process at year-end. As part of the process described above, management should assess the timeliness provided to departments for completion of GAAP packages and period 13 reporting to see if those timelines can be accelerated.

Views of Responsible Officials and Corrective Actions

The Commonwealth agrees with this finding and through its Financial Reporting and Analysis Bureau (FRAB) will take the following steps to alleviate and/or correct this finding for FY2015:

1. Meet with departments, which have major GAAP accruals (such as DOR, EOL, EHS, etc.) during the summer to communicate our reporting requirements, expectations, deadlines so both parties (FRAB and the departments) know what is expected.
2. FRAB will revisit the SBFR and CAFR calendar and adjust it accordingly in order to 1) make it more reasonable, 2) build in time for any potential issues and 3) use it as a measuring guide against actual performance.
3. Fully review and update, if necessary, the GAAP instructions while enforcing the stated deadlines and holding departments accountable.
4. Major GAAP accruals and the supporting documentation will be heavily scrutinized which could include reviewing the GAAP accruals with the appropriate officials, including CFO's, of the departments.

As far as a "hard close" of the financial records, this will require further discussion with the Comptroller as well as all other Bureaus of the Comptroller's Office as this would impact not only our office, but all departments of the Commonwealth.

Responsible Official

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

Implementation Date

June 30, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

UI Online Application Password Management

Finding Reference: 2014-003

Observation

End-user password parameters for the UI Online application comprise embedded application parameters and Active Directory (AD) domain (QPRD) parameters. The composite parameters which are shared by both internal and external users do not conform to EOLWD's password policy for password expiration or retained password history. Log-in to the Massachusetts Division of Employment and Training (DETMA) AD domain, which enforces stricter password requirements for internal users, is not a requirement to access UI Online internally.

Recommendation

It is recommended that steps be taken to recognize and act upon the different security needs of the various UI Online user constituencies and implement a solution that in particular provides stricter access controls to internal users that have access to system wide sensitive data. Potential solutions include those that require a re-design of access methodology (preferred) and those that attempt to strengthen the existing access approach. Some possible solutions include:

- Re-design and introduce a granular security solution that differentiates between external and internal user populations, and requires stricter password parameters for internal users including password expiration and change requirements and password history retention (to prevent premature reuse or password recycling).
- Enforce the full EOLWD password policy including forced, periodic password change for all UI Online users (including claimants and employers). This is recognized to have practical and operational challenges.
- Only permit DWD staff access to UI Online through the EOLWD DETMA AD domain which is compliant with EOLWD password policies and enforces a stricter access regime and do not permit DUA staff access from outside of the DETMA network, e.g., internet.

Views of Responsible Officials and Corrective Actions

EOLWD Information technology team has implemented a system that only permits DWD staff to access UI Online through the EOLWD DETMA AD domain refraining staff from accessing UI Online remotely.

Once Active Directory 2012 is implemented, IT will be able to set password policy at the container level which will allow for Re-designing and introduce a granular security solution that differentiates between external and internal user populations, and requires stricter password parameters for internal users including password expiration and change requirements and password history retention. Additionally, how the application responds to the request for password change from AD will be explored and implemented.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Responsible Official

Michael Milligan

Secretariat Chief Information Officer

Executive Office of Labor and Workforce Development

Implementation Date

September 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

Internal User Remote Access to UI Online

Finding Reference: 2014-004

Observation

Remote access by internal users to UI Online does not meet the EOLWD remote access policy that requires supervisor approval and the use of secured Virtual Private Network (VPN) communications to first authenticate to the DETMA network. To better serve its external user constituency, UI Online is web enabled providing direct remote access over the internet. Internet access is also available to internal staff through a minor change to the UI Online site URL address. Both internal and external user constituencies share the same semi-secure password construction. Additionally, for operational reasons, internal users are permitted multiple concurrent UI Online sessions i.e., an internal user can be logged in from a work computer, a home computer or from other supported devices at the same time without detection.

Recommendation

It is recommended that changes be made to the UI Online remote access capability to conform to EOLWD policy. In particular give consideration to:

- Disabling external internet access from internal user ID accounts
- Require remote access to UI Online by internal staff to first require approved VPN access through the DETMA AD network domain.

Views of Responsible Officials and Corrective Actions

EOLWD has disabled external internet access from internal user ID accounts as well as put in place roles and responsibilities to limit remote access from staff.

Responsible Official

Michael Milligan

Secretariat Chief Information Officer

Executive Office of Labor and Workforce Development

Cari Birkhauser

UI Systems Director

Department of Unemployment Assistance

Implementation Date

November 20, 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

Internal User UI Online Access Approval

Finding Reference: 2014-005

Observation

According to policy, all new user access to the UI Online system requires approval from a director or above before access is granted. Our review indicated the following exceptions in the 40 new user approvals inspected:

- Two had no evidence who requested the access and who approved it
- Six lacked evidence of the dates approval was granted
- Three were approved after access was granted
- Eleven were approved by a supervisor manager

Furthermore, it was noted that the request forms often lacked adequate detail to determine if the access granted was in line with the original access requested.

Recommendation

It is recommended that:

- The requirement to use appropriately completed and authorized UI Online User Access Request forms be strictly enforced and that only forms that are appropriately authorized (by a preestablished list of approvers) be acted upon
- Management periodically audit a sample of new user access against completed and authorized User Access Request forms to ensure compliance with policy.

Views of Responsible Officials and Corrective Actions

Department of Unemployment Assistance (DUA) has enhanced their internal control requiring that all staff administering the roles and functions system access adhere to policy and procedures. This will be documented on their personnel reviews to ensure compliance.

DUA has also implemented quarterly assessments with the departmental management heads to ensure that staff's system access is reviewed and validation of the roles and functions.

Responsible Official

Cari Birkhauser

UI Systems Director

Department of Unemployment Assistance

Implementation Date

December 1, 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

UI Online Periodic Management Access and Separation of Duties (SOD) Review and Terminated Employee Access Removal

Finding Reference: 2014-006

Observation

Our audit noted that periodic reviews by management of employee UI Online access and the appropriateness of the access rights provided did not occur during the fiscal year. Additionally, we noted that the access rights of ten terminated employees (from a population of 122 terminated employees) inspected did not appear to have UI Online access removed in a timely fashion. Using fourteen days as a measurement, the number of days before access was finally removed ranged from 16 to 248 days.

Recommendation

It is recommended that:

- EOLWD HR, the UI Online user management group and IT policy be strengthened to ensure that terminated UI Online user access is removed immediately after termination. While we used 14 days as an initial yardstick to facilitate testing, because of the sensitivity of the data, it is suggested that terminated employee access removal be given a priority and addressed daily.
- UI Online Management and/or the EOLWD Internal Control and Security group conduct quarterly user access reviews to identify those terminated employee accounts that for whatever reason were not removed as part of the day-to-day operational process and also to ensure that existing and authorized users continue to have access privileges commensurate with their job responsibilities.

Views of Responsible Officials and Corrective Actions

DUA will continue coordinate with EOLWD HR to ensure that all terminated employees are disabled effectively.

Responsible Official

Cari Birkhauser

UI Systems Director

Department of Unemployment Assistance

Implementation Date

July 1, 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

UI Online Application Software Change Management

Finding Reference: 2014-007

Observation

Functional changes to UI Online requires a valid, authorized business request and business approval of testing. Our inspection of 40 changes made during the fiscal year indicated the following:

- Nine requested changes lacked a change management test director request.
- Twelve changes having a test director ticket did not indicate that user acceptance testing (UAT) had been performed and the results approved by the business prior to migration to production.

It was also noted during our review that the “Build” team (those IT staff members responsible for migrating software changes into production) also have access that would permit them to make application software changes.

Recommendation

It is recommended that:

- All changes to the production application environment be approved either by business and IT depending on the type of change, and that the approval be formally documented and maintained.
- Periodic reviews of documentation and test director tickets associated with application changes migrated to production be conducted by management to ensure compliance by development and user teams.
- Build team access to tools and libraries that support change development be restricted.

Views of Responsible Officials and Corrective Actions

EOLWD IT will continue to conduct User Acceptance Testing (UAT) on all software. After successfully testing the software the business approves it to be migrated to production, there is a formalized build process.

During the course of projects the developers have created different branches within TFS for specific project work and in addition they created items within test director for tracking that work (this work items were components and not the end product for the UAT resources to test).

EOLWD IT has also implemented a new procedure for Team Foundation Source Control Procedure, which was shared with the management of the developer resources stipulating the following:

- All items being worked on in support of UI Online application system must have a test director item associated with it.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- When staff create software or modify software, the items in TFS must stipulate which test director item the change is in support of (the test director item must be recorded in the history of changes within TFS).

DUA management will conduct semiannual reviews to ensure all software code items being promoted to production have an associated test director number and that development staff is adhering to the Team Foundation Source Control Procedure.

EOLWD-IT will put in place a policy to restrict write access to TFS by the Build team.

Responsible Official

Michael Milligan

Secretariat Chief Information Officer

Executive office of labor and Workforce Development

Cari Birkhauser

UI Systems Director

Department of Unemployment Assistance

Implementation Date

February 15, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Health and Human Services

MMIS – Access Privileges

Finding Reference: 2014-008

Observation

KPMG was not able to effectively test privileged/administrative access to the Medicaid Management Information System (MMIS) application since a system-generated listing of the application roles and privileges (access to panels and subpanels within MMIS) was not available at the time of our testing.

We noted that the Executive Office of Health and Human Services (EOHHS) manually maintains the listing of MMIS application roles and privileges in an excel document – “MMIS Master Roles Sheet” that detail the various roles and associated access rights that exist in the application. However, the manually maintained document of roles and privileges could not be relied upon by KPMG since it did not accurately and completely match to the roles and privileges configured within the MMIS application. The following exceptions/discrepancies between the EOHHS manually maintained document of roles and privileges and the roles and privileges configured within the MMIS application were noted:

- (1) 1 of 5 roles selected for testing: The role had access to panel “ADMIN” and “SECURITY” in the MMIS application, while the role only had access to panel (functional areas) “SECURITY” in the MMIS Master Roles Sheet.
- (2) There were 139 unique roles assigned to users in the system-generated MMIS user access list, while there were only 103 roles detailed in the MMIS Master Roles Sheet.
- (3) 40 of 139 unique roles in the MMIS user access list were not documented in MMIS Master Roles Sheet.
- (4) 4 of 103 roles in the MMIS Master Roles Sheet were not in the MMIS user access list.

