

Section III

Summary of Schedule of Prior Year Audit Findings

"If you don't like the weather in New England, just wait a few minutes."

Mark Twain



*Bridge of Flowers,
Shelburne Falls*



Mayflower gardens, Plymouth

Spring is at its peak from April until the middle of June. To the north and west of Boston many towns hold maple syrup festivals, and the gardens of southern Massachusetts are alive with color as their flowers come into full bloom. Many cities and towns host garden tours, including the famous Beacon Hill Hidden Garden Tour in Boston.



Borderland State Park, North Easton



Housatonic River, Great Barrington



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Summary Schedule of Prior Audit Findings

Report on Compliance and Internal Control in Accordance with Government Auditing Standards and the Requirements of OMB Circular A-133 and the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2000

The following schedule contains the finding number and title, segregated by Commonwealth department, for each of the findings included in the 2000 Report. Following the finding number and title is the year the finding originated. If the finding repeated as a result of the fiscal year 2001 audit, the current year finding is referenced after the FY2001 status of the FY2000 findings. The letters under the heading *Corrective Action* indicate the following:

- F** Full (the corrective action plan was fully implemented)
- P** Partial (the corrective action plan was partially implemented and the finding repeated from 1999)
- N/R** Not Reported (the finding does not meet the criteria for reporting under OMB Circular A-133, Section .510 a)

<u>Department</u>	<u>Corrective Action</u>
Department of Corrections	
Finding Number 1: Late Recording of Fixed Assets – FY2000	F
Department of Social Services	
Finding Number 2: Tracking and Recording of Fixed Assets Needs Improvement - FY2000	F
Executive Office for Environmental Affairs	
Finding Number 3: Internal Control Plan needs to be Updated - FY1998	F
Metropolitan District Commission	
Finding Number 4: Late recording of fixed assets – FY2000	F

Office of the State Treasurer

Finding Number 5: Improvements needed in the Controls of the Commonwealth's Fiscal Year-End Revenue Reporting - FY2000 F

Office of the Trial Court

Finding Number 6: Late Recording of Fixed Assets – FY2000 F

Bridgewater State College

Finding Number 7: Late Recording of Fixed Assets - FY2000 F

Bunker Hill Community College

Finding Number 8: Late Recording of Fixed Assets – FY2000 F

Massasoit Community College

Finding Number 9: Late Recording of Fixed Assets – FY 1999 P - #6

At the end of FY2001 a complete inventory of Fixed Assets was performed. Around November 5, 2001, Massasoit Community College will begin to implement a Fixed Asset Module of their local administrative software system, Banner.

Northern Essex Community College

Finding Number 10: Non-Appropriated Fund Expenditure Documentation Needs Improvement - FY2000 F

Roxbury Community College

Finding Number 11: Non-Appropriated Fund Activity and Balances not Reconciled Monthly – FY1995 P - #7

In fiscal 2001, the College input all of its required Trust Fund accounts on MMARS, reconciled the accounts for the year, and input the final reconciliation adjustments onto the MMARS system. The college expects to remain in complete compliance for all of its FY2002 data and to do so in a more timely manner than FY 2001.

Department of Education

Finding Number 12: Lack of documented system for salary charges to federal programs and failure to make needed salary adjustments - FY1995 P - #13

We have drafted policies on this issue and have submitted them to the US Department of Education as part of the CAROI initiative. We are currently meeting with the Budget Bureau to obtain funding to pay back questioned costs agreed to with US ED.

We are also hiring an individual to take on these calculations as part of their duties. This person should begin in the upcoming fiscal year.

