

Section V  
Findings on Compliance and Reportable Conditions Pertaining to Internal  
Control Structure Used in Administering Federal Programs

**Departments with Major Audit Presence:**

Committee on Criminal Justice  
Division of Medical Assistance  
Department of Education  
Department of Revenue/Child Support and Enforcement  
Department of Public Health  
Massachusetts Highway Department  
Department of Social Services  
Executive Office of Elder Affairs  
Department of Transitional Assistance  
Institutions of Higher Education  
    Massasoit Community College  
    Roxbury Community College  
    Salem State College  
Findings Not Repeated From Prior Years



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# Departments with Major Audit Presence

## Committee on Criminal Justice Background

The Executive Office of Public Safety oversees 21 agencies, boards, and commissions. The Committee on Criminal Justice (Committee), within the Executive Office of Public Safety (EOPS) Programs Division, is the state planning agency responsible for applying for and administering Federal and State criminal justice grants. In accordance with Chapter 6A, section 18½, an undersecretary within the Executive Office of Public Safety is responsible for overseeing the function and administration of CCJ.

A key federal grant program administered by this office is the Edward Byrne Memorial State and Local Law Enforcement Assistance Program (the Byrne Program). The Byrne Program, created by the Anti-Drug Abuse Act of 1988 (Public Law 100-690), places emphasis on drug-related crime, violent crime, and serious offenders, as well as multi-jurisdictional and multi-State efforts to support national drug control priorities. The Bureau of Justice Assistance makes Byrne Program Formula Funds available. These are awarded to states, which then make subawards to state and local units of governments.

The Byrne Formula Grant Program is a partnership among federal, state, and local governments to create safer communities and improved criminal justice systems with emphasis on violent crime and serious offenders, and to enforce state and local laws that establish offenses similar to those in the federal Controlled Substances Act. Grants may be used to provide personnel, equipment, training, technical assistance, and information systems for more widespread apprehension, prosecution, adjudication, detention, and rehabilitation of offenders who violate such state and local laws.

The Juvenile Accountability Incentive Block Grant (JAIBG) program is administered by the Office of Juvenile Justice and Delinquency Prevention (OJJDP). Through the JAIBG program, funds are provided as block grants to States that have implemented, or are considering implementation of legislation and/or programs promoting greater accountability in the juvenile justice system.

In fiscal year 2002, CCJ administered approximately \$50 million of which \$27 million was federal funds.

The federal funding to the Committee is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Committee's major programs were:

<b><u>CFDA #</u></b>	<b><u>Federal Program Description</u></b>
16.579	Byrne Formula Grant Program
16.523	Juvenile Accountability Incentive Block Grant

## Committee on Criminal Justice Findings on Compliance with Rules And Regulations

### Finding Number 14: Monitoring of Subrecipients Needs Improvement

The Committee on Criminal Justice (Committee) needs to improve its financial monitoring procedures of subrecipients to ensure federal funds are spent in accordance with contract requirements, as well as, federal and state regulations and to ensure that they have adequate systems of accounting and internal controls.

The Committee disburses federal funds to subrecipients for the Byrne and Juvenile Accountability Incentive Block Grants. According to OMB Circular A-133, Subpart D, Section 400 (d)(3), the responsibilities of pass-through entities include:

“Monitoring the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations and provisions of contract or grant agreements and that performance goals are achieved.”

The Circular, Subpart D, Section 400(d)(), also states:

“A pass-through entity shall . . . for the Federal awards it makes . . . (5) 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.”

OMB Circular A-133, March 2002 Compliance Supplement, Part 3, Section M *Subrecipient Monitoring*, further states that:

“Monitoring activities may take various forms, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, arranging for agreed-upon procedures, and engagements for certain aspects of subrecipient activities, such as reviewing the subrecipient’s single audit or program-specific audit results, and evaluating audit findings and the subrecipient’s corrective action plan.”

In addition to federal regulations, the Commonwealth of Massachusetts’ Procurement Policies and Procedures Handbook, Chapter 5, Contract Execution and Management Monitoring and Evaluating Contractor Performance and Compliance, states in part:

“The Commonwealth has a responsibility to conduct monitoring and evaluation of the commodities and services it purchases. These activities can assist in identifying and reducing fiscal and programmatic risk as early as possible thus protecting both public funds and clients being served. Contract managers are responsible for monitoring contractor performance and other issues that arise during the life of the contract. In developing monitoring and evaluation procedures, the Commonwealth, through its departments should strive for methods that rely on, among other things, national or industry standards and which are coordinated, cost efficient and appropriate to the level of risk to the Commonwealth in the purchase of the commodities or services.”

The Committee issues grants to cities and towns for certain law enforcement activities. If a grantee meets the criteria for having an OMB Circular A-133 audit conducted, the Committee requires that the audit be submitted to it so it can monitor the subrecipient’s financial activities. However, the Committee does not have a system in place to determine which grantees are required to submit an OMB Circular A-133 audit.

## Committee on Criminal Justice Findings on Compliance with Rules and Regulations

### Finding Number 14: Monitoring of Subrecipients Needs Improvement (continued)

The subrecipients are required by their contracts to obtain and submit annual financial statement audits to comply with OMB Circular A-133, if applicable. Although CCJ relies on audit reports for monitoring activities, it did not receive reports from all the subrecipients that were required to submit them. Committee personnel also indicated that there is no process to review financial records maintained at subrecipients that are not subject to A-133 audits. The officials explained that over five years ago they had a financial evaluation unit which reviewed subrecipients' accounting systems and internal controls, but they no longer have staff that perform this function.

Committee officials stated that they conduct financial monitoring activities through quarterly financial reports submitted by subrecipients; a quarterly programmatic report, on-site programmatic reviews, and phone contacts. However, there is no process to review financial records to ensure that subrecipients have an adequate system of accounting and internal controls.

By not monitoring subrecipient financial activity, including receiving all required audit reports, the Committee cannot ensure that federal awards are used for authorized purposes in compliance with contracts, laws, and regulations, or that fiscal records are being maintained and that subrecipients have adequate systems of accounting and internal controls. (*Department of Justice, - Byrne Formula Grant Program 16.579 and Juvenile Accountability Incentive Block Grant 16.523*)

#### Recommendation

The Committee needs to establish and implement a process to (1) perform financial reviews of subrecipient records to ensure that they have adequate systems of accounting and internal controls, (2) perform on site reviews of subrecipient records to ensure federal awards are used for authorized purposes in compliance with laws, regulations and provisions of contracts or grant agreements and that performance goals are achieved; and (3) enforce policies that require applicable subrecipients to obtain and submit annual financial statement audits to comply with OMB circular A-133.

Furthermore, the Committee should review each subrecipient financial statement audit report and evaluate audit findings and the subrecipient corrective action plan. The Committee should issue a management decision on audit findings within six months of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.

#### Department Corrective Action Plan

The Committee on Criminal Justice (Committee) staff currently conduct on-site visits to both Byrne- and JAIBG-funded programs, complete a written report of the visit that is signed by both the Committee grant monitor and his/her supervisor, and follow up with subrecipients, as necessary, regarding findings during site visits. In preparation for the site visit, the grant monitor reviews the program's original application, including budget and budget narrative, and quarterly programmatic and fiscal reports submitted to date. Any outstanding issues with the contract, application, budget, and/or quarterly reports are raised at the site visit. The site visit consists of verification of programmatic activities in accordance with subrecipients' approved program application; a thorough review of record keeping systems, including the number, type and demographics of program participants, number and type of specific activities performed, and written policies or materials produced as a result of the program; a tour of program facilities; observation of program operation,

## Committee on Criminal Justice Findings on Compliance with Rules and Regulations

### Finding Number 14: Monitoring of Subrecipients Needs Improvement (continued)

#### Department Corrective Action Plan (continued)

if applicable; and attendance at special events and/or trainings offered by subrecipients. With regard to financial monitoring, EOPS staff review program staff's time and attendance records; verify equipment purchases by sight and through receipts and invoices, and ensure that equipment is tagged and inventory records are kept; review job postings and resumes if new staff is hired under program funding; and verify records of federal and matching expenditures. During on-site visits, EOPS staff inquire about any programmatic or fiscal problems the subrecipient may be experiencing, and offer technical assistance, as needed. Other fiscal issues may arise during program operation because of quarterly report submissions, program/budget adjustment requests made by subrecipients, and/or on-site visits. EOPS staff immediately addresses these issues and documentation is placed in the individual subrecipient folders. For the record, from July 1, 2001, through June 30, 2002, EOPS Programs Division staff made on-site visits to thirty-three (33) Byrne-funded programs, sixteen (16) of which received a second, follow-up site visit. Twenty-nine (29) JAIBG programs received on-site visits. Due to inclement weather, a desk review was performed on one JAIBG program in western Massachusetts; copies of time sheets and receipts were submitted to EOPS via mail.

Although site visits cannot be made to all Byrne and JAIBG subrecipients, EOPS is instituting a policy to conduct a random sample of on-site visits each year to at least ten percent (10%) of subrecipients. For each program, site visits will be made to at least one of the following: grantees receiving less than \$50,000; grantees receiving more than \$50,000 and less than \$250,000; and grantees receiving more than \$250,000. Also, on-site visits will be made to targeted programs that have exhibited problems or meet certain conditions, such as chronic late/non-reporting of fiscal or programmatic quarterly reports, late/slow start-up, first-year programs, and/or agencies/subgrantees implementing multiple EOPS-funded programs. Information on site visit reports will be expanded upon to include a description of the documents reviewed by monitoring staff and review of subrecipients' audit report findings. Copies of receipts, time sheets, and other pertinent documents will be copied and attached to the signed site visit reports. Subrecipients are advised of their responsibilities for maintaining adequate systems of accounting and internal controls via the EOPS sub-grant conditions.

To comply with Subpart D sec. 400 (d) of OMB A-133, the responsibilities of a pass-through entity, the Committee will include language in the special conditions of grant awards notifying subrecipients of their responsibility to comply with Subpart B sec. 200(a) of OMB A-133, the audit requirements for non-federal entities that expend \$300,000 or more a year in federal awards.

Responsible person: Lynn Wright  
Implementation date: May 2003

## Committee on Criminal Justice Findings on Compliance with Rules and Regulations

### **Finding Number 15: Salaries Allocated to Federally-Funded Programs are not Supported by Proper Documentation**

The Committee on Criminal Justice (Committee) did not maintain adequate documentation for salaries charged to federal awards and there is no process in place to determine that salaries charged to a federal program reflect the employee's actual hours spent on that program. The chart below shows the number of employees and the related salary, fringe benefit and indirect costs charged to the Byrne Formula Grant (BFG) and the Juvenile Accountability Incentive Block Grant (JAIBG). A review was conducted of 11 employee payroll transactions including a review for compliance with OMB Circular A-87 requirement for periodic payroll certifications for individuals charged to one federal program or personnel activity reports for individuals charged to multiple programs. The Committee does not maintain periodic payroll certifications or personnel activity reports nor do they have a cost allocation system to compare actual employee's hours to hours charged to the program. Salaries, related fringe benefits, and indirect costs are charged to each grant based on a budget developed at the beginning of the fiscal year. As a result, the Committee was not in compliance with OMB Circular A-87 requirements.

OMB Circular A-87 states, in part:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Where employees are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Such documentation must meet the following standards including a) They must reflect an after-the-fact distribution of the actual activity of each employee, b) They must account for the total activity for which each employee is compensated, c) They must be prepared at least monthly and must coincide with one or more pay periods, and d) They must be signed by the employee."

We also observed during our audit that two employees (not included in our sample) were not properly charged to the Federal Byrne grant. One person was allocated 100% to the Byrne grant but did not work solely on that grant. This person was Coca's website manager. The program was also charged an excess of \$1,436 over the Fiscal Year 02 budgeted allocation to the Byrne grant.

Because of the lack of documentation for salaries and a process to determine the actual salaries to be charged to the two grants, costs are questioned for the period July 1, 2001 to June 30, 2002 as follows:

**Committee on Criminal Justice  
Findings on Compliance with Rules and Regulations**

**Finding Number 15: Salaries Allocated to Federally-Funded Programs are not Supported by Proper Documentation (continued)**

<u>Grant</u>	<u>Number of Employees Charged</u>	<u>Salaries</u>	<u>Fringe Benefits</u>	<u>Indirect Cost</u>	<u>Total Questioned Cost</u>
BFG	18	\$283,524.53	\$62,375.40	\$51,475.80	\$397,375.73
JAIBG	14	<u>169,039.05</u>	<u>37,188.59</u>	<u>27,485.75</u>	<u>233,713.39</u>
		\$452,563.58	\$99,563.99	\$78,961.55	\$631,089.12

Management was aware of these federal requirements. However, the party responsible for monitoring compliance with this requirement left the agency in June 2001 and no one was assigned the responsibility to continue to monitor the process. (*Department of Justice - Byrne Formula Grant Program 16.579 and Juvenile Accountability Incentive Block Grant 16.523*)

**Recommendation**

The Committee should establish policies and procedures that require proper support for salaries and wages charged to federal programs including periodic certifications and personnel activity reports to comply with OMB Circular A-87 and assign the responsibility of monitoring the process to a staff member to ensure continuity of the process.

**Department Corrective Action Plan**

In prior years, the Committee tracked employee hours on a quarterly basis to verify that salaries were being charged to corresponding appropriations. A new secretary of public safety was appointed September 17, 2001 and, as a result, the Programs Division CFO took over the responsibilities of CFO for EOPS proper. Programs Division was without a CFO from September 2001 to October 2002. In addition, during the changing of secretaries, the executive director of the Programs Division also became the assistant secretary of programs and administration. The audit results referred to the “website manager” (official title: Director of Program Marketing) being allocated 100% to the Byrne grant. This portion of the finding is incorrect. On October 4, 2002, the Byrne administrative account was reduced 20% of said employee’s salary and the cost was shifted to the state administrative account. The federal fiscal year 1999 Byrne funds do not expire until December 31, 2002. The transaction was valid and reflects accurate salary allotment.

To ensure that salaries charged to a federal award accurately reflect hours spent on that program for the remainder of fiscal year 2003 and all subsequent fiscal years, the department will track hours charged to an award for each employee the first full week of each state fiscal quarter. The findings of that week will be used to calculate the salaries charged against each award for that quarter. This process will allow for modifications to annual salary plans.

Responsible person: Derek Lennon  
Implementation date: May 2003

**Committee on Criminal Justice  
Findings on Compliance with Rules and Regulations**

**Finding Number 16: Inadequate Supporting Documentation for Expenditures**

The Committee on Criminal Justice (Committee) pays federal funds to subrecipients for reimbursement of program and administrative expenses without sufficient documentation supporting the expenditures. As a result, 34 transactions tested totaling \$958,147 in grant payments to subrecipients for fiscal year 2002 were inadequately supported. The total federal funds awarded by the Committee through contracts with subrecipients under the Byrne Formula Grant Program and the Juvenile Accountability Incentive Block Grant Program (JAIBG) was over \$5.1 million for July 1, 2001 to June 30, 2002.

The Commonwealth of Massachusetts Procurement Policies and Procedures Handbook, Chapter 5, Contracts Execution and Management: Payments, states, in part:

“The Contractor shall be required to provide relevant supporting documentation to substantiate any claim for payment of an invoice or to support payments already made by the department.”

OMB Circular A-133 places the responsibility on pass-through entities to monitor the activities of the subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of grant agreements.

Subrecipients submit payment vouchers for reimbursement of expenses classified on a quarterly financial report. However, without supporting details such as, payroll, supplies, and equipment on the monthly invoices, the Committee cannot be assured that federal funds were disbursed for authorized purposes. Our review found that 34 payment transactions totaling \$958,147 to subrecipients during fiscal year 2002 were inadequately supported, as outlined below:

<u>Grant</u>	<u>Number of Expenditures</u>	<u>Total Questioned Costs</u>
BFG	19	\$523,302.56
JAIBG	<u>15</u>	<u>434,844.28</u>
	<u>34</u>	\$958,146.84

*(Department of Justice, - Byrne Formula Grant Program 16.579 and Juvenile Accountability Incentive Block Grant Program 16.523)*

**Recommendation**

The Committee should require supporting documentation for monthly payment requests and review such documentation to ensure that federal funds are used for authorized purposes in compliance with federal and state regulations.