A system-generated listing of the MMIS roles and privileges not being available or having an inaccurate/incomplete document of the MMIS roles and privileges presents the following risks:

- Inappropriate access may be inadvertently granted to new or existing users resulting in undetected/inappropriate changes made to the application data that could potentially impact financial data/transactions in the application.
- Segregation of Duties (SOD) conflicts may arise when new privileges or new roles are created and granted or when existing roles are modified.

Recommendation

- EOHHS should have a system-generated listing of the MMIS roles and privileges documented in order to effectively grant user access to only the required MMIS roles and privileges (access to panels and subpanels in MMIS) in the application. User access to the MMIS application should follow an authorization process and access to only the required roles and privileges that grant a user the requested access in the application should be granted by system administrators.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- EOHHS should perform a periodic review of the MMIS roles and privileges to ensure that the appropriate set of access rights (panel and subpanels) are associated with the roles and privileges within the application. In addition, a periodic review of the MMS user accounts and the associated roles and privileges should be performed to ensure that user accounts have the appropriate access rights associated with their accounts. IT administrators should perform follow-up procedures to ensure corrective action for identified deviations in a timely manner.

Views of Responsible Officials and Corrective Actions

As of November 10, 2014, the MMIS User Access Review was complete including the deactivation of accounts.

Review Process Remediation Underway – Expected date of plan to be completed, March 31, 2015.

- A process for periodic reviews, annual (minimally) or greater (e.g., twice yearly) is in process including streamlining the process to make it more efficient and less impactful on the business.
- A process for identifying users no longer requiring access on a rolling basis (e.g., monthly review) is being developed.

Responsible Official

Brian Chase, Director, IT Controls & Quality Assurance, Acting Chief Information Security Officer

Implementation Date

March 31, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Health and Human Services

MMIS – Access Authorization

Finding Reference: 2014-009

Observation

The following exceptions related to the user access authorization process were noted for 6 out of the 25 new users (sample selection of new users selected for testing) that were granted access to the Medicaid Management Information System (MMIS) application during the audit period:

- (1) 1 new user did not have the required access authorization documentation in place (e.g., EHS Security Request form, or approval emails).
- (2) For 5 new users, MMIS roles and privileges were not specified in the EHS Security Request forms. It was noted that upon receipt of the EHS Security Request forms, Security Administrators followed up with the requestors regarding which roles should be granted to the users. However, there is no documentation evidencing that the selected roles for these 5 users were approved.

The lack of following an established access authorization process presents the risk that unauthorized/inappropriate users may be granted access to the application.

Recommendation

The established access authorization process of requesting and approving user access to the MMIS application should be followed by a system administrator prior to granting users access to the application. In addition, the underlying documentation (i.e., Request Forms, Approval e-mails, etc.) should be retained as required by the process.

Views of Responsible Officials and Corrective Actions

Future process will be formally established and will require appropriate business approvals.

Responsible Official

Brian Chase, Director IT Controls & Quality Assurance, Acting Chief Information Security Officer

Implementation Date

March 31, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Health and Human Services

MMIS – Change Migration Access

Finding Reference: 2014-010

Observation

One shared account was noted to have inappropriate access to perform Medicaid Management Information System (MMIS) changes by means of having access to the “wheel” user privileges group on the MMIS UNIX server (MMISPH01). Members of the “wheel” group have the ability to perform direct changes by means of having write permissions on the files and directories on the UNIX server containing the application source code and executable files. We were informed that the account was created to grant “san administrators” temporary access to resolve a san disk storage issue and the access should have been removed for the “san administrators” as the account/access was no longer needed.

Inappropriate/excessive administrative level access to MMIS production servers presents the risk of unauthorized and undetected changes being made to the data/files hosted on these servers potentially impacting financial data/transactions.

Recommendation

Privileged access, such as access to perform changes to the application, should follow an authorization process and be very tightly controlled/monitored. Access should only be granted to authorized individuals who need such level of access based on their job responsibilities and a periodic review of users and accounts with privileged access should be performed to ensure inappropriate/temporary access to users and accounts that may have been intentionally/inadvertently granted is identified during such reviews and corrective action is taken to remove any inappropriate access.

Views of Responsible Officials and Corrective Actions

Based on research, it appears this account was created as a generic log-in for a short-term support need related to the HIX project and ITD (MassIT) SAN storage management, and is no longer active.

Future process will require a formal request with individual named accounts.

Responsible Official

Brian Chase, Director IT Controls & Quality Assurance, Acting Chief Information Security Officer

Implementation Date

March 31, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Health and Human Services

MMIS – Password

Finding Reference: 2014-011

Observation

The “password history” configuration i.e., number of “previous passwords remembered” for the following Medicaid Management Information System (MMIS) application and servers were not configured in accordance with the Enterprise Access Control Security Standards which requires a minimum of 9 previous passwords remembered to be configured:

- MMIS application: configured to 4 previous passwords remembered
- 4 UNIX production servers supporting MMIS Databases: configured to 4 previous passwords remembered
- 6 Linux production servers supporting MMIS Application: configured to 3 previous passwords remembered for “LDAP” authentication
- No password history configured for “pam.d” authentication

Weak password parameters increase the risk that applications may be compromised, enabling unauthorized and unmonitored access to financial information.

Recommendation

Passwords for all systems should be set-up in accordance with the password policy/procedure document established by the agency which requires a higher “password history” setting to be configured across systems.

Views of Responsible Officials and Corrective Actions

MMIS application user password aging will be brought into line per the Enterprise Access Control Security Standards.

For UNIX production servers supporting MMIS Databases, the password aging will be brought into line per the Enterprise Access Control Security Standards.

For Linux production servers supporting MMIS Application, the password aging will be brought into line per the Enterprise Access Control Security Standards.

Responsible Official

James Cusson, Compliance & Assurance Program Director, Commonwealth of Massachusetts, MassIT

Implementation Date

April 1, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Health and Human Services

MMIS – User Access Reviews

Finding Reference: 2014-012

Observation

The Executive Office of Health and Human Services (EOHHS) implemented an annual Medicaid Management Information System (MMIS) user access review control and subsequently performed an annual review of the MMIS application users and their privileges in FY 2012 as a remediation to a prior year audit finding. However, it was noted that the annual review of user access and privileges was not performed in FY 2013 and 2014.

We were informed that EOHHS is currently working through the annual user access review, attempting to find ways to make the process more efficient, due to the number of users and associated roles/access rights subject to review.

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

Recommendation

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

Views of Responsible Officials and Corrective Actions

Review Process Remediation Underway – Expected date of plan to be completed, March 31, 2015.

- A process for periodic reviews, annual (minimally) or greater (e.g., twice yearly) is in process including streamlining the process to make it more efficient and less impactful on the business.
- A process for identifying users no longer requiring access on a rolling basis (e.g., quarterly review) is being developed.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Responsible Official

Robert D. Brennan, ACIO for Children Youth and Families Executive Office of Health and Human Services

Brian Chase, Director IT Controls & Quality Assurance Executive Office of Health and Human Services

Implementation Date

March 31, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Health and Human Services

MMIS – Access Revocation

Finding Reference: 2014-013

Observation

KPMG could not fully test and conclude on the effectiveness of the termination control/process, i.e., the control related to the revocation of access for contractors being performed in a timely manner, since a complete listing of contractors with access to the Medicaid Management Information System (MMIS) application was not available at the time of our testing. We were informed that a complete/system-generated listing of contractors was not available due to the lack of a consistent process to track and report on contractors with access to the MMIS application.

In addition, the following deficiencies were noted for terminated employees and a subset of contractors with access to the MMIS application:

- 110 out of the 1973 terminated employees (full population) selected for our testing had active access to the MMIS application beyond their termination date, with 106 employees exceeding the 30-day period where access revocation would be considered timely.
- 23 out of the 186 terminated MAXIMUS contractors (full population) selected for our testing had active access to the MMIS application beyond their termination date, with 19 contractors exceeding the 30-day period where access revocation would be considered timely.

A periodic user access review/recertification to help identify terminated contractors with active access to the MMIS application may not be effectively performed without having a complete listing of contractors with access to the MMIS application. The lack of an effective periodic review of MMIS users and their access rights can present the risk of users retaining access to the application that is no longer appropriate or terminated contractors having active access to the application for a prolonged period of time post their termination date.

In addition, terminated employees/contractors with active access to the application presents a potential risk of unauthorized/fraudulent financial transactions being processed that may not be detected for a prolonged period of time.

Recommendation

- The access revocation process should be tightened to ensure that access for terminated employees and contractors is being revoked in a timely manner across all systems (including MMIS).
- An accurate and complete listing of all contractors with access to EOHHS systems should be maintained at all times to ensure user access authorization, termination and review processes are effectively performed and monitored (as needed).

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- EOHHS should reassess the frequency of the review control from annual to a higher frequency (for e.g., quarterly or semiannual) given that high a number of terminated employees were noted to have active access to MMIS application post their termination date. A review control, if designed correctly, should detect any terminated users with active access to the application that may have been missed during the termination process.

Views of Responsible Officials and Corrective Actions

Review Process Remediation Underway – Expected date of plan to be completed, March 31, 2015.

- Since the time of the audit conducted by KPMG, an internal reconciliation of MMIS user accounts (verification of access) resulted in the deactivation of over 300 accounts that did not have proper authorization for access. Appropriate authorizations were obtained and documented for requests for reactivation.
- A process for identifying contracted workforce is in process through coordination with vendor billing.
- A process for periodic reviews, annual (minimally) or greater (e.g., twice yearly) is in process including streamlining the process to make it more efficient and less impactful on the business.
- A process for identifying users no longer requiring access on a rolling basis (e.g., monthly review) is being developed.

Responsible Official

Robert D. Brennan, ACIO for Children Youth and Families Executive Office of Health and Human Services
Brian Chase, Director IT Controls & Quality Assurance Executive Office of Health and Human Services

Implementation Date

March 31, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Health and Human Services

MMIS – Privileged Access to Database Server

Finding Reference: 2014-014

Observation

One shared account was noted to have inappropriate/excessive administrative access on a UNIX server (MMISPH01) supporting the Medicaid Management Information System (MMIS) database. We were informed that the account was created to grant “san administrators” temporary access to resolve a san disk storage issue and the access should have been removed for the “san administrators” as the account/access was no longer needed.

Inappropriate/excessive administrative level access to the MMIS database server presents the risk of unauthorized and undetected changes being made to the data/files hosted on the database server potentially impacting financial data/transactions.

