



COMMONWEALTH OF MASSACHUSETTS

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

Year ended June 30, 2016

(With Independent Auditors' Report Thereon)

COMMONWEALTH OF MASSACHUSETTS

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

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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. Thomas G. Shack, III, 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, 2016, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements and have issued our report thereon dated January 6, 2017. Our report includes an emphasis of matter paragraph regarding the Commonwealth adopting provisions of Governmental Accounting Standard Board (GASB) Statements No. 72, *Fair Value Measurement and Application*. Our report includes a reference to other auditors who audited the financial statements of the entities described in note 13 of the Commonwealth's basic financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of certain entities identified in note 13 to the Commonwealth's basic financial statements were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 2016-001 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 2016-002 through 2016-022 to be significant deficiencies.

Compliance and Other Matters

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

The Commonwealth's Responses to Findings

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

Purpose of this Report

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

KPMG LLP

January 6, 2017



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60 South Street
Boston, MA 02111

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 the Uniform Guidance

Mr. Thomas G. Shack, III, Comptroller
Commonwealth of Massachusetts:

Report on Compliance for Each Major Federal Program

We have audited the Commonwealth of Massachusetts' (the Commonwealth) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2016. 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, 2016. 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 the Uniform Guidance, 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commonwealth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our 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 types of 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, 2016.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-025 through 2016-033, 2016-035 through 2016-038, 2016-042, 2016-045, 2016-046, and 2016-049. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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, as described in the accompanying schedule of findings and questioned costs as items 2016-023 through 2016-049, that we consider to be significant deficiencies.

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

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



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

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements. We have issued our report thereon dated January 6, 2017, that referred to the reports of other auditors and contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commonwealth's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

March 28, 2017

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

CDFA number	Federal Agency, Program, or Cluster Title	Passed through to subrecipients	Total federal expenditures
	U.S. Department of Agriculture:		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ —	\$ 4,739,173
10.156	Federal-State Marketing Improvement Program	306,321	418,111
10.307	Organic Agriculture Research and Extension Initiative	71,954	80,191
10.547	Professional Standards for School Nutrition Employees	21,950	21,950
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	71,099,173	80,007,831
10.558	Child and Adult Care Food Program	65,586,274	66,516,857
10.560	State Administrative Expenses for Child Nutrition	405,000	4,075,772
10.572	WIC Farmers' Market Nutrition Program (FMNP)	—	363,974
10.574	Team Nutrition Grants	101,637	101,637
10.576	Senior Farmers Market Nutrition Program	—	501,488
10.578	WIC Grants To States (WGS)	43,429	621,040
10.579	Child Nutrition Discretionary Grants Limited Availability	989,661	1,431,105
10.582	Fresh Fruit and Vegetable Program	3,322,367	3,432,835
10.664	Cooperative Forestry Assistance	284,538	1,255,063
10.675	Urban and Community Forestry Program	16,055	167,869
10.676	Forest Legacy Program	—	1,359,447
10.680	Forest Health Protection	—	4,911
10.868	Rural Energy for America Program	41,960	54,393
10.902	Soil and Water Conservation	—	2,986
10.913	Farm and Ranch Lands Protection Program	1,127,197	1,461,691
10.914	Wildlife Habitat Incentive Program	—	11,770
10.932	Regional Conservation Partnership Program	20,043	20,043
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	—	1,196,419,323
10.561	State Administrative Matching Grants for Food Stamp Program	4,320,925	64,197,511
	Total SNAP Cluster	<u>4,320,925</u>	<u>1,260,616,834</u>
	Child Nutrition Cluster:		
10.555	National School Lunch Program	236,979,019	260,394,129
10.559	Summer Food Service Program for Children	7,454,748	7,694,006
	Total Child Nutrition Cluster	<u>244,433,767</u>	<u>268,088,135</u>
	Food Distribution Cluster:		
10.565	Commodity Supplemental Food Program	212,767	212,767
10.568	Emergency Food Assistance Program administrative costs	765,155	908,425
	Total Food Distribution Cluster	<u>977,922</u>	<u>1,121,192</u>
	Total U.S. Department of Agriculture	<u>393,170,163</u>	<u>1,696,476,298</u>
	U.S. Department of Commerce:		
11.407	Interjurisdictional Fisheries Act of 1986	—	135,133
11.419	Coastal Zone Management Administration Awards	—	2,750,032
11.420	Coastal Zone Management Estuarine Research Reserves	33,942	636,682
11.454	Unallied Management Projects	10,351,467	11,658,352
11.463	Habitat Conservation	—	3,811
11.472	Unallied Science Program	632,453	658,615
11.474	Atlantic Coastal Fisheries Cooperative Management Act	—	175,830
11.549	State and Local Implementation Grant Program	—	347,845
	Total U.S. Department of Commerce	<u>11,017,862</u>	<u>16,366,300</u>
	U.S. Department of Defense:		
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	—	1,194,805
12.400	Military Construction, National Guard	—	893,185
12.401	National Guard Military Operations and Maintenance (O&M) Projects	—	35,033,990
	Total U.S. Department of Defense	<u>—</u>	<u>37,121,980</u>
	U.S. Department of Housing and Urban Development:		
14.181	Supportive Housing for Persons with Disabilities	715,838	715,838
14.228	Community Development Block Grants / State's Program	26,520,098	27,944,902
14.231	Emergency Shelter Grants Program	4,775,107	4,896,848
14.235	Supportive Housing Program	6,718,571	7,750,453
14.238	Shelter Plus Care	153,397	153,397
14.239	HOME Investment Partnerships Program	9,679,021	10,687,304
14.241	Housing Opportunities for Persons with AIDS	122,276	146,547
14.401	Fair Housing Assistance Program State and Local	—	898,932
14.855	Section 8 Rental Voucher Program	—	5,357,766
14.881	Moving to Work Demonstration Program	232,450,680	232,450,680
14.896	Family Self-Sufficiency Program	963,859	963,859
14.906	Healthy Homes Technical Studies Grants	—	39,023
	Section 8 Project-Based Cluster:		
14.182	Section 8 New Construction Program	—	1,155,451
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	25,740,001	28,468,189
	Total Section 8 Project-Based Cluster	<u>25,740,001</u>	<u>29,623,640</u>
	CDBG - Disaster Recovery Grant - Pub.L. No.113-2 Cluster:		
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	2,153,813	2,153,813
	Total CDBG - Disaster Recovery Grant - Pub.L. No.113-2 Cluster	<u>2,153,813</u>	<u>2,153,813</u>
	Housing Voucher Cluster:		
14.871	Section 8 Housing Choice Vouchers	6,011,562	6,011,562
	Total Housing Voucher Cluster	<u>6,011,562</u>	<u>6,011,562</u>
	Total U.S. Department of Housing and Urban Development	<u>316,004,223</u>	<u>329,794,564</u>

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

CDFA number	Federal Agency, Program, or Cluster Title	Passed through to subrecipients	Total federal expenditures
U.S. Department of the Interior:			
15.423	Louisiana State University – Coastal Marine Institute (CMI)	\$ 728,853	\$ 728,853
15.608	Fish and Wildlife Management Assistance	22,329	56,032
15.614	Coastal Wetlands Planning, Protection and Restoration Act	713,640	797,827
15.616	Clean Vessel Act Program	877,286	1,044,697
15.622	Sportfishing and Boating Safety Act	23,809	25,209
15.631	Partners for Fish and Wildlife	—	15,000
15.633	Landowner Incentive	—	256,115
15.634	State Wildlife Grants	—	203,917
15.657	Endangered Species Conservation – Recovery Implementation Funds	—	45,125
15.677	Hurricane Sandy Disaster Relief Activities-FWS	2,567,539	2,803,021
15.808	U.S. Geological Survey Research and Data Collection	—	2,673
15.904	Historic Preservation Fund Grants-In-Aid	92,000	663,551
15.916	Outdoor Recreation Acquisition, Development and Planning	621,317	730,259
15.947	Boston Harbor Islands Partnership	—	319,442
15.957	Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy	—	1,718
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration Program	—	7,500,712
15.611	Wildlife Restoration and Basic Hunter Education	—	1,614,429
	Total Fish and Wildlife Cluster	—	9,115,141
	Total U.S. Department of the Interior	5,646,773	16,808,580
U.S. Department of the Justice:			
16.017	Sexual Assault Services Formula Program	325,253	342,053
16.321	Antiterrorism Emergency Reserve	1,690,188	1,944,991
16.393	Residential Substance Abuse Treatment For State Prisoners	4,080	20,347
16.540	Juvenile Justice and Delinquency Prevention Allocation to States	—	627,429
16.543	Missing Children's Assistance	—	285,499
16.550	State Justice Statistics Program for Statistical Analysis Centers	—	37,948
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	—	847,835
16.575	Crime Victim Assistance	9,888,323	11,635,004
16.576	Crime Victim Compensation	—	1,464,976
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	—	559,563
16.582	Crime Victim Assistance/Discretionary Grants	—	42,379
16.585	Drug Court Discretionary Grant Program	—	518,665
16.588	Violence Against Women Formula Grants	1,635,386	2,924,922
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	—	340,829
16.593	Residential Substance Abuse Treatment for State Prisoners	5,901	36,293
16.606	State Criminal Alien Assistance Program	—	2,735,315
16.610	Regional Information Sharing Systems	319,342	319,342
16.727	Enforcing Underage Drinking Laws Program	—	12,077
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	9,960	294,851
16.738	Edward Byrne Memorial Justice Assistance Grant Program	3,164,034	5,206,410
16.741	Forensic DNA Capacity Enhancement Program	—	1,530,056
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	22,099	102,145
16.746	Capital Case Litigation Initiative	19,515	64,487
16.751	Edward Byrne Memorial Competitive Grant Program	—	248,773
16.754	Harold Rogers Prescription Drug Monitoring Program	—	350,442
16.812	Second Chance Act Prisoner Reentry Initiative	1,187,763	1,991,961
16.816	John R. Justice Prosecutors and Defenders Incentive Act	88,578	90,097
16.820	Post-conviction Testing of DNA Evidence to Exonerate the Innocent	142,331	242,085
	Total U.S. Department of Justice:	18,502,753	34,816,774
U.S. Department of Labor:			
17.002	Labor Force Statistics	—	2,236,724
17.005	Compensation and Working Conditions	—	114,163
17.225	Unemployment Insurance	2,045,623	1,536,293,200
17.235	Senior Community Service Employment Program	1,873,672	1,962,743
17.245	Trade Adjustment Assistance Workers	257,679	12,520,339
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	47,623	68,884
17.268	H-1B Job Training Grants	1,913	1,913
17.271	Work Opportunity Tax Credit Program (WOTC)	—	240,665
17.273	Temporary Labor Certification for Foreign Workers	—	857,843
17.277	Workforce Investment Act (WIA) National Emergency Grants	6,132,586	6,200,640
17.281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	—	49,301
17.283	Workforce Innovation Fund	—	37,870
17.504	Consultation Agreements	—	1,332,999
17.600	Mine Health and Safety Grants	—	83,750
Employment Service Cluster:			
17.207	Employment Service Wagner-Peyser Funded Activities	7,581,857	18,100,284
17.801	Disabled Veterans' Outreach Program (DVOP)	341,517	3,358,966
17.804	Local Veterans' Employment Representative (LVER) Program	—	26,121
	Total Employment Service Cluster	7,923,374	21,485,371
WIA Cluster:			
17.258	WIA/WIOA Adult Program	12,440,670	13,228,856
17.259	WIA/WIOA Youth Activities	14,403,441	15,400,366
17.278	WIA/WIOA Dislocated Worker Formula Grants	14,786,011	21,409,727
	Total WIA Cluster	41,630,122	50,038,949
	Total U.S. Department of Labor	59,912,592	1,633,525,354

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

CDFA number	Federal Agency, Program, or Cluster Title	Passed through to subrecipients	Total federal expenditures
	U.S. Department of Transportation:		
20.218	National Motor Carrier Safety	\$ 42,346	\$ 2,989,919
20.231	Performance and Registration Information Systems Management	—	33,316
20.232	Commercial Driver License State Programs	—	562,916
20.234	Safety Data Improvement Program	291	41,549
20.237	Commercial Vehicle Information Systems and Networks	—	439,946
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	7,013,460	9,418,129
20.320	Rail Line Relocation and Improvement	—	459,327
20.505	Federal Transit Metropolitan Planning Grants	2,395,797	2,701,732
20.509	Formula Grants for Other Than Urbanized Areas	3,642,466	3,991,107
20.514	Public Transportation Research, Technical Assistance, and Training	82,769	82,769
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	—	367,101
20.614	Safety Incentive Grants for Use of Seatbelts	—	118,193
20.700	Pipeline Safety	—	1,238,892
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	127,200	240,047
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	—	586,761,562
20.219	Recreational Trails Program	787,520	1,186,752
	Total Highway Planning and Construction Cluster	<u>787,520</u>	<u>587,948,314</u>
	Federal Transit Cluster:		
20.500	Federal Transit Capital Investment Grants	11,054,758	11,088,658
20.507	Federal Transit Formula Grants	5,443,526	5,443,526
20.526	Bus and Bus Facilities Formula Program	988,204	988,204
	Total Federal Transit Cluster	<u>17,486,488</u>	<u>17,520,388</u>
	Transit Services Programs Cluster:		
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	638,872	7,902,376
20.516	Job Access Reverse Commute	1,282,854	1,585,844
20.521	New Freedom Program	1,655,412	1,980,948
	Total Transit Service Program Cluster	<u>3,577,138</u>	<u>11,469,168</u>
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	1,539,609	4,766,459
20.616	National Priority Safety Programs	2,146,632	4,995,565
	Total Highway Safety Cluster	<u>3,686,241</u>	<u>9,762,024</u>
	Total U.S. Department of Transportation	<u>38,841,716</u>	<u>649,384,837</u>
	Equal Employment Opportunity Commission:		
30.002	Employment Discrimination State and Local Fair Employment Practices Agency Contracts	—	1,476,800
	National Endowment for the Arts:		
45.024	Promotion of the Arts Grants to Organizations and Individuals	—	2,520
45.025	Promotion of the Arts Partnership Agreements	870,440	870,440
45.310	State Library Program	656,745	3,274,457
	Total National Endowment for the Arts	<u>1,527,185</u>	<u>4,147,417</u>
	Small Business Administration:		
59.061	State Trade and Export Promotion Pilot Grant Program	106,450	157,778
	U.S. Department of Veterans Affairs:		
64.005	Grants to States for Construction of State Home Facilities	—	5,190,942
64.014	Veterans State Domiciliary Care	—	3,579,944
64.015	Veterans State Nursing Home Care	—	18,673,094
64.203	State Cemetery Grants	—	968,548
64.999	Department of Veterans Affairs Miscellaneous	—	197,384
	Total U.S. Department of Veterans Affairs:	<u>—</u>	<u>28,609,912</u>
	Environmental Protection Agency:		
66.032	State Indoor Radon Grants	—	131,297
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	—	736,439
66.040	State Clean Diesel Grant Program	—	3,111
66.110	Healthy Communities Grant Program	6,589	6,589
66.454	Water Quality Management Planning	171,323	411,119
66.456	National Estuary Program	640,080	1,423,298
66.461	Regional Wetland Program Development Grants	—	59,475
66.472	Beach Monitoring and Notification Program Implementation Grants	—	154,304
66.605	Performance Partnership Grants	1,788,702	13,087,529
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	—	446,126
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	—	112,947
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	—	316,777
66.708	Pollution Prevention Grants Program	—	38,624
66.802	Superfund State, Political Subdivision, and Indian Tribe Site Specific Cooperative Agreements	—	874,856
66.804	State and Tribal Underground Storage Tanks Program	—	750,011
66.805	Leaking Underground Storage Tank Trust Fund Program	—	860,084
66.817	State and Tribal Response Program Grants	36,316	1,001,313
66.999	Environmental Protection Agency – Miscellaneous	—	1,436,737
	Total Environmental Protection Agency	<u>2,643,010</u>	<u>21,850,636</u>
	U.S. Department of Energy:		
81.041	State Energy Program	480,000	1,537,221
81.042	Weatherization Assistance for Low-Income Persons	4,709,624	5,294,469
81.119	State Energy Program Special Projects	54,790	254,345
81.138	State Heating Oil and Propane Program	—	22,288
	Total U.S. Department of Energy	<u>5,244,414</u>	<u>7,108,323</u>

