

Section II  
Schedule of Findings and Questioned Costs



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**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**I. Summary of Auditor's Results**

We have audited the financial statements of the Commonwealth of Massachusetts as of and for the year ended June 30, 2002 and have issued our reports thereon dated December 30, 2002. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and with the requirements of the *U.S. Office of Management and Budget (OMB) Circular A-133*. The results of our audit are as follows:

**Type of Report Issued on the Financial Statements:** Unqualified opinion

**Reportable Conditions in Internal Control Disclosed by the Audit of the Financial Statements:** Yes

**Material Noncompliance Disclosed by the Audit of the Financial Statements:** No

**Reportable Conditions in Internal Control over Major Programs:** Yes

**Type of Report Issued on Compliance for Major Programs:** Unqualified opinion

**Audit Findings Required to be Reported under Section .510(a) of OMB Circular A-133:** Yes

<b>Major Programs Funding Source</b>	<b>Program</b>	<b>CFDA No.</b>
Agriculture	Food Stamps Program	10.551(a)
Agriculture	State Admin. Matching-Food Stamps	10.561(a)
Agriculture	School Breakfast Program	10.553(b)
Agriculture	National School Lunch Program	10.555(b)
Agriculture	Special Milk Program for Children	10.556(b)
Agriculture	Summer Food Service Program	10.559(b)
Agriculture	WIC Program	10.557
Agriculture	Child & Adult Food Care Program	10.558
Justice	Juvenile Accountability Incentive Block Grants	16.523
Justice	Byrne Formula Grant Program	16.579
Labor	Unemployment Insurance Program	17.225
Labor	Employment Service Program	17.207(c)
Labor	Disabled Veterans Outreach Program	17.801(c)
Labor	Local Veterans Employment Representative Program	17.804(c)
Transportation	Highway Planning & Construction	20.205
Education	Title I Program	84.010
Education	Special Education-State Grants	84.027(d)
Education	Special Education-Preschool Grants	84.173(d)
Education	Vocational Education	84.048
Education	Class Size Reduction	84.340
Education	FSEOG Program	84.007(e)
Education	FFEL Program	84.032(e)
Education	Federal Work-Study Program	84.033(e)
Education	Federal Perkins Loan Program	84.038(e)

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**I. Summary of Auditor's Results (Continued)**

Education	Federal Pell Grant Program	84.063(e)
Education	Federal Direct Loan Program	84.268(e)
Health & Human Services	HEAL Program	93.108(e)
Health & Human Services	HPSL Program	93.342(e)
Health & Human Services	Nursing Student Loan Program	93.364(e)
Health & Human Services	EFNS Program	93.820(e)
Health & Human Services	Special Programs for the Aging, Title III, Part B	93.044(f)
Health & Human Services	Special Programs for the Aging, Title III, Part C	93.045(f)
Health & Human Services	Childhood Immunization Grants	93.268
Health & Human Services	Child Support Enforcement Program	93.563
Health & Human Services	TANF Block Grant	93.558
Health & Human Services	Foster Care Program	93.658
Health & Human Services	Social Services Block Grant	93.667
Health & Human Services	State Children's Insurance Program	93.767
Health & Human Services	Medical Assistance Program	93.778(g)
Health & Human Services	State Medicaid Fraud Control Units	93.775(g)
Health & Human Services	State Survey and Certification of Health Care Providers and Suppliers	93.777(g)
Health & Human Services	SAPT Block Grant	93.959
(a) Cluster of Programs	(e) Cluster of Programs	
(b) Cluster of Programs	(f) Cluster of Programs	
(c) Cluster of Programs	(g) Cluster of Programs	
(d) Cluster of Programs		

**Dollar Threshold Used to Distinguish Type A and Type B Programs: \$28,373,736**

**Qualification of Auditee as a Low-Risk Auditee: No**

**Introduction**

The findings and recommendations detailed in Sections IV and V of this volume, and summarized in the schedule below, have been reviewed with representatives of the departments from which the observations arose and with representatives from the Office of the Comptroller. In order to assist the reader in understanding both the departmental compliance with laws and regulations and the adequacy of the internal control structure, the findings have been grouped by department and categorized as to whether they concern the department's federal program compliance or the internal control structure used in administering federal award programs. *(Part III of this Schedule)*

In addition, the findings concerning compliance with Massachusetts General Laws and on the internal control structure based on the study and evaluation of the accounting system as part of the examination of the General Purpose Financial Statements contained in the Comprehensive Annual Financial Reports (CAFR), are summarized below in Part II and detailed in Section IV.