Recommendation

Privileged access to the systems and supporting infrastructure (including servers, databases and application) should follow an authorization process and very tightly controlled/monitored. Access should only be granted to authorized individuals who need such level of access based on their job responsibilities and a periodic review of users and accounts with privileged access should be performed to ensure inappropriate/temporary access to users and accounts that may have been intentionally/inadvertently granted is identified during such reviews and corrective action is taken to remove any inappropriate access.

Views of Responsible Officials and Corrective Actions

Privileged access to the systems and supporting infrastructure (including servers, databases and application) will follow an authorization process and will be controlled and monitored. Access will only be granted to authorized individuals who need such level of access based on their job responsibilities. A periodic review of users and accounts with privileged access will be performed.

Responsible Official

James Cusson, Compliance & Assurance Program Director, Commonwealth of Massachusetts, MassIT

Implementation Date

April 1, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Information Technology Division

BEACON – Server Password Parameters

Finding Reference: 2014-015

Observation

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

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

Recommendation

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

Views of Responsible Officials and Corrective Actions

Privileged access to the systems and supporting infrastructure (including servers, databases and application) will follow an authorization process and will be controlled and monitored. Access will only be granted to authorized individuals who need such level of access based on their job responsibilities. A periodic review of users and accounts with privileged access will be performed.

Responsible Official

James Cusson, Compliance & Assurance Program Director, Commonwealth of Massachusetts, MassIT

Implementation Date

April 1, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Information Technology Division

Data Center Access Authorization and Review

Finding Reference: 2014-016

Observation

The established access authorization process of requesting, approving and documenting data center access was not followed for users granted access to the ITD data center during the year. The following control exceptions were noted for 8 users that were granted access to the data center during the year and selected for our testwork:

- Request and approval of access to the ITD data center for all 8 users was not performed via the COMiT ticketing system (as required by the data center user access authorization process). We noted that data center access for 3 out of the 8 users was requested and approved via e-mail. In addition, access for 1 out the 8 users was requested and approved as part of the quarterly review process resulting in no access authorization documentation to be completed and retained.
- Access approval documentation was not in place for 4 out of the 8 users that were granted access to the data center. We were informed that data center access for these users was verbally approved prior to access being granted and that these users were appropriate to have such access based on their job responsibilities.

In addition, we noted that the second quarterly (Q2) review of the users with access to the ITD Data Center was not performed by ITD in FY2014.

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

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

Recommendation

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

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

Views of Responsible Officials and Corrective Actions

MassIT will follow the established data center access authorization process prior to granting users access to the ITD Data Center.

MassIT's Facilities Manager performed a quarterly review of access to the MassIT data center for Q2-FY15 in Oct 2014. MassIT quarterly data center access review for Q3-FY15 will be performed in January 2015.

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Year ended June 30, 2014

Responsible Official

James Cusson, Compliance & Assurance Program Director, Commonwealth of Massachusetts, MassIT

Implementation Date

April 1, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Information Technology Division

MMIS – Job Scheduler Access

Finding Reference: 2014-017

Observation

One user was noted to have inappropriate access to make changes to the MMIS jobs (batch jobs and backup jobs) scheduled within the Cybermation ESP Workload Manager Job scheduler. We noted although the user retained the inappropriate level of access during the year, the issue was remediated and the users' access was removed prior to year-end i.e., as of June 12, 2014.

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

Recommendation

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

Views of Responsible Officials and Corrective Actions

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

Responsible Official

James Cusson, Compliance & Assurance Program Director, Commonwealth of Massachusetts, MassIT

Implementation Date

April 1, 2015

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

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Department of Housing and Community Development

Community Development Block Grant (14.228)

Federal Award Number: B13DC250001 Federal Award Year: 2013

U.S. Department of Housing and Urban Development

Reference: 2014-018

Requirement

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

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

Finding

We found a lack of segregation of duties with regard to creating and submitting the FFATA report for grant year 2013. The preparer submitted the report without any additional review.

In reviewing the key data elements included for the 2013 grant year FFATA report, we found two issues of noncompliance. First, the report was missing information for the Town of Sturbridge with a grant obligation of \$640,000. Second, the subaward numbers of multiple subawardees were incorrect.

Recommendation

It is recommended that a staff member below the Finance Director completes the FFATA report and prepares it for submission. The Finance Director should then review the report before submission to ensure accuracy. CDBG personnel should review the key data elements prior to submission, to ensure accuracy in their reporting.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

DHCD is in agreement with the finding and will implement the following new procedure to better segregate duties with regard to creating and submitting the FFATA reports:

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Prior to the submission, a Community Development Block Grant (CDBG) Fiscal Representative, who reports to the Division's Finance Director, will verify that the subaward amounts provided by the CDBG Program Manager in the subaward spreadsheet, and approved by the undersecretary, match the subaward amounts entered in the Grant Management System (GMS). GMS is the internal data system used to manage the CDBG subawards and contracts, track financial activity, and report on accomplishments. In the event there are award amendments that increase or decrease the subaward amounts, the current notification process will continue, in which the Fiscal Representative reports to the Finance Director all award amendments entered into GMS.

Upon verification of the contracted subaward amounts, the assigned Fiscal Representative will enter the subaward data for CDBG grants (subawards) in the Federal Subaward Reporting System (FSRS)/FFATA. After all the entries are complete, the Fiscal Representative will print the FFATA reports for each sub award, sign and date the cover sheet (next page), indicating the data has been entered in FFATA, and provide the reports to the CDBG Program Manager.

The CDBG Program Manager will verify the subaward amounts in the FFATA reports, checking those figures against the information contained in GMS. Upon verification, the CDBG Program Manager will sign and date the cover sheet, indicating approval, then transmit the entire package to the Division's Finance Director.

The Finance Director will then review and approve all information before submitting the report to FSRS/FFATA, then sign and date both the cover sheet and summary page, indicating the entire report has been both reviewed and submitted.

The Fiscal Representative will file the summary page, attach the cover page containing all signatures, with the copies of the FFATA reports.

Contact: Dharam Dixit, Director of Finance, Division of Community Services

Implementation Date: July 1, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Department of Housing and Community Development

Emergency Shelter Grants Program (14.231)

Federal Award Number: E13DC250001

Federal Award Year: 2013

U.S. Department of Housing and Urban Development

Reference: 2014-019

Requirement

According to 24 CFR Part 85.41(b)(4), HUD requires recipients to submit the Federal Financial Report (FFR) (original and two copies), not later than 30 days after the end of each specified reporting period for quarterly and semiannual reports and 90 days for annual reports. Final reports shall be submitted no later than 90 days after the expiration or termination of grant support.

Finding

No FFRs were submitted during FY 2014.

Recommendation

We recommend management track program requirements for all reports applicable to ESG in order to ensure that information is reported timely and accurately.

Questioned Costs

None

Views of Responsible Officials and Corrective Action

The IDIS system used by DHCD for ESG fund drawdown is a HUD proprietary system that includes canned reports. One of the reports (PR05) is the drawdown report by activities. The Division of Housing Stabilization mistakenly made the assumption that because the PR05 report was available to HUD DHCD was no longer required to file Federal Financial Report (FFR).

After discussion with the auditors from KPMG and clarification with HUD, DHCD filed all FY 2014 reports. As of January 6, 2015, all FFR reports (SF 425) for FY 2015 have been filed.

Contact: Alain Fabo, Director of Finance, Division of Housing Stabilization

Implementation Date: September 23, 2014

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Department of Housing and Community Development

HOME Investment Partnerships Program (14.239)

Federal Award Number: M13SG250100 Federal Award Year: 2013

U.S. Department of Housing and Urban Development

Reference: 2014-020

Requirement

According to 24 CFR Section 135.3(a) and 135.9, the HUD 60002-Section 3 Summary Report, *Economic Opportunities for Low and Very Low Income persons*, is a required performance report.

Finding

KPMG noted a lack of segregation of duties for creation and submission of the Section 3 Report for grant year 2013. The preparer submitted the report without any additional review by a separate individual.

Recommendation

We recommend that the report be reviewed by someone other than the preparer, prior to submitting it on the Section 3 Reporting Portal.

Questioned Costs

None

Views of Responsible Officials and Corrective Action

The 2013 Section 3 report was, in fact, visually reviewed by a separate individual; however, this step was not documented. Going forward, DHCD has added a formal step where the HOME program manager will provide evidence to document his/her review of the proposed cumulative report prior to submission via the Section 3 60002 Summary Reporting System:

- HOME project managers forward project completion status numbers to a staff person responsible for compiling cumulative program year data. This staff person enters the data onto a master reporting sheet that mimics the categories required for Section 3 and M/WBE reporting. Any questions are pursued with the HOME project managers prior to entering the data on the sheet and finalizing the proposed annual compilation report.
- The HOME program manager reviews the annual compilation report. If there are comments or questions, he/she will ask the staff person responsible to pursue responses through the appropriate parties. When all questions have been satisfied, the HOME program manager will document that the proposed submission has been reviewed and approved. This documentation will be in the form of an e-mail or a written signature on the data compilation spreadsheet.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- Once formally approved, the staff person responsible will submit the electronic 60002 through the Section 3 reporting portal.

Please note that the Section 3 60002 Summary Reporting System, itself, has not been working and HUD has been keeping us informed of the status. Once that system is up and running, DHCD will submit the 2014 HOME program year report using the method described above.

Contact: Rebecca Frawley Wachtel, HOME Program Manager, Division of Housing Development

Implementation Date: January 6, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: Various Award Year: 2014

U.S. Department of Labor

Finding Reference: 2014-021

Requirement

U.S.C. 3304 states: “(4) all money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation”

Pub. L. No. 110-252, Supplemental Appropriations Act of 2008, Title IV, Section 4001(b) states:

“(1) the amount of emergency unemployment compensation (EUC) which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation including dependents’ allowances) payable to such individual during such individual’s benefit year under the State law for a week of total unemployment; (2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for emergency unemployment compensation and the payment thereof, except – (A) that an individual shall not be eligible for emergency unemployment compensation under this title unless, in the base period with respect to which the individual exhausted all rights to regular compensation under the State law, the individual had 20 weeks of full-time insured employment or the equivalent in insured wages, as determined under the provisions of the State law implementing section 202(a)(5) of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note); and (B) where otherwise inconsistent with the provisions of this title or with the regulations or operating instructions of the Secretary promulgated to carry out this title; and (3) the maximum amount of emergency unemployment compensation payable to any individual for whom an emergency unemployment compensation account is established under section 4002 shall not exceed the amount established in such account for such individual.”