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

CDFA number	Federal Agency, Program, or Cluster Title	Passed through to subrecipients	Total federal expenditures
	U.S. Department of Education:		
84.002	Adult education State Grant Program	\$ 9,049,226	\$ 11,472,791
84.010	Title I Grants to Local Educational Agencies	195,521,937	209,040,794
84.011	Migrant Education State Grant Program	1,440,353	1,587,426
84.013	Title I Program for Neglected and Delinquent Children	248,701	1,982,620
84.048	Vocational Education Basic Grants to States	16,693,073	18,739,476
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	2,213,011	63,845,895
84.132	Centers for Independent Living	289,861	642,698
84.133	National Institute on Disability and Rehabilitation Research	—	28,922
84.144	Migrant Education Coordination Program	79,438	79,438
84.161	Rehabilitation Services Client Assistance Program	—	266,986
84.169	Independent Living State Grants	40,631	213,563
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	11,086	665,472
84.181	Special Education Grants for Infants and Families with Disabilities	2,913,161	8,680,621
84.184	Safe and Drug-Free Schools and Communities National Programs	146,000	240,078
84.187	Supported Employment Services for Individuals with Severe Disabilities	48,170	366,898
84.196	Education for Homeless Children and Youth	780,598	1,027,608
84.224	Assistive Technology	56,560	203,860
84.235	Rehabilitation Services Demonstration and Training Programs	—	10,967
84.265	Rehabilitation Training State Vocational Rehabilitation Unit in-service Training	—	16,448
84.282	Charter Schools	963,642	1,174,339
84.287	Twenty-First Century Community Learning Centers	15,637,824	16,525,501
84.323	Special Education – State Personnel Development	133,634	1,082,534
84.330	Advanced Placement Program	782,228	782,228
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	5,326,841	6,426,103
84.358	Rural Education	75,634	75,634
84.360	High School Graduation Initiative	—	1,946,130
84.365	English Language Acquisition Grant s	12,072,481	13,262,556
84.366	Mathematics and Science Partnerships	1,468,034	1,628,673
84.367	Improving Teacher Quality State Grants	35,252,994	37,850,955
84.369	Grants for State Assessments and Related Activities	—	9,115,860
84.372	Special Programs for the Aging Title IV and Title II Discretionary Projects	—	426,539
84.374	Teacher Incentive Fund	—	3,446,207
84.377	School Improvement Grants	8,372,649	9,175,979
84.378	College Access Challenge Grant Program	1,790,930	1,858,064
84.395	State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act	1,982,401	10,865,198
84.412	Race to the Top – Early Learning Challenge	5,155,392	12,083,899
84.419	Preschool Development Grants	7,273,373	7,960,895
84.999	Department of Education – Miscellaneous	—	153,005
	Special Education Cluster (IDEA):		
84.027	Special Education Grants to States	249,100,765	277,854,005
84.173	Special Education Preschool Grants	7,608,721	9,435,348
	Total Special Education Cluster (IDEA)	<u>256,709,486</u>	<u>287,289,353</u>
	Total U.S. Department of Education	<u>582,529,339</u>	<u>742,242,213</u>
	National Archives and Records Administration:		
89.003	National Historical Publications and Records Grants	6,200	24,789
	U.S. Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	—	1,812,482
	U.S. Department of Health and Human Services:		
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	407,406	407,406
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	—	40,119
93.052	National Family Caregiver Support	2,917,859	3,002,346
93.069	Public Health Emergency Preparedness	5,084,336	13,625,431
93.070	Environmental Public Health and Emergency Response	55,000	2,525,746
93.071	Medicare Enrollment Assistance Program	438,964	438,964
93.072	Lifespan Respite Care Program	193,967	193,967
93.073	Birth Defects and Developmental Disabilities – Prevention and Surveillance	524,150	1,074,870
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	29,820	401,835
93.087	Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	516,588	846,858
93.090	Guardianship Assistance	—	4,154,342
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	776,454	929,996
93.103	Food and Drug Administration Research	—	1,584,208
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	—	633,725
93.110	Maternal and Child Health Federal Consolidated Programs	41,160	605,364
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	—	1,464,771
93.127	Emergency Medical Services for Children	—	130,045
93.130	Primary Care Services Resource Coordination and Development	—	205,513
93.136	Injury Prevention and Control Research and State and Community Based Programs	503,972	1,416,248
93.150	Project s for Assistance in Transition from Homelessness (PATH)	1,344,534	1,346,333
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	296,663	549,113
93.165	Grants T o States for Loan Repayment Program	615,000	615,000
93.184	Disabilities Prevention	—	210,604
93.217	Family Planning Services	1,117,761	1,175,971
93.234	Traumatic Brain Injury State Demonstration Grant Program	67,071	297,563
93.236	Grants for Dental Public Health Residency Training	25,000	485,318
93.240	State Capacity Building	—	398,328
93.241	State Rural Hospital Flexibility Program	—	254,663
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	3,005,535	10,451,653
93.251	Universal Newborn Hearing Screening	—	273,684
93.262	Occupational Safety and Health Program	—	837,093
93.268	Immunization Cooperative Agreements	—	78,746,085
93.270	Adult Viral Hepatitis Prevention and Control	—	579,610

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

CDFA number	Federal Agency, Program, or Cluster Title	Passed through to subrecipients	Total federal expenditures
93.276	Drug-Free Communities Support Program Grants	\$ —	\$ 112,348
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	1,205,548	4,299,641
93.296	State Partnership Grant Program to Improve Minority Health	—	88,824
93.301	Small Rural Hospital Improvement Grant Program	76,768	76,768
93.305	National State Based Tobacco Control Programs	56,400	1,786,925
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	—	121,070
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	—	1,269,040
93.324	State Health Insurance Assistance Program	754,009	1,005,518
93.336	Behavioral Risk Factor Surveillance System	—	309,419
93.369	ACL Independent Living State Grants	—	41,419
93.432	ACL Centers for Independent Living	—	757,029
93.464	ACL Assistive Technology	113,789	312,995
93.500	Pregnancy Assistance Fund Program	1,224,295	1,440,273
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	5,444,049	9,119,669
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	100,500	140,770
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	—	560,229
93.517	Affordable Care Act – Aging and Disability Resource Center	931,616	1,133,170
93.519	Affordable Care Act (ACA) – Consumer Assistance Program Grants	400,001	400,101
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	—	1,554,349
93.535	Affordable Care Act Program for Early Detection of Certain Medical Conditions Related to Environmental Health Hazards	511,874	681,777
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	—	984,235
93.547	Affordable Care Act – National Health Service Corps	12,500	12,500
93.556	Promoting Safe and Stable Families	693,607	4,939,389
93.563	Child Support Enforcement	—	73,515,710
93.566	Refugee and Entrant Assistance State Administered Programs	3,566,705	12,070,427
93.568	Low-Income Home Energy Assistance	130,584,808	134,236,952
93.569	Community Services Block Grant	16,327,219	16,822,557
93.576	Refugee and Entrant Assistance Discretionary Grants	1,014,423	1,074,806
93.583	Refugee and Entrant Assistance Wilson / Fish Program	721,138	3,440,688
93.584	Refugee and Entrant Assistance Targeted Assistance Grants	949,053	990,531
93.586	State Court improvement Program	—	595,730
93.590	Child Abuse Prevention Activities	523,145	582,473
93.597	Grants to States for Access and Visitation Programs	—	124,900
93.599	Chafee Education and Training Vouchers Program (ETV)	—	865,266
93.600	Head Start	—	175,216
93.603	Adoption Incentive Payments	—	7,425
93.609	The Affordable Care Act – Medicaid Adult Quality Grants	—	575,695
93.617	Voting Access for Individuals with Disabilities Grants to States	—	237,565
93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance	—	9,342,629
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	62,440	62,440
93.628	Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	33,590	1,070,633
93.630	Developmental Disabilities Basic Support and Advocacy Grants	273,972	1,428,691
93.634	ACA Support for Demonstration Ombudsman Programs Serving Beneficiaries of State Demonstrations to Integrate Care for Medicare-Medicaid	—	374,112
93.643	Children's Justice Grants to States	—	304,983
93.644	Adult Medicaid Quality: Improving Maternal and Infant Health Outcomes in Medicaid and CHIP	—	15,780
93.645	Child Welfare Services State Grants	—	3,734,325
93.652	Adoption Opportunities	—	700,959
93.658	Foster Care Title IV-E	—	69,895,604
93.659	Adoption Assistance	—	23,513,153
93.667	Social Services Block Grant	—	79,229,409
93.669	Child Abuse and Neglect State Grants	25,380	403,382
93.671	Family Violence Prevention and Services / Grants for Battered Women's Shelters Grants to States and Indian Tribes	138,360	1,868,267
93.674	Chafee Foster Care Independence Program	—	2,891,400
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)	—	701,099
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)	13,162	31,816
93.735	State Public Health Approaches for Ensuring Qulture Capacity – Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	—	318,184
93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	126,687	533,190
93.755	Surveillance for Diseases Among Immigrants and Refugees financed in part by Prevention and Public Health Funds (PPHF)	—	111,359
93.757	State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding (PPHF)	2,371,781	5,841,384
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	757,194	4,602,975
93.767	Children's Health Insurance Program	—	515,648,354
93.773	Medicare Hospital Insurance	—	12,675,842
93.791	Money Follows the Person Rebalancing Demonstration	17,701	11,883,005
93.800	Organized Approaches to Increase Colorectal Cancer Screening	—	297,607
93.810	Paul Coverdell National Acute Stroke Program National Center for Chronic Disease Prevention and Health Promotion	—	360,308
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	—	481,603
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	4,341,391	4,441,883
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services	—	350,280
93.889	National Bioterrorism Hospital Preparedness Program	2,192,452	3,879,013
93.913	Grants to States for Operation of Offices of Rural Health	—	166,858
93.917	HIV Care Formula Grants	4,362,455	17,867,079
93.928	Special Projects of National Significance	380,605	1,042,203
93.940	HIV Prevention Activities Health Department Based	2,310,948	6,710,825
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	—	84,715
93.944	Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	57,938	1,207,869
93.945	Assistance Programs for Chronic Disease Prevention and Control	20,600	1,176,805
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	—	338,067
93.958	Block Grants for Community Mental Health Services	9,933,170	10,040,415
93.959	Block Grants for Prevention and Treatment of Substance Abuse	14,875,096	39,321,138

COMMONWEALTH OF MASSACHUSETTS
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

CDFA number	Federal Agency, Program, or Cluster Title	Passed through to subrecipients	Total federal expenditures
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	\$ 147,608	\$ 2,652,896
93.994	Maternal and Child Health Services Block Grant to the States	1,396,896	9,966,413
93.999	Department of Health and Human Services – Miscellaneous	130,044	1,963,805
	Aging Cluster:		
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	8,807,892	10,292,724
93.045	Special Programs for the Aging Title III, Part Nutrition Services	12,150,565	12,150,565
93.053	Nutrition Services Incentive Program	1,971,522	4,410,533
	Total Aging Cluster	<u>22,929,979</u>	<u>26,853,822</u>
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	—	347,664,111
	Total TANF Cluster	<u>—</u>	<u>347,664,111</u>
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	—	129,046,884
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	—	78,736,513
	Total CCDF Cluster	<u>—</u>	<u>207,783,397</u>
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	—	4,119,434
93.777	State Survey and Certification of Health Care Providers and Suppliers	—	14,629,253
93.778	Medical Assistance Program	—	9,841,693,975
	Total Medicaid Cluster	<u>—</u>	<u>9,860,442,662</u>
	Total U.S. Department of Health and Human Services	<u>250,072,136</u>	<u>11,698,642,920</u>
	Social Security Administration:		
96.008	Social Security Benefits Planning, Assistance, and Outreach Program	—	108,823
96.999	Social Security Administration – Miscellaneous	—	361,600
	Disability Insurance SSI Cluster:		
96.001	Social Security Disability Insurance	—	49,472,934
96.006	Supplemental Security Income	—	1,950,410
	Total Disability Insurance SSI Cluster	<u>—</u>	<u>51,423,344</u>
	Total Social Security Administration	<u>—</u>	<u>51,893,767</u>
	U.S. Department of Homeland Security:		
97.008	Non-Profit Security Program	140,012	140,012
97.012	Boating Safety Financial Assistance	—	1,602,274
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	—	145,314
97.029	Flood Mitigation Assistance	491,386	510,284
97.036	Public Assistance Grants	47,466,439	74,158,056
97.039	Hazard Mitigation Grant	7,711,803	8,125,065
97.041	National Dam Safety Program	—	159,123
97.042	Emergency Management Performance Grants	2,525,453	6,678,724
97.043	State Fire Training Systems Grants	—	19,373
97.044	Assistance to Firefighters Grant	—	268,364
97.047	Pre-Disaster Mitigation	337,894	358,165
97.056	Port Security Grant Program	—	1,949,281
97.067	Homeland Security Grant Program	20,647,283	25,187,314
97.089	Real ID Program	—	182,088
97.091	Homeland Security Biowatch Program	—	1,380,566
97.110	Severe Loss Repetitive Program	6,188	6,188
97.111	Regional Catastrophic Preparedness Grant Program (RCPGP)	868,533	890,968
	Total U.S. Department of Homeland Security:	<u>80,194,991</u>	<u>121,761,159</u>
99.999	Federal Reimbursement – Miscellaneous	—	682,959
	Grand Total	<u>\$ 1,765,419,807</u>	<u>\$ 17,094,705,842</u>

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

(1) Reporting Entity

The Commonwealth of Massachusetts (the Commonwealth) reporting entity is defined in note 1 to its June 30, 2016 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, 2016.

(2) Basis of Presentation

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

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

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

(3) Matching and Indirect Costs

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

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

(4) Relationship to Federal Financial Reports

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

COMMONWEALTH OF MASSACHUSETTS

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

(5) Noncash Awards

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

<u>CFDA number</u>	<u>Program title</u>	<u>Noncash awards</u>
10.551	Supplemental Nutrition Assistance Program	\$ 1,196,419,323
10.555	National School Lunch Program	23,415,109
10.558	Child and Adult Care Food Program	96,407
10.559	Summer Food Service Program for Children	2,351
93.268	Immunization Cooperative Agreements	<u>73,066,819</u>
	Total	<u>\$ 1,293,000,009</u>

Commodity inventories for the Food Donation Program at June 30, 2016 totaled approximately \$1,324,830.

(6) Unemployment Insurance Program (UI) CFDA 17.225

The U.S. Department of Labor, in consultation with the OMB, has determined that for the purpose of audits and reporting under the OMB Circular, 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	\$ 1,446,913,376
Federal UI Funds – Benefits	18,622,683
Federal UI Funds – ARRA	227,761
Federal UI Funds – Administration	<u>70,529,380</u>
Total expenditures	<u>\$ 1,536,293,200</u>

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

(1) Summary of Auditors' Results

Financial Statements

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

Federal Awards

- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **Yes**
- (e) Type of report issued on compliance for major programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes**
- (g) Major Programs
 - U.S. Department of Agriculture*
 - Child and Adult Food Care Program (10.558)
 - Child Nutrition Cluster (10.555 and 10.559)
 - U. S. Department of Defense*
 - National Guard Military Operations and Maintenance (O&M) Projects (12.401)
 - U.S. Department of Housing and Urban Development*
 - Moving to Work Demonstration Program (14.881)
 - U.S. Department of Labor*
 - Unemployment Insurance (17.225)

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

U.S. Department of Transportation

- High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (20.319)
- Highway Planning and Construction Cluster (20.205 and 20.219)

U.S. Department of Health and Human Services

- Public Health Emergency Preparedness (93.069)
- Child Support Enforcement (93.563)
- Low-Income Home Energy Assistance (93.568)
- Community Services Block Grant (93.569)
- Children’s Health Insurance Program (93.767)
- Medicaid Cluster (93.775, 93.777 and 93.778)
- HIV Care Formula Grants (93.917)

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

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

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

See accompanying pages 16 through 45.

(3) Findings and Questioned Costs Relating to Federal Awards

See accompanying pages 46 through 107.

**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, 2016

Massachusetts State Employees' Retirement System

Finding Reference 2016-001

Exclusive Benefit Rule

Type of Finding: Material Weakness

Prior Year Finding: Yes, 2015-001

Statistically Valid Sample: No

Observation

The Massachusetts State Employees' Retirement System (MSERS) is collaborating with the Massachusetts Teachers' Retirement System (MTRS) and the Commonwealth (collectively: Office of the Comptroller (CTR), the Public Employee Retirement Administration Commission (PERAC) and the Executive Office for Administration and Finance (ANF)) to evaluate whether certain Massachusetts General Laws (MGL) may be in conflict with the exclusive benefit rule of Section 401(a)(2) of the Internal Revenue Code (Code), or other federal tax law requirements relating to the operation of tax-exempt pension plans.

26 U.S.C section 401(a)(2) as elaborated by U.S. Treasury Regulations section 1.401-2 require that for a retirement plan, such as the MSERS and MTRS, to remain qualified, they must make it impossible for the plan assets to be used or diverted for purposes other than for the exclusive benefit of plan participants or their beneficiaries.

The potential conflicts relate to the following situations:

- Statutorily directed contributions from assets of the MSERS, which are held in the Pension Reserves Investment Trust Fund (PRIT or PRIT Fund), to the Optional Retirement Plan (ORP), administered by the Massachusetts Department of Higher Education.
- Legislatively mandated reimbursements to local retirement systems and municipalities for local cost of living adjustments.
- Legislatively mandated deposits of M.G.L.c. 32 §3(8)(c) revenues to the General Fund rather than to MTRS and MSERS accounts in PRIT.
- Legislatively mandated deposits of federal grant fringe payments to the General Fund rather than to MTRS and the MSERS accounts in PRIT.
- Legislatively mandated funding of Public Employee Retirement Administration Commission's operating expenses from the assets of the MSERS and MTRS as held by the PRIT Fund.

Recommendation

Several outside law firms have been engaged to review the facts and circumstances related to the possible conflicts enumerated above. We recommend that the MSERS, in collaboration with its legal advisors, continue evaluating its compliance with Code Section 401(a)(2) and take the appropriate remedial actions, if any, upon the completion of its evaluation.

COMMONWEALTH OF MASSACHUSETTS
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Views of Responsible Officials and Corrective Actions

Outside counsel has been engaged by the MSERS, MTRS, and separately by PERAC, and by ANF. While outside counsels' opinions are being evaluated to determine appropriate actions, legislation has been submitted to clarify prospectively the funding and accounting for items #1-5.

It will not be known until the final reviews and analyses have been completed by the MSERS, MTRS, PERAC, ANF and CTR, to determine what if any further corrective actions may be needed.

Responsible Official Nicola Favorito, Executive Director, MSERS (in so far as this applies to the MSERS)

Implementation Date At the time, it cannot be determined when the independent reviews will be complete so that the MSERS can determine additional next steps.

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Year ended June 30, 2016

Office of the Comptroller

Finding Reference: 2016-002

Financial Reporting

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2015-002

Statistically Valid Sample: No

Observation

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

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

- Management estimates, for example the Department of Revenue allowance for uncollectible taxes was not submitted timely and had significant changes from the original submission (see DOR finding 2016-004).
- Use and application of Service Organization Control (SOC) report. SOC reports provide an independent assessment of the reliability of internal controls at third-party service organizations. Third-party service organizations, at a minimum, function as an extension of the Commonwealth's system of internal controls and often times function as the primary controls. In some instances, Commonwealth departments/agencies obtained inappropriate SOC reports for the nature of activity processed (see HIX SOC Reports finding 2016-010) and in some cases SOC reports are not obtained as is the case for one of the Group Insurance Commission's third-party claims administrators.
- Application of new accounting pronouncements. The requirements of GASB No. 72, *Fair Value Measurement and Application*, required several revisions prior to completion.

Recommendation

We recommend that the CTR annually review its CAFR instructions with the goal of clarifying and updating its instructions. We also recommend that CTR review its quality assurance protocols to ensure that the proper amount of analysis is performed prior to accepting departmental information.

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

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

Views of Responsible Officials and Corrective Actions

Thorough review of GAAP submissions from departments as well as the application of new GASB Standards will be conducted with the appropriate FRAB staff and management prior to incorporating them in the financial statements. We have identified major departments which, in the past, have caused issues in the preparation of the CAFR and will meet with the appropriate officials to stress the importance of working in coordination with our office to prepare correct and timely GAAP reporting.

A “hard close” of the financial records at interim dates 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.

During FY16, the audit calendar was accelerated and a draft of the financial statements, including component units and higher education was provided on December 12, 2016 which was earlier than in prior years. FRAB staff will continue progress to accelerate the draft submission so that the December 31 deadline is not in jeopardy.

The reporting calendar will be reviewed with management and FRAB staff during the summer to determine milestones and will be used as a management and progress tool. Items that can be accelerated will be identified and provided as soon as the information is available and reviewed.

Responsible Official Michael Rodino, Director of Financial Reporting, CTR

Implementation Date On-going

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Office of the Comptroller

Finding Reference: 2016-003

SEFA Reporting

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

The Schedule of Expenditures of Federal Awards (SEFA) and accompanying notes is compiled by the Office of the Comptroller based on data recorded in the Massachusetts Management Accounting and Reporting System (MMARS).