**Committee on Criminal Justice  
Findings on Compliance with Rules and Regulations**

**Finding Number 16: Inadequate Supporting Documentation for Expenditures  
(continued)**

**Department Corrective Action Plan**

Please refer to response to Finding Number 14 above regarding verification of program expenditures via on-site visits. Currently, quarterly fiscal and programmatic reports must be submitted as justification of program expenditures. These reports are reviewed by EOPS Programs Division staff to ensure that they reflect the program activities and budget categories in the subrecipient's approved original application and program amendments to date. Currently, JAIBG quarterly financial reports contain the following: "*I certify that this report, schedules, statements and the expenses for which payment is requested are true, correct, and complete and were made in accordance with the appropriate Federal and State regulations and that the articles or services listed were (or will be) necessary for, and are to be used solely for the purpose specified in the award for this project.*" This is followed by space for an authorized official to sign the document. The original, signed document is submitted to EOPS. This certification will be added to the Byrne quarterly fiscal reports, as well. In addition, subrecipients will be required to periodically submit additional supporting documentation, e.g., invoices, to justify expenditures charged to a grant program during a given quarter. EOPS staff will continue to verify that expenditures are being made in accordance with the original, approved budget categories. EOPS subgrant conditions will be modified to include specific language about subrecipients' responsibilities concerning records retention.

Responsible person: Lynn Wright  
Implementation date: May 2003

## Committee on Criminal Justice Findings on Compliance with Rules and Regulations

### Finding Number 17: Improperly Classified Transaction

The Committee on Criminal Justice (Committee) improperly classified a transaction on the Massachusetts Management Accounting and Reporting System (MMARS) to pay a vendor in Norway at the request of the vendor who did not want to be paid from the Commonwealth's accounting system. The Committee purchased 365 copies of a handbook for a program funded with Byrne Formula Grant Program funds to be used for a model program on dealing with Bullying and Antisocial Behavior. The 365 handbooks were purchased at a cost of \$21 each or a total of \$7,665. However, the original purchase price for the 365 handbooks was \$10,950 (\$30 each). The cost reduction was due to price negotiation. The reduced price was for one original copy of the handbook and the rights to make 365 copies of the handbook.

The Committee disbursed funds for two payment vouchers dated October 22 and 24, 2001 totaling \$10,950 to its Executive Director. The two payment vouchers were classified in MMARS as conference travel expense reimbursements, training and registration and out of state travel – airfare, hotel/lodging, other. The Committee's Executive Director disbursed a personal check for \$7,665 to the vendor in Norway who owns the copyright to this handbook. The Executive Director then disbursed a personal check for \$3,285, to return excess funds received, to the Commonwealth of Massachusetts dated January 25, 2002--approximately three months after the first payment vouchers. The return of these excess funds was entered to MMARS as a Cash Deposit (CD) on January 29, 2002. This refund was made to credit to the government for funds that had been drawn down from the Byrne Grant.

The Commonwealth of Massachusetts Expenditure Classification Handbook states in part:  
“The object codes in this Handbook are used for all expenditures of the Commonwealth regardless of whether the payment is to employees, contractors, individuals, recipients, beneficiaries, political sub-divisions, another Department, etc.”

Further, Chapter 647 of the Acts of 1989 also states:

“...all transactions and other significant events are to be promptly recorded, clearly documented, and properly classified.”

*(Department of Justice - Byrne Formula Grant Program 16.579)*

### Recommendation

The Committee should consult with the Office of the State Comptroller with regard to payments to vendors who are not on the MMARS system.

Payments made through the MMARS system should be properly classified and be paid to the actual provider of services to the Commonwealth.

**Committee on Criminal Justice  
Findings on Compliance with Rules and Regulations**

**Finding Number 17: Improperly Classified Transaction (continued)**

**Department Corrective Action Plan**

The finding in the audit results does not accurately portray the events leading up to the transaction in question. The department purchased books from a vendor in Norway for the bullying prevention program. The original price of the books was \$30 apiece for 365 books totaling \$10,950. Two payment vouchers were disbursed to the executive director; one dated October 22, 2001 for \$5,950 and the second dated October 24, 2001 for \$5,000. On November 2, 2001, the executive director was informed of a problem with the shipment, and renegotiated the price of the books to \$21 apiece for an electronic copy. The new cost would be \$7,665 for a savings of \$3,285. However, the department would have to print out the 365 copies once they received the electronic version. A personal check for the new cost was sent by the executive director on November 16, 2001. As of January 7, 2002, the delivery of the electronic copy had still not been made. Once the electronic copy was received and the executive director was ensured that printing costs could be processed through the state finance system he returned the difference between the original price and the renegotiated price in a check for \$3,285, dated January 25, 2002. The Programs Division used the state's central reproduction/graphic unit to print the hard copies of the book at a total cost of \$1,949.74. The net savings to the Commonwealth was \$1,335.26. This process was well documented and information pertaining to the purchase process was made available during the audit.

In the future, for transactions with vendors not on the MMARS system, the department will consult with the Office of the State Comptroller to ensure proper payment classification.

Responsible person:     Derek Lennon  
Implementation date:    November 2002

## Committee on Criminal Justice Findings on Compliance with Rules and Regulations

### Finding Number 18: Buyback of Leave Time for Early Retirement Charged to Federal Funds

The Committee on Criminal Justice (Committee) charged the Byrne Formula Grant \$697.60 in July 2002 to buyback a retiring employee's allowable unused leave time. This amount represented one third of a three-year buyback of which the remaining amounts are scheduled for payment in July 2003 and 2004. The leave time buyback was charged to the 1999 Byrne Formula Grant on July 16, 2002 and federal funds were drawn down on July 31, 2002. This was not in compliance with Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, section 11(d)3 which states in part as follows:

“...Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.”

In order to comply with OMB Circular A- 87, the Office of the State Comptroller (OSC) issued guidance through Policy Memo # 316 which indicates that departments should not draw down federal funds and directly charge grants because these costs will be recovered through the allocation in the statewide fringe benefit rate. The OSC Policy Memo #316 states, in part as follows:

- “...this document is to inform departments that the direct charge of terminal leave benefits (vacation and sick leave buy out of terminating employees) to federal funds is not an allowable cost...”
- “departments should pay expenditures for terminal leave from federal grants first and then immediately transfer those expenditures to a central account managed by the Comptroller's Office via PCRS”.
- “Departments seeking reimbursement for terminal leave costs through a subsequent billing to their federal grantor should not include these costs in their billings.”
- “The Commonwealth will...insure recovery of these costs is accomplished through allocation in the statewide fringe benefit rate.”

CCJ did not transfer this expenditure to the central account managed by the OSC due to lack of knowledge regarding Policy Memo No. 316. (*Department of Justice – Byrne Formula Grant Program 16.579*)

### Recommendation

The Committee should consult with OSC and take the necessary steps to correct the charge to the Byrne Formula Grant and reimburse the federal government's 1999 Byrne Formula Grant for the buyback amount. Further, it should adjust the two other related entries for July 2003 and July 2004 to disburse the remaining two thirds of leave time buyback for this employee. The Committee should ensure the remaining entries are properly paid and accounted for as required by OMB Circular A-87 and Policy Memo #316 and stress to its fiscal staff the importance of keeping up to date with OSC guidance.

**Committee on Criminal Justice  
Findings on Compliance with Rules and Regulations**

**Finding Number 18: Buyback of Leave Time for Early Retirement Charged to Federal Funds (continued)**

**Department Corrective Action Plan**

The Committee was notified by the Office of the State Comptroller of its noncompliance with policies in Policy Memo #316 on October 15, 2002. Fiscal staff corrected the transaction and transferred the funds drawn against the federal grant to the state central reserve account on October 15, 2002, and the transactions were approved on October 18, 2002. During a phone conversation with Fred DeMinico in the Office of the State Comptroller on October 15, 2002, fiscal staff was notified that the transfers for buyback leaves for fiscal years 2003 and 2004 cannot be corrected until the close of said fiscal years.

Responsible person: Brenda Barton  
Implementation date: June 2003

## Committee on Criminal Justice Findings on Compliance with Rules and Regulations

### Finding Number 19: Federal Funds Drawn Down against Closed Federal Grant

Our review of documentation provided by the Committee on Criminal Justice (Committee), the Massachusetts Management Accounting and Reporting System (MMARS) and the U.S. Department of Justice's Letter of Credit Electronic Certification System (LOCES) which is the federal fund draw down system disclosed that \$584,226.27 in federal funds were drawn down against a closed grant (98JBVX0025) during May and July 2001.

Funds were to be drawn down from 1999 grant funds but could not be processed and released because certain grant conditions had not been accomplished by the Committee. Inadvertently the funds were drawn against the closed 1998 grant that had a remaining balance that the federal government did not de-obligate. The Committee closed the 1998 Juvenile Accountability Incentive Block Grant (JAIBA) by issuing the Financial Status Report in February 2001, as required by the federal government. The Committee was not aware that \$579,391.18 was drawn against the closed grant, until the Department of Justice notified them that federal funds were drawn against a closed grant. However, the Committee also processed two drawdowns totaling \$4,835.09 in July of 2001 against the closed grant. The Committee does not have a system in place to ensure they do not approve charges to closed federal grants. Furthermore, they did not prepare reconciliations of the MMARS system with reports from the LOCES System that they must request from the Office of the State Treasurer. A reconciliation of these reports would have identified the draw down against the closed grant in a timely manner.

Chapter 647, Internal Control Act, requires "periodic comparison shall be made between resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts." (*Department of Justice – Juvenile Accountability Incentive Block Grant 16.523*)

### Recommendation

The Committee should develop internal controls and procedures to ensure federal funds are not approved or drawn down against a closed federal grant. Additionally, they should prepare timely monthly reconciliations between the MMARS system and the U.S. Department of Justice's LOCES system to ensure accuracy of charges to grants. The Committee should take the steps necessary to obtain the LOCES reports from the Office of the State Treasurer.

The Committee should document procedures reflecting improvements to this process to ensure that this situation does not reoccur. Further, they should develop procedures to notify the Office of the State Treasurer of federal grants closed in a timely manner to ensure that federal funds are not drawn against closed grants.

**Committee on Criminal Justice  
Findings on Compliance with Rules and Regulations**

**Finding Number 19: Federal Funds Drawn Down against Closed Federal Grant  
(continued)**

**Department Corrective Action Plan**

The finding in the audit results is due to a timing issue between a department closing a grant and the State Treasurer's Office marking said grant as inactive. Fiscal staff for the Programs Division closed grant 98JBVX0025 and sent a check, dated March 2, 2001, back to the federal Office of Justice Programs for the remaining unspent balances of the grant. After this check was sent back, the Treasurer's Office drew down the amount referenced in the audit results. The Programs Division then corresponded with Lydia Rice of the Office of the Comptroller/Office of Justice Programs on how to rectify the problem. All this information is well documented and was reviewed during the course of the audit.

In order for the department to avoid this problem again, fiscal staff will notify the appropriate person at the State Treasurer's Office, both in writing and verbally, when a grant is closed.

Responsible person:     Derek Lennon  
Implementation date:    May 2003



## Division of Medical Assistance Background

The Division of Medical Assistance (Division) is the designated single state agency responsible for administering the program of medical assistance. The Division assumed its responsibilities beginning in fiscal year 1994.

During fiscal year 2002, the Division administered approximately \$6.8 billion in carrying out its program. Federal funds amounted to approximately \$3.8 billion. The federal funding to the Division is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Division's major programs were:

<b><u>CFDA#</u></b>	<b><u>Federal Program Description</u></b>
93.778	Medical Assistance Program
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.777	State Children's Health Insurance Plan

## Division of Medical Assistance Findings on Compliance with Rules and Regulations

### **Finding Number 20: Eligibility Redeterminations were not Performed in a Timely Manner**

The Division needs to monitor the redetermination process to ensure that redeterminations are performed within the timeframe required by the regulations. A total of 50 (25 from MassHealth, 25 from SCHIP) recipient eligibility selections were selected for testing. Nine (three MassHealth program and six relating to the SCHIP program) out of 50 selections were not redetermined in a timely manner, resulting in MassHealth/SCHIP benefits being provided to persons who were potentially ineligible to receive benefits at the time of service.

Massachusetts's regulation 130 CMR 502.007, 516.007 states that the Division shall review eligibility at least every twelve months with respect to circumstances that may change.

For five of the SCHIP cases, there were not any redetermination forms on file that covered the date of service selected for testing. According to MA-21, the Division's eligibility system, redeterminations were performed in 2000 and 2001 for two of the five selections; however, no actual redetermination forms were found in the recipient files. Despite the redetermination history within MA-21, there is not sufficient evidence that a redetermination of eligibility was in effect on the date of the service that was tested. For the other three cases, the recipients were not properly redetermined as of the date of service. Two of these three were eventually redetermined at future dates, two and four months late. The other case was due for annual redetermination on August 16, 2001 and had not been redetermined as of the date of service (March 12, 2002) and the time the audit was performed. For the sixth SCHIP case, the most current redetermination form was missing from the recipient file. The period of service (December 2001) was covered under the last redetermination form on file, which was October 2001, however, the most current redetermination form according to MA-21 (February 2002) was not present within the recipient file.

For two of the MassHealth selections, the recipients were not properly determined as of the date of service tested. These selections were MAOA cases which consist of persons whose cash assistance from the Department of Transitional Assistance (DTA) is terminated and transferred to a Health Care Reform case (Medicaid). A person receiving cash assistance from the Department of Transitional Assistance (DTA) is automatically eligible for Medicaid. However, once the person is no longer eligible for cash assistance, an eligibility review is required as it would be for other Medicaid cases. No eligibility review was found on file for either of the two MAOA cases.

For one of the MassHealth selections, there was a current redetermination on file, however, the Division was unable to locate the redetermination form dated July 2001, which covers the date of service tested. (*Department of Health and Human Services – Medical Assistance Program 93.778 and State Children's Health Insurance Plan 93.767; Fiscal Year 2001 Single Audit Finding 23*)

### **Recommendation**

It is recommended that the Division continue to improve its redetermination procedures to ensure that redeterminations occur on an annual basis in accordance with the regulations.

**Division of Medical Assistance  
Findings on Compliance with Rules and Regulations**

**Finding Number 20: Eligibility Redeterminations were not Performed in a Timely Manner (continued)**

**Department Corrective Action Plan**

The Division has adjusted the systematic profiling process and reduced the profiling timeframe from a 60-day period to a 30-day period from the initial date of the profile selection. This production change was implemented September 30, 2002. The Division has also undertaken many systems initiatives that will help to ensure that household profiling occurs within a 12-month period. As reported on last year's Single State Audit Corrective Action Plan the Division experienced a mid-spring systems issue that required the temporary suspension of the profiling process. A systems enhancement was completed and the Division increased the number of monthly profiles. The Division is currently profiling all member households on an annual basis.

Responsible person: Russ Kulp  
Implementation date: October 2002

## Division of Medical Assistance Findings on Compliance with Rules and Regulations

### Finding Number 21: SCHIP Recipient not Redetermined upon Turning 19 Years Old

The State Children's Health Insurance Plan (SCHIP) is a program that provides health assistance to uninsured, low-income children under the age of 19.

One out of the 25 selections reviewed for SCHIP eligibility was not properly reclassified out of the program when the recipient turned 19-years old. Although the recipient was eligible under the SCHIP as of the date of service tested, we noted that the Division failed to redetermine the eligibility and correct coverage category, presumably under an appropriate MassHealth category, when the recipient turned 19-years old.

Since the Division receives a higher federally-financed portion (FFP) for SCHIP payments as compared MassHealth payments (65% FFP vs. 50% FFP), the Division could potentially over claim reimbursement from the federal government for services provided after a recipient is ineligible under SCHIP. Additionally, upon turning age 19, the recipient may have been determined ineligible for coverage altogether, resulting in MassHealth/SCHIP benefits being provided to persons who were potentially ineligible to receive benefits at the time of service. (*Department of Health and Human Services – State Children's Health Insurance Plan 93.767*)

#### Recommendation

The Division should enhance its SCHIP eligibility review procedures to ensure that identifiable and foreseeable changes, such as age, which could potentially change the eligibility status of a participant are monitored and acted upon in a timely manner. MA-21 should be coded to generate reports that identify recipients whose 19<sup>th</sup> birthday is approaching. This information can be used to identify those cases that should be reviewed for eligibility.

#### Department Corrective Action Plan

The Division is in the process of enhancing MA-21 to shift members turning 19 years of age into a determination cycle. Currently, eligibility factors such as pregnancy, disability or long-term unemployment will allow members to continue on MassHealth programs over the age of 19. This systems enhancement will terminate coverage for members turning 19 years old who do not meet any other qualifying events.