Finding

For two selections out of 73 tested for compliance with Eligibility and EUC Special Test requirements, it was noted that excess benefits were paid.

- Due to a retro determination program shift, the system paid out benefits of \$102 for what should have been the waiting week for one sample.
- For another sample, the weekly benefit amount (WBA) for the selected EUC Tier under sequestration could not be recalculated due to coding errors regarding rounding rules. For the 2009 Tier 2, the potential overpayment due to coding errors was \$13, although in the case of this tier, not enough weeks were claimed to hit the maximum. Additionally, the total paid on the 2009 Tier 1.1 was \$7,650, while the maximum benefit amount (MBA) ranged from \$7,000 to \$6,514 (change due to sequestration). For purposes of questioned costs, we used the smaller end of the range and compared the amount paid to the highest MBA for the tier. Consequently, we are questioning \$650 in benefit payments.

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Year ended June 30, 2014

Recommendation

We recommend that the EOLDWD review system configuration for the issues noted above and make any necessary program changes to rectify them. In addition, management should investigate and quantify the impact of system errors and take the appropriate action.

Questioned costs

Questioned costs for above two claimants is \$752.

Views of Responsible Officials and Corrective Actions

1. There was an identified defect in the application that was not resetting the waiting week indicator for a select portion of claimants when the claimant was shifted to an extension and then subsequently went back to the new Regular UI claim. This defect was fixed in December 2013.
2. There were two rounds of sequestration that impacted UI programs across the country. The second round for which this finding is attributed lasted from September 29, 2013–December 28, 2013. Sequestration was a unique situation that only impacted the EUC program for a short amount of time. In the second round, 7.2% of the claimant's EUC benefits were reduced due to the federal budget crisis. What the auditor discovered was that the system did not round the claimant's WBA down to the whole dollar before taking the 7.2% cut. This had a minimal impact. Sequestration and the EUC program are no longer in effect. If this occurs again in the future, DUA will include the programming changes highlighted by the auditor.

Contact:

Robert T. Cunningham

Director

Department of Unemployment Assistance

Implementation Date

December 2013

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: Various Award Year: 2014

U.S. Department of Labor

Finding Reference: 2014-022

Requirement

For the purpose of proper administration of the system, the State Workforce Agencies (SWA) maintain accounts, or subsidiary ledgers, on State UI taxes received or due from individual employers, and the UC benefits charged to the employer.

The employer’s “experience” with the unemployment of former employees is the dominant factor in the SWA computation of the employer’s annual State UI tax rate. The computation of the employer’s annual tax rate is based on State UI law (26 USC 3303).

Finding

Experience ratings for certain contributory employers with predecessor entities were not calculated properly due to a coding defect. This coding defect caused these employers’ contributions to be double counted, and contributions from more than one base period were factored into the experience rate calculation. As a result, a lower experience rating was assigned to certain companies than was warranted, resulting in less contributions being collected.

Recommendation

We recommend that the department address the configuration issue to ensure future experience ratings are properly established and to also assess the impact of the past configuration deficiency and whether any past contribution deficiencies can be considered in establishing future experience ratings for those affected entities.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

A system defect in the experience rating process was discovered April 17, 2013 and logged. Specifically, this defect identified an error where Predecessor contributions outside the computation period were being used in the annual rate calculation of the Successor employer. Additionally, in some situations the Predecessor contributions were being duplicated. As employers with this defect were identified, the Rate Setting Unit staff manually adjusted the individual employer’s account where the employer’s UI rate was affected. The fix for this defect was included in the December 23, 2014 Production Build. Additional testing has rendered successful results in production.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Contact:

Robert T. Cunningham

Director

Department of Unemployment Assistance

Implementation Date

December 23, 2014

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: Various Award Year: 2014

U.S. Department of Labor

Finding Reference: 2014-023

Requirement

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

As such, the Commonwealth is required to follow the Benefit Accuracy Measurement (BAM) State Operations Handbook: ET Handbook No. 395, 5th Edition (the Handbook) published by the U.S. Department of Labor, which in part requires that each state develop written procedures to guide the operation of the BAM program, covering all investigative and administrative functions of the BAM unit. The procedures should be adapted to the particular circumstances of the state, but must adhere to the guidelines contained in the Handbook.

Finding

During fiscal year 2014, we noted the following deficiencies with the Commonwealth’s BAM unit procedures:

- Department policy is that every claimant questionnaire is reviewed as evidenced by the signature of the BAM investigator. For 2 of 25 samples, the claimant questionnaire was signed and returned; however, they did not include the signature of the BAM investigator.
- Department policy requires manager review of a finding of improper payment. For 1 of 25 samples, there were no manager initials on the hard copy case checklist nor electronic manager sign-off noted in the Sun System to evidence a manager’s review even though the Data Collection Instrument report (DCI) concluded that an improper payment had occurred.

A similar finding was reported in the prior year single audit report as finding 2013–18.

Recommendation

We recommend that case reviewers ensure that established procedures are completed prior to close out of investigation case files.

Questioned Costs

None

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

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Views of Responsible Officials and Corrective Actions

1. The Benefit Accuracy (BAM) questionnaires have and continue to be reformatted for ease of use by both interested persons and the BAM Investigator. The new format lends itself to easier identification of questionnaire sections that require completion. The purpose of the signature line was to identify who completed the questionnaire. After reviewing the Massachusetts policy that requires an Investigator signature on a questionnaire completed by an interested person(s), the DOL BAM Coordinator and the DUA Chief of Staff determined that the questionnaires would be updated to include an additional "Completed By" field. This more accurately captures the information. The BAM Handbook will be modified accordingly. BAM Investigators will receive training specific to the policy and procedures promulgated in the MA Benefits Accuracy Measurement Handbook.
2. BAM policy requires that cases determined improper will be reviewed by a BAM supervisor or peer. The initialization of the cover sheet, reviewers completed data collection instrument, or SUN data collection instrument with reviewer's numeric identification all serve as evidence of improper case review. In the case identified, BAM staff failed to follow protocol. As such, Benefit Accuracy Measurement (BAM) Investigators and Supervisors will receive training specific to the policy and procedures promulgated in the MA Benefits Accuracy Measurement Handbook.

Contact:

Robert T. Cunningham

Director

Department of Unemployment Assistance

Implementation Date

June 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: Various Award Year: 2014

U.S. Department of Labor

Finding Reference: 2014-024

Requirement

Per Section 3303(a)(1), FUTA, the state must not relieve an employer of charges (noncharging) when the employer, or an agent of the employer, does both of the following:

- “Was at fault for failing to respond timely or adequately to the request of the [state] agency for information relating to [a] claim” for UC benefits that was subsequently overpaid; and
- “Has established a pattern of failing to respond timely or adequately” to requests from the state agency for information relating to claims for UC benefits.

This prohibition applies if the employer has a pattern of failing to respond timely, failing to respond adequately, or failing to respond both timely and adequately. Section 3303(f)(2), FUTA, permits states to impose stricter standards limiting the relief from charges, such as, but not limited to, denying relief from charges to an employer after the first instance of a failure by an employer or an employer’s agent to respond timely or adequately to requests for information. Thus, states have some latitude in implementing the new requirement, including whether a pattern of behavior is required and, if so, the determination of the definition of a pattern of failure to respond timely or adequately to requests for information. A pattern of failure to respond timely or adequately means two (at a minimum) or more instances of such behavior by the employer or an agent of the employer.

Per Massachusetts State Law, Section 38A: (a) If the director, or the director’s authorized representative, determines, after providing written or electronic notice to the employer, that a payment of benefits was made because the employing unit, or an agent of the employing unit, was at fault for failing to respond timely or adequately to any request of the department for information relating to the claim for benefits, then (i) the employing unit, except for employing units making payments into the Unemployment Compensation Fund under section 14A, shall not be relieved of charges on account of any such payment of benefits; and (ii) if the employing unit makes payments into the Fund under section 14A, it shall not be relieved from reimbursing the fund on account of any such payment of benefits. For purposes of this subsection, a response shall be considered inadequate if it fails to provide sufficient facts to enable the department to make the proper determination regarding a claim for benefits. A response shall not be considered inadequate if the department fails to ask for all necessary information, except in any case where there has been a failure to respond.

Finding

For two samples selected, the employer was relieved of charges even though the employer caused the overpayment. Although the claimant repaid the overpayment, this practice is not in line with federal and state requirements.

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation

We recommend that the EOLDWD puts in place controls to ensure that employers who by their actions cause an overpayment of benefits are not relieved of charges to their account.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

Regulations need to be put in place before this section of law can be fully implemented. These regulations should be published by March 2015. The new business rules will be in production before the end of this fiscal year.

Contact:

Robert T. Cunningham

Director

Department of Unemployment Assistance

Implementation Date

March 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: Various Award Year: 2014

U.S. Department of Labor

Finding Reference: 2014-025

Requirement

The OMB Circular A-110 (2 CFR part 215) requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Trade Adjustment Assistance Extension Act of 2011 (TAAEA) Pub. L. 112-40 Unemployment Compensation Program Integrity requires states to impose a monetary penalty on claimants whose fraudulent acts resulted in overpayments.

U.S.C. Section 4005 ‘(c) RECOVERY BY STATE AGENCY. – ‘(1) IN GENERAL. – The State agency shall recover the amount to be repaid, or any part thereof, by deductions from any emergency unemployment compensation payable to such individual under this title or from any unemployment compensation payable to such individual under any State or Federal unemployment compensation law administered by the State agency or under any other State or Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the emergency unemployment compensation to which they were not entitled, in accordance with the same procedures as apply to the recovery of overpayments of regular unemployment benefits paid by the State. ‘(2) OPPORTUNITY FOR HEARING. – No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final. ‘(d) REVIEW. – Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

The Commonwealth requires that overpayment notices be sent to all claimants, per EOLDWD policy outlined in the Service Representatives Handbook, as this notice advises the claimant of his or her right to request a waiver and of appeal rights.

Finding

During fiscal 2014, we noted the following deficiencies in controls over compliance and compliance with Commonwealth procedures.

- Prior to April 2014, notices of overpayments were not sent to claimants whose overpayments were established either by system redeterminations or by a claimant adjusting wage or other information (those overpayments established via “auto-adjudications”).

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- During our testwork, we also observed that system-generated overpayment notices were lacking transparency regarding penalties assessed in fraud cases. The system was not populating penalty information in space indicated on monthly statements. Additionally, the notice of fault populated with the incorrect percentage to be potentially withheld from future benefit payments.