Finding Number 13: Lack of a control system for the Class Size Reduction Program – FY2000 P - #12

The Department has developed some documentation regarding internal controls to assure that it administers the CSR program in compliance with all federal requirements

Finding Number 14: Lack of a system to implement corrective actions plans and clear findings - FY2000 F

Finding Number 15: Better follow-up on Subrecipient audit findings is needed – FY1994 F

Finding Number 16: Local Education Agencies' compliance with supplement not supplant requirement is not monitored annually – FY1992 P - #14

Title I has developed a Policy and Procedure, Title I – Supplement Not Supplant Review which provides instructions to Title I personnel to monitor the Supplement not Supplant requirement at various times during the course of the year. The initial monitoring is the review of each LEA's Title I Application Proposal. During the year, Title I personnel participate in Coordinated Program Reviews at which time the "supplement not supplant" requirement is monitored and Title I staff review each LEA's A-133 Single Audit Findings for non-compliance and follow-up with the LEA. During the FY2001 Coordinated Program Reviews, instances of "supplement not supplant" non-compliance were found and LEA's are developing corrective action plans.

In addition, Title I provides training at regular workshops and conferences, at the annual Statewide Conference, at the Title I network meetings, and in monthly mailings from the DOE Title I Director in which compliance issues such as "supplement not supplant" are discussed and clarified.

Voc Ed has developed a Policy and Procedure, Voc Ed – Supplement Not Supplant Review which provides instructions to Voc Ed personnel to monitor the Supplement not Supplant requirement at various times during the course of the year. The Vocational Education programs will monitor the annual level of services based on information available from the End-of-Year Reports and take appropriate steps if these requirements were not met.

Finding Number 17: Inadequate Monitoring – FY1999 F

Finding Number 18: Failure to reduce Title I allocations or obtain a waiver for maintenance of effort – FY1999 F

Finding Number 19: Federal Report deficiency – FY1997 Due to a change in all of our understanding in what constitutes an administrative match on Voc Ed funds, we have drafted policies for the calculation of the matching amount and have submitted them to the US Department of Education as part of the CAROI initiative. We are currently meeting with the Budget Bureau to obtain funding to pay back negotiated questioned costs agreed to with US Ed. P - #15

Finding Number 20: Total Quarterly Federal Expenditure as shown on federal reports are not reconciled to the Commonwealth's accounting system – FY2000 F

Division of Medical Assistance

- Finding Number 21:** Missing Case File – FY2000 F
- Finding Number 22:** Overpayments must be refunded in a more timely manner – FY2000 F
- Finding Number 23:** Improvements needed in the identification of new Federal Programs – FY2000 F
- Finding Number 24:** Medical necessity review results – FY2000 F
- Finding Number 25:** Tracking and recording of receivables, uncollectables and write-offs needs improvement – FY2000 P - #25

The Division drafted an A/R policy and sent it to the Office of the State Comptroller (OSC) on 12/8/00. The OSC recently drafted their own A/R policy and asked for feedback which the Division submitted in mid-July, 2001. According to Division policy the A/R balances as of 6/30/01 will be posted by 7/13/01.

Department of Public Health

- Finding Number 26:** Payroll certifications not performed – FY2000 F

Department of Revenue / Division of Child Support Enforcement

- Finding Number 27:** Cases not closed in system FY1998 P - #18

As of June 30, 2001, CSE has closed 11,134 cases this fiscal year. In addition, all policies and procedures have been developed and issued for appropriate case closure reasons (see attached document). Additional policy and procedures will be amended as systemic case closure is completed.

The system functionality related to the Emancipation change order has been developed and is currently in testing. Due to the implementation of federally required financial changes, this functionality was delayed. It is anticipated that this functionality will be implemented this summer. In the meantime, manual case closure has occurred on 3,165 over 18 cases.

The system functionality related to the CP Opt Out/Noncooperation in Pre-obligation Cases is also in testing and is should be ready for implementation by August 30, 2001. Due to year-end system processing, this functionality could not be implemented after the beginning of the fiscal year.

CSE has made a concerted effort to educate customers on what they need to provide CSE in order to keep their case up to date. CSE is in the process of delivering flyers and posters each (both in Spanish and English) to the block time courts and regional offices to educate customers on direct pay, the Web site and appropriate times for them to call us when there is a change in their status. Our web site has been significantly overhauled to include extensive information for customers including all forms, most brochures, worksheets, contact information, and automatic e-mail response capabilities. Also in the coming months, customers will be able to access payment information, make address changes via our interactive web site as well.