Responsible person: Russ Kulp  
Implementation date: June 2003

## Division of Medical Assistance Findings on Compliance with Rules and Regulations

### Finding Number 22: Overpayment of Personal Need Account

One out of twenty-five recipients tested for MassHealth Eligibility received an overpayment on their Personal Need Account (PNA) during March 2002. PNA payments are made to Medicaid recipients who live in nursing homes. During March 2002, the case was closed due to a failure to return the redetermination form. The Division received the form in the mail two days later, and, as such, reopened the case retroactively under the same eligibility category, MA Aged category 5. A PNA payment of \$25.61 was made to the individual upon reinstatement. The amount paid was the prorated PNA payment for the remaining of days in March 2002. The payment was made as if the individual was a new enrollee of Medicaid under category 5. Since the individual already received a full \$60 PNA payment for March 2002 at the end of February 2002, an overpayment of \$25.61 resulted when the second payment was made to the recipient's PNA account.

Discussions with the personnel who processed the PNA payment indicated that there is not a system control in place to distinguish a re-activated case from a new case. Subsequent to our discussion the department implemented a manual review process designed to identify any members who receive more than one PNA payment during a month. Overpayments will be subtracted from the member's next monthly PNA payment. *(Department of Health and Human Services – Medical Assistance Program 93.778)*

#### Recommendation

The Division should continue to review any double payments made to PNA accounts during a particular month. Additionally, the manual control process noted above should be supplemented or replaced, as appropriate, by a system control.

#### Department Corrective Action Plan

The Division continues to monitor all cases in which a member receives more than one PNA check per month. Any member that receives more than one payment inappropriately within a one-month period has the PNA for the following month adjusted to balance out the overpayment. This issue was a result of a transfer of payments from the PACES system to MA-21. As the Division continues to integrate the over-65 population into MA-21 this potential for such situations will be corrected.

The selected case was closed mid-month due to the member's failure to return a redetermination form timely. When the form was received and processed the pro-rated PNA check was created. However, the following month the member's PNA check was adjusted by reducing the subsequent PNA amount from \$60 to \$34.39.

Responsible person: Russ Kulp  
Implementation date: April 2002

## Division of Medical Assistance Findings on Compliance with Rules and Regulations

### Finding Number 23: Overpayment Must be Refunded in a More Timely Manner

The Division of Medical Assistance (Division) needs to refund to the federal government the recoupments of overpayments in a timelier manner. In four out of the 27 cases tested for recoupments of overpayments, the Division did not refund the federal portion in the time allowed.

Federal regulation, 42 CFR 433.312 (a) (1), states that “the Medicaid agency has 60 days from the date of discovery of an overpayment to a provider to recover or seek to recover the overpayment before the federal share must be refunded to HCFA.” 42 CFR 433.312 (a) (2) states that “The agency must refund the Federal share of overpayments at the end of the 60-day period following discovery in accordance with requirements of this subpart, whether or not the State has recovered the overpayment from the provider.”

As part of the Overpayment and Recovery process, both Division personnel and independent subcontractors perform audits. Once an audit is finalized, all claims that are not properly supported are communicated to the provider as a potential overpayment. At this point, the cases will ordinarily stay with the identifying unit for an indefinite period of time, during which a letter, entitled “Preliminary Overpayment Letter” is sent to the provider communicating that an overpayment exists as well as the reason for and the amount of the overpayment. If the provider does not respond within 30 days, a courtesy letter is sent informing the provider that an overpayment was made and a recoupment account established. In these cases, the Division must refund the overpayment within the 60 days required.

If the provider responds within 30 days to the “Preliminary Overpayment Letter” and wishes to contest the overpayment, the Division will usually grant additional time. Once an agreement or an impasse is reached, a “Final Notice of Overpayment” is sent, and a recoupment is set up and will be offset against any future payments to the provider.

Due to the fact that there are a number of units within the Division that identify and track overpayments, there is no one unit or individual responsible to track the universe or the status of collections of overpayments.

As indicated above, of the 27 recoupments selected for testing totaling \$315,960, four totaling \$135,024 were not refunded to the federal government within the 60 days required. The refunds were made from 14 to 60 days late. (*Department of Health and Human Services – Medical Assistance Program 93.778 and State Children’s Insurance Program 93.767*)

### Recommendation

The Division needs to reemphasize the importance of refunding recoupments recovered to the federal government within the time frame required by regulations. Centralizing the processing and tracking for both the amount of the recoupment and the program to which the recoupment recovered belongs might make the process more efficient and effective.

**Division of Medical Assistance  
Findings on Compliance with Rules and Regulations**

**Finding Number 23: Overpayment Must be Refunded in a More Timely Manner  
(continued)**

**Department Corrective Action Plan**

The Division understands the importance of recovering recoupments within the timeframes required by regulations. The Utilization Review Unit will set up recoupment accounts on or after 30 days has expired from the date of the final notice. The Unit will continue to make every effort to establish MMIS recoupment accounts in a timely manner. Subsequently, the Federal Revenue Unit will be notified systematically about recoupment collections due the federal government and can then take the necessary steps to return the monies within the appropriate timeframe.

Responsible person: Joan Senatore and Gerry Beaudreault  
Implementation date: November 2002

## Division of Medical Assistance Findings on Reportable Conditions

### Finding Number 24: Drug Rate Reimbursement Regulations Need Clarification

One out of 25 payments selected for rate testing was paid using a calculation that did not appear to mirror the calculation specified in Commonwealth regulations.

The relevant guidance for drug rate reimbursements is 114.3 CMR 31.02, which, states that the Division of Medical Assistance (Division) shall pay the lower of the Estimated Acquisition Cost (EAC) or the usual and customary charge. EAC is defined by the regulation as the following:

Wholesale Acquisition Cost (a.k.a. WAC) + 10%.

For the one payment tested, the Division's reimbursement rate was the Average Wholesale Price (a.k.a. AWP) - 10%.

According to Division officials, pharmacy pricing is complex and has come under increasing scrutiny by the U.S. General Accounting Office and the offices of the various States' Attorneys General. Division officials explained that there is no one price reported as "wholesale acquisition cost" and Massachusetts, like virtually every other state, uses a measure published by national databanks that best approximates these amounts. The Division calculates the Wholesale Acquisition Cost (a.k.a. WAC) based on the lowest of three prices published in a national data bank; Net Price, Direct Price or adjusted Average Wholesale Price (a.k.a. AWP). The Division uses the adjusted AWP only when that adjusted price is the lowest of the three published prices, or when it is the only published price of the three. These officials believe that the Division's use of an adjusted AWP fully conforms to the WAC + 10% pharmacy pricing methodology and is consistent with its own regulations and those promulgated by the Division of Health Care Finance and Policy. (*Department of Health and Human Services – Medical Assistance Program 93.778*)

### Recommendation

While we agree that pharmacy pricing is complex, we recommend that the Commonwealth's regulations regarding drug rate reimbursements be clarified to more accurately reflect the drug pricing methodology used in the Commonwealth, i.e. the lowest of the three prices published in the national databanks—net price, direct price or AWP.

### Department Corrective Action Plan

The Division in cooperation with the Division of Health Care Finance and Policy is in the process of amending its regulations to clarify the pharmacy payment methodology.

Responsible Person: Tricia Spellman  
Implementation Date: March 2003

## Division of Medical Assistance/Executive Office of Elder Affairs Findings on Compliance with Rules and Regulations

### Finding Number 25: Expired Provider Certification

The Executive Office of Elder Affairs (Office) administers a Medicaid waiver program under a memorandum of understanding with the Division of Medical Assistance (Division), which is the single state agency, authorized to administer the Medicaid program. One of the three recipients tested for waiver eligibility received a service from a provider with an expired Office certification. The selected provider certification expired during fiscal year 2000.

Based on 42 CFR 441.302, "Unless the Medicaid agency provides the following satisfactory assurances to HCFA, HCFA will not grant a waiver under this subpart and may terminate a waiver already granted... Assurance that the standards of any State licensure or certification requirements are met for services or for individuals furnishing services that are provided under the waiver."

Discussions with Office personnel indicated that a contributing factor to the Office's inability to adequately renew provider certifications is that, during the past year, there were not any personnel assigned to oversee certification process. Two people that were previously responsible for the status of certifications retired during the past year and their positions were not replaced. Division personnel also acknowledged that in addition to the exception noted during testing, there was one additional provider not selected for testing that also had an expired certification. The Office works with 27 providers and 2 out of the 27 providers working with Office had expired certifications, one of which was noted during our testing. Uncertified providers are not eligible to provide services to Medicaid beneficiaries and may not be adequate to provide such services. (*Department of Health and Human Services – Medical Assistance Program 93.778*)

### Recommendation

It is recommended that Office dedicate the appropriate resources to the certification process in order to ensure that all providers are eligible to provide services to Medicaid beneficiaries. The Division, as the single state Medicaid agency, needs to monitor the Office's operations of the waiver program.

### Department Corrective Action Plan

Management staff at EOEA will be reassigning staff or adding responsibility to current positions to ensure that the two agencies operating under expired certifications will be certified during SFY2003. In addition, this will also ensure that future certifications are completed within the proper timeframes.

The issue of two agencies not being in compliance was the result of the recent retirement of two individuals with the primary responsibility of certifying the EOEA network of twenty-seven ASAPs as Waiver program providers. Due to the cuts in EOEA administrative funding over the last several years EOEA was not able to refill these positions and the result was the lack of certification for these two agencies.

Responsible person: Robert Gill, EOEA  
Annette Shea, DMA  
Implementation date: June 2003

## Division of Medical Assistance/Department of Mental Retardation Findings on Compliance with Rules and Regulations

### Finding Number 26: Untimely Filing of Plan of Care and Level of Care Documents

One out of 22 selections tested for waiver eligibility under the Medicaid waiver program administered for the Division of Medical Assistance (Division) by the Department of Mental Retardation (Department) did not have Plan of Care and Level of Care documents on file as of the date of service (October 1 – 31, 2001). The Level of Care document was subsequently filed on November 27, 2001; however, the Plan of Care document was not filed until June 14, 2002.

Federal regulation, 42 CFR 441.302, states that "Unless the Medicaid agency provides the following satisfactory assurances to HCFA, HCFA will not grant a waiver under this subpart and may terminate a waiver already granted.... An evaluation of the need for the level of care provided in a hospital, a NF, or an ICF/MR when there is a reasonable indication that a recipient might need the services in the near future (that is, a month or less) unless he or she receives home or community-based services."

The risk that the Department incurs by not filing these documents on a timely basis is that benefits could be provided to persons who are potentially ineligible to receive benefits at the time of service. (*Department of Health and Human Services – Medical Assistance Program 93.778*)

#### Recommendation

The Department needs to continue to improve its eligibility procedures to ensure that all the necessary and required documentation is complete and current including a control measure to identify, in advance, those cases whose documentation is about to expire. The Division, as the single state agency for Medicaid, needs to more closely monitor the Department's operation of the waiver program.

#### Department Corrective Action Plan

An additional DMR software application was designed during 2000 and 2001 to track all waiver participants and their waiver eligibility criteria and documentation. In combination with the Electronic Individual Service Plan application and the Plan of Care application, this waiver-tracking database completes the triad that allows DMR to track all aspects of an individual's waiver status. Although there was an extended period of development for each of these applications, all are now fully functional. In addition, during the last year a DMR staff person was assigned the responsibility of Waiver Coordinator to over see waiver eligibility and documentation.

Responsible person: Neil Lazzara, DMR  
Annette Shea, DMA  
Implementation date: October 2002

## Division of Medical Assistance Findings on Reportable Conditions

### **Finding Number 27: The Recording of Aged Accounts Receivable Needs to be Reviewed on a Timelier Basis**

Eight out of ten BARS selections tested are not likely to be collected and should be written-off. The eight selections represent premiums receivable from individuals who are eligible for MassHealth/Family Assistance; however, their income was above the allowable Federal Poverty Level threshold. In order to obtain coverage, individuals pay premiums to the Division of Medical Assistance (the Division) in accordance with the prescribed tables at CMR 130 506.011. An aid category is assigned to each individual within the eligibility system (MA-21). Each month the receivable amounts due are posted to BARS based on the information uploaded from MA-21.

The individual monthly premiums for the eight cases in question ranged from \$7 to \$30 with the monthly premiums for the eight totaling \$138. All of these cases are classified in the greater than 90 days aged receivables category and discussion with appropriate personnel at the Division revealed that although the Division is entitled to the receivable amounts tested, the likelihood of collecting the amount is remote. Therefore, the receivable overstatement for these eight cases is \$117 out of \$138 tested. The actual write-off amount is greater than this amount since each selection tested represents only one month of premium and the entire balance owed should be considered. The total receivable overstatement is \$606.

As stated above, all of these selections are classified in the greater than 90 days aged receivables category. The age of these invalid receivable balances and the number of errors (eight out of 10) found in the sample indicates that the Division is not performing a timely review of these amounts and that there is a significant risk of overstatement of the premium receivable balance. In the preceding two years, we reported that the Division needed to improve its tracking and recording of receivables, uncollectibles and write-offs and recommended that it work with its contractors to obtain aging reports of its receivables and the individual claims that were deemed uncollectible and those to be written-off. Division personnel explained that they were working with the Comptroller's Office to develop policies and procedures that will result in more accurate tracking and recording of receivables, uncollectibles and write-offs. (*Department of Health and Human Services – Medical Assistance Program 93.778; Fiscal Year 2000; 2001 Single Audit Finding 25*)

### **Recommendation**

The Division should make the appropriate adjustments to the above noted recipient accounts. Additionally, the Division needs to implement a process of monitoring aged accounts receivable balances so that timely corrective action can be taken, where appropriate.

### **Department Corrective Action Plan**

To address this finding, the Revenue Unit will implement a series of steps as follows:

Step 1: Review its policies and procedures to write-off receivable amounts that have aged two years or greater on a quarterly basis, and take into consideration the likelihood of collecting receivable amounts that are greater than 90 days thus reducing the length of ageing for write-offs and reducing the risk of overstating the accounts receivable balance.

Step 2: Utilize the state information warehouse in lieu of the RPT431A, Past Due Receivables Detail Report, as the primary tool to review the ageing of accounts receivable. The RPT431A monthly report is at a minimum a thousand-page report that is an unwieldy and wasteful tool.

**Division of Medical Assistance  
Findings on Reportable Conditions**

**Finding Number 27: The Recording of Aged Accounts Receivable Needs to be Reviewed on a Timelier Basis (continued)**

**Department Corrective Action Plan (continued)**

Step 3: Implement a process to review the ageing accounts receivable in a timely manner by December 31, 2002.

Step 4: In the meantime, identify aged receivable amounts that are over two years old as of October 1, 2002 and request write-offs of those receivable amounts to the Comptroller's Office no later than November 29, 2002 (based on how the Comptroller's Office wishes to proceed).

Responsible person: Edward Tom  
Implementation date: October/November 2002

**Division of Medical Assistance  
Findings not Repeated from Prior Years**

1. The Division made an overpayment to a QI2 (Massachusetts Buy-In Program) recipient whose eligibility status was changed in error. No instances of this type of overpayment were noted during the 2002 testing, however, there was a similar overpayment under a different program. See Finding 21. (*Fiscal Year 2001 Single Audit Finding 24*)
  
  2. The Division did not update its drug prices for the period from July 1999 to March 2001, which resulted in a \$20 million underpayment to pharmacies. Weekly drug rate updates resumed during June 2001 and this process was in place throughout fiscal year 2002. (*Fiscal Year 2001 Single Audit Finding 26*)
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## Department of Education Background

The Department of Education (Department) is the state agency responsible for administering the laws and regulations pertaining to elementary and secondary education, for distributing state and federal funds to local educational agencies (LEA), and for improving the quality of education for all public school students in the Commonwealth. The primary responsibility for the operation of schools rests with local and regional school committees. The Department carries out its mandate by providing assistance and funds to the schools, by setting standards, by administering regulations, and by collecting data on the condition of education.

During fiscal year 2002, the Department administered approximately \$3.8 billion of state funds, and approximately \$600 million of federal funds.

The federal funding to this Department is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Department's major programs were:

<b><u>CFDA#</u></b>	<b><u>Federal Program Description</u></b>
84.010	Title I Grants to Local Education Agencies
84.027	Special Education – State Grants
84.173	Special Education – Preschool Grants
84.048	Vocational Education – Basic Grants to States
84.340	Class Size Reduction Program
10.558	Child and Adult Food Care Program
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children

## Department of Education Findings on Compliance with Rules and Regulations

### Finding Number 28: Inadequate Administrative Expenditure Procedures

The Department of Education (Department) does not have the internal controls in place to properly budget, procure, approve, and classify the administrative expenditures necessary to manage its federal and state programs.