The fiscal year 2016, the SEFA was revised multiple times to reflect changes identified by KPMG in several programs including:

- Medical Assistance Program, a reimbursement totaling approximately \$30.9 million was recorded twice.
- Child Support Enforcement, a prior year reimbursement totaling approximately \$6.1 million was incorrectly recorded in the current year.
- High-Speed Rail Grants, expenditures totaling approximately \$18.5 million were recorded twice.
- Race-to-the-Top Incentive Grants, improperly included approximately \$15.6 million of activity in the current year.
- Immunization Grants, noncash vaccines totaling over \$73 million was excluded from the current year SEFA.

The final SEFA was appropriately revised for all of the above.

Additionally, for convenience of reporting, the Commonwealth uses cash receipts as a proxy for cash disbursements for certain programs in preparing its SEFA. 2 CFR 200.502, *Basis for determining Federal Awards expended*, subsection (a), *Determining Federal awards expended*, requires:

The determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force.

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The programs reported using cash receipts include the Commonwealth's largest federal programs such as the Medical Assistance Program and the State Children's Insurance Program to name a few. Programs reported using a cash receipts basis often times have complicated federal financial participation or FFP rates which require a detailed analysis of spending categories in order to determine the proper allocation between federal and state resources. Rather than obtain this analysis which requires input from various other state departments, the Comptroller's Office uses cash receipts as an approximation. However, a reconciliation between the two methods is not performed and evaluated.

Recommendation

We recommend that management put into place processes and controls to identify and resolve SEFA reporting errors in a timely basis. We also recommend that the Comptroller's Office perform a formal reconciliation for those programs reported on a cash receipt basis to ensure that this method results in a reasonable approximation of the method required by 2 CFR 200.502(a).

Views of Responsible Officials and Corrective Actions

We agree with this comment and will implement procedures to ensure that issues such as those noted above do not occur in the future. Proper analytical review by both staff and management will be performed prior to providing a draft (period 10) SEFA to KPMG. Any discrepancies and/or significant variances from prior year will be thoroughly reviewed, investigated and properly documented.

Our office will assess the feasibility of reporting expenditures for programs which have historically used revenues as a proxy for expenditures. This would require departments to submit timely expenditures for such programs that can be supported and reconciled to MMARS. Our office will meet and work with departments to determine whether this is able to be implemented during FY17.

Responsible Official Michael Rodino, Director of Financial Reporting, CTR

Implementation Date On-going

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Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Department of Revenue

Finding Reference: 2016-004

Allowance for Uncollectible Receivables

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

The Department of Revenue (DOR) submitted the final version of its analysis of uncollectible receivables in December 2016, several weeks later than initially requested and just weeks before the scheduled release of the Commonwealth's Comprehensive Annual Financial Report. The original submission included a key component which was not initially run as of the Commonwealth's fiscal year end of June 30, 2016. The key component was based on a query of DOR's new "Genisys" system.

In addition, we noted that the allowance methodology allows for the manual override of one-time anomalous events and or other judgmental factors which were not fully documented in all instances.

Recommendation

We recommend that the DOR considers the above observations as they continue the refinement process of the allowance methodology, a process that was begun during FY16.

Views of Responsible Officials and Corrective Actions

The late submission of the FY16 GAAP reporting package was the result of a number of significant changes including a new allowance calculation methodology, new internal reporting requirements and the major system conversion of DOR's tax administration system of which the established deadline did not accommodate. The changes are noted as follows.

New Allowance for Doubtful Accounts Methodology and Manual Overrides

In FY16, DOR changed the allowance methodology to a more robust model that takes into consideration historic collection rates, by tax type and assessment type, to forecast a future rate of collections. As per the allowance methodology narrative that was submitted with the FY16 model, one-time anomalous events such as a large tax settlement, amnesty program, change in collection treatment strategies or data anomalies in the rate of collections report, may overstate regular collections patterns. They therefore are excluded as part of the average rate of collections. This analysis is a major component of the allowance calculation. For FY16, DOR documented all overrides that had a material impact to the allowance percentage; however, going forward DOR will document all overrides regardless of the materiality.

New Reporting Requirements for FY16 GAAP Report

In addition to the introduction of a new allowance model, as recommended by KPMG in prior engagements, a new change in the reporting requirements for estimated tax payments and underpayments for Financial Institutions and Public Utilities was also required for the FY16 GAAP reporting package. Previously, these

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amounts were reported as part of the total estimated payments and underpayments for corporate tax. Similarly, the reporting of FY17 projected refunds was changed in the middle of the reporting period to include actual refunds through October 31 instead of August 31 as per the original FY16 report template.

Conversion to new Tax Administration System and Aged Account Receivable Query

In FY16, DOR had a major system conversion of approximately forty tax types to a new tax administration system, Genisys. The Genisys aged accounts receivable detailed report was aged as of the date that the report was run rather than as of June 30, 2016. This only impacted receivables less than 6 months old within the allowance model, but did not impact the total reported accounts receivable. In an effort to be consistent with the AR testing, DOR elected to rerun the allowance model with the correct aging detail which only impacted the allowance percentage by less than 2%. As with all major system conversions, reporting capabilities and acclimation to a new system will improve reporting and processing requirements over time.

Retrospectively, DOR believes that not enough time was given to the audit engagement or the reporting period for all of these major changes that affected the FY16 GAAP reporting package. DOR requests that the planning phase of next year's audit start sooner and a full review of the GAAP reporting requirements are done with Comptroller's Office before the official audit engagement begins. Additionally, all reports required for GAAP reporting purposes will be made available as of June 30.

Responsible Officials Thomas Serani, Director of Internal Audit, DOR
Tanya Bruno, Director of Revenue Accounting, DOR

Implementation Date June 30, 2017

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Year ended June 30, 2016

Executive Office of Labor and Workforce Development

Finding Reference: 2016-005

UI Online Access Removal

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

Of the 132 terminated employees and contractors in our population of terminations, there were 18 users that still had active UI Online accounts at the time of testing. These accounts should have been disabled by the time of testing. Additionally, noted that 9 users appear to have access removed untimely (i.e. more than 3 business days between termination date and date of access removal).

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

Recommendation

Management should consider to:

- Perform a periodic review of all terminations to ensure that access has been revoked for all terminated individuals. If individuals are identified whose access was not timely revoked, perform an impact analysis to determine whether there was any inappropriate access resulting from the untimely access revocation.
- Reinforce the importance of the termination process, and the resulting access revocation, with all involved personnel including HR, supervisors and managers as well as IT.
- Retain documentation for all terminations and resulting access revocations so that an audit trail of a users' access is available.

Views of Responsible Officials and Corrective Actions

There are 2 processes that inactivate staff access to the UI Online system:

Staff removes network access which prohibits them from accessing the UI Online application or any other system on the network immediately.

HR sends a weekly list to the DUA management team who then sends the inactivation to UI Online administration to have the id's inactivated within the UI Online application.

DUA is performing a periodic review of all staff's access on a quarterly basis and will now be stipulating that the senior manager of that department certify that the access is correct for all of their staff and that anyone that should not have access to the system is removed.

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Responsible Official Cari Birkhauser, Executive Office of Labor and Workforce Development
Implementation Date October 2016

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Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Executive Office of Labor and Workforce Development

Finding Reference: 2016-006

UI Online Database Administrative Access

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

KPMG identified 1 account with administrative access to the UI Online database that was not appropriate. Management determined that the account was not used since 2014 and removed the access.

Administrative access grants a user extensive access to the system and allows that user to circumvent other controls that may exist. Hence, access to administrative accounts should be restricted to a small set of appropriate individuals. Furthermore, administrative access presents the risk that inappropriate access is inadvertently granted to new or existing users resulting in inappropriate changes made to the application and data that could potentially impact financial data and transactions in the application.

Recommendation

Management should consider to:

- Periodically review administrative access to all key databases, operating systems and applications to ensure that all administrative access is appropriately restricted to individuals that require such access to perform their job responsibilities.
- Reinforce the importance of restricting administrative access with all IT personnel and the need to revoke administrative access upon termination or reassignment of individuals.

Views of Responsible Officials and Corrective Actions

The one account "CSMIG" that was identified by KPMG during audit was Oracle related account (only DBA's had access) was used during migration. We locked the account since then.

All databases are using the password complexity features implemented according to Oracle steps as below. The access to UIO production database is governed by the ACL layer and DB is behind the firewall. EOLWD IT is making a slow and methodological progress to make the password change and document the process of such a change. IT plans to create individual accounts with restricted access to table via Oracle roles (This task is completed). The use of generic accounts will be restricted (as needed) and any such generic accounts will be locked. IT plans to change the passwords (90 days as agreed by all parties) once we refine the process.

Responsible Official Jason Parrish, Executive Office of Labor and Workforce Development

Implementation Date August 2016

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Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Executive Office of Labor and Workforce Development

Finding Reference: 2016-007

UI Online User Access Review

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

Management performs a periodic review of all users with access to UI Online to determine whether access is appropriately restricted and is commensurate with the users' job responsibilities. The central UI Online administration team sends out via email a list of all users in UI Online to a group of reviewers. However, management does not get confirmation that all reviewers complete the access review of their delegates and request the revocation of excessive access rights. As such, KPMG could not determine whether the review is performed for all employees and whether any identified deviations were followed up on appropriately.

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

Recommendation

Management should consider to:

- Reinforce the importance of the user access review with all people performing the review.
- Strengthen the user access review by identifying which reviewer is responsible for which user and by getting positive confirmation from the reviewers that they have completed the review.
- If deviations are identified, ensure access is changed accordingly for all identified deviations and that the reviewers obtain a new access list to confirm the deviations are resolved.

Views of Responsible Officials and Corrective Actions

All access is verified by senior management on a quarterly basis and they are responsible for updating the status of their staff to the UI Online administrative function. Each quarter they will be required to complete a form of review and submit it to UI Online administration stating that their review is complete. One month from the assessment being requested the list will be verified for completeness.

Responsible Official Cari Birkhauser, Executive Office of Labor and Workforce Development

Implementation Date August 2016

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Schedule of Findings and Questioned Costs

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Executive Office of Labor and Workforce Development

Finding Reference: 2016-008

UI Online Change Review

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

Developers do not have access to migrate changes to production. However, the build team that is responsible to migrate changes to production, and accordingly has such access, also has access to develop changes. This is a breach in segregation of duties as a set of users is able to develop as well as implement changes. As a compensating control, management performs a periodic review of changes to the UI Online application to detect any unauthorized change. For this control, management relies on an Excel sheet that is manually populated by an employee of the Build Team based on information in the source-code control system (Microsoft Team Foundation Server) and then sent to the UI Online administration team. The Excel sheet is compared to the Release Notes which lists all change tickets from the Change Ticketing tool that were supposed to be migrated to production. The Excel sheet is manually populated and as such management cannot ensure that the Excel document completely and accurately lists all changes to the system.

KPMG concluded that there is no technically enforced segregation of duties between developing and migrating changes, and that there is no effective review of all changes migrated to production. Therefore, there are no sufficient controls in place to prevent or detect potential unauthorized changes to the UI Online application.

Recommendation

Management should consider to:

- Revise the technology used for software development so that it can technically enforce segregation of duties which would prevent unauthorized changes to production; and/or
- Implement a report from Team Foundation Server that is able to provide a complete and accurate list of all changes to the production environment. This report should then be reviewed so that any unauthorized change (defined as a change without a corresponding approved change ticket) is detected.

Views of Responsible Officials and Corrective Actions

Management will take the following actions to prevent and detect unauthorized changes:

- Revise the setup of Team Foundation Server (TFS) to allow for further segregation of duties (SOD) between the development team, build team and deploy team.
- Leverage automated functionality for deploying changes so that there are no users that have the ability to directly make changes in production.

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- Implement continuous monitoring of the UI online Application and Web servers to detect situations where code is not deployed in-sync across the environment.
- Enforce a custom TFS check-in policy requiring users to provide additional information when checking in code to better enable reconciling code changes to change documentation.
- Initiate a periodic review of changes since the last deployment to further enhance detective capabilities of unauthorized changes.

With the implementation of these measures, users are not able to deploy unauthorized changes and if unauthorized changes somehow are deployed they will be detected. Together this is expected to remediate this exception.

Responsible Officials Jason Parrish (Director, Applications)
Steven Jussaume (Director, Network Services)
Stephanie Ross (Director, Internal Control)
Executive Office of Labor and Workforce Development

Implementation Date Q2 2017

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Executive Office of Labor and Workforce Development

Finding Reference: 2016-009

UI Online Network Administrative Access

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

KPMG identified 60 accounts with administrative access to the network that were considered inappropriate. Administrative access to the network allows the user to add/change/remove users from the network but also allows the administrative user to make changes to key configuration of the network such as security policies. This increases the risk of unauthorized access to and activity on the network.

Management removed the access for these 60 accounts after identification.

Administrative access grants a user extensive access to the system and allows that user to circumvent other controls that may exist. Hence, access to administrative accounts should be restricted to a small set of appropriate individuals. Furthermore, administrative access presents the risk that inappropriate access is inadvertently granted to new or existing users resulting in inappropriate changes made to the application and data that could potentially impact financial data and transactions in the application.

Recommendation

Management should consider to:

- Periodically review administrative access to all key databases, operating systems and applications to ensure that all administrative access is appropriately restricted to individuals who require such access to perform their job responsibilities.
- Reinforce the importance of restricting administrative access with all IT personnel and the need to revoke administrative access upon termination or reassignment of individuals.

Views of Responsible Officials and Corrective Actions

Executive Office of Labor and Workforce Development (EOLWD) IT reviewed the administrator accounts with the root.detma.org domain. There were several IT users that had domain level administrator rights. EOLWD IT set up new groups for Help Desk and Desktop so they can perform specific roles like unlock accounts, reset passwords and join a computer to the domain. All other IT staff that were not part of the team had their administrator access removed. The only group that has domain administrator rights is Server Engineering and Technology Services Support.

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In addition, the EOLWD Internal Control department will run quarterly reviews of the UI Production environment. The review would cover two levels:

- 1 Domain level for each server in the Production Tier.
- 2 Oracle admin at the Oracle Database Tier.

From the review they will see the administrators on the Production Servers and Oracle Database platforms.

Responsible Officials Steven Jussaume (Director, Network Services)
Jason Parrish (Director, Applications)
Stephanie Ross (Director, Internal Control)
Executive Office of Labor and Workforce Development

Implementation Dates Access restrictions: July 15, 2016
Quarterly review: March 31, 2017

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Year ended June 30, 2016

Executive Office of Health and Human Services

Finding Reference: 2016-010

HIX SOC Reports

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

The Health Information Exchange / Integrated Eligibility System (HIX/IES) is an application, based on the hCentive platform, leveraged both by the Commonwealth Connector Authority (CCA) and Executive Office of Health and Human Services (EOHHS). Commonwealth citizens can use the application to get potentially subsidized insurance through the Affordable Care Act (ACA) which falls under the purview of the CCA. In addition, for citizens meeting certain Medicaid eligibility criteria – including income criteria – the HIX/IES application interfaces information entered in the HIX/IES system to the Medicaid Management Information System (MMIS). The management and hosting of the HIX/IES is out-sourced to a third-party vendor. MassIT owns the contract with this vendor.

Currently, the Commonwealth is contractually requiring the vendor to release a Service Organization Control (SOC) 1 Type 1 report. A SOC1 Type 1 report only provide assurance on the design and implementation of relevant controls. It does not provide assurance on the operating effectiveness of those controls during the period. Operating effectiveness of controls is included in a SOC1 Type 2 report. As such, the Commonwealth does not have sufficient information to determine whether controls were in-place and operating effectively throughout the year.

The risk increases that the vendor is not adequately in control of the Commonwealth's HIX/IES environment as well as that the Commonwealth agencies and entities using the system do not have the appropriate user controls in place. This could lead to unauthorized access or unauthorized changes to the system and its data.

Recommendation

Management should consider to:

- Work with the vendor to annually obtain a SOC1 Type 2 report.
- Setup a process to annually review the report to review the controls tested and the results of testing. Furthermore, map the User Entity Control Considerations to controls within the Commonwealth agencies and entities to ensure that adequate controls are in place at the Commonwealth agencies and entities. Only the combination of effective controls at the vendor with effective controls at the user organizations can lead to an effectively operating control environment for HIX/IES.

Views of Responsible Officials and Corrective Actions

The Commonwealth Executive Offices of Health and Human Services (EOHHS) believes that the capabilities provided by the Massachusetts Office of Information Technology (MassIT) meet or exceed the requirements of state and federal regulations. The Massachusetts Health Exchange (MA-HIX) system's security and privacy

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controls, overseen by MassIT MA-HIX Security Management Program (SMP), were approved by both the Centers for Medicare & Medicaid Services (CMS) and the Internal Revenue Service (IRS). MassIT exercises rigorous controls over the Systems Integrator & Maintainer as well as other entities comprised of the system boundary.

The Commonwealth EOHHS believes that the Governance and Oversight relationship between itself and MassIT as well as other parties which are constituents to the MA-HIX Security Management Program (SMP), provides sufficient visibility and collaboration to ensure that the system meets the necessary security and privacy requirements.

CMS requires each State Based Marketplace to implement and operate a proactive compliance and risk-based monitoring program aligned with the Minimum Acceptable Risk Standards for Exchanges (MARS-E) Framework which includes Annual Attestations, Change Reporting, Independent Assessments, Triennial Controls Validation & Auditing, Quarterly POAM submissions, and a robust vulnerability management program. To meet and exceed these objectives, the Commonwealth MassIT – MA-HIX Security Management Program (SMP), under the direction of the Commonwealth of Massachusetts Chief Information Security Officer (CISO), operates the Continuous Monitoring Program to ensure protection of MA HIX information assets. The Continuous Monitoring performs a periodic validation of documentation and technical controls following a triennial schedule in the form of a CMS Annual Attestation Report (AAR) deliverable endorsed by Commonwealth Officials.

The Commonwealth MassIT – MA-HIX SMP provides oversight and direct coordination of among others the following CMS, IRS, and State mandated activities with all parties including EOHHS and our Systems Integrator:

- Oversight for Infrastructure Scanning, Patching/Mitigations, & Configuration Management activities.
- Change Reporting & Annual Attestation Reporting
- Access Entitlement Reviews & Training Certifications
- Annual penetration tests

The combined Commonwealth MassIT – MA-HIX Security Management Program (SMP) and CMS mandated Continuous Monitoring Program (as described above) provides a comprehensive program involving joint participation by all parties to ensure technical, operational, and management controls are implemented, operational, and effective for the MA-HIX Systems Environment and associated Business and Operational areas.