Recommendation

We recommend that EOLDWD put into place processes and controls to ensure that system-generated notices comply with department policy.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

The initial design of the UI Online system only created an overpayment determination when triggered by a monetary or nonmonetary determination. There are scenarios in which an overpayment is created that are not triggered by a re-determination. For example, the overpayment may be the result of a re-determination but the issue being re-determined does not include the weeks that are overpaid. The overpayment is valid, but the system does not have an issue to attach the overpayment to and no determination link can be created. If no link can be created, no determination is mailed, and the debt is not collectible. DUA is resolving this issue by creating a staff workflow where the overpayment can be manually attached either to a monetary or nonmonetary determination. This workflow will also generate a legal determination, thereby providing due process and allowing the debt to be collectible. DUA plans to roll out this code in March 2015.

The second issue contributing to the overpayment issue noted above had to do with reported earnings. When a claimant or staff updated their earnings via the payment screens this would trigger the system to re-determine the earnings issue and create a new determination, but this notification was not sent to the claimant. This was resolved in April of 2014. The code was changed so if the updating of earnings created an overpayment, the system would both add the overpayment information to the determination and send it to the claimant.

Regarding the overpayment penalty amount not displaying on the monthly statement, the state has the legislative authority to assess a 15% penalty on fault overpayments. Claimants are made aware of this penalty on the determination that provides the overpayment information, therefore it is legally collectible. DUA is updating the monthly statement so that this information is highlighted. We expect this code to be in place before the end of the fiscal year.

Regarding the percentage of offset of benefits for fault overpayments, the past business process allowed for a 100% offset, and the system was originally designed to offset 100%. The process and code were corrected before the system went live in July of 2013. Review of the repository for rationales which populate the text on UI Online notices revealed that the actual text had been written as a 100% and had not been corrected. The new language is currently being translated into the 11 mandated languages and should go into production no later than February 2015.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Contact:

Robert T. Cunningham

Director

Department of Unemployment Assistance

Implementation Date

February 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Department of Transportation

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

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

U.S. Department of Transportation

Finding Reference: 2014-026

Requirement

A pass-through entity is responsible for:

3. Determining Subrecipient Eligibility – In addition to any programmatic eligibility criteria under E, “Eligibility for Subrecipients,” for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).
4. System for Award Management (previously Central Contractor Registration) – For ARRA subawards, ensuring that the subrecipient maintains a current registration in the System for Award Management (SAM) at all times during which it has an active subaward(s) funded with ARRA funds (2 CFR section 176.50(c)).

Finding

1. The Massachusetts Department of Transportation (MassDOT) has no evidence that it obtained DUNS numbers for its subrecipients for the South Station Expansion project, a non-ARRA project, prior to the subaward.
2. MassDOT does not appear to have identified to its subrecipient for the Knowledge Corridor project (the MBTA), the requirement for SAM registration and presentation in the SEFA and SF-SAC.

A similar finding was reported in the prior year single audit report as finding 2013-27.

Recommendation

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

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

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

1. On May 15, 2014, MassDOT implemented a procedure whereby Divisions must complete a checklist for federally funded contracts, for submission to fiscal. The checklist includes a confirmation of DUNS numbers.
2. MassDOT will notify the MBTA Project Manager for the Knowledge Corridor project of the requirement for SAM registration and presentation in the SEFA and SF-SAC.

Contacts: Robert Shaughnessy, Deputy Director of Accounting
Amornrut Harnpukdipatima, Director of Federal Grants Management

Implementation Date: The corrective action for Finding #1 has been implemented.

The corrective action for Finding #2 will be implemented by October 31, 2014.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Department of Elementary and Secondary Education

Title I Grants to Local Education Agencies (84.010)

Award Number: S010A110021

Award Year: 2012

U.S. Department of Education

Finding Reference: 2014-027

Requirement

SEAs must obligate funds during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. For example, funds from the fiscal year 2012 appropriation initially became available on July 1, 2012 and may be obligated by the grantee and subgrantee through September 30, 2014 (Section 421(b) of GEPA (20 USC 1225(b)); 34 CFR sections 76.703 through 76.710).

The practical application of the above compliance requirements can be complex and subject to the interpretation of the Tydings Amendment (Section 4219(b) of the General Education Provisions Act; 20 U.S.C. 1225) which requires both (1) a transaction giving rise to an obligation and (2) a linking of that transaction with the grant funds in question within the period of availability.

Finding

The 2012 federal grant award (budget period 7/1/11 to 9/30/12) that ended its twenty-seven month period of availability on September 30, 2013, was not fully obligated. The DESE has not obligated \$94,242 as of the July 30, 2014 as noted on the MMARS uncommitted funds report.

Recommendation

We recommend that DESE formally adopt a policy of “linking” obligations to grant awards and to apply that policy consistently from year to year. We also recommend that DESE research the nature and context of the unobligated funds noted above and record any necessary journal entries to appropriately “link” obligations to the appropriate grant award and/or return any remaining unobligated funds in a timely manner to DOE.

Questioned Costs

None

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Year ended June 30, 2014

Views of Responsible Officials and Corrective Actions

DESE is aware of the EDGAR requirements 34 CFR sections 76.703 through 76.710 and 80.23b pertaining to the obligation of funds during the 27-month funding period and return of funds after the 90-day liquidation period. With respect to the 2012 federal grant award, all funds were properly obligated pursuant to applicable regulations. Any uncommitted funds indicated on the MMARS table provided to KPMG were a combination of unused funds and grant returns after the 90-day liquidation period ending on December 31, 2013. These funds were subsequently returned to USED.

We make every effort to comply with the above requirements using the additional 90-day liquidation period to reconcile the award, process any final adjustments and make one final draw if needed. We actively work with our subgrantees to ensure funds are allocated and spent during the appropriate period of spending authority, and will continue to do so to ensure funds are properly obligated within the multiple grant award periods. Any funding that falls outside of the linkage standard established by USED in 1986 is returned to the federal government by DESE.

We welcome the opportunity to implement any process improvement that USED would recommend.

Contact: William Bell, Chief Financial Officer

Implementation Date: April 1, 2015

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Department of Elementary and Secondary Education

Title I Grants to Local Education Agencies (84.010)

Award Number:	S010A110021	Award Year:	2012
	S010A120021	Award Year:	2013
	S010A130021	Award Year:	2014

U.S. Department of Education

Finding Reference: 2014-028

Requirement

In accordance with Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq.*, September 14, 2010) the Transparency Act requires: (1) recipient reporting of each first-tier subaward or subaward amendment that results in an obligation of \$25,000 or more in Federal funds; i.e., the triggering event for reporting under a grant or cooperative agreement is the obligation of funds under a subaward or subaward amendment rather than a payment made pursuant to the subaward; the reporting must be accomplished by the end of the month following the month in which the reportable action occurred.

Finding

For Transparency Act reporting, Title I DESE reports actual expenditures instead of the obligation amount. Actual information is obtained from the Commonwealth of Massachusetts MMARS accounting system and is reported on a monthly basis, this includes subawards that are less than \$25,000. As the obligation is not reported, the date submitted is also not within the reporting deadline. Additionally, we noted for one of the subawards which was greater than \$25,000, the information was not included in the Transparency Act reporting.

Recommendation

The DESE should review its internal control procedures over compliance with the Transparency Act reporting. The procedures should ensure that subawards are reported in accordance with the Federal reporting requirements, including the subaward obligation amount and the reporting due date.

Questioned Costs

None

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Views of Responsible Officials and Corrective Actions

To be in compliance with the federal regulations, the ESE Data Services Unit will coordinate with the Department's Business Office, Grants Management and other programmatic users to convert our current reporting based on an actual expenditure basis to one using obligated funds.

Contact: Robert Curtin

Implementation Date: January 1, 2015

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Department of Elementary and Secondary Education

Title I Grants to Local Education Agencies (84.010)

Award Number:	S010A110021	Award Year:	2012
	S010A120021	Award Year:	2013
	S010A130021	Award Year:	2014

U.S. Department of Education

Finding Reference: 2014-029

Requirement

DESE reviews each LEA grant application for appropriate funding requirements and requires that the reviewer and approver sign off within the grant management system to approve and fund the LEA award. Proper segregation of duties requires that the reviewer and approver be two separate personnel.

Finding

We noted that in 4 out of 40 LEA's Title I applications selected for testing the same person was reviewing and subsequently approving the LEA grant application within the *Program Acceptance* form.

Recommendation

The DESE should review its internal control procedures to ensure that all LEA grant applications are reviewed and approved by two different people to ensure proper segregation of duties. The reviewer of the application and checklist should complete their review and the approval should be completed by a supervisor or appropriate staff to ensure the application was properly reviewed and approved.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Title I unit has modified its internal control procedures to ensure that LEA grant applications are reviewed and approved by two different people. Specifically, after a grant reviewer has completed their review of a grant application, another qualified individual, typically a unit supervisor, will complete the approval. In instances where the assigned approver is also the reviewer, another supervisor or the unit administrator will approve the application.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Contact: Matthew Pakos

Implementation Date: October 31, 2014

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Department of Elementary and Secondary Education

Improving Teacher Quality State Grants (Title II, Part A) (84.367)

Award Number:	S367A110020	Award Year:	2012
	S367A120020-12A	Award Year:	2013
	S367A130020	Award Year:	2014

U.S. Department of Education

Finding Reference: 2014-030

Requirement

In accordance with Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq.*, September 14, 2010) the Transparency Act requires: (1) recipient reporting of each first-tier subaward or subaward amendment that results in an obligation of \$25,000 or more in Federal funds; i.e., the triggering event for reporting under a grant or cooperative agreement is the obligation of funds under a subaward or subaward amendment rather than a payment made pursuant to the subaward; the reporting must be accomplished by the end of the month following the month in which the reportable action occurred.

Finding

For Transparency Act reporting, Title II, Part A, DESE reports actual expenditures instead of the obligation amount. Actual information is obtained from the Commonwealth of Massachusetts MMARS accounting system and is reported on a monthly basis, this includes subawards that are less than \$25,000. As the obligation is not reported, the date submitted is also not within the reporting deadline. Additionally, we noted for one of the subawards which was greater than \$25,000, the information was not included in the Transparency Act reporting.

Recommendation

The DESE should review its internal control procedures over compliance with the Transparency Act reporting. The procedures should ensure that subawards are reported in accordance with the Federal reporting requirements, including the subaward obligation amount and the reporting due date.