Twenty administrative expenditures were tested from three U.S. Department of Education major federal programs. Ten of the selections were payroll expenditures, which are discussed in finding number 32. For the ten non-payroll administrative expenditures tested, problems were identified in three of these cases. The problems can be classified as follows:

- federal program inappropriately charged without an approved cost allocation plan
- state procurement regulations not complied with.

#### Federal program inappropriately charged without an approved cost allocation plan

Two of these expenditures totaling \$5,007.73 were charged to a federal program without an approved cost allocation plan. One expenditure for data entry for \$357 was charged to Title I - Grants to Local Education Agencies (CFDA 84.010) without any detail as to the description of data entered or support for the inclusion in the grant charged. There was no Department prepared scope of service for neither this procurement nor other contract documents in place to support the purchase. This transaction is also cited for violation of the state procurement regulations.

The second expenditure totaling \$4,650.73, for wireless telephone services for more than 20 Department employees, was charged to the Title I - Grants to Local Education Agencies (CFDA 84.010).

Discussions with Department officials disclosed that central general and administrative and central technology administrative expenditures that benefit all of the Department's programs are often totally charged to federal programs based on budgeted amounts or because no state funds are available to pay the bills. While charging federal programs for a portion of these central administrative expenditures is appropriate, the charges should be made in accordance with an approved cost allocation plan so that the federal programs are only charged in proportion to the benefit received. In addition, the reasonableness and necessity of 20 employees having wireless phones needs to be considered not only in relation to their allowability under federal OMB Circular A-87 because also in relation to their being paid for with state funds.

#### State procurement regulations not complied with

Two of these expenditures, including one of the two described above as being inappropriately charged to a federal program, were transacted without complying with state procurement regulations. In both cases, the document encumbering the funds was dated after the document paying the bills. State regulations require the funds to be encumbered prior to the delivery of goods and services. One of the payments, for \$1,897, was charged to the Vocational Education Program in the wrong fiscal year. This occurred because the invoice was not received from the vendor until after the end of the fiscal year and the original encumbrance lapsed. The funds, therefore, had to be re-encumbered and the payment charged in the next fiscal year.

**Department of Education  
Findings on Compliance with Rules and Regulations**

**Finding Number 28: Inadequate Administrative Expenditure Procedures (continued)**

As noted in the prior year's report, problems with the Department's controls over administrative expenditures have been the subject of reports issued by the Massachusetts State Auditor's Office (OSA) and the U.S. Department of Agriculture. (*Department of Education - 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; Department of Agriculture - Child and Adult Food Care Program 10.558, School Breakfast Program 10.553, National School Lunch Program 10.555, Special Milk Program 10.556 and Summer Food Service Program for Children 10.559; Fiscal Year 2001 Single Audit Finding 9*)

**Recommendation**

The recommendation made in 2001 was that policies and procedures needed to be established to provide assurance that all state and federal procurement laws and regulations were adhered to. While some progress has been made, the Department needs to ensure that what has been established is complete, adequate, accurate and compliant with state and federal regulations and adhered to by Department personnel.

In addition, the Department should consider the need for the number of cell phones currently being paid for with state and/or federal funds.

**Department Corrective Action Plan**

The Department has posted a Request for Responses (RFR) on the Commonwealth's Procurement Access and Solicitation System (Comm-PASS) to acquire professional services to assist the Department in the development of a cost allocation plan for submission to the United States Department of Education (U.S. ED). The timelines of the RFR and subsequent contract allow for a fiscal year 2003 cost allocation plan submission to for approval with a fiscal year 2004 implementation.

An approved DOE cost allocation plan should eliminate this long-standing audit finding regarding direct charges of federal administrative funds for the central service operation of DOE.

With regards to the late Vocational Education payment, the Department had two options: 1) not to pay the vendor for these services or 2) re-encumber the federal funds in fiscal year 2002 to pay the vendor. The Department makes numerous efforts to contact all vendors during the account payable period to secure all outstanding invoices. We will increase our efforts secure all outstanding invoices during the accounts payable period. However, there will occasionally be vendors that do not comply with the State's timelines and may place us in this situation again. It should be noted that since the amount was less the \$2,500, state regulations allow us to pay the amount without an encumbrance. However, our own internal, stricter requirements would have prevented it.

Responsible person: Anthony DeLorenzo  
Implementation date: June 30, 2003

## Department of Education Findings on Compliance with Rules and Regulations

### Finding Number 29: Procedures Need to be Refined

The Department of Education (Department) needs to refine its policies and procedures regarding the allocation of Special Education grant awards. During fiscal year 2002, two calculation errors were made in the awarding of Special Education grants.

One error was that the Department did not properly calculate the amount to be distributed to a Local Education Agency (LEA) based on enrollment. The calculation requires a minimum of 85% of the "Minimum LEA Population/Poverty Allocation" value on Table I of the U.S. Department of Education allocation letter. Based on the enrollment at this LEA, the amount awarded should have been \$22,567 higher. The funds still remain available to the LEA.

The second case involves the overall distribution to LEAs. IDEA-97 has specific requirements for the allocation of funds. Minimum distribution amounts are set by the U.S. Department of Education and are provided to the Department for calculation of each LEA's distribution to meet the overall distribution requirements. The mandated distribution for fiscal year 2002 was \$135,704,501 only \$135,662,128 was awarded. This under award of \$42,373 was the result of a clerical error. The Department implemented written policies and procedures for the allocation of awards early in fiscal year 2002; however, they did not include controls to verify award calculations.

*The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Common Rule) Subpart C Section .20, Standards for financial management systems, requires that effective internal control and accountability must be maintained for all grants and subgrants to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Also, the Commonwealth of Massachusetts enacted Chapter 647 of the Acts of 1989 – An Act Relative to Improving the Internal Controls within State Agencies and the companion Internal Control Guide for Managers and Internal Control Guide for Departments were issued by the Office of the Comptroller of the Commonwealth of Massachusetts. The Department has demonstrated measurable movement towards meeting these requirements but more emphasis needs to be put on implementation of controls to prevent and/or detect errors. (Department of Education - Special Education, State Grants 84.027)*

### Recommendation

The Department should refine the written procedures for the Special Education Program to include strong control steps to recalculate, verify and document information used for the grant awards. These could be used as a proto-type for each of the federal and state programs that require calculation of grant award amounts. The procedures should include the controls to ensure that the actual grant awards issued by Grants Management are in agreement with the amount calculated by the Program Administrators.

**Department of Education  
Findings on Compliance with Rules and Regulations**

**Finding Number 29: Procedures Need to be Refined (continued)**

**Department Corrective Action Plan**

Although the Department does not dispute the calculations made in this audit, we would note that all districts participated in both this grant program (#240) and an additional grant program, also for special education (#274). In the second grant program, districts were, in total, allocated over \$10 million -- that amount represents more than \$6 million over the required distribution amount. We speculate that the under calculation for the #240 grant may have resulted from an initial calculation of charter school participation that, upon final reflection, did not occur. We believe that the generous allocation in program #274 more than makes up for any amount that the districts did not receive in the #240 grant. That being said, we have corrected all procedures that resulted in this error and calculations for grant recipients in FY 2003 have been carefully monitored to ensure full distribution.

Responsible person: Marcia Mittnacht  
Implementation date: September 30, 2002

## Department of Education Findings on Compliance with Rules and Regulations

### Finding Number 30: Lack of Control System for Goals 2000 Program

The Department of Education (Department) did not establish a system of internal controls over the Goals 2000 program. There are no written policies and procedures in place to administer this program and document compliance with federal regulations, other than the instructions provided to the Local Education Agencies (LEA) for use in their proposals for funding. Department personnel explained that because this grant is used for a variety of subgrants monitored by a variety of departments, and was similar to existing grants, it was decided that the existing grants management system was sufficient.

*The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Common Rule) Subpart C Section .20, Standards for financial management systems, requires that effective internal control and accountability must be maintained for all grants and subgrants to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. The Commonwealth of Massachusetts enacted Chapter 647 of the Acts of 1989 – An Act Relative to Improving the Internal Controls within State Agencies and the companion Internal Control Guide for Managers and Internal Control Guide for Departments were issued by the Office of the Comptroller of the Commonwealth of Massachusetts. The Department has not demonstrated that these requirements have been met for this program.*

The Department has a long history of managing federal programs and over time has developed a system, much of which relies on institutional memory and the experience of its managers. This system may meet the needs of existing federal programs but new programs should be implemented and administered giving consideration to the current internal control guidelines and the specific requirements of the program. Examples of how using the Department's existing system to administer the Goals 2000 Program can result in control weaknesses was highlighted during the fiscal year 2001 audit in the areas of earmarking and special tests and provisions.

The U.S. Department of Education is no longer funding the Goals 2000 Program therefore establishing internal control policies and procedures has not been a high priority for the Department. (*Department of Education – Goals 2000 84.276; Fiscal Year 2001 Single Audit Finding 11*)

### Recommendation

The Department should prepare documents that demonstrate it complied with the required earmarking and special tests requirements for the life of the program as part of the fiscal year 2002 closeout of the program.

### Department Corrective Action Plan

We acknowledge the auditors assertion that we did not have a written control system in place that specifically addressed the Goals 2000 program. This program had been operated using our general policies and procedures for departmental operations. When the specific controls issue was brought to our attention in the FY 2001 audit a conscious decision was made to invest our dwindling administrative resources toward new and existing programs. The Goals 2000 program had reached an end and the only remaining work left on this grant was the use of minor amounts of carry over funds. Based on overall department staffing cutbacks, involuntary furloughs and proposed layoffs it was decided to use staff time in areas other than developing these procedures, knowing this would be the last year of the programs.

While inactivity in this regard was certainly not the preferred method to resolve the issue it was determined that it would be the most prudent in the total scope of our current environment.

Responsible person: Anthony DeLorenzo  
Implementation date: January 1, 2003

## Department of Education Findings on Compliance with Rules and Regulations

### Finding Number 31: Class Size Reduction Control Documentation Needs to be Improved

The Department of Education (Department) needs to continue to refine the documentation of its system of internal controls over the Class Size Reduction Program (CSR) and to consistently implement the controls that are in place.

In response to findings that the Department lacked a control system over CSR, the Department reviewed the process for administering the CSR program and made some significant changes in fiscal year 2001. Additional enhancements were made in fiscal year 2002. However, none of the steps taken to date reach the level of a formal system of control.

*The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Common Rule) Subpart C Section .20, Standards for financial management systems, requires that effective internal control and accountability must be maintained for all grants and subgrants to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Also, the Commonwealth of Massachusetts enacted Chapter 647 of the Acts of 1989 – An Act Relative to Improving the Internal Controls within State Agencies and the companion Internal Control Guide for Managers and the Internal Control Guide for Departments (ICGD) were issued by the Office of the Comptroller of the Commonwealth of Massachusetts. The Department has not demonstrated that these requirements have been met for this program.*

In the fiscal year 2002 status of prior year findings, the Department highlighted that all federal programs will be included in the Department's Internal Federal Grants Guide. The current working draft of the Guide is an effective communication tool but does not document all of the controls in place to administer federal grants. The Guide does address some of the internal control elements, such as control environment and communications, spelled out in the ICGD, but it needs to be further developed to include the risk assessment, control activity and monitoring sections that are crucial internal control elements. The Department points out that the policies and procedures were written in the U.S. Department of Education CAROI approved format, however, it must also meet the requirements of Chapter 647.

The prior finding identified a failure to monitor subrecipients. In fiscal year 2002 steps were taken to monitor the subrecipients but the level of monitoring has yet to reach a level that provides the Department with assurance that the program requirements are being met at a meaningful number of subrecipients. Federal regulations, 20 USC 1232 d (b) (3) (A) and (E), General Education Provision Act Section 435 (b) (2) and (5), and 34 CFR 80.40, state that state agencies must monitor grant and subgrant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. CSR was a new program in fiscal year 2000 and is distributed to LEAs based on applications submitted. This program has very specific requirements that significantly limit the use of the funds at the LEA level.

An element of the control system that was put in place during fiscal year 2002 was a rubric to be used to evaluate applications and to support the awarding of grants. Of the ten subrecipients selected for testing five did not have the properly completed rubric on file. This could lead to the issuance of grants based on applications that do not meet the very specific requirements of the program. (*Department of Education – Class Size Reduction Program 84.340; Fiscal Year 2000; 2001 Single Audit Finding 12*)

**Department of Education**  
**Findings on Compliance with Rules and Regulations**

**Finding Number 31 : Class Size Reduction Control Documentation Needs to be Improved (continued)**

**Recommendation**

The Department should continue to develop and document an internal control system to assure that it administers the CSR Program in compliance with all federal requirements. This work should be done as part of a Department-wide effort to address the lack of controls pointed out by a number of audit reports on both federal and state funds. The system should be reviewed and incorporated into the Department's Internal Control Plan.

**Department Corrective Action Plan**

We concur that a number of the rubrics used as checklists to process our grants were not completely filled out and that these oversights should not have happened. However, we disagree that the documented procedures were lacking. These have been updated from prior years and are in a manner consistent with other approved procedures. We are also in disagreement with the issue of on site monitoring. The regulations allow for monitoring that is not based on a physical on-site presence. In addition, absent a written decree or agreement the number of on-site visits is totally subject to the discretion of the granting department.

This program will be part of the Title II program for fiscal year 2003 and undergo substantial changes.

Responsible person: Cathy Depradine  
Implementation date: April 1, 2003

## Department of Education Findings on Compliance with Rules and Regulations

### Finding Number 32: Lack of Documented System for Salary Charges to Federal Programs

The Department of Education (Department) has not provided auditable documentation for the salary charges to the federal grants for employees that work on multiple programs. The Department did adjust the costs charged to federal programs to reflect what it determined to be the cost of salaries of employees who work on multiple programs but it is based on an overall, net adjustment for each grant. The process is designed to “fairly charge” the grants rather than to support the charges to the grant with the individual’s activity reports and payroll records. No adjustment is made to the budget, as required quarterly, to change the erroneous charge or to stop future charges for employees who do not work on the grant. For example, one of the employees tested never worked on the federal program charged but the salary code was not reassigned to the state program appropriations actually worked on. Not transferring employees from a federal appropriation to a state appropriation to reflect what is actually worked on could be a reflection of the higher level of scrutiny given to state funded positions vs. federally-funded positions during the statewide budget process.

OMB Circular A-87, Attachment B (h) (6) (e) states that “budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that: (i) the governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed; (ii) at least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and (iii) the budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.”

The procedures used to calculate the actual salary costs charged to a program have been developed in consultation with the U.S. Department of Education Office of Special Education Programs, based on personnel activity reports completed by employees.

Nine employees charged to federal programs were selected for testing. Six of the employees were supported by signed certifications that they had worked solely on the program charged. Three of the employees were supported by Monthly Activity Reports; these are required when an employee works on more than just one federal program. One of these employees was charged to Title I, the other two were charged to Special Education. The Monthly Activity Reports indicated that one never worked on federal programs and that another did no work on the program to which she was charged. There was some work done on another major federal program but the majority of the time spent was on state-funded programs. The third employee was in the Program Quality Assurance group and with rare exceptions of 5% variances charged 100% of his time to the federal program to which he was charged. It is possible that the cost of these employees was adjusted from the grants to which they were charged to the grants on which they worked but there is no audit trail to document that adjustments were made for these individuals. The Commonwealth’s official books and records reflect these individuals as charged to the federal grants while the support offered shows that they in fact did not work as charged. The process by which the adjustments are made to programs is not documented on an individual by individual basis to allow verification of the total adjustment to the program.