However, the Commonwealth MassIT – MA-HIX SMP recognizes that it currently does not obtain a SOC 1 Type II report. Accordingly, the Commonwealth has initiated the formal request process with the third party to obtain the SOC 1 Type II Report. The timing and availability of this report will coincide with the expected period following the release of the annual SOC 1 Type 1 report anticipated in April 2017.

Responsible Official Scott Margolis, MA-HIX Security & Privacy Compliance Manager
Massachusetts Office of Information Technology

Implementation Date April 2017

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Year ended June 30, 2016

Executive Office of Health and Human Services

Finding Reference: 2016-011

MA21 – Mainframe Administrative Access

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

Based on KPMG’s testing, management identified one account with administrative access to the mainframe supporting MA21 that was considered inappropriate. After identification, management revoked access and determined that the account had not been used since 2013.

Administrative access grants a user extensive access to the system and allows that user to circumvent other controls that may exist. Hence, access to administrative accounts should be restricted to a small set of appropriate individuals. Furthermore, administrative access presents the risk that inappropriate access is inadvertently granted to new or existing users resulting in inappropriate changes made to the application and data that could potentially impact financial data and transactions in the application.

Recommendation

Management should consider to:

- Periodically review administrative access to all key databases, operating systems and applications to ensure that all administrative access is appropriately restricted to individuals who require such access to perform their job responsibilities.
- Reinforce the importance of restricting administrative access with all IT personnel and the need to revoke administrative access upon termination or reassignment of individuals.

Views of Responsible Officials and Corrective Actions

MA21 Account/Access review is scheduled to begin in September 2016, and will occur twice per year in September and March. Processes for granting and coordinating Administrative Access will be formally reviewed at that time. In addition changes in a user’s status will be captured through planned formal improvements in our off-boarding processes. Tightening our processes will ensure we control these situations more effectively.

Responsible Official Brian Chase, Chief Security Officer, Executive Office of Health and Human Services

Implementation Date March 2017

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Year ended June 30, 2016

Executive Office of Health and Human Services

Finding Reference: 2016-012

MA21 – Change Management

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

Users who have the ability to develop code changes for MA21 also have the ability to migrate these changes to production. In addition, management does not perform a formal periodic review of all changes to the production environment.

KPMG concluded that there is no technically enforced segregation of duties between developing and migrating changes, and that there is no effective review of all changes migrated to production. Therefore, there are no sufficient controls in place to prevent or detect potential unauthorized changes to the MA21 application.

Recommendation

Management should consider to:

- Technically segregate people with the ability to develop code from the people that have the ability to migrate code to production.
- Perform a periodic review of a report with all changes to the production environment to ensure only authorized personnel migrated appropriately approved changes. The report used should be a system generated list of changes and should not be based on a secondary source such as a ticketing system.

Views of Responsible Officials and Corrective Actions

The MA21 team has a small team of technical staff. Technical staff not only supports the development of functionality but also provides production on-call support. The development staff that are both allowed to create code and migrate code to production are part of the on-call support team. If a problem presents itself during our nightly batch run, an on-call staff member may need to correct a problem by changing code and as such needs the ability to migrate the code to production.

At this time we do not believe it is feasible to segregate the duties of the on-call staff from migration duties. We do have the ability to explicitly identify all code an on-call staff member has created and all code an on-call staff member has migrated to production. We will proceed to create explicit reporting that will be reviewed by the MA21 Release manager on a weekly basis to identify all code that was migrated to the production environment and to review specifically code that was created and migrated to production by members of the on-call team.

Responsible Official Amanda Joubert, Executive Office of Health and Human Services

Implementation Date November 2016

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Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Executive Office of Health and Human Services

Finding Reference: 2016-013

MA21 – Application Administrative Access

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

KPMG identified 4 accounts with administrative access to the MA21 application that were considered inappropriate. Management revoked access for these 4 accounts after identification.

Administrative access grants a user extensive access to the system and allows that user to circumvent other controls that may exist. Hence, access to administrative accounts should be restricted to a small set of appropriate individuals. Furthermore, administrative access presents the risk that inappropriate access is inadvertently granted to new or existing users resulting in inappropriate changes made to the application and data that could potentially impact financial data and transactions in the application.

Recommendation

Management should consider to:

- Periodically review administrative access to all key databases, operating systems and applications to ensure that all administrative access is appropriately restricted to individuals who require such access to perform their job responsibilities.
- Reinforce the importance of restricting administrative access with all IT personnel and the need to revoke administrative access upon termination or reassignment of individuals.

Views of Responsible Officials and Corrective Actions

MA21 Account/Access review is scheduled to begin in September 2016, and will occur twice per year in September and March. Processes for granting and coordinating Administrative Access will be formally reviewed at that time. In addition changes in a user's status will be captured through planned formal improvements in our off-boarding processes. The 4 accounts found to be incorrect included two terminated users from the Division of Transitional Assistance whose accounts were not properly closed, and two users from MassHealth whose permissions were not modified when job responsibilities shifted. Tightening our processes will ensure we control these situations more effectively.

Responsible Official Brian Chase, Chief Security Officer, Executive Office of Health and Human Services

Implementation Date March 2017

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Executive Office of Health and Human Services

Finding Reference: 2016-014

MA21 – Access Provisioning

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

Based on a sample of 25 new users and access modifications, KPMG identified 20 new users or access modifications where documentation supporting the request and approval of the new or modified access could not be provided.

If users are granted access to system functionality without appropriate approvals, the risk increases that inappropriate access is granted. This access could be used to perform unauthorized activity in the system which could compromise the confidentiality and integrity of the (financial) data in the system.

Recommendation

Management should consider to:

- Reinforce with personnel responsible that access can only be granted based on specific requests including appropriate approval.
- Perform a periodic review of (new) users and their (new) access to verify that all access is appropriate and commensurate with the employees' job responsibilities.

Views of Responsible Officials and Corrective Actions

MA21 Account/Access review is scheduled to begin in September 2016, and will occur twice per year in September and March. Formal improvements to our Account Administration process are under review and will be part of this ongoing effort.

Responsible Official Brian Chase, Chief Security Officer, Executive Office of Health and Human Services

Implementation Date March 2017

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Executive Office of Health and Human Services

Finding Reference: 2016-015

MA21 – Terminations

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

For 13 of 25 sampled employees that were terminated during FY16, KPMG determined that active access to MA21 was still available. Additionally, for 5 of the 25 samples, employees' documentation was not available for their termination and the resulting request for revoking access and as such KPMG could not determine whether access was revoked timely.

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

Recommendation

Management should consider to:

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

Views of Responsible Officials and Corrective Actions

MA21 Account/Access review is scheduled to begin in September 2016, and will occur twice per year in September and March. In addition changes in a user's status will be captured through planned formal improvements in our off-boarding processes.

Responsible Official Brian Chase, Chief Security Officer, Executive Office of Health and Human Services

Implementation Date March 2017

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Executive Office of Health and Human Services

Finding Reference: 2016-016

MMIS – Access Provisioning

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2015-009

Statistically Valid Sample: No

Observation

In fiscal 2014, KPMG identified that access was granted to the Medicaid Management Information System (MMIS) without appropriately documented approvals (finding reference 2014-009). Upon follow-up in 2015, KPMG noted that the issues was not remediated. During the audit of 2016, based on a sample of 25 new users, KPMG identified the following exceptions related to user provisioning:

- For 2 out of the 25 new users, the access requests did not specify which access was required for the user. Therefore, KPMG was not able to determine whether the access granted was also the access that was requested and approved.
- For 7 out of the 25 new users, the access granted did not correspond to the access requested.
- For 2 out of the 25 new users, documentation for their access request and its approval was not available.

If users are granted access to system functionality without appropriate approvals, the risk increases that inappropriate access is granted. This access could be used to perform unauthorized activity in the system which could compromise the confidentiality and integrity of the (financial) data in the system.

Recommendation

Management should consider to:

- Reinforce with personnel responsible that access can only be granted based on specific requests including appropriate approval.
- Perform a periodic review of (new) users and their (new) access to verify that all access is appropriate and commensurate with the employees' job responsibilities.

Views of Responsible Officials and Corrective Actions

MMIS Account Management Process review is scheduled to begin in September 2016, and will occur twice per year in September and March. Processes for granting and coordinating access will be formally reviewed at that time.

Responsible Official Brian Chase, Chief Security Officer, Executive Office of Health and Human Services

Implementation Date March 2017

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Executive Office of Health and Human Services

Finding Reference: 2016-017

MMIS – Terminations

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2015-011

Statistically Valid Sample: No

Observation

In FY14, KPMG identified multiple exceptions in the access revocation process (FY14 finding reference: 2014-013). Upon follow-up in 2015, KPMG noted that the control had not been remediated.

In the 2016 audit, KPMG identified 24 employees in the population of 238 terminated employees whose access had not been revoked at the time of testing and who still had active accounts in the Medicaid Management Information System (MMIS).

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

Recommendation

Management should consider to:

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

Views of Responsible Officials and Corrective Actions

MMIS Account Management Process review is scheduled to begin in September 2016, and review of accounts will occur twice per year in September and March. In addition changes in a user's status will be captured through planned formal improvements in our off-boarding processes.

Responsible Official Brian Chase, Chief Security Officer, Executive Office of Health and Human Services

Implementation Date March 2017

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Executive Office of Health and Human Services

Finding Reference: 2016-018

MMIS and MA21 – User Access Reviews

Type of Finding: Significant Deficiency

Prior Year Finding: Yes, 2015-010

Statistically Valid Sample: No

Observation

As also identified for the Medicaid Management Information System (MMIS) in FY15 and FY14 (FY14 finding reference 2014-012), a formal periodic review of all users and their access rights in MMIS and MA21 is not performed. Also, there is no formal periodic review of the users with the ability to perform specific high privileged functions.

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

Recommendation

Management should consider to:

- Implement a user access review for MMIS and MA21. Reviewers should be aware of the importance of their review. Furthermore, which reviewer is responsible for which user should be identified and reviewers should provide positive confirmation that they have completed the review.
- If deviations are identified, ensure access is changed accordingly for all identified deviations and that the reviewers obtain a new access list to confirm the deviations are resolved.

Views of Responsible Officials and Corrective Actions

MMIS and MA21 Account Management Process review is scheduled to begin in September 2016, and review of accounts will occur twice per year in September and March. In addition changes in a user's status will be captured through planned formal improvements in our off-boarding processes.

Responsible Official Brian Chase, Chief Security Officer, Executive Office of Health and Human Services

Implementation Date March 2017

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Department of Transitional Assistance

Finding Reference: 2016-019

BEACON – Change Management

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

Users who have the ability to develop code changes for BEACON also have the ability to migrate these changes to production. In addition, management does not perform a formal periodic review of all changes to the production environment.

KPMG concluded that there is no technically enforced segregation of duties between developing and migrating changes, and that there is no effective review of all changes migrated to production. Therefore, there are no sufficient controls in place to prevent or detect potential unauthorized changes to the BEACON application.

Recommendation

Management should consider to:

- Technically segregate people with the ability to develop code from the people that have the ability to migrate code to production.
- Perform a periodic review of a list of all changes to the production environment to ensure only authorized personnel migrated appropriately approved changes. The list used should be a system generated list of changes and should not be based on a secondary source such as a ticketing system.

Views of Responsible Officials and Corrective Actions

As per your recommendation, we will technically segregate our development staff, so that only the Middleware Administrator can logon to the production server and move code to production. Due to staffing constraints, in his absence; the Middleware Administrator will be backed up by the System Architect and the Project Technical Lead.

Responsible Official Mehreen Hassan, Department of Transitional Assistance

Implementation Date January 1, 2017

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Department of Transitional Assistance

Finding Reference: 2016-020

BEACON – Application Administrative Access

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

KPMG identified 2 accounts with administrative access to the BEACON application that were considered inappropriate. Management revoked access for these 2 accounts after identification.

Administrative access grants a user extensive access to the system and allows that user to circumvent other controls that may exist. Hence, access to administrative accounts should be restricted to a small set of appropriate individuals. Furthermore, administrative access presents the risk that inappropriate access is inadvertently granted to new or existing users resulting in inappropriate changes made to the application and data that could potentially impact financial data and transactions in the application.

Recommendation

Management should consider to:

- Periodically review administrative access to all key databases, operating systems and applications to ensure that all administrative access is appropriately restricted to individuals who require such access to perform their job responsibilities.
- Reinforce the importance of restricting administrative access with all IT personnel and the need to revoke administrative access upon termination or reassignment of individuals.

Views of Responsible Officials and Corrective Actions

The scope of the Annual Access Review conducted on the BEACON 3 System in May and June of 2016 was expanded to include all users with access to BEACON including staff from other agencies. This will ensure that all users even those with administrative access will be reviewed for appropriateness.

Responsible Official Brian Chase, Chief Security Officer, Executive Office of Health & Human Services

Implementation Date June 29, 2016

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Department of Transitional Assistance

Finding Reference: 2016-021

BEACON – Terminations

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

For 5 of the 15 sampled employees who were terminated during FY16, KPMG determined that active access to BEACON was still available. Access was revoked by management upon identification that their access was still active. Furthermore, for 7 of the 10 employees whose access was removed, this was not done in a timely manner (more than 3 business days after termination).

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

Recommendation

Management should consider to:

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

Views of Responsible Officials and Corrective Actions

The importance of prompt notification from the Department of Transitional Assistance (DTA) HR department on user terminations has been reinforced by both the DTA Security Officer and the DTA Compliance Officer. DTA HR has reinstated a bimonthly termination notification. This will ensure that Security is notified before the user terminates or ASAP afterwards. DTA will continue to perform an annual access review.

Responsible Official Brian Chase, Chief Security Officer Executive Office of Health & Human Services

Implementation Date August 5, 2016

COMMONWEALTH OF MASSACHUSETTS

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

Department of Transitional Assistance

Finding Reference: 2016-022

BEACON – Access Provisioning

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Observation

For 4 out of the 16 sampled new users, the access requests and related approvals were not formally documented. KPMG could not obtain sufficient audit evidence to verify that only appropriately approved access was granted.

If users are granted access to system functionality without appropriate approvals, the risk increases that inappropriate access is granted. This access could be used to perform unauthorized activity in the system which could compromise the confidentiality and integrity of the (financial) data in the system.

Recommendation

Management should consider to:

- Reinforce with personnel responsible to grant access that access can only be granted based on specific requests.
- Perform a periodic review of (new) users and their (new) access to verify that all access is appropriate and commensurate with the employees' job responsibilities.

Views of Responsible Officials and Corrective Actions

All user requests including those from other agencies will be logged into the Computer Associates Service Desk. This will ensure that if the email containing the request is lost, a record of the request will still be available for auditing purposes.

Responsible Official Brian Chase, Chief Security Officer Executive Office of Health & Human Services

Implementation Date July 8, 2016

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

COMMONWEALTH OF MASSACHUSETTS
Findings and Questioned Costs Relating to Federal Awards
Year ended June 30, 2016

Department of Elementary and Secondary Education

Child Nutrition Cluster (10.555, 10.559)

Federal Award Number:	15154MA303N1097	Award Year: 2015
	15154MA303N1098	Award Year: 2015
	16164MA303N1097	Award Year: 2016
	16164MA303N1098	Award Year: 2016

U.S. Department of Agriculture

Finding Reference: 2016-023

Matching

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

In accordance with 7 CFR 210.17, the State is required to contribute State-appropriated funds amounting to at least 30 percent of the funds it received under Section 4 of the Richard B. Russell National School Lunch Act, as amended, in the school year beginning July 1, 1980, unless otherwise exempted by 7 CFR 210.17.

The Uniform Guidance requires management to maintain internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

During our testing of federal matching requirements, it was noted that the required amount of matching funds was provided by Department of Elementary and Secondary Education (DESE) as calculated at the end of the year. It was also disclosed that DESE management monitors the matching requirement throughout the program year by reviewing weekly or bi-weekly trial balance reports that indicate the amount of unspent matching expenditures to-date. However, it was noted that there is no indication of review and approval of this process on these documents.

Recommendation

We recommend that DESE management implement procedures for documenting the review and approval process over monitoring matching requirements of the Child Nutrition Cluster in order to ensure compliance over matching requirements of the cluster.

Questioned Costs

None

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Views of Responsible Officials and Corrective Actions

As noted, DESE monitors the State Matching Funds throughout the year through the encumbrance balance report on the weekly payment documentation “journals.” The journals are initiated by the Nutrition Financial Management team and given initial approval by the Nutrition Financial Management Section Head. The Nutrition Director provides the final approval and initiates payment through the Massachusetts Management Accounting and Reporting System (MMARS). The current indication of review and approval is the Nutrition Financial Management Section Head’s handwritten tally of total payments and dollars on the cover sheet of each journal. The Nutrition Director’s indication of review and approval is the automated signature created by the MMARS system that indicates the Nutrition Director has approved the journal for payment.

DESE will add an additional indication of review and approval that includes additional sign offs on the journal documentation by the Financial Management Section Head and Nutrition Director.

DESE will create policies and procedures documenting this process.

Responsible Official Rob Leshin, Assistant Director of Safety, Health and Nutrition, DESE

Implementation Date March 2017

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Elementary and Secondary Education

Child Nutrition Cluster (10.555, 10.559)

Federal Award Number:	15154MA303N1097	Award Year: 2015
	15154MA303N1098	Award Year: 2015
	16164MA303N1097	Award Year: 2016
	16164MA303N1098	Award Year: 2016

Child and Adult Care Food Program (10.558)

Federal Award Number:	15154MA350N1050	Award Year: 2015
	15154MA303N1090	Award Year: 2015
	15144MA334N2020	Award Year: 2015
	15154MA334N2020	Award Year: 2015
	16154MA350N1050	Award Year: 2016
	16164MA350N1050	Award Year: 2016
	16164MA303N1090	Award Year: 2016
	16154MA334N2020	Award Year: 2016
	16164MA334N2020	Award Year: 2016

U.S. Department of Agriculture

Finding Reference: 2016-024

Cash Management

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

The Department of Elementary and Secondary Education (DESE) Nutrition Department maintains a security portal whereby claims for reimbursement by subrecipients are submitted through this portal. A separate accounting of expenditures for all programs in the cluster is maintained within this security portal. The Nutrition Department reconciles expenditures recorded in the security portal to the Massachusetts Management Accounting and Reporting System (MMARS) on a monthly basis.