Questioned Costs

None

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Views of Responsible Officials and Corrective Actions

To be in compliance with the federal regulations, the ESE Data Services Unit will coordinate with the Department's Business Office, Grants Management and other programmatic users to convert our current reporting based on an actual expenditure basis to one using obligated funds.

Contact: Robert Curtin

Implementation Date: January 1, 2015

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Department of Elementary and Secondary Education

Improving Teacher Quality State Grants (Title II, Part A) (84.367)

Award Number:

S367A110020

Award Year: 2012

U.S. Department of Education

Finding Reference: 2014-031

Requirement

SEAs must obligate funds during the 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year. This maximum period includes a 15-month period of initial availability plus a 12-month period for carryover. For example, funds from the fiscal year 2012 appropriation initially became available on July 1, 2012 and may be obligated by the grantee and subgrantee through September 30, 2014 (Section 421(b) of GEPA (20 USC 1225(b)); 34 CFR sections 76.703 through 76.710).

The practical application of the above compliance requirements can be complex and subject to the interpretation of the Tydings Amendment (Section 4219(b) of the General Education Provisions Act; 20 U.S.C. 1225) which requires both (1) a transaction giving rise to an obligation and (2) a linking of that transaction with the grant funds in question within the period of availability.

Finding

The 2012 federal grant award (budget period 7/1/11 to 9/30/12) that ended its twenty-seven month period of availability on September 30, 2013, was not fully obligated. The DESE has not obligated \$44,387 as of the July 30, 2014 as noted on the MMARS uncommitted funds report.

Recommendation

We recommend that DESE formally adopt a policy of “linking” obligations to grant awards and to apply that policy consistently from year to year. We also recommend that DESE research the nature and context of the unobligated funds noted above and record any necessary journal entries to appropriately “link” obligations to the appropriate grant award and or return any remaining unobligated funds in a timely manner to DOE.

Questioned Costs

None

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Schedule of Findings and Questioned Costs

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Views of Responsible Officials and Corrective Actions

DESE is aware of the EDGAR requirements 34 CFR sections 76.703 through 76.710 and 80.23b pertaining to the obligation of funds during the 27-month funding period and return of funds after the 90-day liquidation period. With respect to the 2012 federal grant award, all funds were properly obligated pursuant to applicable regulations. Any uncommitted funds indicated on the MMARS table provided to KPMG were a combination of unused funds and grant returns after the 90-day liquidation period ending on December 31, 2013. These funds were subsequently returned to USED.

We make every effort to comply with the above requirements using the additional 90-day liquidation period to reconcile the award, process any final adjustments and make one final draw if needed. We actively work with our subgrantees to ensure funds are allocated and spent during the appropriate period of spending authority, and will continue to do so to ensure funds are properly obligated within the multiple grant award periods. Any funding that falls outside of the linkage standard established by USED in 1986 is returned to the federal government by DESE.

We welcome the opportunity to implement any process improvement that USED would recommend.

Contact: William Bell, Chief Financial Officer

Implementation Date: April 1, 2015

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Department of Elementary and Secondary Education

Improving Teacher Quality State Grants (Title II, Part A) (84.367)

Award Number: S367A130020

Award Year: 2014

U.S. Department of Education

Finding Reference: 2014-032

Requirement

DESE reviews each LEA grant application for appropriate funding requirements and requires that the reviewer and approver sign off within the grant management system to approve and fund the LEA award. Proper segregation of duties requires that the reviewer and approver be two separate personnel.

Finding

We noted that in 37 out of 40 LEA's Title II, Part A applications selected for testing the same person was reviewing and subsequently approving the LEA grant application within the *Program Acceptance* form.

Recommendation

The DESE should review its internal control procedures to ensure that all LEA grant applications are reviewed and approved by two different people to ensure proper segregation of duties. The reviewer of the application and checklist should complete their review and the approval should be completed by a supervisor or appropriate staff to ensure the application was properly reviewed and approved.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Title II unit has modified its internal control procedures to ensure that LEA grant applications are reviewed and approved by two different people. Specifically, after a grant reviewer has completed their review of a grant application, another qualified individual, typically a unit supervisor, will complete the approval. In instances where the assigned approver is also the reviewer, another supervisor or the unit administrator will approve the application.

Contact: Simone Lynch

Implementation Date: October 31, 2014

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Department of Elementary and Secondary Education

Improving Teacher Quality State Grants (Title II, Part A) (84.367)

Award Number:	S367A110020	Award Year:	2012
	S367A120020-12A	Award Year:	2013
	S367A130020	Award Year:	2014

U.S. Department of Education

Finding Reference: 2014-033

Requirement

In accordance with the requirements for subrecipient monitoring contained in 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156)); OMB Circular A-133 (§__.225, §__.310(d)(5), and §__.400(d)); A-102 Common Rule (§__.37 and §__.40(a)); OMB Circular A-110 (2 CFR section 215.51(a)); and program legislation; the Title II unit within the Department of Elementary and Secondary Education (DESE) is required to provide subrecipient monitoring as a component of the Federal grant requirements, including obtaining a corrective action plan for any deficiencies noted during the monitoring.

Finding

For the two LEA program monitoring reviews that were selected for testing, DESE could not locate the corrective action plan. The corrective action plan is required to ensure that DESE has properly closed out the monitoring process.

Recommendation

The DESE should review its internal control procedures over subrecipient monitoring to ensure that a corrective action plan is received to properly close out the monitoring process. The procedures should include a review of the filing system at DESE to ensure that the Title II unit is in control of the corrective action plan and not the individual who performed the review and monitoring close out.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

ESE has modified its internal control procedures to ensure that all monitoring protocols and processes established are adhered to by all Title IIA reviewers. Specifically, all district correspondences will be

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Schedule of Findings and Questioned Costs

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saved in the appropriate district folder. There is now a checklist in place to ensure that each step has been taken and completed in the monitoring review process.

Contact: Simone Lynch

Implementation Date: November 1, 2014

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Massachusetts Rehabilitation Commission

Rehabilitation Services Vocational Rehabilitation Grants to States (84.126)

Federal Award Number: H126A140028 Award Year: 2014

U.S. Department of Education

Finding Reference: 2014-034

Requirement

According to Act 29 USC 722(a)(6) – Eligibility and Individualized Plan for Employment, the designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter 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 designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or
- (B) The designated State unit is exploring an individual’s abilities, capabilities, and capacity to perform in work situations under paragraph (2)(B).

Finding

Management of each Vocational Rehabilitation (VR) agency periodically generates a report showing the number of cases in overdue status during the fiscal year. A case is considered overdue if 60 days have passed between the date an individual applied for benefits, and the date he or she was approved as being eligible to receive benefits under the program. Each VR agency must ensure waivers are obtained from and signed by the client, in order to extend the eligibility determination period, unless as mentioned above, there are exceptional circumstances.

As part of our testwork, we obtained the June 30, 2014, overdue status report from the Massachusetts Rehabilitation Commission (MRC) noting that MRC had overdue cases totaling 279 of which 273 were listed as overdue without a waiver.

During our audit, we selected 25 individual cases to determine whether the eligibility requirements had been met. We observed 2 for which the eligibility determination was not made within 60 days of the clients’ application dates. In the first instance, the individual was determined to be eligible in 63 days; the other was completed in 88 days. There was no indication that a waiver was obtained from the client to extend the time frame for eligibility determination in either case.

Further, during our testwork, we observed that management generates a Certificate of Eligibility form which records the determination made on behalf of each applicant. Management requires that this form be completed by a counselor, and reviewed and approved by the counselor and/or supervisor. We identified 1 case relating to MRC which was missing the proper signatures. Therefore, we were unable to determine whether the management review was completed to verify the correct eligibility determination was made for this applicant.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation

We recommend that MRC strengthen controls over its area offices, to ensure counselors are adhering to the federal and state regulations, that the correct determinations are being made, and clients are receiving benefits for which they are eligible. We also recommend that MRC reviews its controls to ensure that determinations are done timely and/or the proper waivers are obtained.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions:

MRC understands that the regulation (Act 29 USC 722(a)(6) does not establish a compliance threshold. A strict interpretation of the regulation would assume 100% compliance.

It must be noted that 100% compliance is rarely if ever achieved when working with thousands of consumers who have severe disabilities and some difficulty being able to comply with scheduled appointments or requests from counselor staff. We strive to keep consumers involved in the process rather than closing out their cases as “failure to cooperate.”

In terms of practice, the Rehabilitation Services Administration has established a compliance standard of 90%. In past years, MRC has been below that threshold and has worked diligently towards making improvements. Those improvements are evident with our present compliance rate being above 90%.

MRC is committed to making on-going improvements that will bring us closer to the 100% compliance rate. Additionally, we are in the process of making case management systems improvements to assure that all eligibility forms are properly signed by both counselors and consumers.

Contact: Charles Carr, Commissioner – Massachusetts Rehabilitation Commission

Implementation Date: June 30, 2015

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Year ended June 30, 2014

Massachusetts Commission for the Blind

Rehabilitation Services Vocational Rehabilitation Grants to States (84.126)

Federal Award Number: H126A140029 **Award Year:** 2014

U.S. Department of Education

Finding Reference: 2014-035

Requirement

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

Finding

During our audit, we found 1 employee in our sample of 40 whose time was charged 100% to the Vocational Rehabilitation Services grant but was not supported by a time and effort certification. This employee resigned in August 2013, and was excluded when the semi-annual certification was performed.

Recommendation

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

A similar finding was reported in the prior year single audit report as finding 2013-32.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions:

The staff person identified retired before his last certification was completed. MCB will continue to implement controls to validate the list of employees to be certified with the actual bi-weekly payrolls that are included in the certification.

Contact: Shandra Krasser, CFO, MCB

Implementation Date: December 31, 2014

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Massachusetts Commission for the Blind

Rehabilitation Services Vocational Rehabilitation Grants to States (84.126)

Federal Award Number: H126A140028 Award Year: 2014

H126A140029

U.S. Department of Education

Finding Reference: 2014-036

Requirement

According to Act 29 USC 722(a)(6) – Eligibility and Individualized Plan for Employment, the designated State unit shall determine whether an individual is eligible for vocational rehabilitation services under this subchapter 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 designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or

(B) The designated State unit is exploring an individual’s abilities, capabilities, and capacity to perform in work situations under paragraph (2)(B).