## Department of Education Findings on Compliance with Rules and Regulations

### **Finding Number 32: Lack of Documented System for Salary Charges to Federal Programs (continued)**

The U.S. Department of Agriculture Food and Nutrition Service (USDA) issued a Financial Management Review report dated December 19, 2000 on the Massachusetts Child Nutrition Programs and recent correspondence indicates that this area has not been satisfactorily cleared. Salary related findings in this report were that the Department did not have appropriate time distribution procedures to support the salaries, fringe benefits and indirect costs charged to the Child and Adult Care Food Program (CACFP) for the seven employees in audit functions. The USDA questioned \$481,159 in salary costs charged to CACFP. In addition, the USDA report found that state employee salary costs were used to support the maintenance of effort charges for administration of the Child Nutrition Programs but there was no system in place to properly allocate those employees' salaries. Fifty percent of one employee's salary was used to meet the matching requirement, however, 100% of that same individual's salary is included in the salary base to develop the indirect cost rate. The USDA report concluded that the \$441,407 of state funds used to meet the matching requirement was not adequately supported. (*Department of Education - Title I Grants to Local Education Agencies 84.010, Special Education – State Grants 84.027, Safe and Drug-Free Schools and Communities 84.186, Vocational Education 84.048, Bilingual Education 84.194, Education for Homeless Children and Youth 84.196, Goals 2000 Program 84.276, Adult Education 84.002, Reading Excellence 84.338, Innovative Education Program Strategies 84.298; Department of Health and Human Services - Acquired Immunodeficiency Syndrome Activity 93.118; Department of Agriculture – Child and Adult Food Care Program 10.558, School Breakfast Program 10.553, National School Lunch Program 10.555, Special Milk Program 10.556 and Summer Food Service Program for Children 10.559; United States Department of Education, Office of Special Education and Rehabilitative Services, Monitoring Review Report Dated May 2, 1995 Finding 4; United States Department of Agriculture, Food and Nutrition Services, Financial Monitoring Review Report Dated December 19, 2000 Findings 2 and 4; Fiscal Year 1995; 2001 Single Audit Finding 13*)

### **Recommendation**

The Department should develop procedures to meet the requirements of OMB Circular A-87, its agreement with the U.S. Department of Education and the corrective action plan for the U. S. Department of Agriculture. Controls need to be established to ensure the salaries charged to federal grants are properly supported. The procedures need to ensure that any employees' salaries used for federal match are properly documented and supported and that those salaries are not included in the indirect cost plan.

We continue to encourage the Department to have employees charge the programs that they work on their time sheets so that an after-the-fact reconciliation of the time sheet and the Monthly Activity Report is not necessary.

### **Department Corrective Action Plan**

The Department has already taken additional steps in fiscal year 2003 to fully address this finding. We have met with each administrator and his/her staff to provide guidance and support in the timely and accurate monthly reporting for each employee. We are committed to compiling the time and attendance reports within 30 days of the close of each quarter and will process the appropriate salary adjustments within the subsequent quarter, not wait until the end of the fiscal year.

**Department of Education  
Findings on Compliance with Rules and Regulations**

**Finding Number 32: Lack of Documented System for Salary Charges to Federal Programs (continued)**

**Department Corrective Action Plan (continued)**

Additionally, we will pilot one or two smaller centers in the weekly submission of time and attendance reports and enter these results into the State's Payroll Cost Reporting System (PCRS). The results will be analyzed for the possibility of a full-scale implementation.

Responsible person:     Jeanne Elby  
Implementation date:     January 1, 2003

## Department of Education Findings on Compliance with Rules and Regulations

### **Finding Number 33: Tracking and Reporting of the Amount Used to Meet the Vocational Education Matching and Maintenance of Effort Requirements are Questionable**

The Department of Education (Department) prepares the administrative match section of the federal Vocational Education expenditure report based on the required amount to be matched not the actual expenditures from the books and records.

According to federal regulation, 34 CFR 403.181, the State is required to match from non-federal sources and on a dollar-for-dollar basis, the funds reserved for administration of the State Plan for the Vocational Education Program.

To support the match the Chief Financial Officer prepares an analysis of federal administrative spending for the state fiscal year (7/1 – 6/30). The appropriation used to record the expenditures to administer the State Plan also includes the cost of administering two other programs. This calculation is done independent of and the result is different than the amount reported in the Financial Status Report (SF 269) for state administration. Department officials explain that the Vocational Education Program can be spent over a 27-month period and two SF 269s must be filed for the entire grant period. The first report for the grant year is prepared for a 15-month period ending with the federal fiscal year (7/1 – 9/30) and the second report is filed for a 12-month period covering the next federal fiscal year. Thereby the entire 27-month period is reported. To complicate matters, Department officials explain that these reports cover overlapping 27-month grant periods. Department officials further explain that the first amount reported as matching funds for a grant period is an estimate provided by the Chief Financial Officer and the second reported amount contains the amount to report the actual match amount.

Department officials explain that the expenditures reported on the SF 269 can be traced to the official books and records of the Commonwealth (MMARS) but only on an individual transaction basis due to the differences in accounting periods. However they agree that the match amounts on the SF 269 cannot be traced to MMARS. Additionally, there is no documentation of the process, procedures, and necessary adjustments to be used to prepare the SF 269, especially the portion of the expenditures that relate to administration of the State Plan. There is an insufficient audit trail for the SF 269 to be audited.

Positive changes were made in the process of determining the state spending that is used to meet the match requirement. There was certification for the salaries charged to the state appropriation and a large transfer of salary costs to the state account for individuals that were originally charged to the federal account. There were also signed certifications for these employees. However, the process and methodology used to develop this analysis is not documented. In addition, it cannot be determined if any of the salaries are used to satisfy the matching requirements in other programs. Costs, other than salaries, are also of a concern. For example, (1) the cost of rent and utilities was allocated to the program without an approved cost allocation plan in place, (2) it is also not possible to determine if the state spending on rent and utilities is used to meet other program matching requirements and (3) travel expenditures were used to meet the matching requirement based on the % of salary charges rather than to recognize the cost of travel for the people who actually worked on the program which was readily available. In spite of these concerns and the unallowable nature of some of the costs that were used to meet the Vocational Education matching requirement, the improvements made in the documentation provided indicate that the matching requirement was met.

## Department of Education Findings on Compliance with Rules and Regulations

### **Finding Number 33: Tracking and Reporting of the Amount Used to Meet the Vocational Education Matching and Maintenance of Effort Requirements are Questionable (continued)**

Perkins III, section 323(a); 20 USC 2391(a) has a maintenance of effort requirement that a State provide from non-federal sources for State administration an amount not less than the amount provided for the preceding year. In fiscal year 1999 the cost claimed by the Department as State administration was not allowed. In fiscal year 2000 the cost of the amount claimed was questioned. In fiscal year 2001 the cost of the amount claimed was questioned. It is indeterminable whether the Department has maintained the level of effort for fiscal year 2002. (*Department of Education - Vocational Education, Basic Grants to States 84.048; Fiscal Year 1997; 2001 Single Audit Finding 15*)

#### **Recommendation**

The Department needs to put a process in place to administer its Vocational Education Program which meets all federal requirements and provides a clear audit trail between MMARS, the federal reports, and analysis used to meet the program's federal matching and maintenance of effort requirements. The Department also needs train its administrative personnel in all of OMB Circular A-87 requirements.

The Commonwealth's MMARS system does not always meet the federal reporting needs of the Commonwealth's departments, however, the Department should undertake a study to determine the feasibility of using the Commonwealth's Data Warehouse to generate the reports and analysis that is required of the Department to meet federal reporting requirements. Automation of the process will add to the efficiency and accuracy of the undertaking.

#### **Department Corrective Action Plan**

The Department has developed and implemented written procedures to provide clear guidance to the Vocational Education staff in the completion of the preliminary and final SF269 reports. Also, written procedures were previously developed for the Vocational Education Maintenance of Effort and Match requirements of the federal law. These were reviewed by U.S. Department of Education during the CAROI process. The procedures clearly state that both the Maintenance of Effort and Match computations must be completed prior to the submission of the preliminary SF269 report. This will eliminate the cited variances in the SF269 report.

Additional care will be taken in the compiling of financial data as it relates to travel expenses of Vocational Education staff for inclusion as part of the State's share of the Vocational Education Match requirement.

Responsible person:     Jeanne Elby  
Implementation date:    March 15, 2003

## Department of Education Findings on Compliance with Rules and Regulations

### Finding Number 34: Lack of Data to Measure Earmarking

The Department of Education (Department) does not have a system in place that allows for the identification and classification of expenditures to document that the Special Education earmarking requirements for State set-asides are met.

IDEA, Part B (20 USC Section 1411(f)(1)) and Preschool Grants Program (20 USC 1419(d)) set forth the amount of funds a State must distribute to its Local Education Agencies (LEAs) on a formula basis and the amount it can set aside for administration, other State-level activities, and capacity building grants to its LEAs. The Department does consider this information in setting the obligation ceiling/maximum budget amounts in the Massachusetts Management Accounting and Reporting System (MMARS) system.

The Special Education funding provided to states can be spent over a 27-month period. However, when the funds are distributed to the LEAs the maximums established for the appropriation account used to distribute the funds, in practice, are closely matched to the annual expenditures. Therefore, the LEAs are really only given the school year (12 months) to spend the money. However, the administrative funds maintained by the Department are carried from year-to-year and Department personnel indicate that this length of allowable grant spending and the difference in the time periods covered by the federal fiscal year and the state fiscal year render them unable to perform the accounting or analysis to illustrate that the funds were spent in accordance with the earmarking requirements.

Testing could not be designed to independently determine if the Department has met the earmarking requirements. In prior years, the Department offered MMARS documents as the evidence that the requirements are met and the % fell within the allowable ratios. In fiscal year 2001, when this approach indicated that the spending was not within the allowable ratios, the Department pointed out that the test approach was flawed, and that the statewide and Department systems cannot differentiate between grant year (27 months) and fiscal year (12 months). The Department does not have a system in place to monitor compliance with federal earmarking requirements. (*Department of Education – Special Education, State Grants 84.027 and Preschool Grants 84.173; Fiscal Year 2001 Single Audit Finding 17*)

### Recommendation

The Department must review the multiple federal financial analysis and reporting requirements, as well as the currently available MMARS and MMARS data warehouse resources, the Department's internal data management systems and design an overall financial management and reporting system. The Department should consult with other Commonwealth departments that receive federal funding that can be expended over more than one year to determine how they are complying with all federal requirements.

### Department Corrective Action Plan

The Department has already taken steps to correct this Special Education audit finding as well as all federal funds that we receive. First, we have established new MMARS accounts for the new "No Child Left Behind" Program that accounts for approximately \$360 million. Second, we have implemented consolidated internal spending plans, which allows for review and approval of planned federal spending.

Third, we have implemented a clearly defined expense budgeting system on MMARS to further monitor allocations and expenditures. And lastly, we have provided additional staff support to the federal electronic funds transfer system to reconcile the federal letter of credit balances to the federal funds available for that fiscal year.

Responsible person:     Jeanne Elby  
Implementation date:     January 1, 2003

## Department of Education Findings on Compliance with Rules and Regulations

### **Finding Number 35: Unreliable Data Summarization and Use/Maintenance of Effort and Other Measures**

The Department of Education (Department) does not have a reliable source of data for use in determining the Local Education Agencies' (LEA) compliance with the maintenance of effort requirements.

The data used to determine if an LEA met the maintenance of effort requirements is the End-of-Year Report submitted by all LEAs. The Department had not prepared the analysis of this data for use in the maintenance of effort calculations until the auditors requested it.

The LEA fiscal year ends on June 30 and End-of-Year Reports are due by September of that year (for example, the June 30, 2001 fiscal year is reported at the end of September of 2001). Under the maintenance of effort requirements an LEA may receive funds under an applicable program only if the State finds that the combined fiscal effort per student or the aggregate expenditures of the LEA from State and local funds for free public education for the preceding year was not less than 90% of the combined fiscal effort or aggregate expenditures for the second preceding year. Therefore, the Department has to compare the second prior year data to the prior year data to develop the relationships on a LEA and per student basis to measure maintenance of effort (for example, fiscal year 2000 is compared to fiscal year 2001 to determine if the grant for 2003 needs to be adjusted).

An analysis comparing fiscal years 2000 and 2001 was provided. It should be noted that the fiscal year 2000 total expenditures was also provided for the prior year audit. There was more than a \$100 million difference between what was provided last year and this year. An explanation was sought for the difference in balances that should have been identical. The Director of School Business Services (Director), who is responsible for the End-of-Year Report process, the database built from those reports and the preparation of analysis of that data, offered two possible explanations. One was that the LEAs can and do make corrections to previously filed reports and some of these corrections might have been posted by the Department to the data base after the analysis was done in the prior year. There was no documentation made available to quantify these late posted corrections. A second explanation was that the Director changed the elements used by the Department in making the calculations between the 2001 analysis and the 2002 analysis. The report line items that were included in the 2002 analysis were provided, however, no reason for the change in approach was documented. A review of the current literature did not identify a change in the federal regulations that determine which LEA costs are to be included in the calculation. In addition, no documentation of the change in "opening balance" that would be attributed to this change in approach was provided. As a result, the \$100 million variance remains unexplained.

In addition, an attempt was made to trace the amount of expenditures for 2001 to the detail that supports the analysis to verify the maintenance of effort calculation made by the Department. Since there were no written procedures as to how the calculations are performed, the Director had to prepare written directions. None of these recalculations could be verified without oral explanations from the Director.

The directions to the LEAs for preparation of the End-of-Year Reports are well documented and training is provided for the LEAs each year. In addition, the Department now requires that audit procedures be performed on the End-of-Year Reports as part of the annual Single Audits.

## Department of Education Findings on Compliance with Rules and Regulations

### **Finding Number 35: Unreliable Data Summarization and Use/Maintenance of Effort and Other Measures (continued)**

In response to prior audit findings the Department established procedures and due dates for the summarization and interpretation of the data for use in maintenance of effort work in order to meet the requirement that the subsequent grant award be reduced to reflect any failure of a LEA to meet maintenance of effort. That Department set schedule was not met in fiscal year 2002 and the school year 2003 grant awards for Title I were calculated before the determinations of maintenance of effort levels were done. One LEA failed to meet the maintenance of effort test for the year ended June 30, 2001. The Department did issue the appropriate letters to this LEA during the audit and believes that the school year 2003 grant award could be reduced during the year if the LEA cannot provide information to support that the maintenance of effort was met. (*Department of Education – Title I Grants to Local Educational Agencies 84.010*)

#### **Recommendation**

Many of the federally funded programs have maintenance of effort requirements that must be complied with. The Department should determine all of the federal programs which have similar requirements and then develop a system and written procedures to measure LEA compliance for all programs. These procedures should include verification of the Reports and keeping track of changes posted to the database to ensure its accuracy.

#### **Department Corrective Action Plan**

School Business Services provides program staff with local district spending data that compares the two previous fiscal years spending. The data used in these reports come from End-of-Year-Reports filed annually by local districts. All cities, towns and regional districts are required to file these reports that outline revenue and expenditures for the previous fiscal year. The report is made up of a number of schedules that delineate revenues, expenditures, by various programs along with pupil and transportation data and is in an Excel spreadsheet format.

In fiscal year 2001 (and subsequently in fiscal year 2002) the End-of-Year-Report had been revised. As a result, the documentation used in prior years needed to be updated, and a new report needed to be compiled in order to compare the new data in the report to the previous edition. The initial report that was compiled was incorrect and did not contain all spending from fiscal year 2000. Consequently, a subsequent report was compiled using fiscal year 2000 data from the previous year's calculation. After the subsequent report was compiled, a crosswalk was also created to document the individual cells used in the report. The crosswalk did not include one of the cells used in the calculation.

The auditors were given the new report and a copy of the crosswalk. They asked for a number of district's reports to test their individual calculations. Of the five districts tested, the auditors could not "tie out" two district's totals because of the one cell that was inadvertently not included in the crosswalk. In the other three districts, the auditor didn't use the specific cells in the crosswalk and used different cells in order to arrive at a total resulting in an incorrect total.

**Department of Education  
Findings on Compliance with Rules and Regulations**

**Finding Number 35: Unreliable Data Summarization and Use/Maintenance of Effort  
and Other Measures (continued)**

**Department Corrective Action Plan (continued)**

In the future we will document the specific cells in the End-of-Year-Report used to compile future maintenance of effort calculations. In addition, we will have all calculations reviewed by another staff member before passing them along to applicable program staff. We will get the report to program staff within their specified timeframe.

Responsible person: John Sullivan  
Implementation date: June 30, 2003

## Department of Education Findings on Compliance with Rules and Regulations

### Finding Number 36: Lack of Required Certifications for Child Count

The Department of Education (Department) failed to obtain required certifications from the Local Education Agencies (LEA) to support the Report of Children and Youth with Disabilities Receiving Special Education Under Part B of the Individuals With Disabilities Education Act, as amended, the report is commonly referred to as the December count.

The Department changed the process of gathering the information for this report from the LEAs for the report due in February of 2002. There was adequate communication to the LEAs how to identify and classify the students. However, the LEAs were not instructed to make the required certifications. The Department did not document internal controls for the gathering, verifying and summarizing of the data for use in the preparation of the Department's report to the U.S. Department of Education.

Federal regulation 34 CFR sections 300.754 (c) states that the Department  
"must: obtain certification from each agency and institution that an unduplicated and accurate count has been made."