The Uniform Guidance requires management to maintain internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

Our testing of security portal/MMARS reconciliations for all three months selected for each major program for the year noted that the DESE Nutrition Department did not document the reconciliation process.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Recommendation

We recommend that DESE management document both the reconciliation process between the Nutrition Department's security portal and MMARS, and its review and approval over this process.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

DESE reconciles payments made through the DESE Security Portal and the associated accounts in MMARS on a monthly basis. The reconciliation is conducted by a DESE nutrition staff member and reviewed by the Nutrition Financial Management Section Head. The documentation of review is handwritten dates provided by the DESE staff member that indicate the MMARS payments that correspond with the Security Portal payments were found and no issues exist.

DESE will add an additional step of documentation that includes additional sign offs by the DESE staff member and Nutrition Financial Section Head to document that review has taken place.

DESE will create policies and procedures documenting this process.

Responsible Official Rob Leshin, Assistant Director of Safety, Health and Nutrition, DESE

Implementation Date March 2017

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Elementary and Secondary Education

Child Nutrition Cluster (10.555, 10.559)

Federal Award Number:	15154MA303N1097	Award Year: 2015
	15154MA303N1098	Award Year: 2015
	16164MA303N1097	Award Year: 2016
	16164MA303N1098	Award Year: 2016

Child and Adult Care Food Program (10.558)

Federal Award Number:	15154MA350N1050	Award Year: 2015
	15154MA303N1090	Award Year: 2015
	15144MA334N2020	Award Year: 2015
	15154MA334N2020	Award Year: 2015
	16154MA350N1050	Award Year: 2016
	16164MA350N1050	Award Year: 2016
	16164MA303N1090	Award Year: 2016
	16154MA334N2020	Award Year: 2016
	16164MA334N2020	Award Year: 2016

U.S. Department of Agriculture

Finding Reference: 2016-025

Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

According to 2 CFR 200.331(a), a pass through entity must...ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal Award Identification.
 - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
 - (ii) Subrecipient's unique entity identifier;
 - (iii) Federal Award Identification Number (FAIN);
 - (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

- (v) Subaward Period of Performance Start and End Date;
 - (vi) Amount of Federal Funds Obligated by this action by the pass through entity to the subrecipient;
 - (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass through entity including the current obligation;
 - (viii) Total Amount of the Federal Award committed to the subrecipient by the pass through entity;
 - (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - (x) Name of Federal awarding agency, pass through entity, and contact information for awarding official of the Pass through entity;
 - (xi) CFDA Number and Name; the pass through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - (xii) Identification of whether the award is R&D; and
 - (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs)
- (2) All requirements imposed by the pass through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
 - (3) Any additional requirements that the pass through entity imposes on the subrecipient in order for the pass through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
 - (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
 - (5) A requirement that the subrecipient permit the pass through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass through entity to meet the requirements of this part; and
 - (6) Appropriate terms and conditions concerning closeout of the subaward.

In accordance with 2 CFR Section 200.331, the State is further required to:

- monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals, and;
- follow up and ensure that subrecipients take timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient by the State that were detected through audits, on site reviews and other means.

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

In accordance with 7 CFR Sections 210.18, 210.19, 220.8 and 220.13, states are required to prescribe and administer a system to ensure that local food services authorities comply with program requirements, inclusive of administrative reviews on a three year cycle, follow up reviews on administrative review findings, and additional administrative reviews of selected subrecipients that have a demonstrated level, or at higher risk for, administrative error.

In accordance with 7 CFR Section 226.6, state agencies are required to assess institutional compliance by performing on site reviews of independent centers, sponsoring organizations of centers, and sponsoring organizations of day care homes, including reviews of new organizations, in accordance with a schedule prescribed in 7 CFR Section 226.6(m) and 42 USC 1766 (d)(2)(A).

The Uniform Guidance requires management to maintain internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

Our testing of subrecipient monitoring in fiscal year 2016 noted the following deficiencies:

- There was no evidence on file documenting that the Catalogue of Federal Domestic Assistance (CFDA) number and Federal Award Identification Number (FAIN) were provided to 65 of 65 subrecipients selected for testing for each major program.
- The Department of Elementary and Secondary Education (DESE) maintains a single audit log that tracks receipt and review results of subrecipients' single audit reports. This log could not be located for the fiscal year 2015 audits.
- DESE has implemented a tracking sheet for subrecipients' annual Federal award audit results that identifies all findings, highlights repeat findings, and follows the status of each finding through resolution, for each subrecipient that had reported findings applicable to DESE programs within the subrecipient's Federal award audit. A tracking sheet was not on file for 8 of 23 subrecipients selected for testing under the Child Nutrition Cluster and 3 of 8 subrecipients selected for testing under the Child and Adult Care Food Program that had findings reported in the subrecipient's Federal award audit.
- Copies of audit delinquency letters that DESE sent to subrecipients who are required to file a Federal award audit report, but had not filed by the March 31st deadline, are not maintained on file.
- For the Child Nutrition Cluster, DESE uses a master administrative review listing that tracks, within a three year cycle, the year that an administrative review will be performed on each subrecipient. We noted 43 subrecipients paid in fiscal year 2016, as documented in MMARS, that were not on the National School Lunch Program administrative review listing. It was disclosed that the majority of these subrecipients were under the School Milk Program and that a master administrative review listing is not maintained for this program.
- For the Child and Adult Care Food Program, DESE uses a master administrative review listing that tracks, within a three year cycle, the year that an administrative review will be performed on each subrecipient. We noted 7 subrecipients who were approved for funding in fiscal year 2016 that were not on the Child and Adult Care Food Program administrative review listing. We also noted that 2 subrecipients paid in fiscal year 2016, as documented in MMARS, were not on the Child and Adult Care Food Program administrative

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

review listing. It was disclosed that an administrative review was performed on these 2 subrecipients during the FY14 and FY15 periods.

Recommendation

We recommend that DESE management implement control procedures to ensure that:

- CFDA and FAIN numbers are provided to the subrecipients of the Child Nutrition Cluster and the Child and Adult Care Food Program;
- The Single Audit Log is maintained on file and available for review;
- Tracking sheets for subrecipients' Federal award audit results are maintained on file;
- Copies of audit delinquency letters sent to subrecipients are maintained on file; and
- All subrecipients are included on the individual programs' master administrative review listings to ensure that each subrecipient is targeted for review once every three years in accordance with Federal guidelines for these programs.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

DESE Nutrition office has updated the public website to include CFDA and FAIN numbers for all nutrition awards.

DESE Nutrition office will seek new methods of documenting the periodic review of Special Milk Programs that are reviewed outside of the NSLP three year review cycle.

USDA CACFP regulations require subrecipients to be reviewed once every three years as noted. The subrecipients not found on the FY16 CACFP review operational plan were new subrecipients who joined in FY16. It is our process that new programs are reviewed the following year therefore they would not be found on the FY16 review operational plan and were not manually added on as such. DESE Nutrition office tracks all CACFP subrecipients through the Security Portal where a master CACFP subrecipient review tracker is available. The FY16 review operational plan was requested during the review and not a master review list that contains all CACFP subrecipients. A master review list that contains all CACFP subrecipients is available.

DESE has the Single Audit log properly maintained and available for review, and will work to ensure tracking sheet and delinquency letters are properly maintained on file.

Responsible Officials Rob Leshin, Assistant Director of Safety, Health and Nutrition, DESE and Bill Bell, Chief Financial Officer, DESE

Implementation Date March 2017

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Elementary and Secondary Education

Child Nutrition Cluster (10.555, 10.559)

Federal Award Number:	15154MA303N1097	Award Year: 2015
	15154MA303N1098	Award Year: 2015
	16164MA303N1097	Award Year: 2016
	16164MA303N1098	Award Year: 2016

Child and Adult Care Food Program (10.558)

Federal Award Number:	15154MA350N1050	Award Year: 2015
	15154MA303N1090	Award Year: 2015
	15144MA334N2020	Award Year: 2015
	15154MA334N2020	Award Year: 2015
	16154MA350N1050	Award Year: 2016
	16164MA350N1050	Award Year: 2016
	16164MA303N1090	Award Year: 2016
	16154MA334N2020	Award Year: 2016
	16164MA334N2020	Award Year: 2016

U.S. Department of Agriculture

Finding Reference: 2016-026

Reporting

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Child Nutrition Cluster Requirements

In accordance with 7 CFR 210.17, the State is required to file FNS-13, *Annual Report of State Revenue Matching* that identifies State revenues to be counted toward meeting the State revenue matching requirement.

In accordance with 7 CFR sections 210.20, 215.11, 220.13 and 225.8, the State is required to file a quarterly FNS-777, *Financial Status Report* that captures the State agency's cumulated outlays (expenditures) and unliquidated obligations of Federal funds of the program and program components that comprise the Child Nutrition Cluster.

In accordance with 7 CFR sections 210.5, 210.8, 215.10, 215.11, 220.11 and 220.13, the State is required to file a FNS-107, *Report of School Program Operations* that captures meals served under the National School Lunch Program and the School Breakfast Program, and half-pints of milk served under the Summer Milk Program.

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In accordance with 7 CFR sections 225.8 and 225.9, the State is required to file FNS-418, *Report of Summer Food Service Program for Children* that reports the number of meals served under the Summer Food Service Program by sponsors under the State agency's oversight.

Child and Adult Food Care Program Requirements

In accordance with 7 CFR 226.7(d), the State is required to file a quarterly FNS-777, *Financial Status Report* that captures the State agency's cumulated outlays (expenditures) and unliquidated obligations of Federal funds of the Child and Adult Care Food Program.

In accordance with the US Office of Management and Budget Compliance Supplement for the Child and Adult Care Food Program, the State is required to file a monthly FNS-44, *Report of Child and Adult Care Food Program* that reports the number of meals served, by category and type, in institutions under the State agency's oversight during the month.

Other Requirements

The Uniform Guidance requires management to maintain internal control over Federal programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

Our testing of Federal reports issued by the Department of Elementary and Secondary Education (DESE) in fiscal year 2016 noted the following deficiencies:

Related to both programs:

- There was a lack of segregation of duties in regards to preparing and reviewing reports, as 7 of 8 reports tested for the Child Nutrition Cluster, and 4 of 5 reports tested for the Child and Adult Care Food Program were prepared, reviewed and submitted by the same person.

Related to Child Nutrition Cluster:

- Supporting documentation was not maintained on file for total Federal share of unliquidated obligation amounts report on FNS-777 line 10j for 2 of 2 reports tested.

Related to Child and Adult Care Food Program:

- Amounts reported in Part E of FNS-44 did not agree to supporting documentation provided for 3 of 3 reports tested. In addition, supporting documentation was not maintained on file for amounts reported on FNS-44 Part A line 7 for 3 of 3 reports tested.

Recommendations

We recommend that DESE management implement control procedures that include a segregation of duties between the preparation of Federal reports and the review and approval of reporting, as well as maintaining supporting documentation for all amounts reported. We also recommend that DESE management perform a

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

documented reconciliation between amounts reported on the FNS-777 report and amounts recorded in DESE Security Portal.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

DESE Nutrition office will look into having additional financial management staff have access to USDA's Food Program Reporting System (FPRS) to ensure segregation of duties between preparation and approval happens more consistently.

The unliquidated obligations on the FNS-777 represent a roll up of all child nutrition claims, by program, that have not yet been submitted to DESE for payment. These numbers are calculated by querying prior submissions of claims and therefore are estimates. For the most part amounts do not fully liquidate as DESE has no idea when or if we will receive a claim from a district that has not submitted their claim. DESE Nutrition office will add a periodic (annual) review of the Unliquidated Obligations Specification as an additional review of the unliquidated obligations calculations to ensure that the algorithm calculating the estimates remains valid.

A fix was already made to the FNS-44 regarding issues to the calculation of Part A and E. Reports going forward will be accurate.

DESE Financial Management section will ensure additional documentation of review and approval is visible on the FNS-777 report generated from the Security Portal. DESE will create policies and procedures documenting this process.

Responsible Official Rob Leshin, Assistant Director of Safety, Health and Nutrition, DESE

Implementation Date March 2017

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Year ended June 30, 2016

Department of Housing and Community Development

Moving to Work Demonstration Program (14.881)

Federal Award Number: VOWO293 **Award Year:** 2016

U.S. Department of Housing and Urban Development

Finding Reference: 2016-027

Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

According to 2 CFR 200.331(a), a pass-through entity must...ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

- (i) Subrecipient name (which must match the name associated with its unique entity identifier);
- (ii) Subrecipient's unique entity identifier;
- (iii) Federal Award Identification Number (FAIN);
- (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
- (v) Subaward Period of Performance Start and End Date;
- (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
- (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
- (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
- (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
- (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;

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- (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - (xii) Identification of whether the award is R&D; and
 - (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs)
- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
- (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
- (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- (6) Appropriate terms and conditions concerning closeout of the subaward.

Finding

The Department of Housing and Community Development (DHCD) did not consistently inform its Moving to Work program subrecipients of the above required information.

Recommendation

We recommend that DHCD assess the design of its internal controls over subrecipient monitoring, to ensure all subrecipients are informed of the expectations of being a subrecipient of federal funds.

Questioned Costs

None

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Year ended June 30, 2016

Views of Responsible Officials and Corrective Actions

Although the subrecipient contracts have not consistently identified to the Moving to Work (MTW) agencies that they are Federal subrecipients, DHCD has considered the MTW agencies to be subrecipients, and has conducted monitoring and provided training to them regarding the Federal and State compliance requirements. In order to adopt the recommendations made by KPMG relative to the MTW program and 2 CFR 200.331(a), DHCD will revise the MTW subrecipient contracts to include the required CFDA information and the applicable Federal compliance requirements per the Uniform Guidance and Compliance Supplement, and also assess its internal controls over subrecipient monitoring.

Responsible Official Helen Plant, Director of Federal Programs, Bureau of Rental Assistance, DHCD

Implementation Date June 30, 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Housing and Community Development

Moving to Work Demonstration Program (MTW) (14.881)

Federal Award Number: VOWO293 Award Year: 2016

U.S. Department of Housing and Urban Development

Low-Income Home Energy Assistance Program (LIHEAP) (93.568)

Federal Award Number: 2015G992201 Award Year: 2015

Community Services Block Grant (CSBG) (93.569)

Federal Award Number: 2016G994002 Award Year: 2015

U.S. Department of Health and Human Services

Finding Reference: 2016-028

Allowable Costs

Type of finding: Significant Deficiency and Noncompliance

Prior year finding: No

Statistically Valid Sample: No

Requirement

According to 2 CFR 200.302(b)(7) recipients of federal awards must have written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles and the terms and conditions of the Federal award.

Finding

The LIHEAP, CSBG and MTW programs do not have the specific written procedures described above.

Recommendation

We recommend that the Department of Housing and Community Development (DHCD) ensure that all required written procedures be in place for these programs.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

DHCD is now in compliance with the recommendations made by KPMG relative to the LIHEAP, CSBG and MTW programs regarding 2 CFR 200.302(b)(7). In order to ensure that the required written procedures are in place for these programs, DHCD developed a policy for determining allowable costs in accordance with Subpart E – Cost Principles of the Uniform Grant Guidance and Federal award terms and conditions. The

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Year ended June 30, 2016

policy is agency-wide for all Federal programs, including LIHEAP, CSBG and MTW, and is available for all employees to use as a reference when utilizing Federal program funds.

Responsible Official Evelyn Martucci, Internal Controls Officer, DHCD

Implementation Date February 17, 2017

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Year ended June 30, 2016

Department of Housing and Community Development

Low-Income Home Energy Assistance Program (LIHEAP) (93.568)

Federal Award Number: 2015G992201 **Award Year:** 2015

Community Services Block Grant (CSBG) (93.569)

Federal Award Number: 2016G994002 **Award Year:** 2015

U.S. Department of Health and Human Services

Finding Reference: 2016-029

Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

According to 2 CFR 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring.

Additionally, according to 2 CFR 200.331(a)(xi), the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement.

Finding

The Department of Housing and Community Development (DHCD) did not document its subrecipient risk assessment process. Additionally, DHCD did not identify the required CFDA information to its subrecipients.

Recommendation

We recommend that DHCD assess the design of its internal controls over subrecipient monitoring, to ensure risk assessment of all subrecipients is performed and documented, and all required information be communicated to subrecipients.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

DHCD has procedures in place to evaluate the subrecipients' risk of noncompliance and determine appropriate monitoring relative to the LIHEAP and CSBG programs, based on such determinants as the results of prior audits, monitoring visits, Organizational Standards reports, and DHCD's knowledge of and prior experience with the subrecipients. However, in order to ensure that risk assessments of LIHEAP and CSBG subrecipients are performed and documented going forward, DHCD intends to adopt the recommendations made by KPMG

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

regarding 2 CFR 200.331(b) and assess its internal controls and implement a subrecipient risk assessment form by September 30, 2017.

DHCD is now in compliance with the recommendations made by KPMG relative to the LIHEAP and CSBG programs regarding 2 CFR 200.331(a)(1)(xi). DHCD currently identifies the required CFDA information on all subrecipient contracts. To ensure that the CFDA information is included on all subrecipient contracts going forward, DHCD now includes this as part of the internal contract review process.

Responsible Officials Edward Kiely, Program Manager of the Community Services Unit, Division of Community Services
Chuna Keophannga, Finance Manager, OAF-DCS Fiscal Compliance Unit

Implementation Dates Related to 2 CFR 200.331(b) comment: September 30, 2017
Related to 2 CFR 200.331(a)(1)(xi) comment: February 1, 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: N/A

U.S. Department of Labor

Finding Reference: 2016-030

Reporting

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: Yes, 2015-016

Statistically Valid Sample: No

Requirement

On a monthly basis the Executive Office of Labor and Workforce Development (EOLWD) is required to report the summary of transactions in a state unemployment fund which consists of the Clearing Account, Unemployment Trust Fund (UTF) Account, and Benefit Payment Account on the ETA 2112, UI Financial Transaction Summary. Form ETA 2112 provides a summary of data pertaining to state unemployment insurance (UI) tax collections, regular benefits paid, Federal and state shares of extended benefits paid, Federal temporary program benefits paid, and other transactions affecting the UTF.

Per ET Handbook No. 402, Unemployment Insurance Required Reports Handbook, all payments by employers (and employees where applicable) into a state unemployment fund for contributions, payments in lieu of contributions, and special assessments should be accounted for in the report.

On a quarterly basis the Executive Office of Labor and Workforce Development (EOLWD) is required to report information on overpayments of intrastate and interstate claims under the regular state unemployment insurance (UI) program, and under federal UI programs including the Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service members (UCX) programs, established under Chapter 85, title 5, U.S. Code on Form 227, Overpayment Detection and Recovery Activities.

ETA 227 report includes data provided for the establishment of overpayments, recoveries of overpayments, criminal and civil actions involving overpayments obtained fraudulently, and an aging schedule of outstanding benefit overpayment accounts.

