

Department of Social Services

Department of Social Services Background

The Department of Social Services (Department) protects children from abuse and neglect and works to strengthen families. The Department provides services such as counseling, parent aid or day care to reduce risks to children and develop a safe environment so that they can remain at home whenever possible. When necessary, the Department places children with foster parents or in-group homes. Approximately 10,000 children are living in foster or group homes. When a child is removed from his or her home, the Department develops a plan to provide long-term, stable resolution as soon as possible. The Department also provides day care for children of low-income families to allow parents to work or attend school, respite care for families caring for a developmentally disabled child at home, shelter and other services for battered women and their children, and homes for the homeless.

For fiscal year 1999, the Department administered approximately \$510 million. Federal funds amounted to approximately \$206 million.

The federal funding to this Department is detailed in the accompanying Schedule of Expenditures of Federal Awards.

The Department's major federal programs were:

CFDA #	Federal Program Description
93.667	Social Services Block Grant
93.658	Foster Care - Title IVE

Findings on Compliance with Rules and Regulations

Finding Number 30: Subrecipient Monitoring Needs Improvement

The Department of Social Services (Department) has not identified the exact amount of Federal funding provided to its subrecipients under the Social Services Block Grant and, as a result, it cannot effectively perform appropriate monitoring procedures in compliance with Office of Management and Budget Circular A-133 (A-133). A-133 requires a state government that receives federal financial assistance and provides \$300,000 or more of it in a fiscal year to a subrecipient to determine that non-federal subrecipients have met the audit requirements of the Circular. The purpose of such audits is to

determine whether subrecipients have spent the federal funds provided in accordance with applicable laws and regulations. The state government must also issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action. In addition, the Circular requires that subrecipients submit copies of reports to the pass-through agencies that provide them federal assistance within 30 days after receipt of the auditor's report, or thirteen months after the end of the audit period (nine months for fiscal years beginning on or after June 30, 1998), unless a longer period is agreed to with the cognizant agency.

The Operational Services Division (OSD) has been created by the Commonwealth to consolidate the procurement efforts at the various departments providing social services to the public. As part of the legislation, OSD has also been given the duty to monitor the compliance of subrecipients with A-133. OSD accomplishes this task by first verifying which subrecipients receive in excess of \$300,000 of federal funds and confirming with them their responsibilities to file financial statements (Form UFR) to comply with the Commonwealth's requirements and to meet audit provisions of A-133.

OSD will then monitor the timely submission of the Form UFR with appropriate auditor's reports and all deficient providers will be notified again through a letter from OSD. If there are deficiencies noted, the Principal Purchasing Agency (PPA), and not OSD, is responsible for monitoring the resolution of the audit issue. A PPA is designated by the Executive Office of Health and Human Services to administer a provider's pre-qualification process and is also responsible for assuring that corrective action is taken on findings resulting from audits. If there is a compliance or internal control finding on a program funded by a Commonwealth agency other than the PPA, the PPA will look to the funding agency to resolve the finding.

Due to the Department's required legislative pooling of federal Social Services Block Grant funds and similar state funds in various state appropriation accounts, the Department is working with OSD to identify subrecipients and to monitor their performance and compliance with federal requirements. However, the Department needs to assure itself that its subrecipients are receiving accurate and timely information regarding the amount of federal financial assistance received. The Department has provided OSD with a series of reports displaying corporate providers that may have Social Service Block Grant funds assigned to them for fiscal year 1999, in order to assist OSD in identifying those providers that receive federal funds. The Department relies upon OSD to notify all subrecipients of federal funds provided. OSD sends out confirmatory letters of the amount of federal funding they have received. Because the Department does not notify the subrecipients of the exact amount of federal funding, this OSD letter becomes the only official notification of the amount of federal funding.

It should be noted that in fiscal year 1999, the Department took a progressive step in reaching a solution to this problem. It developed percentages (or a range of percentages) for each grant award, which it gives to its providers. In June 1999, a formal letter from the Department was sent to each provider indicating, based upon the grant, how much federal money (in terms of a percentage of the funds provided by the Department) was included in the award.