Finding

Management of each Vocational Rehabilitation (VR) agency periodically generates a report showing the number of cases in overdue status during the fiscal year. A case is considered overdue if 60 days have passed between the date an individual applied for benefits, and the date he or she was approved as being eligible to receive benefits under the program. Each VR agency must ensure waivers are obtained from and signed by the client, in order to extend the eligibility determination period, unless as mentioned above, there are exceptional circumstances.

As part of our testwork, we obtained the June 30, 2014, overdue status report from the Massachusetts Commission for the Blind (MCB) noting that MCB had a total of 10 overdue cases, 7 of which had no waiver to support the extended time frame.

Recommendation

We recommend that MCB review its controls to ensure that determinations are done timely and/or the proper waivers are obtained.

Questioned Costs

Not determinable

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Year ended June 30, 2014

Views of Responsible Officials and Corrective Actions:

MCB will address this finding immediately through specific training for counselors and supervisors, and quarterly reports to all direct service managers, supervisors and counselors to ensure compliance with this requirement. The agency will also continue its ongoing program of peer case reviews and its practice of automatic notification of the counselor of each case nearing the 60-day limit.

Contact: Paul Saner, Commissioner – Massachusetts Commission for the Blind

Implementation Date: July 1, 2014

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Year ended June 30, 2014

Desk review of the Contract Providers and Child Care Resource and Referral Agencies contracted with EEC. The reports are generally sent to the DACR via email for review and approval. The FMS send the reports as an attachment or through a hyperlink connecting to where the document is stored on the Network share drive. Microsoft Word tracking is used by the DACR for the purposes of edits or comments, if necessary. Once reviewed, the DACR will reply back to the FMS to correct any changes or respond to any questions. The FMS will address all edits and questions and send the document back to the DACR for final approval. An additional email is sent to the FMS stating “approved for release.” The final report is then sent to the organization that was monitored, and the DACR is cc’d on those emails. Some reports may require an in-person review and approval due to the severity of the findings, potential recoupment amount, or other concerns the FMS may have regarding the report. The DACR will no longer give a verbal approval on such reports, but will now send a follow up email to the FMS with an approval of the reports. For the FY2015 On-site Monitoring Reports and Desk reviews, the FMS will be required to save the report approval emails. An update will be made to the 2014 Audit Unit’s Fiscal Monitoring Guide detailing this control mechanism.

Contact William Concannon, Deputy Commissioner for Administration and Finance

Implementation Date Start of the FY2015 Monitoring Visit Cycle (September 2014)

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Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Executive Office of Health and Human Services (MassHealth)

Children's Health Insurance Program (93.767)

Federal Award Number: 1405MA5021 Award Year: 2014

U.S. Department of Health and Human Services

Finding Reference: 2014-038

Requirement

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

Finding

During our testwork, we selected 65 program participants receiving benefits from the Children's Health Insurance Program that used the MA-21 system. For five of the participants selected, it was determined that, based on the supporting documentation provided by the participants (to MassHealth), monthly income was incorrectly calculated and entered into the MA-21 system. For one of these participants, the incorrect income calculation and data entry into the system resulted in an incorrect eligibility determination decision. For the year ended June 30, 2014, a total of approximately \$1,987 of federal funds was paid related to this participant.

Recommendation

We recommend that the Executive Office review its system input review procedures, as it relates specifically to eligibility file input and maintenance in the MA-21 system to determine if these are isolated instances or systemic program issues. Enhanced review procedures verifying system inputs could prevent incorrect eligibility determinations produced as a result of inaccurate inputs into the system.

Questioned Costs

\$1,987

Views of Responsible Officials and Corrective Actions

The state agrees with the finding and has determined that these errors were the result of data incorrectly entered by eligibility workers into the MA-21 eligibility system. Therefore, they are isolated in nature and not systemic. To mitigate future errors the state took the following corrective actions:

The Director of Member Policy Implementation sent out a communication, via the MassHealth Enrollment Center (MEC) Weekly Update, to eligibility workers, trainers and site management reminding all of the importance to validate data entered into the eligibility system against the supporting documentation. See attached with reference to the finding. The MEC Weekly Update is a weekly electronic communication sent to all eligibility workers that highlights operational issues that require attention and identifies minor changes in operational policies and procedures.

In addition, the Integrated MassHealth Enrollment Center (IMEC) Director instructed the Eligibility Quality Assurance (EQA) Unit to place special focus on data entered into the eligibility system by Eligibility Workers to reduce the likelihood of data entry errors. The EQA Unit is set up to periodically review a random sample of

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Year ended June 30, 2014

applications entered into the eligibility system to identify errors, share those errors with the pertinent staff for awareness and retraining, and to correct the errors. The state believes that the above Corrective Action Plan is fully implemented.

Contact: Joseph Sousa, Director, Integrated MassHealth Enrollment Centers

Implementation Date: November 30, 2014

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Year ended June 30, 2014

Executive Office of Health and Human Services (MassHealth)

Medical Assistance Program (93.778)

Federal Award Number: 1405MA5MAP Award Year: 2014

U.S. Department of Health and Human Services

Finding Reference: 2014-039

Requirement

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

Finding

As part of the MassHealth provider operations, specifically new provider enrollment, the applicant is required to submit an application accompanied by a series of supporting documents. In 6 of the 25 new provider files reviewed, key documentation was included in the file but lacked evidence of management review.

Recommendation

We recommend that appropriate documentation be maintained including employee and management sign-off evidencing review.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

MassHealth recognizes the need and benefits to maintaining appropriate provider file documentation and will take steps to ensure that all required documentation is imaged to the provider file. Additionally MassHealth is currently evaluating with MMIS a solution that will utilize the MMIS checklist panel for each enrollment. The audit functionality will capture and provide evidence of the employee and management sign-off.

Modifications to the program policy and procedures will also need to be made.

Contact: Janice Wadsworth, Director of Provider Operations

Implementation Date: June 1, 2015

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Year ended June 30, 2014

Executive Office of Health and Human Services (MassHealth)

Medical Assistance Program (93.778)

Federal Award Number: 1405MA5MAP Award Year: 2014

U.S. Department of Health and Human Services

Finding Reference: 2014-040

Requirement

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

Finding

During our testwork, we selected 65 program participants receiving benefits from the Medical Assistance Program that used the MA-21 and/or PACES eligibility system. For one of the participants selected, it was determined that, based on supporting documentation provide by the participant (to MassHealth), monthly income was incorrectly calculated and entered into the MA-21 system. Per discussion with management, review of supporting documentation, and calculation of correct monthly income amount, the error did not impact the ultimate eligibility determination, in this instance.

A similar finding was reported in the prior single audit report as finding 2013-35.

Recommendation

We recommend that the Executive Office review its system input review procedures, as it relates specifically to eligibility file input and maintenance in the MA-21 system to determine if these are isolated instances or systemic program issues. Enhanced review procedures verifying system inputs could prevent incorrect eligibility determinations produced as a result of inaccurate inputs into the system.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions

The state agrees with the finding and has determined that the error was the result of data incorrectly entered by an eligibility worker into the MA-21 eligibility system. Therefore, it is isolated in nature and not systemic. To mitigate future errors the state took the following corrective actions:

The Director of Member Policy Implementation sent out a communication, via the MassHealth Enrollment Center (MEC) Weekly Update, to eligibility workers, trainers and site management reminding all of the importance to validate data entered into the eligibility system against the supporting documentation. See attached with reference to the finding. The MEC Weekly Update is a weekly electronic communication sent to all eligibility workers that

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Year ended June 30, 2014

highlights operational issues that require attention and identifies minor changes in operational policies and procedures.

In addition, the Integrated MassHealth Enrollment Center (IMEC) Director instructed the Eligibility Quality Assurance (EQA) Unit to place special focus on data entered into the eligibility system by Eligibility Workers to reduce the likelihood of data entry errors. The EQA Unit is set up to periodically review a random sample of applications entered into the eligibility system to identify errors, share those errors with the pertinent staff for awareness and retraining, and to correct the errors. The state believes that the above Corrective Action Plan is fully implemented.

Contact: Joseph Sousa, Director, Integrated MassHealth Enrollment Centers

Implementation Date: November 30, 2014

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Year ended June 30, 2014

Executive Office of Health and Human Services (MassHealth)

Medical Assistance Program (93.778)

Federal Award Number: 1405MA5MAP Award Year: 2014

U.S. Department of Health and Human Services

Finding Reference: 2014-041

Requirement

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

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

Finding

As part of the MassHealth enrollment process, on a daily basis, discrepancy reports are generated from the current enrollment system, MA-21, which document potential errors in the system input of new enrollment participants. Management evaluates each discrepancy to ensure the system is appropriately updated to reflect all necessary changes. We reviewed 25 daily reports and noted that none of the reports tested included preparer or reviewer sign-off evidencing investigation of discrepancies listed on report.

A similar finding was reported in the prior single audit report as finding 2013-33.

Recommendation

We recommend that appropriate documentation be maintained including employee and management sign-off evidencing review. Additionally, per discussion with management, as the discrepancy reports are presented on a cumulative basis from day-to-day, we recommend management include an aging schedule on the report to enable management to monitor the aging of the individual items shown on the report.

Questioned Costs

Not determinable

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Year ended June 30, 2014

Views of Responsible Officials and Corrective Actions

The state agrees with the finding and recommendation and has implemented the following Corrective Action Plan (CAP): we have added the production date to the Discrepancy Reports, and reports are now being signed off by the processor and manager. See sample report attached with reference to the finding.

Based on the above actions, the state considers this CAP fully implemented.

Contact: Joseph Sousa, Director, Integrated MassHealth Enrollment Centers

Implementation Date: November 30, 2014

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Year ended June 30, 2014

Executive Office of Health and Human Services (MassHealth)

Medical Assistance Program (93.778)

Federal Award Number: 1405MA5MAP Award Year: 2014

U.S. Department of Health and Human Services

Finding Reference: 2014-042

Requirement

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

Finding

As part of the MassHealth program utilization review process, non-institutional care providers are identified for review and case files are developed throughout the course of the investigation. Upon completion of the investigation, any overpayments are identified and claimed by MassHealth and payable from the provider. We reviewed 15 case development files and noted 3 files in which key supporting documentation was missing. Additionally, we noted 4 files in which key supporting documentation missing management signature as evidence of completion and review.

Recommendation

We recommend that appropriate documentation be maintained including employee and management sign-off evidencing review.