Per ET Handbook No. 402, Unemployment Insurance Required Reports Handbook, all applicable data on the ETA 227 report should be traceable to the data regarding overpayments and recoveries in the state's financial accounting system.

Per ET Handbook 401, on a quarterly basis, EOLWD is required to submit financial reports for ETA 191 on UCFE and UCX expenditures and the total amount of benefits paid to claimants of specific Federal agencies.

Per ET Handbook, on a quarterly basis, EOLWD is required to submit the UI-3, a special report on staff years worked and paid by program category.

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Per 2 CFR 200.303, EOLWD must establish and maintain internal control over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and program compliance requirements that could have a material effect on each of its Federal programs.

Finding

During our testing of the 227 report, we noted that for 2 out of 2 samples selected, EOLWD did not file either report.

During our testing of the 191 report, we noted that for 2 out of 2 samples selected, there was no documented management review over the supporting documentation.

During our testing of the 2112 report, for 3 out of 3 samples selected, there was no documented management review over the supporting documentation.

During our testing of the UI-3 report, for 1 out of 2 samples selected, there was no documented management review over the supporting documentation.

Recommendation

We recommend that EOLWD address challenges preventing the accurate and timely submission of the 227 report.

We also recommend that EOLWD management document its review of the supporting documentation over the 191, 2112, and UI-3 report.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

Management has revised the controls in relation to ETA 191, 2112 and UI3. The forms will be reviewed and signed off as recommended by the auditors.

Errors upon transmission of ETA Quarterly 227 reporting were prohibiting proper transmission/submission. The Department of Unemployment Assistance (DUA) initiated communications with the National Office in April of 2016 when issues with ETA 227 Q1 submission first arose.

In order to rectify the problems associated with the Q1 and subsequent ETA 227 Quarters, DUA continued its communication with the National Office. After multiple manual attempts to correct the submissions, MA DUA along with EOLWD IT Team had a tele-conference with other states that have a similar UI framework. During the conference it became apparent that potential coding issues need to be addressed with the data that populates MA ETA 227 reports. Simultaneously, DUA has hired a resource to specifically focus on Data Validation. ETA 227 is part of the Data Validation project plan and corrections to coding will be addressed

Responsible Official Aaron D'Elia, Chief Financial Officer-EOLWD
Robert Cunningham, DUA Director

Implementation Date January 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: N/A

U.S. Department of Labor

Finding Reference: 2016-031

Special Tests and Provisions – Benefit Accuracy Measurement

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: Yes, 2015-014

Statistically Valid Sample: No

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

It was observed that for paid claims cases, the BAM unit did not meet required minimums for case completion during the specified time period. Per the ET Handbook, 70% of cases must be completed within 60 days of the week ending batch. During testwork it was found only 68% of cases was completed during 60 days. Per the ET Handbook, 95% of cases must be completed within 90 days of the week ending date batch. During testwork it was found only 93% of cases were completed within the 90 days.

Recommendation

We recommend that the BAM unit put processes and controls in place to ensure compliance with required case completion minimums.

We recommend that the Executive Office of Labor and Workforce Development (EOLWD) ensure that the BAM State Operations Handbook is consistent with the ET Handbook.

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Year ended June 30, 2016

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

PCA 60 and 90 day timeliness each fell short 1.69%. Meeting federal timeliness standards is a continuous struggle for MA-BAM due to MA being the single state with unique UI Benefit monetary laws that BAM requirements do not account for. All but one BAM Investigator met or exceeded the minimum timeliness requirements during the audit period.

The BAM Supervisor reviews individual and unit timeliness multiple times through the week. The BAM Supervisor completes projections, for each individual staff and for the unit, weekly to determine what action needs to be taken to ensure compliance with timeliness standards. BAM processes are continuously reviewed to ensure compliance with federal guidelines

In early 2016 the USDOL Employment and Training Administration (ETA) stated that major revisions are being made to the BAM program. Said changes are to move the program from a “quality program” to a “measurement program.” As a result, the BAM program will undergo significant changes. The publication date for a new 395 handbook was June 2016. Because of this, modification to the State Operations Handbook were delayed with the intent of completing one major revision. At this time, the new 395 handbook has not been published. During the federal review in September 2016 the ETA National BAM Administrator announced that the handbook would be published prior to year end. Changes have not been made to the MADUA BAM State Operations Handbook to reflect requested additions; however, important information and training has been delivered to staff through email and staff meetings.

Responsible Official Susan Saulnier, Quality Control Manager, EOLWD

Implementation Date January 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Labor and Workforce Development

Unemployment Insurance (17.225)

Federal Award Number: N/A

U.S. Department of Labor

Finding Reference: 2016-032

Cash Management

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: Yes, 2015-012

Statistically Valid Sample: No

Requirement

U. S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 et seq.), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs.

Within the CMIA for 17.225S Unemployment Insurance – State Benefit Account, “The State shall request funds the same day it pays out funds... The amount of the request shall be for the amount of funds that clear the State’s account that day.”

According to 2 CFR 215.22, to the extent available, recipients shall disburse funds available from repayments before requesting additional cash payments.

Per 2 CFR 200.303, the Executive Office of Labor and Workforce Development (EOLWD) must establish and maintain internal control over federal programs that provide reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and program compliance requirements that could have a material effect on each of its Federal programs.

Finding

For 1 of 25 selected State regular benefit check payment dates, there were no subsequent cash reimbursement requests associated with the benefit payments. While requests for funds from the State account were made on a daily basis, there were approximately \$73.6 million of state funded benefit checks for a period of 18 days that in July and August of 2015 for which there was no related reimbursement request. Further investigation showed that this occurrence was the result of a true-up effort to take into account challenges with the UI Online report configuration that is the basis for the daily draw calculations. We further observed that the daily true up process in place in prior fiscal years was not in place during fiscal year 2016. Additionally, we observed that there were no additional true up efforts conducted during the fiscal year after August.

In addition, during testwork, it was observed that throughout the year, EOLWD received repayments from members for previously overpaid unemployment claims. The federal funds requested by EOLWD were not

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

properly netted against the repayments recouped by EOLWD, which would cause EOLWD to request funds at various times throughout the year in excess of the amount cleared.

Recommendation

We recommend that EOLWD put in place and consistently perform processes and controls developed to address shortcomings in reports related to cash management and help ensure that EOLWD has not overdrawn funds from the U.S. Treasury.

For reimbursement of federally funded benefit payments, we recommend that the EOLWD develop written procedures over cash drawdown requests consistent with that of the CMIA and document the operating effectiveness of controls put in place.

Questioned Costs

Not determinable.

Views of Responsible Officials and Corrective Actions

EOLWD finance is reviewing cash management process and procedures as recommended.

Responsible Official Jack Defina, Director of Cash Management, EOLWD

Implementation Date January 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Massachusetts Department of Transportation

High-Speed Rail Corridors and Intercity Passenger Rail Service-Capital Assistance Grants (20.319)

Federal Award Number: F-HSR-0040-11-01-00 Award Year: 2016

U.S. Department of Transportation

Finding Reference: 2016-033

Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

2 CFR 200.331(a) indicates that all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification:

- (1) Federal Award Identification.
 - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
 - (ii) Subrecipient's unique entity identifier;
 - (iii) Federal Award Identification Number (FAIN);
 - (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
 - (v) Subaward Period of Performance Start and End Date;
 - (vi) Amount of Federal Funds Obligated by this action by the pass through entity to the subrecipient;
 - (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass through entity including the current obligation;
 - (viii) Total Amount of the Federal Award committed to the subrecipient by the pass through entity;
 - (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - (x) Name of Federal awarding agency, pass through entity, and contact information for awarding official of the Pass through entity;
 - (xi) CFDA Number and Name; the pass through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - (xii) Identification of whether the award is R&D; and

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs)
- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
- (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
- (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph f;
- (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
- (6) Appropriate terms and conditions concerning closeout of the subaward.

Further, 2 CFR 200.331(b) requires pass-through entities to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Finding

For the subrecipient selected (MBTA) for testing it was noted that award letters between MassDOT and the subrecipient were executed covering the period July 1, 2011 through June 30, 2018; however, these documents did not contain all of the required elements of 2 CFR section 200.331(a) listed above. The agreements contained only the subrecipient's name, subaward period of performance start and end dates, total amount of federal funds obligated to the subrecipient, the pass-through entity name and contact information for the awarding official, and the federal CFDA number for the award.

It was also noted that the MassDOT has standard subrecipient monitoring policies in place, which include the performance of periodic monitoring site visits and desk reviews of financial and operational reports, the frequency of which may be altered depending on the subrecipient. For the MBTA subrecipient selected for testing, we noted subrecipient monitoring was conducted in accordance with MassDOT's policies; however, the MassDOT did not document its assessment of risk for each subrecipient used to determine the nature and extent of such subrecipient monitoring procedures.

The observation related to subrecipient award letters appears to be due to the format of such letters not being updated to reflect the requirements of the 2 CFR section 200.331. The observation related to subrecipient monitoring appears to be due to MassDOT's current policies not requiring formal documentation of the assessment of risk among its subrecipients used to develop the nature and extent of monitoring procedures.

MassDOT is not in compliance with the requirements related to subrecipient notification and documentation of subrecipient risk assessments in regards to its High Speed Rail subrecipients.

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Recommendation

We recommend that MassDOT review and revise the award letters and related incorporated documents issued to its subrecipients to include all information described in 2 CFR section 200.331(a).

We also recommend that MassDOT update its subrecipient monitoring policies to require documentation of the assessment of risk associated with each subrecipient used to support the provision of the award to the subrecipient and to develop the nature and extent of monitoring procedures to be performed over the subrecipient in accordance with 2 CFR section 200.331(b).

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MassDOT accepts KPMG's finding and recommendations on subrecipient monitoring. The omission of information as described in 2 CFR section 200.331 (a) in the MBTA's 20.319 High Speed Rail program subaward was an oversight due to our interagency relationship within the MassDOT's organization.

Responsible Official Beth Pellegrini, Director of Revenue and Debt Management, MassDOT

Implementation Date May 1, 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Public Health

Public Health Emergency Preparedness (PHEP) (93.069)

Federal Award Number: U90TP000527 Award Year: 2016

U. S. Department of Health and Human Services

Finding Reference: 2016-034

Matching

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

According to Section 319C–1(h)(1)(B) of the Public Health Services Act, the State is required to match the Federal Funds provided for the Public Health Emergency Preparedness program with non-Federal contributions. The amount of match is 10% of the award amount.

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

Finding

During our review of the requirement, we noted the Office of Preparedness and Emergency Management (OPEM) calculated the required match incorrectly.

OPEM was able to demonstrate the match requirement was met after it recalculated the requirement as a percentage of award amount.

Recommendation

We recommend that OPEM implement internal controls over the matching calculation to ensure the correct information is used to determine whether the matching requirement has been satisfied.

Questioned Costs

None

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Views of Responsible Officials and Corrective Actions

The Office of Preparedness and Emergency Management will modify internal procedures to ensure that the match is calculated based on the requirements of the federal award. The match requirement is 10 percent of the award amount. The grant also requires that the match be made with non-federal contributions.

There will be a “preparer” of the match document who is responsible for the set up and correct calculation of the match amount and a “reviewer/approver” responsible for the verification of the match. The designated “reviewer/approver” will verify that the match has been calculated correctly based on the requirements outlined in federal award. The match document will be prepared by the first quarter of the federal budget fiscal year and it will be reviewed and approved to document the progress towards meeting the match on a quarterly basis.

Responsible Officials Kerin Milesky, Acting Director, DPH
 Steve O’Neil, Assistant Budget Director, DPH

Implementation Date September 30, 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Public Health

Public Health Emergency Preparedness (PHEP) (93.069)

Federal Award Number: U90TP000527 Award Year: 2016

U. S. Department of Health and Human Services

Finding Reference: 2016-035

Earmarking

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

The Notice of Awards for the PHEP grant includes the following earmarking requirements:

For the Cities Readiness Initiative (CRI): The award includes \$1,281,167 to support Medical Countermeasure Dispensing and the Medical Material Management and Distribution (MCMDD) capabilities. For state awardees, 75% of their allocated CRI funds must be provided to CRI jurisdictions in support of all-hazardous MCMDD planning and preparedness, including the ability to respond to a large-scale biologic attack, with anthrax as the primary threat consideration. CRI jurisdictions are defined to include independent planning jurisdictions (as defined by the state and locality) that include those counties and municipalities within the defined metropolitan statistical area (MSA) or the New England County Metropolitan Areas (NECMAs).

For the Level One Chemical Laboratory: The award includes \$1,080,144 which must only be used for the purposes of maintaining and continuing development of Level One Chemical Laboratory capacity.

Finding

During our review, we noted the Office of Preparedness and Emergency Management (OPEM) does not track the total expenditures for the CRI or Level One Chemical Lab.

Recommendation

We recommend that OPEM implement internal controls and procedures to track and monitor the CRI and Level One Chemical Lab to ensure the Commonwealth fulfills its earmarking requirement.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Office of Preparedness and Emergency Management will create a written procedure that outlines how earmarking for the PHEP award should be performed including roles of a “preparer” to track the expenditures to ensure compliance with the earmark and a “reviewer/approver” responsible for verifying the accuracy and completeness of the methodology used based on requirements outlined in the federal award.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Responsible Officials Ceci Dunn, Director of Operations, Bureau of Infectious Disease and Laboratory Sciences
Steve O'Neil, Assistant Budget Director, DPH

Implementation Date September 30, 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Public Health

Public Health Emergency Preparedness (PHEP) (93.069)

Federal Award Number: U90TP000527 Award Year: 2016

U. S. Department of Health and Human Services

Finding Reference: 2016-036

Cash Management – advance payments to subrecipients and **Subrecipient Monitoring**

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

According to 2 CFR 200.3, advance payments are defined as a payment that a Federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before the non-Federal entity disburses the funds for program purposes.

A non-Federal entity paid in advance must maintain or demonstrate the willingness to maintain written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs (2 CFR 200.305(b)(1)).

The State is required to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR 200.331(d) through (f)).

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

Finding

During our testwork, we noted the Office of Preparedness and Emergency Management (OPEM) disburses cash advances to its subrecipients on a quarterly or semi-annual basis based on the contracted amount. The subrecipient is then required to submit quarterly budget to actual reports to OPEM. These quarterly reports are also utilized to monitor the subrecipients. The key control over monitoring involves a review of the reports by fiscal personnel, programmatic personnel and the deputy director. During our review of the budget to actual

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

reports submitted by the subrecipients, we noted there were instances in which the actual expenditures were less than the budget, but the advances were not adjusted. We reviewed three subrecipients' quarterly reports and advances. We noted the following:

- One subrecipient received the full amount of the award, approximately \$900,000, by January 2016, however, the amount expended at that time was approximately \$350,000 or about 30%. At the end of the fiscal year 2016, the subrecipient spent 95% of the amount awarded.
- One subrecipient received the full amount of the award, approximately \$1.7 million, by February 2016, however, the amount expended at that time was approximately \$540,000 or about 30%. At the end of the fiscal year 2016, the subrecipient spent 92% of the amount awarded.
- Two of the subrecipients submitted at least one quarterly report over 60 days after the quarter ended.
- OPEM's documentation and evidence of review of the quarterly reports was inconsistent.

Recommendation

We recommend that OPEM ensure that each subrecipient maintain or demonstrate the willingness to maintain written procedures that minimize the time elapsing between the transfer of funds and disbursement of funds.

We recommend OPEM improve its procedures over cash management to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements.

We recommend OPEM improve the controls over the review of the quarterly reports to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR 200.331(d) through (f)).

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Office of Preparedness and Emergency Management will review and update the existing "Grant Management Manual" to include the appropriate language to be in compliance with the requirements 2 CFR 200.3, 2 CFR 200.305(b)(1), 2 CFR 200.331(d) through (f) and 2 CFR 200.303(a). We'll include under Section 4: Fiscal Responsibilities and Reporting the review and sign-off of Quarterly Expenditure Reports currently required to ensure that the sub-award is being used based on the contract and budget approved. Also, we will continue to review and monitor sub-recipients spending by quarter to assess how funds are being utilized. These quarterly reviews will continue to be documented and decisions regarding how to adjust future advance payments will be evaluated.

Responsible Officials Kerin Milesky, Acting Director, DPH
Steve O'Neil, Assistant Budget Director, DPH

Implementation Date September 30, 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Public Health

Public Health Emergency Preparedness (PHEP) (93.069)

Federal Award Number: U90TP000527 Award Year: 2016

U. S. Department of Health and Human Services

Finding Reference: 2016-037

Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

According to 2 CFR 200.331(b), a pass-through entity must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring.

Finding

The Department of Public Health (DPH) evaluates its subrecipients by leveraging the provider qualification process used by the Executive Office of Health and Human Services and its purchasing agencies, including DPH.

The provider qualification process is based on a Commonwealth statutory provision which requires certain human and social service organizations who deliver services to the Commonwealth's consumers to submit an annual Uniform Financial Statement and Independent Audit Report (UFR). The UFR includes many of the requirements of a Single Audit.

However not all of DPH's subrecipients are governed by the UFR requirement. Consequently, for those entities no evaluation of risk is performed.

Recommendation

We recommend that Department of Public Health implement procedures to ensure that all of its subrecipients are evaluated in accordance with 2 CFR 200.331(b).

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Office of Preparedness and Emergency Management will modify its existing procedures for conducting fiscal site visits to include for the evaluation of risk, the request of the subrecipient's most recent audit and financial statements. Information that will be reviewed and evaluated by the Bureau to ensure that all subrecipients are in compliance with 2 CFR 200.331(b).

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Responsible Officials Kerin Milesky, Acting Director, DPH
Steve O'Neil, Assistant Budget Director, DPH

Implementation Date September 30, 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Public Health

Public Health Emergency Preparedness (PHEP) (93.069)

HIV Care Formula Grants (HIV) (93.917)

Federal Award Number: U90TP000527 Award Year: 2016

Federal Award Number: X07HA00082 Award Year: 2016

U. S. Department of Health and Human Services

Finding Reference: 2016-038

Subrecipient Monitoring

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

According to 2 CFR 200.331(a), a pass-through entity must: ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal Award Identification.
 - (i) Subrecipient name (which must match the name associated with its unique entity identifier);
 - (ii) Subrecipient's unique entity identifier;
 - (iii) Federal Award Identification Number (FAIN);
 - (iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;
 - (v) Subaward Period of Performance Start and End Date;
 - (vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;
 - (vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;
 - (viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;
 - (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

- (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;
 - (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - (xii) Identification of whether the award is R&D; and
 - (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs)
- (2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;
 - (3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
 - (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);
 - (5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and
 - (6) Appropriate terms and conditions concerning closeout of the subaward.

Finding

The Department of Public Health did not consistently inform its subrecipients of the above requirements.