Although the use of OSD is a move towards overall departmental efficiency, the Department should continue to work with the OSD to ensure that all providers receiving federal funds according to Department records have been properly identified by the Department and confirmed by OSD on a

timely basis. Since it is the Department that applies for and receives federal funds, it is the Department's responsibility to notify the provider of the amount of federal funds it is providing and to monitor compliance with A-133. (*Department of Health and Human Services - Social Services Block Grant 93.667; Fiscal Year 1989; 1998 Single Audit Finding 41*)

Recommendation

The Department should continue to develop and implement a plan and policy to notify all subrecipients receiving federal funds, at the beginning of the contract period, that a portion of the contract is federally-funded. This notification can be based upon historical trends (i.e., the percentages developed in fiscal year 1999) and provided within the grant award or in the form of an addendum to the grant award. This would provide the subrecipients with proper notification at the beginning of the grant period instead of the end and allow for proper planning if a single audit is required under OMB A-133. Subsequently, when the Department knows the actual amount, an additional correspondence should be sent to the provider.

Department Corrective Action Plan

The Social Services Block Grant provides federal matching funds for services funded in the majority of the Department's appropriations through the minor fund (Social Services Fund) structure. The Social Services Fund percentage attributable to each DSS appropriation is established by the legislature in the Department's General Appropriations Act. These Social Services Fund percentages preclude the option of funding all sub recipients with state appropriations, since the percent of spending in each account that is allocated to the Social Services Block Grant is mandated by law.

The total funding in the Social Services Fund may change based upon the federal appropriations for federal fiscal year funding of the Social Services Block Grant. A change in the funding necessitates amendments to the Social Services Fund within the Massachusetts General Appropriations Act. As the state appropriations Social Services Fund are targeted to be established by July 1 of a calendar year and federal appropriations to the Social Services Block grant are not defined until October 1 of the calendar year, there is an inherent need to review and possibly amend the Social Services Fund allocations as they exist in the Massachusetts General Appropriations Act. Delays in either the state or federal budget cycle further delay this process.

The amending of the Massachusetts General Appropriations Act occurs through the filing of a Supplement to the General Appropriations Act that must pass through both branches of the state legislature and be signed as supplementary to the General Appropriations Act. Supplements have historically been filed in January of the calendar year following the return from the winter recess of the state legislature. The Supplement is then reviewed and has been approved in past years in July of the calendar year with other spending supplements which may also have an impact and necessitate further changes to the Social Services Fund allocation percentages.

The Department does have the ability to change percentages *within* each account by program code in order to reach the GAA percentages for the account as a whole. Through an analysis of these allocations within appropriation accounts, the Department will be able to send notification to sub-recipient providers that an approximate percentage of their contract will be funded with federal dollars, within a range of percentage points (e.g. 15-25%). This notification will give the providers an early indication of the *magnitude* of federal dollars they should expect, and should provide them with

sufficient warning to perform an A-133 audit if the total federal dollars in their contracts is close to \$300,000. The Department will supply this approximate percentage to sub-recipients in January 2000. The final percentage is determined following the closure of the accounts payable period.

In addition, the Department has established a Memorandum of Understanding with OSD regarding the process and procedures for timely notification of subrecipients. Through this memorandum, DSS gives OSD authority to act as its agent in notifying subrecipients.

The Department has structured meetings with OSD in December 1999 to review the implications of state and federal budgets as well as spending projections. This will allow for a more defined percentage range for subrecipients and a timely notification when accounts payable period closes.

Responsible individual: Paul Hilton, Financial Management - Revenue

Implementation date: January 2000

(Subsequent to the issuance of this finding, the U.S. Department of Health and Human Services Administration for children and families issued a management decision resolving this finding as it appeared in the fiscal year 1998 Single Audit Report as Finding Number 41)

Findings not Repeated from Prior Years

1. The Department of Social Services (Department) did not submit the required federal reports within the due dates for the Child Welfare Program and the Foster Care IV-E Grant during fiscal year 1998. All fiscal year 1999 reports were submitted on time. *(Fiscal Year 1998 Single Audit Finding 42)*
2. The Department did not require employees who work solely on one federal program to file the required semi-annual federal certification. The Department instituted a program requiring the federally-mandated semi annual certification. *(Fiscal Year 1998 Single Audit Finding 43)*

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