Questioned Costs

Not determinable

Views of Responsible Officials and Corrective Actions:

The Non-Institutional Provider Review Team will develop and implement a checklist of all documentation required and completed for each non-institutional provider reviewed as well as employee and management sign offs for each Case Development performed. An original copy of the checklist will be retained in each Non-Institutional Provider Review file and will be reviewed and signed by the Director of Medical Management prior to a case being closed.

Contact: Terry Lindblom, Director of Medical Management, Office of Clinical Affairs

Implementation Date: January 1, 2015

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Year ended June 30, 2014

Massachusetts Emergency Management Agency

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

Federal Award Number: Various Award Year: Various

U.S. Department of Homeland Security

Finding Reference: 2014-043

Requirement

In accordance with Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (FFATA or the Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 et seq., September 14, 2010) the Transparency Act requires: (1) recipient reporting of each first-tier subaward or subaward amendment that results in an obligation of \$25,000 or more in Federal funds; i.e., the triggering event for reporting under a grant or cooperative agreement is the obligation of funds under a subaward or subaward amendment rather than a payment made pursuant to the subaward; the reporting must be accomplished by the end of the month following the month in which the reportable action occurred.

Finding

The Massachusetts Emergency Management Agency does not have adequate controls in place to ensure timely and accurate FFATA reporting. KPMG tested nine monthly reportings for different disasters. Of the nine tested, six were exceptions and not in compliance with FFATA reporting requirements. They were noted as either not reported at all or inaccurately reported.

A similar finding was reported in the prior year single audit report as finding 2013-38.

Recommendation

We recommend additional procedures be implemented to track reporting deadlines and ensure accurate reporting. Procedures should include a reconciliation of obligations for complete reporting and a level of review to have more accurate reporting.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

In response to past findings related to FFATA, MEMA has instituted a formal policy and procedure to ensure that requirements of the Act are met. This has led to regular and timely reporting since the policies were initiated.

As a result of this finding, MEMA has strengthened its FFATA reporting policy by including monthly CAO review of reports prior to submission for accuracy and a full review of all MEMA encumbrances on a monthly basis to ensure no new obligations requiring reports are missed.

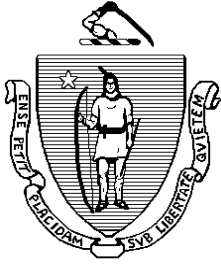
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Year ended June 30, 2014

Contact: David Mahr, Chief Administrative Officer

Implementation Date: November 1, 2014



Martin J. Benison
Comptroller

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**Commonwealth of Massachusetts
Summary Schedule of Prior Year Audit Findings
FY 2014**

The attached summary schedule of prior year findings (Schedule) lists the finding reference, CFDA #, state agency, program and description for the 39 findings included in the fiscal year 2013 Single Audit Report. It also lists the status of any other prior year finding whose corrective action plan has not been fully implemented. The Schedule indicates “fully” if the corrective action plan (CAP) was fully implemented, “partially” if the CAP was not fully implemented and “not implemented” if not implemented at all. If not fully implemented, an updated CAP is included.

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

Schedule of Prior Year Findings

Finding Reference	CFDA #	Agency	Program(s)	Description/ Summary	Implementation Status	Corrective Action Plan
2013-01 & 2012-01		OSC	State	Financial Reporting	Partially	See finding 2014-002
2013-02		TRE	State	Financial Reporting	Fully	
2013-03 & 2012-03		ITD	State	Change Management- CIW	Fully	
2013-04		ITD	State	Data Center Access Authorization	Partially	See finding 2014-016
2013-05		ITD	State	MMIS - Job Scheduler Access	Partially	See finding 2014-017
2013-06		ITD	State	Beacon - Server Password Parameters	Partially	See finding 2014-015
2013-07		EHS	State	Beacon - Database Password Parameters	Fully	
2013-08		EHS	State	MMIS - User Access Reviews	Partially	See finding 2014-012
2013-09		EHS	State	MMIS - Terminations	Partially	See finding 2014-013
2013-10		EOL	State	QUEST Revenue Application and Oracle Database Access and Password Management	Partially	See finding 2014-003
2013-11		EOL	State	Employee QUEST Termination and Job Change Procedures	Fully	
2013-12		EOL	State	QUEST Physical and Logical Access and Security Event Monitoring and Oversight	Partially	See finding 2014-006
2013-13	10.551, 93.558	DTA	SNAP & TANF	A defect was discovered in the Public Assistance Cost Allocation Plan (PACAP). The allocation methodology was inconsistent between the PACAP system & narrative.	Fully	
2013-14	10.551, 10.561	DTA	SNAP	1 of 3 FNS-46 report amounts submitted electronically to the FNS did not agree to the supporting documentation, prior to signing off.	Fully	
2013-15	10.551	DTA	SNAP	Per visit of 4 Transitional Assistance Office (TAO) locations to review EBT card issuance procedures, 6 of 25 samples, the CIS daily card reconciliation logs were not signed by a manager or properly performed based on the procedures.	Fully	
2013-16 & 2012-06	93.558	DTA	TANF	The department does not maintain adequate monitoring controls over certain activities of certain state agencies & UMASS to ensure TANF expenditures are in accordance with Federal compliance requirements.	Fully	
2013-17	93.558	DTA	TANF	For the samples tested under the Special Test and Provision, there were lack of controls and processes over ensuring assistance is reduced or terminated if an individual in the family receiving assistance refuses to work.	Fully	
2013-18	17.225	EOL	Unemployment Insurance	During the review the Department of Unemployment Assistance in FY2013, the deficiencies with the Benefit Accuracy Measurement (BAM) procedures were found related to cases not completed within the required time frame and BAM procedures handbook was not updated.	Partially	See finding 2014-23
2013-19	17.225	EOL	Unemployment Insurance	During the review the Department of Unemployment Assistance in FY2013, the deficiencies in controls over compliance and compliance with financial reporting requirements were noted related to the 227 report and EUC08 grants.	Fully	
2013-20	17.258, 17.259, 17.278	EOL	WIA	During fiscal 2013, the department was subject to the FFATA reporting requirements however did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements.	Fully	
2013-21	17.258, 17.259, 17.278	EOL	WIA	During the audit, for 1 out of 5 subrecipients selected for testwork was noted one instance where no on-site monitoring visit was performed during fiscal year 2013.	Fully	
2013-22	10.557	DPH	WIC	The department was not in compliance with the U.S. Department of Agriculture regulations to ensure the timely follow-up and completion of compliance investigation.	Fully	
2013-23 & 2012-10	93.268	DPH	Immunization	3 of 15 employees tested, the 50% allocation was pre-populated on their timesheet in what appears to be more an estimate of labor distribution rather than an after-the-fact distribution of actual activity.	Fully	
2013-24	93.959	DPH	Block Grants for Prevention & Treatment of Substance Abuse	25 sub-awards tested and there is no indication of the federal CFDA number or federal awards information in the Department's subrecipient contract. Also, 5 of 25 sub-award sample did not report any federal funds received under the SABG within their A-133 audit report.	Fully	

Schedule of Prior Year Findings

Finding Reference	CFDA #	Agency	Program(s)	Description/ Summary	Implementation Status	Corrective Action Plan
2013-25	93.959	DPH	Block Grants for Prevention & Treatment of Substance Abuse	Per review of the program, there were lack of monitoring and internal control to methodically identify and document its significant level of effort and earmarking process require by the award.	Fully	
2013-26	20.319	DOT	High Speed Rail Corridors & Intercity Passenger Rail – Capital Assistance Grants	The department did not follow the FFATA requirement in submitting report by the deadline.	Fully	
2013-27	20.319	DOT	High Speed Rail Corridors & Intercity Passenger Rail – Capital Assistance Grants	There was a lack of subrecipient monitoring where the department did not obtained DUNS, made subrecipient aware of the requirement for CCR registration and presentation in the SEFA and SF-SAC. Also, department did not fully collect subrecipient A-133.	Partially	See finding 2014-026
2013-28	20.509	DOT	Formula Grants for Other than Urbanized Areas	The department did not follow the FFATA requirement in submitting report by the deadline.	Fully	
2013-29	93.575, 93.596	EEC	Child Care and Development Fund	2 instances of fraud were found, EEC did not follow established procedures to ensure child care payments that are result of fraud are covered.	Fully	
2013-30	93.575, 93.596	EEC	Child Care and Development Fund	Key controls were not in place to ensure reasonable compliance with federal law, regulations, and program requirements.	Partially	See finding 2014-037
2013-31	93.658, 93.659	DCF	Foster Care Title IV-E & Adoption Assistance	The department made Federal Financial Participation (FFP) claims based on allocations that were not calculated in accordance with the approved Public Assistance Cost Allocation Plan.	Fully	
2013-32	84.126	MCB	Rehabilitation Services Vocational Grants to States	7 of 25 employees tested, whose time is charged to the grant were not supported by time and effort certifications.	Partially	See finding 2014-035
2013-33	93.778	EHS	Medicaid	A weekly basis discrepancy report and evidence of the review are not retained beyond 90 days. As such, unable to substantiate that this control was being performed for the full period under the audit FY2013.	Partially	See finding 2014-041
2013-34	93.778	EHS	Medicaid	40 claims selected for testing for participants receiving benefit from the Medical Assistance Program. For one claim, MassHealth paid the outdated rate as compared to the updated rate code.	Fully	
2013-35	93.778	EHS	Medicaid	40 program participants selected for testwork that receiving benefits from the Medicaid Assistance Program that used the MA 21 and /or PACES eligibility system. For one participant, it was determined that the member should not have been deemed eligible.	Partially	See finding 2014-040
2013-36 & 2012-19	93.778	EHS	Medicaid	Re-determination of eligibility not being done on certain area of population.	Fully	
2013-37	97.036	CDA	Disaster Grants - Public Assistance	Reviewing and verifying 100% of project costs from subrecipients prior to certifying payment in accordance with 44 CFR section 13.22(a) was performed. For the 25 subrecipients sampled did not have a full supporting documentation for the federal share costs.	Fully	
2013-38 & 2012-23	97.036	CDA	Disaster Grants - Public Assistance	During fiscal 2013, MEMA was subject to the FFATA reporting requirements however did not demonstrate a "good faith effort" to comply with the FFATA reporting requirements.	Partially	See finding 2014-043
2013-39 & 2012-24	97.036	CDA	Disaster Grants - Public Assistance	As part of subrecipient monitoring, MEMA does perform other subrecipient monitoring procedures during the award, but the agency is not collecting the A-133 audit results of its subrecipients.	Fully	