Recommendation

We recommend that the Department of Public Health develop procedures and implement controls to ensure that every subaward is clearly identified to its subrecipients and includes the requisite information required by 2 CFR 200.331(a).

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Office of Preparedness and Emergency Management and The Bureau of Infectious Disease and Laboratory Sciences, Office of HIV/AIDS (OHA) will review its current practices for informing subrecipients of the federal requirements of their subawards.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

A list of requirements according to 2 CFR 200.331(a) will be prepared and written procedures will be implemented to ensure compliance with 2 CFR 200.331(a). Procedures will include a “preparer” and “reviewer/approver” roles and responsibilities.

The “preparer” will be responsible for reviewing the list of required information that should be communicated to a subrecipient. The “preparer” will draft the communication to the subrecipient after reconciling the list of requirements that should be included in the communication, and documenting justification for any exceptions. The “preparer” will then submit the list of requirements, the drafted communication, and documentation of the justifications for any exclusions to the “reviewer/approver”.

The “reviewer/approver” will review the requirements, the drafted communication, and the justification for exceptions. Following the “reviewer/approver’s review, appropriate changes will be made if necessary and final sign-off will occur.

The communication will be sent to the subrecipient after final sign-off has occurred.

Responsible Officials The Office of Preparedness and Emergency Management:

Kerin Milesky, Deputy Bureau Director, DPH
Steve O’Neil, Assistant Budget Director, DPH

The Bureau of Infectious Disease and Laboratory Sciences, Office of HIV/AIDS (OHA):

Cheryl Bernard-Dort, Director of Administration and Finance for Infectious Disease
Ceci Dunn, Director of Operations, Bureau of Infectious Disease and Laboratory Sciences

Implementation Date September 30, 2017

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Public Health

HIV Care Formula Grants (HIV) (93.917)

Federal Award Number: X07HA00082 Award Year: 2016

U. S. Department of Health and Human Services

Finding Reference: 2016-039

Level of Effort – Maintenance of Effort

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

Maintenance of Effort (MOE) requires States to maintain a historical level of nonfederal expenditures for programmatic activities prior to the request for Federal funds. State expenditures are calculated by the grantee without reference to any Federal funding.

The State is required to maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Part B funds (42 USC 300ff - 27(b)(7)(E)).

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

Finding

For the HIV program, MOE is calculated based on State HIV funds spent on a population within Medicaid and another State HIV funded program.

During our testwork, we noted that the Office of HIV/AIDS (OHA) changed the composition of the spending levels for fiscal year 2015 amounts but did not change the composition of the spending levels for the fiscal year 2014 amounts. As such OHA’s MOE calculation did not adequately measure the incremental effort or spending levels for the HIV program from one year to the next.

When OHA re-performed its MOE calculation using a consistent methodology, OHA appears to meet the required MOE.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Recommendation

We recommend that OHA implement internal controls over the matching calculation to ensure the State uses the correct information and the same composition to determine whether the State has fulfilled the matching requirement.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Bureau of Infectious Disease and Laboratory Sciences, Office of HIV/AIDS (OHA) will modify internal procedures to ensure that the MOE information is calculated based on the requirements of the Federal Award. The Federal Grants Coordinator's role, with the assistance of the Fiscal Director and the Epidemiologist for Research and Evaluation, will be to request the information from MassHealth on their level of effort regarding state expenditures on HIV for the current fiscal year on the grant and the previous one for MA residents only.

The Fiscal Director's role is to make sure that the new calculations of both years in the report to HRSA are correct and consistent with each other. If there is a discrepancy in one of the years requested as compared to prior submissions, the Federal Grants Coordinator's role, with the assistance of the Fiscal Director and the Epidemiologist for Research and Evaluation, will be to request clarification from MassHealth on whether there was a change in the methodology.

Prior to submission, the MOE documentation and report will be reviewed, approved and signed off on by the BIDLS Director of Administration and Finance.

The MOE report is completed once per year, at the time of the federal grant application.

Responsible Officials Annette Rockwell, Federal Grants Coordinator
Nadia El-Kamouss, Fiscal Director
Monica Morrison, Epidemiologist for Research and Evaluation
Dawn Fukuda, Director, Office of HIV/AIDS
Cheryl Bernard-Dort, Director of Administration and Finance for Infectious Disease
Ceci Dunn, Director of Operations, Bureau of Infectious Disease and Laboratory Sciences

Implementation Date September 30, 2017

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Department of Public Health

HIV Care Formula Grants (HIV) (93.917)

Federal Award Number: X07HA00082 Award Year: 2016

U. S. Department of Health and Human Services

Finding Reference: 2016-040

Subrecipient Monitoring

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

The State is required to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award funds provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management Decision.

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

Finding

The Office of HIV/AIDS (OHA) personnel perform weekly on-site monitoring of its subrecipients. Summary observations are evaluated weekly with OHA management and formal meeting notes with action items are maintained as documentation of this key control. We noted that for two months during fiscal 2016 (April and May) such meetings notes were not maintained.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Recommendation

We recommend that OHA maintain proper documentation to evidence the operating effectiveness of its key control activities.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The Bureau of Infectious Disease and Laboratory Sciences, Office of HIV/AIDS (OHA) has revised its current programmatic site visit protocol addressing documentation to evidence on-site monitoring of subrecipients. The most relevant updates to the revised programmatic site visit protocol are included under "Follow-up" below:

Follow-up

- Contract manager's role is to prepare a draft written report within 30 days after the Programmatic site visit that includes the following:
 - Draft cover letter acknowledging the visit, indicating key dates for follow-up (typically within 45 days of when the agency is expected to receive the final report);
 - Narrative that follows site visit agenda, covering all major topic areas addressed and required follow up steps and deadlines;
 - Completed aggregate record review document
- Contract Manager reviews the draft report with direct supervisor within 30 days following the visit.
- Contract Manager incorporates direct supervisor's edits, receives sign off, and sends the final report to the subrecipient, copying relevant subrecipient agency staff within 45 days after the visit. The direct supervisor then enters the date of supervisory approval of the final report on the contract management matrix document.
- The Direct Supervisor is required to include in the contract management matrix documentation of the following: follow-up steps, deadlines for follow up, and dates when follow-up is completed.

In addition, the program has updated its FY17 contract management matrix document to include 1) space for the OHA direct supervisor name to document the date of supervisory review of the final site visit report, and 2) space for OHA contract manager name to document the actual required and recommended action steps included in their site visit reports.

Responsible Officials Linda Goldman, Director of Health Promotion and Disease Prevention Services, OHA
Dawn Fukuda, Director, Office of HIV/AIDS
Cheryl Bernard-Dort, Director of Administration and Finance for Infectious Disease
Ceci Dunn, Director of Operations, Bureau of Infectious Disease and Laboratory Sciences

Implementation Date April 1, 2017

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Number: XIX-MAP16, XIX-ADM-16 Award Year: 2016

U.S. Department of Health and Human Services

Finding Reference: 2016-041

Eligibility

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

Certain individuals are deemed categorically eligible for Medicaid based on information received, through an interface, from the Social Security Administration (SSA). In accordance with 42 CFR §435.120, the Supplemental Security Income (SSI) mandatory eligible coverage group for Medicaid covers a person who is aged, blind, or disabled and is receiving SSI or deemed to be receiving SSI. The Social Security Administration (SSA) determines eligibility for SSI. If SSA determines that a person is eligible for SSI, MassHealth accepts SSA's determination as an automatic determination of eligibility for Medicaid. SSA is approximately 34% of the MassHealth non-MAGI eligibility population. SSA recipients are not required to be recertified by MassHealth as all information is interfaced with MassHealth from SSA. In addition, SSA recipients are not included in the MassHealth quality assurance process since the federal government determines eligibility. Per 2 CFR 200.303, MassHealth must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statues, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

MassHealth's process is to receive the SSA interface into a SDX data warehouse then the information is interfaced to MA21 and a second interface to MMIS. During the second interface, a daily exception report is produced of the various eligibility exceptions noted. Examples of these exceptions are eligibility begin/end dates that start/continue past a death date or an eligibility end date when there was no start date. There is also a weekly summary report of the exception codes and the volume of transactions that exception out during the interface. MassHealth is currently not working the exception reports to validate/correct the eligibility anomalies noted. Unresolved exceptions increases the risk of individuals receiving benefits who are no longer eligible for either fee for service or managed care services.

Audit procedures also included a review of selected case files. A total of 65 Medicaid files were selected for test work of which 32 were deemed eligible due to information provided by SSA. The SSA designation was verified for each individual as noted with MMIS system and per the SDX data warehouse. No compliance exceptions were noted for these selected items.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Recommendation

MassHealth should have a business owner from program eligibility assigned to review the exception reports and take the necessary corrective action(s). MassHealth should also retain documentation of the resolution process as well as maintain an inventory of unresolved items for further management review.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The IMEC Director will be the MassHealth business owner responsible for managing the review of the daily reports. The IMEC Director and the QA Manager will develop a process for the review of the cases with error and implement it in the EQA unit. There will be a group of Eligibility Quality Assurance Benefit Eligibility Representatives Social Worker – BERS C available and responsible for reviewing and correct the cases with errors as necessary.

Responsible Official Rosana Senise, IMEC Director
Donna Saunders, Quality Assurance Manager

Implementation Date October 31, 2016

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Number: XIX-MAP16, XIX-ADM-16 Award Year: 2016

U.S. Department of Health and Human Services

Finding Reference: 2016-042

Special Tests and Provisions – ADP Risk Analysis and System Security Review

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621). Per 2 CFR 200.303, MassHealth must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statues, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

On an annual basis, MassHealth conducts a formal review of the system security for all applications, including the ADP Systems under the purview of 45 CFR § 95.621, within the MassHealth environment. This review is conducted as part of the annual mandated MassIT Executive Order 504 Self-Audit (Self-Audit) under the supervision of the Executive Office of Health and Human Services (EOHHS) Security Office, Office of the General Counsel, and Compliance Unit. The Self-Audit is a two part form with the first section focused on Information Identification and Classification and the second section focused on Threat Assessments. EOHHS has performed the Self-Audits for at least the last three years and has maintained the documentation from those reviews. The reviews are used to compile an annual ITD EO504 report. MassHealth is unable to provide documentation on how these reviews and/or annual report are utilized to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. In addition, the information is self-reported and there does not appear to be an oversight process to access the accuracy of the information provided in the reviews. Finally, MassHealth should ensure that all third party provider systems are also included in the assessment as MassHealth data is interfaced to the respective systems.

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Recommendation

MassHealth should formalize the annual assessment process to demonstrate compliance with the above federal regulations including the assessment of the information provided for accuracy. MassHealth should also implement a process for ensuring a review is conducted on all relevant Medicaid ADP systems being reviewed including service organizations as MassHealth continues to modify the Medicaid delivery system.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

We have identified three primary components to this finding and will address each in the order presented.

1. "MassHealth is unable to provide documentation on how (the EO504) reviews ... are utilized to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems."

During the EO504 review, EOHHS audit staff perform an inventory of all data maintained by MassHealth and EOHHS systems and gauge the appropriateness of the administrative, physical, and technical safeguards used to safeguard that data. The EO504 review requires application owners to identify the current state of their implementation of the International Standards Organization's (ISO) 27001/2 Information Security Management Standards, which can be cross walked to NIST 800-53 standards and, therefore, the EOHHS Information Security Management Standards. At present, issues identified during the self-assessment are self-reported and remediated by staff with oversight by the security office.

2. "The (EO504 Questionnaire) information is self-reporting and there does not appear to be an oversight process to access the accuracy of the information provided in the reviews"

EOHHS audit staff, including security team members, conducting the EO504 review work closely with application owners to ensure the completion of EO504 responses. Additionally, each EO504 questionnaire is reviewed by the security staff to verify the veracity of the information contained therein. Responses are reviewed to detect anomalies. An anomalous response would be a response that fails to meet to the previous year's response or that fails to meet the aggregated EO504 response or is inconsistent with an external audit response. In addition, final responses are reviewed by the Secretary before communication to MassIT.

MassHealth systems are also subject to substantial audits from both federal and state auditors. Such audits request the same information requested from the EO504 review, with regards to compliance with EOHHS policy and procedure. As such, those audits help test the reliability of the information contained in the EO504 review. Additionally, the application owners and staff responding to external audits are responsible for confirming the controls included in the EOHHS/MassHealth EO504 review. The security office will continue to closely review EO504 responses with application owners to further verify the reliability of information included in the response. The security office also plans to expand existing queries to further confirm affirmative findings. For example, questions like "Do you have an onboarding process?" are currently answered as "Yes" or "No". Additional queries will be written so that if a question is answered "Yes", the responder will be asked to provide the appropriate artifact/supporting documentation so that the security office may review the process and confirm that it meets policy and procedural requirements. This

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approach will be used for any questions where a formal documented plan or process would be reasonably expected. The security office plans on implementing these queries with EOHHS's 2016 EO504 review.

3. "MassHealth should ensure that all third party provider systems are also included in the assessment as MassHealth data is interfaced to the respective systems."

MassHealth enters into Trading Partner Agreements with all third party providers, which governs the use of data. In addition, third party provider systems are monitored by those third party providers to meet their independent compliance obligations with federal law, including HIPAA. Third party providers are independently audited by CMS to monitor their compliance with HIPAA, which is the entity with authority to provide such reviews and issue findings to bring those systems into compliance with federal law.

EOHHS compliance will recommend identifying and centralizing the repositories and review process for trading partner agreements. Any situations where third party providers are HIPAA Covered Entities or otherwise deal with sensitive information (e.g.: PII, PHI) will be required to provide EOHHS with annual attestations which can be confirmed through a stronger centralized control model.

Responsible Official Brian Chase, Chief Security Officer, MassHealth

Implementation Date July 1, 2017

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Year ended June 30, 2016

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Children's Health Insurance Program (93.767)

Federal Award Number: XIX-MAP16, XIX-ADM-16, 05-1605MA5021 Award Year: 2016

U.S. Department of Health and Human Services

Finding Reference: 2016-043

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

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

MassHealth's utilizes MA21 primarily for eligibility information and MMIS for processing respective claims. Per 2 CFR 200.303, MassHealth must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

The general control environments for MA21 and MMIS were determined to not be operating as designed with regard to various access and change management considerations (see 2016-011 to 2016-018 for related findings). MassHealth utilizes these two systems to capture a variety of data that is used to determine allowable costs and activities, amounts to be drawn, eligibility, applicable FMAP percentages, and information for the respective SF425, CM21, and CM64 reports.

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

1. Various demographic and financial edit validations to assist with eligibility determinations.
2. Redetermination trigger dates for eligibility.
3. Not paying Acute and Chronic/rehab claims without a valid pre admission screening where applicable.
4. Various allowable cost claim and MCO payment edit validations.
5. Duplicate payment edits validations.

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Year ended June 30, 2016

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

Recommendation

MassHealth should develop an action plan with date specific milestones to address the general control information technology considerations (as enumerated in findings 2016-011 to 2016-018) as this would allow them to leverage their significant investment in technology as a reliable platform for executing their internal control requirements under the State Plan as well as the code of federal regulations.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

Deficiencies in our general off-boarding process for user accounts in the MMIS and MA21 systems have been identified. These deficiencies lead to a potential lack of related application controls.

A full account/access review is in progress (began in September 2016), and is expected to formally occur twice per year in September and March.

Our procedures for coordinating changes in a user's status are undergoing formal improvements, and tightening our processes will ensure we institute effective controls.

Responsible Official Brian Chase, Chief Security Officer, Executive of Health and Human Services

Implementation Date March 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Number: XIX-MAP16, XIX-ADM-16 Award Year: 2016

U.S. Department of Health and Human Services

Finding Reference: 2016-044

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

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Also, the State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the State Plan (42 CFR section 447.253). Overall, per 2 CFR 200.303, MassHealth must establish and maintain effective internal controls over Federal awards that provides reasonable assurance they are managing Federal awards in compliance with Federal statutes, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

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

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

MassHealth does have contracts or Interdepartmental Service Agreements (ISA) with each of the Third Parties that are specific in nature to the procedures to be performed on behalf of MassHealth. In addition, the Third Parties have procedure manuals detailing how their teams execute the procedures either with their employees

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

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

1. Performance of noninstitutional provider case utilization reviews is currently not being monitored in any of the areas noted above.
2. The chronic and rehab claim utilization reviews process does not include monitoring for quality of work components.
3. Acute hospital utilization monitoring process currently does not address the approval of the sampling plan and ensuring that the approved sampling plan was executed.
4. Inpatient hospital and long term care facility audits process does not include monitoring for quality of work components. In addition, the monitoring process does not ensure the audit plan was executed as approved.
5. The provider compliance unit receives monthly lists from the Third Party noting the current status of referred cases. MassHealth is currently not able to determine that the case status list is complete for all referred cases. Additionally, MassHealth discontinued weekly meetings mid-year with the Third Party to review potential issues and action items in more detail than the monthly meetings.
6. Non-SSI disability eligibility determinations are performed by Third Parties with no monitoring of the quality of the decisions made.

Recommendation

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

Questioned Costs

None

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Findings and Questioned Costs Relating to Federal Awards

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Views of Responsible Officials and Corrective Actions

MassHealth agrees with this finding that we need to improve management oversight of University of Massachusetts Medical School (UMMS). Even though there are monthly leadership meetings and ongoing informal communication with UMMS, MassHealth needs to ensure contract managers meet regularly with the UMMS project lead and hold UMMS staff accountable for delivering services under each ISA. MassHealth leadership will ensure MassHealth contract managers are aware of their responsibilities and confirm that formalized and documented monitoring process is in place and being followed.

Responsible Officials Robin Callahan, Deputy Medicaid Director, MassHealth
Matthew Klitus, Chief Financial & Strategy Officer, MassHealth

Implementation Date February 1, 2017

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Number: XIX-MAP16, XIX-ADM-16 Award Year: 2016

U.S. Department of Health and Human Services

Finding Reference: 2016-045

Special Tests and Provisions – Utilization Control and Program Integrity

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Overall, per 2 CFR 200.303, MassHealth must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statues, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

The Executive Office of Health and Human Services oversees the activities of MassHealth, the Department of Public Health (DPH) and the Department of Mental Health (DMH). DPH operates a system of four multi-specialty hospitals and DMH operates a system of five mental health facilities, hereafter collectively referred to as state-owned providers.

The DPH facilities provide acute and chronic hospital medical care to individuals for whom community facilities are not available or access to health care is restricted. The DMH facilities provide community based care and in/out patient care for qualified individuals.

These state-owned providers are included in the MassHealth provider population for receiving Medicaid funding for allowable services rendered. During fiscal year 2016, the hospitals received approximately \$99 million and the mental health facilities received approximately \$20 million in Medicaid payments.