DOR's Internal Audit has not yet been able to conduct a review of the case closing policies and procedures due to other ongoing reviews.

Finding Number 28: Ineffective case tracking and management system – FY1989 P - #19

- Systemic location efforts run continually on a regular schedule for address, employer and asset information for noncustodial parents with a Social Security number.
- Functionality for CSE's automated system is continuing to be developed to utilize federal sources of Social Security number verification and identification. Implementation on this functionality is scheduled for Fall 2001.
- CSE has evaluated the feasibility of automating our current manual practice of cross checking noncustodial parent information against various state databases (ex. Registry of Motor Vehicles). This automation could expedite our verification process during establishment and other case processing and could potentially be used to continuously identify location information at regular intervals. This will be a long-term project that will require DOR and CSE dedicated resources.
- See corrective action item (2) for status on tracking and managing the inventory of cases throughout the establishment process. Supervisory review and continuous retraining are ongoing.
- The Department's Internal Audit unit conducted a review of the case create function as well as the annual Self-Assessment Review.

Finding Number 29: Failure to Obtain Payroll certifications – FY2000 F**Finding Number 30:** Follow-up on the Office of the State Auditor's Report on the Child Support Enforcement Program – FY2000 P - #19

CSE has revised policy and procedures and has designated a responsible staff member for overseeing this function. In January 2001, all employees working solely on child support issues filed a payroll certification for the period July 2000 – December 2000. The next certification will be during the first few weeks in July for the period January 2001 – June 2001.

Department of Social Services

Finding Number 31: Documentation to Support the Eligibility of Those Receiving Services with the Funds Transferred from the TANF Block Grant to the Social Services Block Grant Needs to be Improved – FY2000 F

Department of Transitional Assistance

Finding Number 32: Food Stamp Status of Claims Against Household Report Filed with Inaccurate Data - FY1994 P - #21

The Management Information Services Division of the Department has reviewed the programming, which develops the data necessary to create the Food Stamp Status of Claims Against Household Report (FNS 209). Correction of the underlying programming issues is substantially complete. Work remains to be completed on reconciling FNS - 209 reports issued under BEACON.

Recovery Unit staff have reviewed the Federal Fiscal Year 2001 Quarters 1 and 2 FNS - 209 BEACON report data and have reasonable assurance that the summarization of collection activity is correct. A problem

remains with the determination of the beginning balance in a subsequent quarter.

Due to the implementation of the case management portion of BEACON, the completion of the corrections to the FNS - 209 Report have taken longer than expected.

Finding Number 33: An Interdepartmental Service Agreement is needed Between the Department of Transitional and the Department of Social Service to Document the funds transferred from the TANF Block Grant to Social Services Block Grant – FY2000 F

Finding Number 34: Documentation of the TANF Program and the Methods Used to Fund the various TANF components Needs Improvement –FY2000 F

Massachusetts Highway Department

Finding Number 35: Prevailing Wages not Paid – FY 1999 F

Finding Number 36: Subrecipient Contracts do not Contain Adequate Single Audit Information – FY1999 P - #35

The issues addressed in the FY 2000 finding regarding Subrecipients have been fully implemented as per the Corrective Action Plan.

In the FY 2001 audit regarding Subrecipients new issues were raised which were not applicable to last year's Corrective Action Plan (CAP) but will be addressed in this year's CAP.

Finding Number 37: Procedures Should be Established to Monitor Central Artery/Tunnel Project Transactions – FY2000 P - #36

The Department is awaiting further direction regarding this issue.