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**I. Summary of Auditor's Results (Continued)**

At the end of each finding involving federal programs, detailed in Section V, is a parenthetical disclosure indicating the federal agency or agencies providing the funding for the program(s) to which the finding is applicable and the applicable Catalog of Federal Domestic Assistance number(s).

Corrective action plans and/or departmental responses to the findings and recommendations have been provided by the department's representatives and reflect plans and responses as of December 30, 2002.

In the event a finding is repeated from the prior Single Audit report or a report prepared in prior years by other auditors performing audits of federal programs, the parenthetical disclosure at the end of the finding also indicates the year the finding first was reported, the finding number in the most recently issued prior report and, if applicable, the federal audit agency issuing the report so that the reader may cross-reference the current finding to the prior reports.

Under a cooperative agreement for the Commonwealth's Single Audit, the Office of the State Auditor, in order to provide the necessary audit coverage for the student financial assistance programs not audited by independent accounting firms and to assist in the audit of major programs, conducted the audit procedures at three Commonwealth institutions of higher education and three departments. While the findings resulting from these audits are incorporated in this report, the Office of the State Auditor will also issue its own separate reports with the results of these audits.

**Questioned Costs as a Result of the Fiscal Year 2002 Statewide Single Audit**

The study and evaluation of the various departments' compliance with laws and regulations resulted in the identification of questioned costs totaling \$7,258,782. For those instances where costs were questioned, the specific costs have been identified in findings reported on the following pages.

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**II. Findings Related to the Financial Statements**

<u>Reportable Conditions</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Oversight of the Owner Controlled Insurance Program needs to be improved. <i>(Finding No. 8 – Massachusetts Highway Department)</i>	-	-
Cash management system and its reconciliation to MMARS needs improvement. <i>(Finding No. 10 – Office of the State Treasurer)</i>	-	-
<b><u>Noncompliance Findings</u></b>		
Non-GAAP fixed asset accounting and reporting needs improvement. <i>(Finding No. 1- Statewide Finding)</i>	-	-
Improvements needed over internal control of fixed assets. <i>(Finding No. 2 – Committee on Criminal Justice, No. 9 - Executive Office of Elder Affair)</i>	-	-
Payment voucher dates changed. <i>(Finding No. 3 – Committee of Criminal Justice, No. 7 - Department of Public Health)</i>	-	-
Contract and payment vouchers not in compliance with Commonwealth policies. <i>(Finding No. 4 – Committee on Criminal Justice)</i>	-	-
Employers not assessed penalties for not filing required returns. <i>(Finding No. 5 – Division of Employment and Training)</i>	-	-
Collection of accounts receivable needs improvement. <i>(Finding No. 6 - Department of Mental Retardation)</i>	-	-
Non-appropriated fund activity and balances not reconciled monthly. <i>(Finding No. 11 Roxbury Community College)</i>	-	-
Internal control plan needs to be updated. <i>(Finding No. 12–Roxbury Community College, No. 13- Salem State College)</i>	-	-

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**III. Findings and Questioned Costs for Federal Awards**

<b><u>Reportable Conditions</u></b>	<b><u>Questioned Costs</u></b>	<b><u>Program and CFDA #</u></b>
Drug rate reimbursement regulations need clarification. <i>(Finding No. 24 – Division of Medical Assistance)</i>	-	Medical Assistance Program 93.778
The recording of aged accounts receivable needs to be reviewed in a timelier basis. <i>(Finding No. 27 – Division of Medical Assistance)</i>	-	Medical Assistance Program 93.778
Inconsistent vaccine transfer documentation. <i>(Finding No. 47 – Department of Public Health)</i>	-	Childhood Immunization Grants 93.268
The BEACON system lacks the appropriate segregation of duties. <i>(Finding No. 65 – Department of Transitional Assistance)</i>	-	Temporary Assistance to Needy Families 93.558; Food Stamps Program 10.551
Roxbury Community College administration needs improvement. <i>(Finding No. 77 – Roxbury Community College)</i>	-	Federal Pell Grant Program 84.063; Federal Work-Study Program 84.033; Federal Supplemental Educational Opportunity Grants 84.007
<b><u>Noncompliance Findings</u></b>		
Subrecipient monitoring needs improvement. <i>(Finding No. 14 – Committee on Criminal Justice, No. 57 – Department of Social Services, and No. 59 – Executive Office of Elder Affairs)</i>	-	Social Services Block Grant 93.667; Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045; Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**III. Findings and Questioned Costs for Federal Awards (Continued)**