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

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

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Recommendation

MassHealth should reassess whether the state-owned providers should be included in the Medicaid utilization processes for nonstate providers or remain under separate processes. If separate processes is the appropriate strategy, then a formal utilization process should be establish, executed, and documented for each of the state-owned provider types.

Questioned Costs

Not determinable.

Views of Responsible Officials and Corrective Actions

MassHealth will evaluate whether to include the state owned providers in its current Medicaid utilization process for nonstate providers or perform an in-house review of its state agency providers. Once the evaluation is complete, MassHealth will establish and document the process.

Responsible Official Robin Callahan, Deputy Medicaid Director, MassHealth
Matthew Klitus, Chief Financial & Strategy Officer, MassHealth

Implementation Date June 30, 2017

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Number: XIX-MAP16, XIX-ADM-16 Award Year: 2016

U.S. Department of Health and Human Services

Finding Reference: 2016-046

Eligibility

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: Yes, 2015-026

Statistically Valid Sample: No

Requirement

The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10). The Centers for Medicare and Medicaid Services (CMS) granted MassHealth expenditure authority effective for costs incurred for the period January 1, 2014 to February 28, 2015, hereafter referred to as the Transitional Medicaid Assistance (TMA) program, to ensure temporary coverage for individuals who were not able to receive a full eligibility determination for MassHealth for marketplace coverage due to eligibility system issues. The expenditure authority was to ensure there were no delays or gaps in coverage while processing applications, including Modified Adjusted Gross Income (MAGI) eligibility determinations, via a manual process until such time that the electronic eligibility system was fully operational. MassHealth agreed that no federal funds would be claimed for TMA expenditures for individuals whose enrollment in other coverage options had become effective or whose income was ultimately found to be higher than 400% of the federal poverty level (FPL) and were not eligible for MassHealth coverage during the period the expenditure authority was in effect.

Finding

Per review of the fee for service claim expenditures, certain claim categories corresponded to the TMA classification of services are included in Medicaid federal expenses for the 2016 fiscal year. Upon inquiry with MassHealth, the change to MMIS to disallow TMA categories from Medicaid reimbursement was not effective until October 1, 2015. Therefore TMA claims were paid by MassHealth and included in federal reimbursement requests for the period March 1, 2015 to September 30, 2015. MassHealth is aware of amount overdrawn and has plans to correct in the September 30, 2016 reporting process.

Recommendation

MassHealth should correct the overdrawn amount in their September 30, 2016 reporting process.

Questioned Costs

Preliminary analysis by MassHealth has the amount overdrawn at approximately \$299,000.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Views of Responsible Officials and Corrective Actions

MassHealth followed its implementation plan to ensure that these TMA payments were properly accounted for after the data warehouse system update. The final reconciling adjustment of \$299,725 in FFP will take place on the September 2016 CMS 64 report. MassHealth determined that this was the most efficient methodology to resolve the outstanding issue and to make the necessary adjustment without following a piecemeal approach. This adjustment on the CMS 64 will close out this finding.

Responsible Official Michael Berolini, Director of Revenue Management, MassHealth

Implementation Date November 2016

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Number: XIX-MAP16, XIX-ADM-16 Award Year: 2016

U.S. Department of Health and Human Services

Finding Reference: 2016-047

Special Tests and Provisions – Utilization Control and Program Integrity

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

The State plan must provide methods and procedures to safeguard against unnecessary utilization of care and services, including long-term care institutions. In addition, the State must have (1) methods or criteria for identifying suspected fraud cases; (2) methods for investigating these cases; and (3) procedures, developed in cooperation with legal authorities, for referring suspected fraud cases to law enforcement officials (42 CFR parts 455, 456, and 1002). Overall, per 2 CFR 200.303, MassHealth must establish and maintain effective internal controls over Federal awards that provides reasonable assurance that they are managing Federal awards in compliance with Federal statutes, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

The Office of Long Term Services and Support Division of MassHealth (OLTSS) is responsible for performing case mix audits of nursing facilities as part of MassHealth's utilization process. OLTSS policy is to annually review each of the approximately 400 nursing facilities serving Medicaid eligible providers.

Currently, a nurse is assigned the responsibility of performing the case mix audit. Each nurse maintains a spreadsheet evidencing the results of each case mix audit. The contents of the spreadsheets are not consistent from nurse to nurse and that the spreadsheets are not consistently reviewed. Additionally, there does not appear to be population control in place to ensure that each nursing facility is subjected to an annual review.

As part of our audit procedures, we selected a sample of 25 case mix audits. For our sample, we noted no compliance exceptions as each of the nursing facility audit files (i.e. MMQ audit file) contained the (1) MMIS report with any corrections noted, (2) initial notice of findings, and (3) exit conference agenda.

Recommendation

Currently, MassHealth should ascertain and document that each nursing facility is reviewed once a year in accordance with policy. In addition, MassHealth should periodically review the facility audit results for compliance with site procedures guides.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

MassHealth has noted that OLTSS will be outsourcing the case mix audits. Consequently, OLTSS should consider the type of monitoring controls that it will need to develop to properly monitor the third-party responsible for conducting the case mix audits.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

MassHealth agrees with this finding. MassHealth will implement corrective action, including but not limited to, documentation of field nurse receipt of monthly nursing facilities case mix audit assignments, confirmation of completion of facility audits to the clinical manager by the field nurses, and documentation of the clinical manager review of a sample of audits. However, because the finding does not indicate any instances of compliance exceptions with respect to completion or correctness of nursing facility case mix audits for the audit review period, MassHealth is confident that case mix audits for the audit review period were completed entirely and correctly. MassHealth expects to implement this corrective action by December 1, 2016. Additionally, MassHealth will be transitioning nursing facility case mix audits to a Third Party Administrator (TPA) during Calendar Year 2017. As part of the transition of nursing facility case mix audits to the TPA, MassHealth will ensure that appropriate and robust controls exist to maintain compliance.

Responsible Official Mary Ellen Coyne, Assistant Clinical Manager, MassHealth

Implementation Date December 1, 2016

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Federal Award Number: XIX-MAP16, XIX-ADM-16 Award Year: 2016

U.S. Department of Health and Human Services

Finding Reference: 2016-048

Eligibility

Type of Finding: Significant Deficiency

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10). Per 2 CFR 200.303, MassHealth must establish and maintain effective internal controls over Federal awards that provides reasonable assurance they are managing Federal awards in compliance with Federal statues, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

MassHealth has a quality control process over Medicaid eligibility. The process involves weekly selections which approximate 3% of the cases. The results are compiled by the quality control unit into a report that is provided to the respective manager of the center reviewed. The managers have an opportunity to review the reports and notify the quality control unit whether they concur with the results. The process is intended to have the managers' report back to the quality control unit that they have discussed the items with their teams and provide evidence that action was taken to correct any issues noted (close out process). The manager's close out process is not a formalized process. The quality control unit's documentation of the close out process is not consistent to demonstrate the respective managers replied indicating concurrence and implementation of necessary changes.

Recommendation

MassHealth should enhance their documentation of the quality control close out process to demonstrate managers of the centers concurrence with the final report and implementation of necessary changes to improve eligibility determinations.

Questioned Costs

None

Views of Responsible Officials and Corrective Actions

The State of Massachusetts does have a corrective action plan for identifying errors by Eligibility Quality Assurance worker, however, the process needs to be formalized. The State of Massachusetts agrees a formalized process would be more efficient in tracking evidence that an action was taken by the MassHealth

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Enrollment Center (MEC) Manager to correct any noted errors reported by the Eligibility Quality Assurance (EQA) process.

The State of Massachusetts will take all necessary steps to implement a formalized documented process by January 3, 2017. The process will consist of ensuring that MEC Managers review the EQA reports that are produced by myWorkSpace. The MEC Manager will review the report which identifies the Benefit Eligibility Representative Social Worker and determine whether a corrective action will need to be taken by the Manager. All documentation relative to this formalized corrective action process for identified EQA tasks will be stored on the N drive and easily accessible for an audit trail or to retrieve any historical EQA data relative to a specific case.

Responsible Official Rosana Senise, IMEC Director

Implementation Date January 3, 2017

COMMONWEALTH OF MASSACHUSETTS

Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Executive Office of Health and Human Services (MassHealth)

Medicaid Cluster (93.775, 93.777, 93.778)

Children's Health Insurance Program (93.767)

Federal Award Number: XIX-MAP16, XIX-ADM-16 Award Year: 2016

U.S. Department of Health and Human Services

Finding Reference: 2016-049

Special Tests and Provisions – Provider Eligibility

Type of Finding: Significant Deficiency and Noncompliance

Prior Year Finding: No

Statistically Valid Sample: No

Requirement

In order to receive Medicaid and Children's Health Insurance Program (CHIP) payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 1396a(a)(9)) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106). The State Medicaid agency must (a) have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State (b) confirm that the provider's license has not expired and there are no current limitations on the providers' license. (42 CFR 455.412). Per 2 CFR 200.303, MassHealth must establish and maintain effective internal controls over Federal awards that provides reasonable assurance they are managing Federal awards in compliance with Federal statutes, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Finding

MassHealth's process includes the use of a third party to assist with ensuring all providers who are required to have a license under State law have a current license and are eligible to provide services. During fiscal year 2016, providers were revalidated under the Affordable Care Act (ACA) regulations. Provider information is maintained in the MMIS system and is updated as needed by the third party. Many of the provider and license data points are required to be manually updated in the MMIS system (i.e. not populated by electronic interfaces).

During review of the 65 files selected for test work, eight providers were noted as having expired license dates on the provider screens within MMIS. MassHealth was able to provide current license information supporting the licenses were current and the respective date field within MMIS was not updated. In addition, four of the 65 files have next revalidation dates within MMIS that were not within the next five years as required by federal regulations. The dates reflected the default date and had not been updated once revalidation was completed. All four providers had recently completed the revalidation process.

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Findings and Questioned Costs Relating to Federal Awards

Year ended June 30, 2016

Recommendation

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

Questioned Costs

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

Views of Responsible Officials and Corrective Actions

Eight Providers Noted with Expired License Dates – MassHealth agrees that a license record in MMIS that shows a past date should be updated. Since this process is currently manual, MassHealth's focus has been on identifying those providers whose licenses have truly expired and not been renewed and their MassHealth eligibility would have been terminated. MassHealth will continue to investigate the option of an MMIS change control to have automated board interfaces update the provider files systematically. MassHealth currently has a report that lists expired licenses that will expire in 90, 60 and 30 days. However, as discussed, this report requires enhancements and a considerable amount of manual intervention. MassHealth will evaluate with MMIS those report enhancements and pursuing with the various licensing board a more automated process to update the provider records.

Six providers had their licenses updated when they were revalidated in 2014 but the licenses are showing a past end date in MMIS. MAXIMUS has confirmed that the license is still valid and updated the license end dates for each of these providers in MMIS and all are showing future dates. One Home Health Agency provider had not gone through revalidation yet. The revalidation process would have had their license verified and updated. MAXIMUS has confirmed that the license is still valid and updated the license end date and is showing a future date. One Hospital provider which is validated through an annual Request for Application (RFA) process conducted by MassHealth staff. This process includes a copy of their current license. That license was not updated in MMIS as part of the RFA process. MAXIMUS has confirmed that the license is still valid and has updated the license end date with a future date.

Four Providers with Next Revalidation Date That Don't Agree with Revalidate – Two State facilities were in the process of completing revalidation during the audit period. The providers completed the revalidation process and the next revalidation date has been updated. One dental provider did not have the next revalidation date in MMIS updated when their revalidation was complete. The next revalidation date has been corrected in MMIS. This matter has been brought to the attention of our dental contractor and the MassHealth Program Manager. One group practice provider was disenrolled from MassHealth prior to revalidation and therefore the date would not be updated in MMIS.

Responsible Official Janice Wadsworth, Director of Provider Operations, MassHealth

Implementation Date March 2017



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Commonwealth of Massachusetts
Summary Schedule of Prior Year Audit Findings
FY 2016

The attached summary schedule of prior year findings (Schedule) lists the finding reference, CFDA #, state agency, program and description for the findings included in the fiscal year 2015 Single Audit Report. It also lists the status of any other prior year finding whose corrective action plan has not been fully implemented. The Schedule indicates "fully" if the corrective action plan (CAP) was fully implemented, "partially" if the CAP was not fully implemented and "not implemented" if not implemented at all. If not fully implemented, an updated CAP is included.

Prior year findings that no longer warrant further action in accordance with the Uniform Guidance Section 200.511(b)(3) have been excluded from the Schedule.

Schedule of Prior Year Findings

Finding Reference	CFDA #	Agency	Program(s)	Description/ Summary	Implementation Status	Corrective Action Plan
2015-001		TRE	State	Exclusive Benefit Rule	Partially	See finding 2016-001
2015-002 and 2014-002		CTR	State	Financial Reporting	Partially	See finding 2016-002
2015-003		CTR	State	HR/CMS - User Access Revocation	Fully	
2015-004		CTR	State	HR/CMS - Application User Access Reviews	Fully	
2015-005		CTR	State	HR/CMS - Administrative Access to the Application	Fully	
2015-006		CTR	State	HR/CMS - Access to Migrate Changes	Fully	
2015-007 and 2014-003		EOL	State	UI Online Application Password Management	Fully	
2015-008 and 2014-008		EHS	State	MMIS- Access Privileges	Fully	
2015-009 and 2014-009		EHS	State	MMIS-Access Authorization	Partially	See finding 2016-016
2015-010 and 2014-012		EHS	State	MMIS-User Access Reviews	Partially	See finding 2016-018
2015-011 and 2014-013		EHS	State	MMIS-Access Revocation	Partially	See finding 2016-017
2015-012	17.225	EOL	Unemployment Insurance	25 selections for compliance with CMIA were tested, 13 of 25 found the an	Partially	See finding 2016-032
2015-013 and 2014-022	17.225	EOL	Unemployment Insurance	Experience ratings for certain contributory employers were not calculated properly due to coding defect. As a result, a lower or higher experience rating was assigned to certain employers than was warranted.	Fully	
2015-014 and 2014-023	17.225	EOL	Unemployment Insurance	During the review the Department of Unemployment Assistance, various deficiencies were not consistent with established Benefit Accuracy Measurement (BAM) procedures.	Partially	See finding 2016-031
2015-015 and 2014-024	17.225	EOL	Unemployment Insurance	The department does not have procedures in place to adequately identify the employer fault or to prevent the employer from being relieved of charges. Once an overpayment is discovered the system automatically relieves the employer of charges.	Partially	The agency is working towards a complete implementation of M.G.L 38A(a). Changes to regulations, business process and the UI Online system are all required to fully implement this M.G.L. DUA is committed to finalizing all components in fiscal 2017.
2015-016	17.225	EOL	Unemployment Insurance	During the testing, ETA 2112 report did not agree to the source document; ETA 227 reports 3 of 6 tested did not agree to the source documents; ETA 9130 reports 10 of 25 tested did not have documented management review over the supporting documentation.	Partially	See finding 2016-030
2015-017	17.258, 17.259, 17.278	EOL	WIA Cluster	Prior to TEGL's effective date, the department charged administrative costs to the Rapid Response grant. The amount of administrative costs charged prior to the TEGL's effective date is not currently available	Fully	

2015-018	17.258, 17.259, 17.278	EOL	WIA Cluster	During the testing over payroll, the allocation to the grant was based on budgeted information. The amounts of payroll charged to the federal award were not supported by any documentation described in 2 CFR Part 225, B(h)(4) and no reconciliation or true-up was performed from the budgeted amounts to the grants the employees actually spent their time working on.	Partially	EOLWD is scheduled to pilot relevant payroll allocation software beginning in January 2017.
2015-019	84.010	DOE	Title I Grants to Local Education Agencies	1 of 40 local educational agencies tested was not included in the end of year reporting of State per pupil expenditure data submitted to the National Center for Education Statistics. It was noted that this one exception was a Virtual School, and it was disclosed that the DESE does not have a process in place for the end of year reporting of Virtual School data.	Fully	
2015-020 and 2014-029	84.010	DOE	Title I Grants to Local Education Agencies	1 out of 40 LEA's selected for testing, the same person was reviewing and subsequently approving the LEA grant application within the <i>Program Acceptance</i> form .	Fully	
2015-021	84.367	DOE	Improving Teacher Quality State Grants (Title II, Part A)	It was disclosed that risk assessment documentation is not maintained on file for monitoring review, and as such, the DESE did not have subrecipient monitoring documentation for 30 of 40 subrecipients tested. It could not determine if any of these selected Title II subrecipients were required to be monitored based on the results of the risk assessments performed.	Fully	
2015-022	84.367	DOE	Improving Teacher Quality State Grants (Title II, Part A)	The grant review and approval checklists could not be located for 7 of 40 LEA Title II applications selected for testing. It was disclosed that the missing checklists were the result of a data base crash.	Fully	
2015-023	84.126	MRC	Rehabilitation Services Vocational Grants to States	During the testing 40 individual cases to verify whether the Special Test and Provision- Completion of IPE's requirements had been met, it found 6 cases relating to MRC for which the I'E Completion was not made within 90 days of the clients' eligibility dates.	Fully	
2015-024	93.767	EHS	Children's Health Insurance Program	For 1 out of 65 participants selected for testing, the re-determination was not done in fiscal year 2015.	Fully	
2015-025	93.767	EHS	Children's Health Insurance Program	2 of 65 program participants tested, incorrect rates were used. Management determined that it underpaid claims by \$18,202 during fisca12015 as a result of applying the incorrect rate.	Fully	
2015-026	93.775, 93.777, 93.778	EHS	Medicaid Cluster	11 of 65 tested for eligibility, the Worker Portal is where cases were entered which functioned only as a database and did not verify income, social security number or citizenship. Therefore, there were no manual controls in place over the TMA applications processed by Worker Portal.	Partially	See finding 2016-046
2015-027	93.994	DPH	Maternal and Child Health Services Block Grant	During testing, the department tracks its compliance with the earmarking percentage in an excel spreadsheet for all its open grant awards rather than on an individual basis. As a result, it was unable to determine if the grant award met the stipulated earmarking requirements.	Fully	

2015-028	97.067	EPS	Homeland Security Grant Program	For all 4 subrecipients tested, the department did not obligate funds to the subrecipients within 45 days of receiving the federal award. The days elapsed from the grant acceptance date to the date a contract was signed with the subrecipients ranged from 68 to 272 days.	Fully	
2015-029	97.067	EPS	Homeland Security Grant Program	For each new grant award received, the department is responsible for completing and submitting a Federal Grant Set Up Form which authorizes the grant to be established in MMARS. It noted during testing that the same individual is given the responsibility of preparing, reviewing, and authorizing Federal Grant Set Up Forms.	Fully	