The lack of documented controls for the editing of this data by the Department leaves the Department without an audit trail between what is submitted by the LEA and the Department's summarization of the LEA level data to produce the state level count for submission to the grantor. The Department continues to implement changes to important aspects of the administrative control systems for grants without careful consideration of the underlying federal regulations and purposeful development of the controls for the new process. (*Department of Education – Special Education, State Grants 84.027*)

### Recommendation

The Department should obtain certification from the LEAs and better document the edits to the data.

### Department Corrective Action Plan

The actions taken by the Department represent, in fact, a better control on count information and the certification from the LEAs now amounts solely to a paper process. The Department does monitor local district's implementation of child count and record keeping requirements as part of its regular review of district's compliance with special education requirements which ensures that each district has its child count reviewed at least once every three years.

Finally, the Department and State have been involved in a massive effort to develop and maintain individual child information on a state accessible database -- assigning unique child identification numbers (State Assigned Student Identification, or SASID) to each child in the public schools of Massachusetts. This past year was the first year that districts completed and provided child count information using this database and these SASIDS. The Department feels absolutely confident that this was an unduplicated count statewide.

Although the Department feels that its procedures and controls are effective, we acknowledge that the child count procedures and controls are not contained in full written form referencing the different aspects and different units responsible for the task. We will complete written procedures and collect certifications from the LEAs annually.

Responsible person: Marcia Mittnacht and Paula Girouard  
Implementation date: November 30, 2002

## Department of Education Findings on Compliance with Rules and Regulations

### Finding Number 37: Inadequate Monitoring

For the federal fiscal year ended September 30, 2001, the Department of Education (Department) failed to monitor the required number of Child and Adult Care Sponsors.

The Department is required, by federal regulations, 7 CFR 226.6 (l), to perform a monitoring review of at least 1/3 of all of the Child and Adult Care Sponsors receiving federal awards annually. The "Operational Plan Report", which provides a detail of the Child and Adult Care sponsors that were reviewed, was obtained for fiscal year 2001. The report detailed 128 sponsor site visits, which are fewer than the 133 that required monitoring in fiscal year 2001. Department personnel indicated that lack of personnel and other personnel issues did not allow them to complete all the site visits required. (*Department of Agriculture - Child and Adult Care Food Program 10.558*)

### Recommendation

The Department needs to resolve its personnel issues to ensure that the goal of monitoring 1/3 of the sponsors is achieved to comply with the federal regulations.

### Department Corrective Action Plan

Monthly reports from program reviewers will be obtained. These reports will identify the status of the reviews. A new review supervisor has been assigned. She has developed a system to continuously reconcile the scheduled reviews with the actual reviews. Monthly she will review with the Nutrition Programs and Services Administrator, the status of reviews and corrective action plans. Notifications to staff on discrepancies and/or deficiencies will be issued.

Program staff will serve to provide support to the review process and assist, if necessary.

Responsible person: Mary Anne Gilbert and Kathleen Millett  
Implementation date: September 15, 2002

**Department of Education  
Findings on Compliance with Rules and Regulations**

**Finding Number 38: Errors in Federal Reports**

The Department of Education (Department) does not have adequate control procedures in place to verify the amounts included in federal reports.

The Department is required to prepare on a quarterly basis Financial Status Reports (SF 269) for the U. S. Department of Agriculture (USDA) nutrition programs. For the Child and Adult Program the actual amount of expenditures was \$17,644,970 but \$17,636,587 was reported. The variance of \$8,383 represents refund claims that were not properly included in the quarterly report for the period January - March 2002. The error was not detected by the Department prior to the submission of the report. There is a lack of formal procedures for the verification of the amounts to be reported for all of the nutrition programs prior to submission of the reports to detect clerical errors. There is also no independent review of the report.

The Department is required to prepare the FNS 13 Report for the School Breakfast and National School Lunch Programs. A clerical error of \$10,439 was noted during the audit of the report. This error, although not material to the program, highlights in conjunction with the error cited above, that there is an underlying lack of control procedures in place to ensure the accuracy of reports. (*Department of Agriculture - Child and Adult Care Food Program 10.558, School Breakfast Program 10.553 and National School Lunch Program 10.555*)

**Recommendation**

The Department needs to better understand the control environment that should be in place for the reporting of information on all federal programs. A Department-wide approach must be taken to establishing the parameters for adequate control over reporting. Within that framework, procedures particular to the two reports cited above and all others should be documented to ensure that there is a step to verify the amounts to be reported and to verify the accuracy of the calculations done to develop the reports.

**Department Corrective Action Plan**

The Department fully understands the control environment that needs to be in place to properly address federal reporting requirements.

Procedures for verifying the accuracy of the U.S. Department of Agriculture reports cited in this finding (as well as all other nutrition program reports) are currently being reviewed. Any necessary changes will be made and will begin being implemented no later than December 1, 2002. It is expected that a new staff person with responsibility for completing these reports will be hired by late November. The new staff will be fully trained in all aspects of the reporting process by the supervisor for the nutrition programs financial management unit.

Responsible person: Ron Honesty and Neal Gilbert  
Implementation date: December 1, 2002

## Department of Education Findings on Compliance with Rules and Regulations

### Finding Number 39: Commodities Inventory Difficulties

The Department of Education (Department) was unable to provide the reconciliation of the commodities inventory for audit. The June 30, 2002 inventory counts were done but the summarization and reconciliation process had not been completed prior to the end of fieldwork.

The Department is required by 7 CFR section 250.14 (e) to  
"take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency".

The inventory process for fiscal year 2002 was complicated by the fact that the contractors changed as a result of the competitive process so counts were required at both the old and new facilities. The Department also was hampered by a lack of proper staffing levels due to both illness and budget constraints.

The cost of the year end inventory of \$1,346,123 is questioned as 7 CFR 250.16(a)(6) and 250.15(c) states "Accurate and complete records shall be maintained with respect to the receipt, distribution/use, and inventory of donated foods including end products processed from donated foods. Failure to maintain records required by 7 CFR section 250.16 shall be considered prima facie evidence of improper distribution or loss of donated foods, and the agency, processor, or entity is liable for the value of the food or replacement of the food in kind." (*Department of Agriculture - Child and Adult Food Care Program 10.558, School Breakfast Program 10.553, National School Lunch Program 10.555, Special Milk Program 10.556 and Summer Food Service Program for Children 10.559*)

### Recommendation

The Department should begin a cross-training program that will allow tasks to be completed regardless of individual absences or position vacancies. At this time of budget uncertainty, the Department must prioritize the tasks that are crucial to the operations of the Department and its programs and re-assign personnel to best match the tasks that are a priority to the staff that is available.

### Department Corrective Action Plan

Due to a significant staff shortage for most of the past year, the recommendation for staff cross training is not really feasible. The reconciliation process is labor intensive and quite time consuming. Much of the staffing issues are currently being addressed with new hires. In addition the process has begun to bring in temporary contract accounting help with the aim of closing out the final reconciliation within three months. The regional office of USDA has been made aware of the situation.

Responsible person: Ron Honesty and Martha Herlihy  
Implementation date: February 1, 2003

## Department of Education Findings not Repeated from Prior Years

1. The Department of Education (Department) did not have internal controls in place to ensure that the new earmarking requirement and the corresponding new method of calculating the amounts to be awarded to the cities and towns were complied. The Department developed written procedures to comply with the earmarking requirement and new method of calculating award amounts. See related finding number 29. *(Fiscal Year 2001 Single Audit Finding 10)*
  
  2. The Department did not adequately review or monitor the supplement not supplant requirements for the Title I, Vocational Education and Class Size Reduction Programs. Each of three program administrators implemented procedures to review and monitor the supplement not supplant requirements for their programs at the application approval stage and at the end of the year. See related management letter comment regarding uniformity of procedures. *(Fiscal Year 2001 Single Audit Finding 14)*
  
  3. The Department did not require all employees to follow the time reporting required by federal regulation. The Department did obtain the payroll certifications required by federal regulation. *(Fiscal Year 2001 Single Audit Finding 16)*
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## **Department of Revenue/Division of Child Support Enforcement Background**

The Division of Child Support Enforcement (Division) is organizationally part of the Commonwealth's Department of Revenue. The Division's mission is to (1) identify and locate absent parents, (2) establish and enforce support obligations and (3) collect and distribute support payments for children receiving public assistance payments under the Transitional Assistance to Families with Dependent Children (TAFDC) Program as well as a portion of the court ordered non-TAFDC payments.

During fiscal year 2002, the Division's total expenditures were approximately \$49 million.

The federal funding to the Division is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Division's major program was:

<b><u>CFDA #</u></b>	<b><u>Federal Program Description</u></b>
93.563	Child Support Enforcement

## Department of Revenue/Division of Child Support Enforcement Findings on Compliance with Rules and Regulations

### Finding Number 40: Inactive Cases not Closed in System

The Department of Revenue/Division of Child Support Enforcement (Division) case file system does not always detect all inactive cases that remain open in the system. From a sample of 25 case files selected for testing, we noted four files that should have been closed.

Federal regulation, 45 CFR 303.11, requires that the Division establish policies and procedures for case closure. In the cases examined there were two where no leads to locate the non-custodial parent have been discovered for over 1 year due to lack of information, and there were two cases where the CP and NCP resumed their relationship. In both instances, there is no longer a current support order and arrearages are under \$500. Under 45 CFR 303.11, all 4 cases should have been coded as non-active, and should have subsequently been terminated and removed from the COMETS system. However, all four cases remained active.

The Department's Internal Audit Unit performed a Self Assessment Review of the Division's child support enforcement program, which was issued in September 2002 (Federal Regulation 42 USC 654.15 requires that a Self Assessment Review be conducted on an annual basis). The Review also noted that the Division was not compliant in the closure of case files.

The Division's failure to close cases in a timely manner suggests a weakness in its case management control system or a failure in enforcing and monitoring compliance with policies and procedures and laws and regulations, and may render its case management database unreliable. As such, reports filed with the federal government may also be inaccurate. (*Department of Health and Human Services – Child Support Enforcement 93.563; Fiscal Year 1998; 2001 Single Audit Finding 18*)

### Recommendation

The Division should continue to enforce existing policies and procedures to ensure the timely review of case files so that cases are closed in accordance with federal regulations. Only open and active cases should be maintained in the system, and the collection and closing of accounts should be performed in a timelier manner.

The Division should have the Internal Audit Unit perform a comprehensive review of case closing policies and procedures.

### Department Corrective Action Plan

The federal regulations governing case closing (45 CFR 303.11) provide, "(a) The IV-D agency shall establish a system for case closure. (b) In order to be eligible for closure, the case must meet at least one of the following criteria..." 45 CFR 303.11 (a) and (b). While the federal regulations require the Division to establish procedures for case closure and require that if the Division decides to close a case, it do so in accordance with the regulations, there is no requirement that the Division close cases. Comments published by the federal Office of Child Support Enforcement (OCSE) accompanying publication of the most recent case closure regulations in 1999 (64 Fed. Reg. 11810 [March 10, 1999] and U.S. Dept. of Health and Human Services, Administration for Children and Families, OCSE Action Transmittal AT-99-04 [March 11, 1999]) provide further clarification:

The final rule balances good case management and workable administrative decisions with providing needed services, always erring in favor of including any case in which there is any chance of success. For example, cases must remain open even if there is no likelihood of immediate or great success in securing support, perhaps because of a period of incarceration.

**Department of Revenue/Division of Child Support Enforcement  
Findings on Compliance with Rules and Regulations**

**Finding Number 40: Inactive Cases not Closed in System (continued)**

**Department Corrective Action Plan (continued)**

To ensure that CSE staff can identify cases that are eligible for closure and to ensure that if the decision is made to close the case, it is done so accurately, policies and procedures have been issued for all case closure reasons. Additional policy and procedures will be issued as new system functionality to support case closure is released.

Once a case has been identified as eligible for closure or order termination, CSE may close the case in a timely manner in accordance with federal regulations. CSE has made case closing a priority and emphasized data reliability and accuracy in the application of the case closing process. Significant training has been delivered to all staff, staff have been assigned to review the case closing actions taken and in some offices, case closing work is assigned to dedicated staff.

CSE staff receive new policy, procedures, and other material each month in a policy issuance. In three out of the last 12 monthly issuances, there have been items related to case closure. Staff received procedures and various charts to assist them in applying the case closing policy and procedures as well as answers to frequently asked questions regarding case closure. In addition, the Deputy Commissioner sends a memorandum to staff in each monthly issuance providing general direction to staff. In the last eight months, each of the Deputy Commissioner's memoranda has directed staff to focus on case closing and correct application of the case closing procedure to ensure data reliability.

Over the last year, training on case closing policy and procedure was delivered in each office. (In many offices there were at least two training sessions.) Staff are also monitoring and reviewing the case closure actions to ensure proper application of the policy. As most of the 60-day notices are generated in a central location, CSE stationed a member of its Policy and Procedures staff at that location to sample the 60-day notices generated and then review the case to ensure that the case was appropriate for closure and the correct case closing reason had been selected. If errors were identified, steps were taken to ensure that staff were aware of the error made and action was taken to correct the problem. Additional training was delivered if necessary.

In addition to training focused on case closing, over the last several months, all CSE staff attended mandatory training on data reliability and the curriculum included a section on case closing – with particular attention paid to the requirements related to the 60-day notice.

As of June 30, 2002, CSE has closed 27,640 cases this fiscal year. CSE has conducted several focused projects on case closure during this year. In particular, CSE has reduced its pre-obligation caseload from 82,527 cases in February 2002 to 66,182 cases as of the end of the fiscal year by closing inactive cases – a reduction of 20%.

The system functionality related to the Emancipation change order has resulted in the termination of about 10,000 current support orders where the youngest dependent has turned 18. The functionality continues to be enhanced. In addition, a significant number of case closure notices and associated task and events have been added to COMETS to support the Division's efforts in case closure.

Responsible person: Paul M. Cronin, Rachel Madden  
Implementation date: Ongoing

## Department of Revenue/Division of Child Support Enforcement Findings on Compliance with Rules and Regulations

### Finding Number 41: Ineffective Case Tracking and Management System

The Department of Revenue/Division of Child Support Enforcement (Division) needs to improve its system for tracking and managing child support cases. Of the 25 case files selected for testing, 9 cases were not administered in accordance with federal regulations.

**(A)** A violation of federal regulation, 45 CFR 303.3, location of absent parents, was noted in 3 of the 25 cases tested. In accordance with 45 CFR 303.3(b)(5), the Division must repeat location attempts in cases where previous attempts to locate non-custodial parents or sources of income and/or assets have failed, but adequate identifying and other information exists to meet the requirements for submittal for location. Such attempts should be made quarterly or immediately upon receipt of new information which might aid in location. In one of the cases, quarterly location attempts were not made because minimal information was provided by the custodial parent (CP) about the non-custodial parent (NCP). In the other 2 cases, address verification took place beyond 3 months of receipt of the information which exceeds the quarterly threshold set by 45 CFR 303.

**(B)** A violation of 45 CFR 303.2 was noted in 2 of the 25 cases tested. In accordance with 45 CFR 303.2, upon complete referral or the submission of a complete application, the case must be assessed and additional necessary information obtained within 20 days. In one case, a review of the Records of Support Action disclosed that necessary information was not obtained within twenty days after submission of the complete application, while in the second instance the case file information was not properly assessed. In the first case referred to above, the assessment did not take place until 25 days after receiving the application, which exceeds the 20-day window for case assessment. The second case represented a referral from the Department of Transitional Assistance (DTA). A lack of case assessment by CSE resulted in this case erroneously being opened with the custodial parent's boyfriend being listed as the CP, although the boyfriend did not have custody of the child. A second case was eventually opened with the correct CP, however, the opening of the first case file could have been avoided through had proper case assessment procedures been enacted.

**(C)** A violation of 45 CFR 303.4, establishment of support obligations was noted in 2 of the 25 cases tested. In accordance with 45 CFR 303.4, within 90 calendar days of locating the alleged father or non-custodial parent, regardless of whether paternity has been established, an order for support must be established or the proceedings necessary to complete service of process to establish a support order and if necessary, paternity must commence. In one case, the location of the NCP was established upon receipt of the application in February 2001; however, a court order to establish support was not issued until March of 2002, greater than one year later. In the second case, paternity and location of the NCP had been established, however, the CP informed the Division that she was moving to Florida, which would result in the case being closed. The CP proceeded to remain in the Commonwealth, yet the Division made no attempts to establish a support order once the case had been resumed.