Finding Number 38: \$ 382,396 in Disallowed Consultant Costs not credited – FY2000 F

Finding Number 39: \$ 7,121 in Excess Fringe Benefits Charged – FY1999 F

Executive Office of Elder Affairs

Finding Number 40: \$ 623,294 in Unsupported Indirect Costs – FY2000 P - #27

Elder Affairs submitted a copy of a draft cost allocation plan for fiscal year 2000 to the Office of the State Comptroller for its review in late August 2001. We are currently responding to questions the Comptroller's Office has raised based on their review; we will conclude our discussions with them and make the necessary revisions in the fiscal year 2000 cost allocation plan by November 30, 2001. We will then begin to prepare cost allocation plans for fiscal years 1999 and 2001 using the same methodology and format as the final fiscal year 2000 plan. At the same time, beginning with the fiscal year 2000 plan, we will work with the Comptroller to resolve any issues in the application of the results of the plan to indirect cost recoveries and to correct any over-recoveries of indirect costs that have been made. We will complete the resolution for all three fiscal years by June 30, 2002.

Information Technology Division

Finding Number 41: \$169,947 in Additional Costs Included in the 1999 Rates Affecting Both Federal and state Programs. – FY1999

P - #48

The US Department of Health and Human Services, Division of Cost Allocation ruled that ITD must expense the \$164,031 in question over a period of 2 years. When preparing the FY2000 cost allocation plan, ITD booked two adjustments.

The first adjustment: deducted \$82,000 for writing off the full amount of the \$164,031 in FY1999.

The second adjustment: to expense the remaining \$82,000 for FY2000.

The Auditor references an amount of \$39,549. ITD refuted this amount in its answer to the FY1999 finding. The US Department of Health and Human Services, Division of Cost Allocation, agrees with ITD's computation.

Two additional adjustments were booked: Deduction of \$2,745 for fringe benefits on bonus pay awards and \$3,171 on shift differential, which are not part of the federally approved base.

The distribution of costs among the nine network rates and among four tape rates was not made in FY2000. This was an oversight. It will be made for FY2001.

There is an additional issue that should be addressed. At the audit exit meeting last October, Deloitte told us that the ITD audit finding related to the conversion of equipment use allowance to depreciation (\$164,031) was based on an audit finding held against the State of New Hampshire. New Hampshire was denied a cost deduction of \$1 million.

Since ITD successfully overturned this finding and the decision from the US Department of HHS, Division of Cost Allocation is not a published decision; New Hampshire should be informed that they might be entitled to a \$1 million deduction.

Roxbury Community College

Finding Number 42: Status of the U.S. Department of Education Office of Inspector General Issues – FY1997 P - #40

The College is waiting for resolution of this issue from the Department of Education. The College cannot initiate further action at this time.

Finding Number 43: Lack of Procedure to Identify Walk-Away Students– FY 1999 P - #41

The corrective action plan has been fully implemented.

Salem State College

Finding Number 44: Perkins Loan and Nursing Student Loan Cash not Supported Balances by the College's Records and Funds do not Receive Interest Income Earned by the College – FY1999 P - #42

In December 2000 the College established three new accounts. The names of the accounts are the following:

- Nursing Loans
- Perkins Loans
- Student Federal Grants Control

The College has determined the amount of interest earned applicable to the Nursing and Perkins Loan Programs.

Finding Number 45: Amounts Reported on Federal Fiscal Operations Report and Application (FISAP) and Nursing Student Loan (NSL) Annual Report do not Agree to the College's Records - FY 1998 P - #43

Because of commingling of fiscal years, general ledger balances will never display the accurate picture of account balances. This is a system problem in both Dynalogic and PeopleSoft. Adjustments have been made to correct the ending fiscal year balances. AFSA loan detail agrees to College records. Due to the College Loan Repayment Office (LRO) and AFSA non-cash payment detail, college records will never agree to AFSA summary documentation. All payments received by the LRO have been recorded in the appropriate account and deposited into their respective Eastern Bank Account.

Finding Number 46: Unreconciled Cash for Title IV Programs - FY1999 P - #44

There is no excess cash and cash balances for the Federal Pell Grant Program and the Federal Supplemental Education Opportunity Grants Program have been reconciled with adjustments being made to the ending general ledger balance.