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Lack of documented system for salary charges to federal programs. <i>(Finding No. 15 – Committee on Criminal Justice, No. 32 - Department of Education)</i>	\$631,089	Title I Program 84.010; Special Education Program 84.027; Goals 2000 Program 84.276; Vocational Education Program 84.048; Safe & Drug-Free Schools & Communities 84.186; Bilingual Education Program 84.194; Education for Homeless Children & Youth 84.196; Adult Education Program 84.002; Reading Excellence Program 84.338; Innovative Education Program Strategies 84.298; Acquired Immunodeficiency Syndrome Activity 93.118; Child and Adult Food Care Program 10.558; School Breakfast Program 10.553; National School Lunch Program 10.555; Special Milk Program 10.556; Summer Food Programs for Children 10.559; Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523
Inadequate supporting documentation for payment voucher expenditures. <i>(Finding No. 16 – Committee on Criminal Justice, No. 60 – Executive Office of Elder Affairs)</i>	\$2,791,020	Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045; Byrne Formula Grant Program 16.579; Juvenile Accountability Incentive Block Grant 16.523
Improperly classified transaction. <i>(Finding No. 17 – Committee on Criminal Justice)</i>	-	Byrne Formula Grant Program 16.579
Buyback of leave time for early retirement charged to federal program. <i>(Finding No. 18 – Committee on Criminal Justice)</i>	-	Byrne Formula Grant Program 16.579
Federal funds drawn down against closed grant. <i>(Finding No. 19 – Committee on Criminal Justice)</i>	-	Juvenile Accountability Incentive Block Grant 16.523

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**III. Findings and Questioned Costs for Federal Awards (Continued)**

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Eligibility redeterminations were not performed in a timely manner. <i>(Finding No. 20 – Division of Medical Assistance)</i>	-	Medical Assistance Program 93.778; State Children’s Health Insurance Plan 93.767
SCHIP eligibility not redetermined upon turning 19 years old. <i>(Finding No. 21 – Division of Medical Assistance)</i>	-	State Children’s Health Insurance Plan 93.767
Overpayment of personal need account. <i>(Finding No. 22 – Division of Medical Assistance)</i>	-	Medical Assistance Program 93.778
Overpayments must be refunded in a more timely manner. <i>(Finding No. 23 – Division of Medical Assistance)</i>	-	Medical Assistance Program 93.778; State Children’s Insurance Program 93.767
Expired provider certification. <i>(Finding No. 25 – Division of Medical Assistance/Executive Office of Elder Affairs)</i>	-	Medical Assistance Program 93.778
Untimely filing of plan of care and level of care documents. <i>(Finding No. 26 – Division of Medical Assistance/Department of Mental Retardation)</i>	-	Medical Assistance Program 93.778
Inadequate administrative expenditure procedures. <i>(Finding No. 28 – Department of Education)</i>	-	Title I Grants to Local Education Agencies 84.010, Special Education – State Grants 84.027, Vocational Education, Basic Grants to States 84.048, Goals 2000 Program 84.276; Child and Adult Food Care Program 10.558, School Breakfast Program 10.553, National School Lunch Program 10.555, Special Milk Program 10.556; Summer Food Service Program for Children 10.559
Procedures need to be refined. <i>(Finding No. 29 – Department of Education)</i>	-	Special Education Program 84.027
Lack of control system for Goals 2000 Program. <i>(Finding No. 30 – Department of Education)</i>	-	Goals 2000 Program 84.276
Class Size Reduction documentation needs to be improved. <i>(Finding No. 31 – Department of Education)</i>	-	Class Size Reduction Program 84.340

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**III. Findings and Questioned Costs for Federal Awards (Continued)**