**(D)** In 2 of the 25 cases tested, the Division could not determine the dates that the applications were received due to the lack of a receipt stamp on the application. Federal regulation, 45 CFR 302.15(a), regarding reports and maintenance of records, requires that the State plan shall provide that: the IV-D agency will maintain records necessary for the proper and efficient operation of the plan, including records regarding: statistical, fiscal, and other records necessary for reporting and accountability required by the Secretary. Since the applications were not stamped, it could not be determined if the Division complied with timelines spelled out in federal regulations.

## Department of Revenue/Division of Child Support Enforcement Findings on Compliance with Rules and Regulations

### Finding Number 41: Ineffective Case Tracking and Management System (continued)

The Administration for Children and Families (ACF) fiscal year 2001 data reliability audit (results obtained in fiscal year 2002) also noted that the Division's case management system needed improvement. Of the 50 cases reviewed by ACF, 9 cases were unveiled as incorrectly reporting that paternity had been established in the current year, whereas paternity had already been established in the prior year. ACF determined that the errors stemmed from a system-processing problem, which resulted in erroneous dates being established in the system. Additionally, ACF noted that 2 of the 9 errors were a result of duplicating COMETS data with data obtained from the Massachusetts Registry of Vital Records and Statistics (RVRS).

The Department's Internal Audit Unit performed a Self Assessment Review of the Division's child support enforcement program, which was issued in September 2002 (federal regulation 42 USC 654.15 requires that a Self Assessment Review be conducted on an annual basis). The Review noted that the Division was not compliant in five case management areas, specifically, establishment of paternity and support orders, review and adjustment of orders, interstate services, securing and enforcing medical support and case closure.

As noted in last year's report, the Department's Internal Audit Unit performed a review of COMETS during fiscal year 2001 to evaluate the accuracy and reliability of case referral information in COMETS, and determine whether the Division created and assessed these cases within the time limits specified in Division policies and federal regulations. The Unit's report detailed numerous findings in case referral and management.

The Division's ineffective case tracking and management system suggests a weakness in COMETS and/or a failure in enforcing and monitoring compliance with policies and procedures and laws and regulations, and may render its case management database unreliable. As such, reports filed with the federal government may also be inaccurate. (*Department of Health and Human Services – Child Support Enforcement 93.563; Fiscal Year 1989; 2001 Single Audit Finding 19*)

#### **Recommendation**

We recommend that the Division enforce its policies and procedures to comply with federal requirements governing case file review and administration including periodic training to its caseworkers. Supervisors should also review the work performed by caseworkers to ensure that all case files are complete and accurate, that the Division's policies and procedures are followed, and that federal compliance requirements are met.

The Division's Internal Audit Unit should continue to review case files with all active files being reviewed at least once every three years. These reviews should be documented and any errors identified logged to include a description of the error, the follow-up procedures performed, and how these errors are ultimately resolved or corrected.

## Department of Revenue/Division of Child Support Enforcement Findings on Compliance with Rules and Regulations

### Finding Number 41: Ineffective Case Tracking and Management System (continued)

#### Recommendation (continued)

The Division should continue to provide effective training for caseworkers, which focuses on adhering to federal requirements surrounding case file review and management. Additionally, the Division should consider enacting several of Internal Audits recommendations that were made in the previous year, yet have not been enacted by CSE. These recommendations consist of the following: perform quarterly review of cases in the COMETS Referral Area, and provide weekly COMETS reporting of all new electronic referrals. Additionally, Internal Audit suggested to develop a division-wide automated tracking and reporting system to identify case inventories, backlogs and locations of cases within each regional office.

#### Department Corrective Action Plan

As noted earlier, CSE is in the process of obtaining sufficient information necessary to proceed in pre-obligated cases by contacting custodial parents by mail to request additional identifying information on the non-custodial parent. As of July 2002, over 26,000 letters had been sent to former assistance and never assistance cases in compliance with the federal regulations and more are anticipated to be sent in the next few months. Research is underway to identify current assistance cases lacking information necessary to identify the putative father. CSE is developing a project plan with the Department of Transitional Assistance (the IV-A agency) to interview these custodial parents.

CSE plans to implement the use of a letter to custodial parents to solicit additional location information within 20 days of receipt of cases with minimal information. Recently installed FPLS enhancements will include the availability of NDNH quarterly wage and unemployment insurance information.

CSE has five federal demonstration grants that support the establishment of paternity and child support orders. They include efforts to work with low-income parents, incarcerated parents, never married parents and victims of domestic violence. Historically, these establishment cases have historically been populations that have been hard to identify and to serve.

In April and May of 2002, CSE delivered Data Reliability training, the curriculum focused on meeting the strict data quality requirements for federal incentives. The curriculum also included instructions on research and documentation in concert with federal timeframes and self-assessment standards.

In response to the data reliability audit findings, specially trained CSE reviewed the COMETS' paternity status code for every dependant whose paternity status was entered or changed on COMETS in state fiscal year 2002 to ensure the COMETS status accurately recorded the correct status.

CSE staff is reviewing approximately 10,000 cases where the COMETS medical support order field was blank to determine if medical support was ordered. Data in the case file and court docket is used to update the COMETS record to indicate whether or not medical support had been ordered. Through September 30, more than 6,700 cases have been updated. This project also included the review of eight other key data elements for data integrity. CSE is actively investigating the purchase of a proprietary software package that tracks self assessment case processing time standards in order to improve CSE's ability to analyze case status on an ongoing basis.

**Department of Revenue/Division of Child Support Enforcement  
Findings on Compliance with Rules and Regulations**

**Finding Number 41: Ineffective Case Tracking and Management System (continued)**

**Department Corrective Action Plan (continued)**

Many of the findings in this section are related to resource limitations in fiscal year 00 through fiscal year 02 as CSE experienced serious staff attrition, losing more than 85 FTEs, many of whom were assigned to these functions. CSE is the process of filing 58 new positions, most targeted to the functional areas where CSE fails to meet time standards.

Responsible person: Paul M. Cronin, Rachel Madden, Michele Monahan

Implementation date: Ongoing

## Department of Revenue/Division of Child Support Enforcement Findings on Compliance with Rules and Regulations

### Finding Number 42: Tardiness of the Self Assessment Review

The Department of Revenue/Division of Child Support (Division) did not complete its Self Assessment Review as of March 31, 2002. The review was finalized on September 23, 2002, resulting in the report being issued almost six months late.

Federal regulation, 42 USC 654.15, requires that State child support agencies conduct an annual Self-Assessment Reviews of their program. The annual review consists of evaluating the State's child support enforcement program against eight performance criteria and is required to be completed and submitted by March 31. The review employs a detailed statistical sampling methodology in order to capture cases in a wide range of statuses for purposes of reviewing the Division's compliance with federal case processing requirements.

The Division's self-assessment review is performed by the Department's Internal Audit Unit and is finalized by the Division personnel. Finalizing the review consists of developing corrective action plans for all performance criteria for which the Division was identified as non-compliant. The Department performed the review on a timely basis; however, the Division did not finalize the review in a timely manner resulting in the report being submitted six months late. Division personnel explained that other higher priority matters contributed to the lateness in finalizing the review.

The self-assessment report is performed on an annual basis as a tool used to identify weaknesses in the Division's systems and to highlight areas that need to be improved upon. As indicated above, the Department's Internal Audit Unit performed the review, thereby increasing the reliability of the results. The current year review identified that the Division was noncompliant in 5 of the 8 program criteria, whereas 4 of the 10 criteria were identified as noncompliant in the prior year. The noncompliant areas consist of establishment of paternity & support orders, review & adjustment of orders, interstate services, securing and enforcing medical support, and case closure. Review and adjustment of orders is the additional area in which the Division was identified as noncompliant in the current year. (*Department of Health and Human Services – Child Support Enforcement 93.563*)

### Recommendation

The Division should finalize the Self Assessment Review on a timely basis and utilize the weaknesses identified by the Internal Audit Unit to develop a game plan to correct the weaknesses during the remainder of the fiscal year. Completing the report six months late delays the roll out of action plans, which can be utilized to reduce errors made on future case files, and correct any outlying errors that may exist among the present case files.

### Department Corrective Action Plan

While the formal response to OCSE was late, CSE had moved forward with corrective action plans based on the draft report findings. As noted above, projects were launched to update medical support and other key data, review paternity data and close cases.

Internal Audit and CSE are meeting to strengthen the review, with the intent that Internal Audit will provide CSE with ongoing feedback throughout the review so that CSE can respond immediately to issues raised during the review.

Responsible person: Paul M. Cronin  
Implementation date: Immediate

## Department of Revenue/Division of Child Support Enforcement Findings on Compliance with Rules and Regulations

### Finding Number 43: COMETS Does not Comply with Federal Requirements

The Department of Revenue/Division of Child Support (Division) was not in compliance with system requirements imposed by the federal government relating to the Child Support Enforcement Division's Commonwealth of Massachusetts' Enforcement Tracking System (COMETS) resulting in a \$6.3M penalty imposed by the federal government.

COMETS was brought on-line in December 1997, with only 30% functionality, in order to avoid potential federal financial penalties that could have resulted in the loss of all of child support and Transitional Assistance to Needy Families (TANF) federal funding. The Personal Responsibility and Work Opportunity Reconciliation Act required states to meet many new additional requirements. The deadline for implementing these new system requirements was October 1, 2000. Although many of the system requirements were implemented by the deadline, the most complex financial allocation requirements were not. Division personnel explain that COMETS financial module needs to be redesigned before it will comply with federal guidelines. The redesign is scheduled to be completed in fiscal year 2003.

Despite improvements in the process, the resolution of numerous problems and several successful software releases, there are still some critical structural problems with the COMETS database. Until these problems are addressed and the system requirements are implemented, the Division will continue to receive penalties from the federal government. The first penalty imposed was 4% of the federal share of COMETS or \$6.3m. Future penalties, if the Division continues to not be certified, will be imposed in federal fiscal year (FFY) 2002 at 8%, FFY 2003 at 16%, FFY 2004 at 25% and FFY 2005 and beyond at 30%. Congress has instituted a new system for awarding federal incentives, identifying five areas essential to an effective child support program, they are 1) paternity establishment, 2) establishment of child support orders, 3) collections on current support, 4) collections on past due support, and 5) cost-effectiveness. For every performance measure that the Division receives maximum incentives, the penalty decreases by 20%. The Division can mitigate penalties by achieving maximum incentives and should continue striving toward that goal. (*Department of Health and Human Services – Child Support Enforcement 93.563*)

### Recommendation

The Division should continue working closely with the technical experts within its Information Services Organization (ISO) to finalize the redesign of the system in order to be in compliance with federal requirements. Timely implementation of these system requirements will result in fewer penalties imposed on the Division.

### Department Corrective Action Plan

DOR/CSE analyzed COMETS's architecture and determined that the database needed to be redesigned in order to effectively introduce a complicated enhancement as new distribution rules. This includes means changing the core structure to a relational database as well as continuing to improve the systems delivery process. A cross functional team of business and systems management and professional staff worked extensively to develop and analyze several options related to COMETS stabilization and completion of federal distribution requirements. The decision was made to begin the COMETS stabilization by first redesigning the COMETS Financial module, including distribution requirements.

**Department of Revenue/Division of Child Support Enforcement  
Findings on Compliance with Rules and Regulations**

**Finding Number 43: COMETS Does not Comply with Federal Requirements  
(continued)**

**Department Corrective Action Plan (continued)**

**COMETS Financial Redesign Project**

The COMETS Financial Redesign Project is a major systems development and deployment project that spans all phases of the COMETS System Development Life Cycle (SDLC) including:

- Business Requirements,
- General and Detail System Design,
- Application Development,
- Testing,
- Training,
- Implementation, and
- Post-implementation Assessment.

The purpose of undertaking the project is to enhance service to our customers by redesigning COMETS financial system to meet federal and state requirements consistently, by simplifying the use, maintenance, and communication of financial information, by maximizing data integrity, and by accommodating changing policies and business requirements.

The scope of the project will include:

- Incorporating PRWORA distribution requirements,
- Redesign Court order processing functionality,
- Redesigning core financial processing functionality,
- Creating financial correction functionality,
- Enhancing reporting capabilities, and
- Converting and cleaning up COMETS data.

DOR/CSE has dedicated 32 consultants (at an annual cost of approximately \$4.75 million) and 20 full-time state employees to this project.

Responsible person: Michele Monahan  
Implementation date: Ongoing, by September 2003

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## Department of Public Health Background

The Department of Public Health (Department) protects public health through a wide variety of activities. The Department monitors the quality of the Commonwealth's health care facilities and regulates the environment, health and sanitation of food, drugs and other consumer products. Through its hospitals, it provides direct care services, inpatient hospital care and education, with special emphasis on populations not adequately treated by the voluntary and private sectors.

Through its providers and various outreach programs, the Department provides a broad range of preventative and health promotion services. Environmental health education informs the public about hazardous substances in the workplace. The maternal and child health program offers specialized health care for high-risk infants to help curb infant mortality and prevent later health complications. Substance abuse services include education, counseling and youth intervention programs. The Childhood Lead Poisoning Prevention Program provides in excess of 300,000 blood analyses annually to detect lead content. The AIDS Bureau provides AIDS testing, preventative education, and coordinates with the substance abuse services to raise public awareness of the relationship between AIDS and substance abuse. Other outreach operations provide blood pressure and cholesterol screening and nutritional information and training. They also immunize children and adults and monitor communicable diseases. Through the Special Supplemental Food Program for Women, Infants and Children, food supplements are made available to mothers and their children.

For fiscal year 2002, the Department administered approximately \$794 million. Of this amount, federal funds amounted to \$200 million.

The federal funding to this department is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Department's major programs were:

<u>CFDA #</u>	<u>Federal Program Description</u>
10.557	Special Supplemental Food Program for Women, Infants and Children
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.268	Childhood Immunization Grants

## Department of Public Health Findings on Compliance with Rules and Regulations

### Finding Number 44: Improper Sample Selection for Independent Peer Review

The Department of Public Health (Department) did not comply fully with the Independent Peer Review compliance requirements of the Substance Abuse Prevention and Treatment (SAPT) Block Grant Program because the entities providing services that were selected for testing were not representative of the entire population.

Title XIX, Part B, Subparts II and III of the Public Health Service Act (42 USC 300x-53(a); 45 CFR section 96.136) of the SAPT block grant states that the Department

“must provide for independent peer review which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in the State shall be reviewed. The entities reviewed shall be representative of the entities providing services”.

The Department contracts with Health & Addictions Research, Inc. (Health & Addictions) to perform the independent peer review of the SAPT’s 6 modalities. In federal fiscal year 2001 (October 1, 2000 to September 30, 2001), Health & Addictions elected to test two programs (components of a modality) 100% rather than testing a broad sample of the 6 modalities. This meant that four modalities and some programs within the two modalities selected were not tested at all.

As a result of these actions, the Department did not comply with the requirements of the independent peer review criteria. (*Department of Health and Human Services – Substance Abuse Prevention and Treatment Block Grant 93.959*)

#### Recommendation

The Department should select an independent peer review sample that is reflective of the entire modality population. In cases where a specific modality has consistently been a source of findings, an alternative testing plan is acceptable, but should not mitigate the testing of an entire modality. The annual peer review testing plan should be reviewed and approved by the Department prior to implementation to ensure it conforms to the SAPT Block Grant requirements.

#### Department Corrective Action Plan

In state fiscal year 2002 independent peer review site visits conducted by the Quality Improvement Collaborative (QIC) did not meet the 5% federal requirement. Due to limited resources and budget constraints The Bureau of Substance Abuse Services (BSAS) focused its efforts on systems needs versus continuum of care cross representation. QIC visits focused on the Pregnant and Postpartum Residential Rehabilitation and DAE services that the Bureau deemed most critical. In state fiscal year 2003 Carolyn Castro-Donlan, Deputy Director of the BSAS, has developed a work plan for the QIC to meet this requirement with a completion date of December 31,2002.

Responsible person: Matt Cornish  
Implementation date: September 15, 2002

**Department of Public Health  
Findings on Compliance with Rules and Regulations**

**Finding Number 45: No Substance Abuse Public Hearing Held**

The Department of Public Health (Department) did not hold public hearings regarding the state plan for the Substance Abuse Prevention and Treatment (SAPT) Block Grant Program during the development of the plan or after submission of the plan to the Substance Abuse and Mental Health Services Administration (SAMHSA).

Under the requirements of Title XIX, Part B, Subparts II and III of the Public Health Service Act (42 USC 300x) during the process of designing and submitting the state plan, the Department should make the “plan public within the State in such a manner as to facilitate comment from any person (including any Federal or other public agency) during development of the plan (including any revisions) and after submission of the plan to SAMHSA.”