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Tracking and reporting of the amount used to meet the Vocational Education matching and maintenance of effort requirements are questionable. <i>(Finding No. 33 – Department of Education)</i>	-	Vocational Education Program 84.048
Lack of data to measure earmarking. <i>(Finding No. 34 – Department of Education)</i>	-	Special Education Program - State Grants 84.027; Special Education Program – Preschool Grants 84.173
Unreliable data summarization and use for maintenance of effort and other measures. <i>(Finding No. 35 – Department of Education)</i>	-	Title I Program 84.010
Lack of required certifications for child count. <i>(Finding No. 36 – Department of Education)</i>	-	Special Education Program 84.027
Inadequate monitoring. <i>(Finding No. 37 – Department of Education)</i>	-	Child and Adult Food Care Program 10.558
Errors or estimates in federal reports. <i>(Finding No. 38 – Department of Education, No. 62 – Executive Office of Elder Affairs and No. 63 – Department of Transitional Assistance)</i>	-	Child and Adult Care Food Program 10.558; School Breakfast Program 10.553; National School Lunch Program 10.555; Food Stamp Program 10.551; Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045)
Commodities inventory difficulties. <i>(Finding No. 39 – Department of Education)</i>	\$1,346,123	Child and Adult Food Care Program 10.558; School Breakfast Program 10.553; National School Lunch Program 10.555; Special Milk Program 10.556; Summer Food Program for Children 10.559
Inactive cases not closed in system. <i>(Finding No. 40 – DOR/Division of Child Support Enforcement)</i>	-	Child Support Enforcement Program 93.563
Ineffective case tracking and management system. <i>(Finding No. 41 – DOR/Division of Child Support Enforcement)</i>	-	Child Support Enforcement Program 93.563

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**III. Findings and Questioned Costs for Federal Awards (Continued)**

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Tardiness of self-assessment review. (Finding No. 42 - DOR/Division of Child Support Enforcement)	-	Child Support Enforcement Program 93.563
COMETS does not comply with federal requirements. (Finding No. 43 - DOR/Division of Child Support Enforcement)	-	Child Support Enforcement Program 93.563
Improper sample selection for independent peer review. (Finding No. 44 - Department of Public Health)	-	Substance Abuse Prevention and Treatment Block Grant 93.959
No substance abuse public hearing held. (Finding No. 45 - Department of Public Health)	-	Substance Abuse Prevention and Treatment Block Grant 93.959
Earmarking requirement exceeded. (Finding No. 46 - Department of Public Health)	\$249,843	Substance Abuse Prevention and Treatment Block Grant 93.959
Noncompliance with level of effort requirement. (Finding No. 48 - Department of Public Health)	-	Substance Abuse Prevention and Treatment Block Grant 93.959
Subrecipient identification and award documents need to improve. (Finding No. 49 - Massachusetts Highway Department)	-	Highway Planning and Construction Program 20.205
Outdated rental appraisals. (Finding No. 50 - Massachusetts Highway Department)	-	Highway Planning and Construction Program 20.205
The sale of federally-funded property not recorded, deposited or transferred on a timely basis. (Finding No. 51 - Massachusetts Highway Department)	-	Highway Planning and Construction Program 20.205
Disallowed consultant costs not credited on a timely basis. (Finding No. 52 - Massachusetts Highway Department)	\$933,614	Highway Planning and Construction Program 20.205
Certified payrolls not received on a timely basis. (Finding No. 53 - Massachusetts Highway Department))	-	Highway Planning and Construction Program 20.205
Documentation of debarment and suspension compliance needs improvement. (Finding No. 54 - Massachusetts Highway Department)	-	Highway Planning and Construction Program 20.205
Timeliness of CORI checks needs improvement. (Finding No. 55 - Department of Social Services)	-	Foster Care Program 93.658

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**III. Findings and Questioned Costs for Federal Awards (Continued)**

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
The process for home licensing needs improvement. <i>(Finding No. 56 – Department of Social Services)</i>	-	Foster Care Program 93.658
Indirect cost plan not developed. <i>(Finding No. 58 – Executive Office of Elder Affairs)</i>	\$1,275,218	Nutrition Services Incentive 10.570; Senior Community Service Employment Program 17.235; Eisenhower Professional Development State Grants 84.281; Reading Excellence Act 84.338; Special Program for the Aging-Title III, Part B 93.044; Special Programs for the Aging-Title IV and Title II, Discretionary Projects 93.048; CMS Research, Demonstration and Evaluations 93.779; Maternal and Child Health Services Block Grants to States 93.994
Federal reports not reconciled to the Commonwealth's accounting system. <i>(Finding No. 61 – Executive Office of Elder Affairs)</i>	-	Special Programs for the Aging, Title III, Part B 93.044; Special Programs for the Aging, Title III, Part C 93.045
Failure to provide necessary TANF case file verification forms. <i>(Finding No. 64 – Department of Transitional Assistance)</i>	-	Temporary Assistance for Needy Families Block Grant 93.558
Conflicting or unresolved income data records within student verification process. <i>(Finding No. 66 – Massasoit Community College)</i>	-	Federal Pell Grant Program 84.063; Federal Supplemental Educational Opportunity Grants 84.007
Student status confirmation reports not submitted in accordance with regulations. <i>(Finding No. 67 – Massasoit Community College)</i>	-	Federal Family Education Loan Program 84.032
Incorrect calculations and application of refund of Title IV program funds. <i>(Finding No. 68 – Massasoit Community College)</i>	-	Federal Pell Grant Program 84.063; Federal Supplemental Educational Opportunity Grants 84.007

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**III. Findings and Questioned Costs for Federal Awards (Continued)**

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Pell Grant recipient not making satisfactory academic progress. <i>(Finding No. 69 – Massasoit Community College, No. 75 – Roxbury Community College)</i>	-	Federal Pell Grant Program 84.063
Over award of Title IV funds. <i>(Finding No. 70 – Massasoit Community College)</i>	-	Federal Family Education Loan Program 84.032
Status of the U.S. Department of Education Office of Inspector General issues. <i>(Finding No. 71 – Roxbury Community College)</i>	-	Federal Pell Grant Program 84.063
Roxbury Community College did not comply with reporting and disclosure of information. <i>(Finding No. 72 – Roxbury Community College)</i>	-	Federal Pell Grant Program 84.063; Federal Supplemental Educational Opportunity Grants 84.007; Federal Work-Study Program 84.033
Students inappropriately awarded Pell Grants without high school diploma or equivalent. <i>(Finding No. 73 – Roxbury Community College)</i>	\$31,875	Federal Pell Grant Program 84.063
Lack of a procedures to identify walk-away students. <i>(Finding No. 74 – Roxbury Community College)</i>	-	Federal Pell Grant Program 84.063; Federal College Work-Study Program 84.033; Federal Supplemental Educational Opportunity Grants 84.007
Student awarded Pell Grant using multiple social security numbers and different dates of birth. <i>(Finding No. 76 – Roxbury Community College)</i>	-	Federal Pell Grant Program 84.063
Credit balances not returned to students within required time frame. <i>(Finding No. 78 – Salem State College)</i>		Federal Pell Grant Program 84.063; Federal Supplemental Education Opportunity Grants 84.007; Federal Direct Loan Program 84.268; Nursing Student Loan Program 93.364

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2002**

**III. Findings and Questioned Costs for Federal Awards (Continued)**

<u>Noncompliance Findings</u>	<u>Questioned Costs</u>	<u>Program and CFDA #</u>
Title IV program funds need to be returned. <i>(Finding No. 79 - Salem State College)</i>	-	Federal Pell Grant Program 84.063; Federal Direct Loan Program 84.268; Federal Supplemental Education Opportunity Grants 84.007; Federal Family Education Loan Program 84.032
Amounts reported on Perkins Loan Program Fiscal Operations Report and Application to Participate (FISAP) and Nursing Student Loan Annual Report (AOR) do not agree to the College's general ledger. <i>(Finding No. 80 - Salem State College)</i>	-	Federal Perkins Loan Program 84.038; Nursing Student Loan Program 93.364
Unreconciled cash for Title IV programs. <i>(Finding No. 81 - Salem State College)</i>	-	Federal Pell Grant Program 84.063; Federal Supplemental Education Opportunity Grants 84.007
<b>Total Questioned Costs</b>	<b><u>\$7,258,782</u></b>	