The SAPT program has traditionally held their public hearings with the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) program. WIC was responsible for setting up the date and location of the public hearing and SAPT would, “piggy back with them”. In fiscal year 2002, the WIC program did not hold any public hearings; therefore, SAPT also did not hold any public hearings. As a result of not holding public hearings regarding the state plan, the Department is not in compliance with the regulations of the SAPT Block Grant. (*Department of Health and Human Services – Substance Abuse Prevention and Treatment Block Grant 93.959*)

**Recommendation**

The SAPT program should schedule public hearings regarding the state plan independent of the WIC program. A specific person should be responsible for monitoring this requirement and ensuring that public hearings are held and properly documented within the Department.

**Department Corrective Action Plan**

While this is an SAPT recommendation as opposed to a regulatory requirement, the Bureau of Substance Abuse Services recognizes the importance of the public hearing. To that end, Carolyn Castro-Donlan, Deputy Director of the Bureau, has required that a hearing be held in state fiscal year 2003. The hearing is in scheduling process and will be held no later than December 31, 2002.

Responsible person: Matt Cornish  
Implementation date: September 15, 2002

## Department of Public Health Findings on Compliance with Rules and Regulations

### Finding Number 46: Earmarking Requirement Exceeded

The Department of Public Health (Department) exceeded and could not support the base amount for the expenditures incurred providing treatment in penal or correctional institutions to demonstrate compliance with the earmarking requirements of the Substance Abuse Prevention and Treatment (SAPT) Block Grant Program.

Under the requirements of 42 USC 300x-31; 45 CFR section 96.135(b)(2), the Department “may not expend grant funds for providing treatment services in penal or correctional institutions in an amount more than that expended for such programs by the State for fiscal year 1991” (base amount).

The Department exceeded the earmarking base amount for treatment expenditures of SAPT funding in penal or correctional institutions during the fiscal year by \$294,843. The Department’s SAPT spending in penal or correctional institutions was \$535,843 and the 1991 base amount was \$241,000. Consequently, we are questioning the \$294,843 of federal funds that exceeded the base amount.

Additionally, Department was unable to substantiate the base amount of \$241,000. The Department was able to provide an interdepartmental memo that states procedures and guidelines for complying with the earmarking requirement, but there is no supporting documentation (i.e. a MMARS print-out or warehouse report) to substantiate the 1991 amount on this memo. (*Department of Health and Human Services – Substance Abuse Prevention and Treatment Block Grant 93.959*)

### Recommendation

The Department’s SAPT program management should develop and implement a monitoring system to track the federal treatment expenditures of penal or correctional facilities to ensure that the 1991 base amount is not exceeded. Additionally, the Department should obtain supporting documentation for the 1991 base amount of penal or correctional facilities treatment expenses to assure itself that the amount it is not exceed is accurate.

### Department Corrective Action Plan

The Bureau of Substance Abuse Services is aware of this requirement, which sets the Bureau’s cap for expenditures in this area at \$241,000.00 annually. Matthew Cornish, Director of Administration and Finance, developed new internal control policy during state fiscal year 2002. As of this date, the new policy has been implemented and the situation has been corrected. The identified expenditures will continue to be monitored by the Office of Administration and Finance during the annual allocation process and reviewed quarterly for compliance.

Responsible person: Matt Cornish  
Implementation date: September 15, 2002

## Department of Public Health Findings on Reportable Conditions

### Finding Number 47: Inconsistent Vaccine Transfer Documentation

The Department of Public Health's State Laboratory has inconsistent documentation for shipments of vaccines orders to the Regional Distribution Centers. The State Laboratory is responsible for providing Federal and State funded vaccines to the Regional Distribution Centers in accordance with both Federal and State regulations. These regulations require the proper documentation of the shipment of vaccine. To comply with these requirements the State Laboratory utilizes a *Vaccine Order/Packing Form*, which documents the following:

1. number of doses requested from the Regional Distribution Center
2. lot number of the doses
3. expiration date of the doses
4. manufacturer
5. vaccine name
6. name of the person who filled the order
7. date and time of shipment and arrival at the Regional Distribution Center
8. temperature of vaccines before and after shipment
9. name of the person who received the order and
10. driver's name

Selected samples of these order forms were reviewed to ensure that the vaccines were being properly safeguarded upon transfer from the State Laboratory to the Regional Distribution Center. It was noted that while all of the forms contained the critical information in items one through five listed above, approximately half of the forms selected did not contain the information in items six through ten above.

The missing information does not provide the State Laboratory with the documentation to confirm that the vaccine was received at the proper temperature (vaccine provided at the improper temperature could be ineffective), by an appropriate person, and by the designated time. Additionally, if there was an issue with the shipment and the driver needed to be contacted, this is the only form where the driver's name is documented. (*Department of Health and Human Services – Childhood Immunization Grants 93.268*)

### Recommendation

The State Laboratory should review its current policy for completion of the *Vaccine Order/Packing Form* and ensure that all staff are familiar with the process and develop a monitoring procedure to ensure it is properly completed.

### Department Corrective Action Plan

#### ***Regional Offices Vaccine Ordering Procedure***

The following procedures must be followed when requesting vaccines from the central storage facility at the State Laboratory Institute (SLI).

- The regional Administrative Assistant will complete a *Vaccine Order Packing Form* with their region, the requested date of delivery, and the number of doses of each vaccine needed.
- Fax the *Vaccine Order Packing Form* to the Vaccine Management Unit at the SLI 1-617-983-6924.
- The Vaccine Manager will review each order for completeness, and document the number of doses of each vaccine, lot numbers, and expiration dates to be shipped.

**Department of Public Health  
Findings on Reportable Conditions**

**Finding Number 47: Inconsistent Vaccine Transfer Documentation (continued)**

**Department Corrective Action Plan (continued)**

- A copy of the *Vaccine Order Packing Form* will be given to the Research Analyst responsible for vaccine ordering, inventory, and distribution data. She will retain this form until the completed *Vaccine Order Packing Form* is returned from the regional office.
- The Research Analyst will document doses distributed in VACMAN (a CDC developed vaccine ordering and accountability program) for inventory purposes.
- The vaccine order will be prepared by the Vaccine Manager and kept in the walk in refrigerator (with temperature monitors, including Sensaphone) on the loading dock prior to shipment.
- The Vaccine Manager will document on the *Vaccine Order Packing Form* that he filled the order.
- The Vaccine Manager will contact the courier service to arrange for vaccine pick up and delivery to the regional office.
- The Vaccine Manager will help load the vaccines in the vehicle for transport to the regional office.
- The Vaccine Manager will record the temperature of the vaccines, the date and time the courier left SLI, and the name of the courier on the *Vaccine Order Packing Form*.
- When the courier arrives at the DPH Regional Office, the driver will bring the vaccines into the office.
- The regional Administrative Assistant will use a probe to measure the temperature of the vaccines, and record this along with the arrival time of the courier on the *Vaccine Order Packing Form*.
- The Administrative Assistant will fax the *Vaccine Order Packing Form* to the Vaccine Unit within 30 minutes after receiving the vaccine.
- The Research Analyst will file this final copy of the *Vaccine Order Packing Form* in the Central Vaccine Distribution binder.

If the *Vaccine Order Packing Form* is not received from the regional office (via fax) within one hour of the expected time of delivery, the Research Analyst will contact the regional office to ensure the shipment arrived, and obtain a copy of the completed *Vaccine Order Packing Form*.

Responsible person: Robert Goldstein/Robert Morrison  
Implementation date: September 30, 2002

## Department of Public Health Findings on Compliance with Rules and Regulations

### Finding Number 48: Noncompliance with Level of Effort Requirement

The Department of Public Health (Department) did not provide documented support that it complied with the Level of Effort requirements of the Substance Abuse Prevention and Treatment Block Grant (SAPT) for tuberculosis services.

SAPT requires the Commonwealth to maintain expenditures of non-federal funds for tuberculosis services at a level that is not less than the average tuberculosis expenditures for the two year period (1991-1992) preceding the first year that Massachusetts began receiving SAPT funds (1993).

Department personnel provided information that its non-federal (state) expenditures for tuberculosis services for fiscal year 2001 exceeded the federal requirement. However, the personnel were unable to provide documentation to support the source of these expenditures. (*Department of Health and Human Services – Substance Abuse Prevention and Treatment Block Grant 93.959*)

### Recommendation

The Department should develop a more effective methodology to track state dollars spent on tuberculosis services.

### Department Corrective Action Plan

Although substance abuse related TB expenditures well exceeded the SAPT requirement for State Fiscal Year 2001, expenditure verification report data was inadequate.

A November 2002 meeting will be held with Bureau Fiscal Staff, BSAS Budget Analyst, and State Lab Fiscal Personnel to develop an improved process for identifying, tracking, reporting and monitoring State dollars expended on tuberculosis services for the substance abuse system. The threshold level of “at or above the average tuberculosis expenditures for the two year period (1991-1992)” is set for compliance. On a quarterly basis, the BSAS Budget Analyst will produce MMARS expenditure reports for the TB organization codes and produce MARRS Information Warehouse reports to identify the subsidiary breakout for each expenditure. Robert Breen (BSAS Federal Grants Manager) will review the quarterly reports and project compliance. Any negative variance will be reported to Matthew Cornish, Director of Administration and Finance for corrective action.

Responsible person: Matt Cornish  
Implementation date: September 30, 2002

**MASSACHUSETTS HIGHWAY DEPARTMENT  
BACKGROUND**

The Massachusetts Highway Department (Department), within the Executive Office of Transportation and Construction, plans, constructs and maintains the state highway system, which consists of approximately 12,600 lane miles of highway and 2,900 bridges. To accomplish this, the Department operates approximately 143 maintenance facilities located throughout the state, including administrative offices, garages, and repair and storage buildings. Most of the facilities are small and serve maintenance needs.

During fiscal year 2002, the Department administered appropriated funds of approximately \$94 million. In addition, the federal government provided about \$483 million on a reimbursement basis.

The federal funding to the Department is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Department's major program was:

<b><u>CFDA #</u></b>	<b><u>Federal Program Description</u></b>
20.205	Highway Planning and Construction

## Massachusetts Highway Department Findings on Compliance with Rules and Regulations

### Finding Number 49: Subrecipient Identification and Award Documents Need Improvement

The Massachusetts Highway Department (Department) needs to improve its system for identifying, and communicating to subrecipients thereby ensuring compliance with the provisions of the Single Audit Act Amendments of 1996.

Section 7502 (f)(2) of the Single Audit Act Amendments of 1996 (Act), states that each pass-through entity shall provide subrecipients with the program name and identifying number as specified in the *Catalog of Federal Domestic Assistance* (CFDA) as well as the Federal requirements, which govern the use of such awards.

A subrecipient is an entity that expends Federal awards received from a pass-through entity, such as the Department, to carry out a Federal program. OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the implementing regulations of the Act, indicates certain characteristics that should be considered in identifying subrecipients. For instance, subrecipients assume the responsibility for making programmatic decisions as well as complying with applicable Federal requirements. Their performance is measured in terms of meeting the Federal program's objectives rather than just providing goods or services to the Department. Vendors are those entities, which provide goods and services to many different purchasers within their normal business operations. They operate in a competitive environment; and/or provide goods or services that are ancillary to the operation of the Federal program. Vendors are not subject to Single Audit requirements.

During the 2002 audit, one of the 25 expenditures tested was a payment to a non-profit subrecipient. The grant did not contain the program name or identifying number from the CFDA. In addition, several bureaus within the Department have executed agreements with municipal governments and non-profit organizations including institutions of higher education. A review of some of these agreements indicated that the funds awarded had the characteristics of a pass-through-subrecipient relationship. The Department treated these entities as vendors.

There appears to be some uncertainty within the Department as to the type of activity and entity that may qualify as an award to a subrecipient and what should be included in those agreements. Payments to other governments and non-profit organizations are often coded as construction or land acquisition indicating that the Department is undertaking those activities rather than delegating the responsibility to those entities. In addition, award documents do not inform recipients of all applicable requirements, when the Department plans to seek reimbursement under Federal programs. The Department estimated that approximately \$20 million or four percent of the \$458 million in payments made under the State Roads and Bridges Program were made to other governments and non-profit organizations in fiscal year 2002 that could be construed as subrecipients. (*Department of Transportation – Highway Planning and Construction 20.205; Fiscal Year 1999; 2001 Single Audit Finding 35*)

### Recommendation

The Massachusetts Highway Department should assign one bureau with the responsibility of ensuring all agreements the Department enters into with other governments and non-profits are properly classified as either vendors or subrecipients, as defined by OMB Circular A-133. In addition, it should research the program name and identifying number for the various types of awards its receives and passes through as well as the applicable federal requirements.

## Massachusetts Highway Department Findings on Compliance with Rules and Regulations

### **Finding Number 49: Subrecipient Identification and Award Documents Need Improvement (continued)**

#### **Recommendation (continued)**

The Department should develop sample provisions for inclusion in all subrecipient agreements and provide training to all bureaus on the difference between a subrecipient and a vendor. Finally, the Department should work with the Office of the Comptroller to develop an object code, which will properly identify those subrecipients performing construction activities with pass-through funds, thereby ensuring that these types of agreements are properly identified in the Commonwealth's schedule of expenditures of federal awards.

#### **Department Corrective Action Plan**

The Department will issue a memo reminding all personnel involved in the contracting process of the required information for subrecipient contracts. The Department is working with the Comptroller's Office through the Horizontal Construction Reform Task Force to establish appropriate object codes to accurately reflect the various construction activities, their funding sources and contractual relationships. The Department will develop standard provisions based on those included in our planning contracts and ensure their inclusion in future agreements with subrecipients. We will also explore the possibility of training the affected bureaus through the FHWA programs or, funds permitting, by hiring an outside expert to provide the training. Additionally, MHD has established a centralized procurement pre-approval process to ensure adequate review of all non-construction procurements over \$5,000.00. This process will include a determination of federal participation and subrecipient status.

Responsible person: Michael Byrne  
Implementation date: Fiscal year 2003

## Massachusetts Highway Department Findings on Compliance with Rules and Regulations

### Finding Number 50: Outdated Rental Appraisals

It could not be determined whether the Massachusetts Highway Department (Department) charged the fair market value for the lease of real property acquired with federal assistance in one of five leases tested.

The Department is required under 23 USC 156 to establish and charge the fair market value of leased real property acquired with federal awards unless an exception is granted. The Department's Right-of-Way Manual, which was approved by the Federal Highway Administration, requires that appraisals for property currently being rented must be updated every five years. The Division of Capital Asset Management (DCAM) has responsibility for obtaining updated rental appraisals and amending leases upon the Department's request.

The appraisal for one of the five leases tested was nine years old. Right-of-Way requested DCAM to update the appraisal, which was started in 1995. DCAM did not complete the appraisal process.

Department personnel indicated that rental agreements do not provide for the retroactive billing of any increase in rent after the lease expires when the appraisal is not performed on a timely basis. As a result, it could not be determined whether the Department has been collecting the maximum amount of rent possible for that property. All program income collected from property acquired with funds from the Highway Trust Fund can be used to fund other eligible highway projects.

One of the late appraisals noted during the fiscal year 2001 audit has been completed and is awaiting DCAM to finalize the new lease. The other appraisal has been scheduled but not completed. (*Department of Transportation – Highway Planning and Construction 20.205; Fiscal Year 2001 Single Audit Finding 37*)

### Recommendation

The Massachusetts Highway Department should continue its efforts to coordinate with DCAM to update all appraisals when required and adjust leases to reflect market conditions in order to ensure the maximum amount of funds possible are generated for eligible highway projects. New leases should contain provisions that would allow the Department to retroactively bill any increases in the market value of rent, when appraisals are not performed on a timely basis. Finally, Right-of-Way should review its files to determine that there is complete information on each property.

### Department Corrective Action Plan

The Right of Way Bureau has requested updated appraisals for all expired leases and leases due to expire before October 31, 2003. The Bureau has also requested and received estimates of fair market value and notified all "tenants at will" of the new market rent pending the finalization of appraisals and lease negotiations with DCAM. All new leases will contain a provision to allow the Department to collect fair market rent from the expiration of such lease until a new lease is in place.

Responsible person: Russell McGilvray, Assistant Director Right-of-Way Bureau  
Implementation date: October 11, 2002

## Massachusetts Highway Department Findings on Compliance with Rules and Regulations

### **Finding Number 51: Proceeds from the Sale of Federally-Funded Property not Deposited or Transferred on a Timely Basis**

The Massachusetts Highway Department (Department) did not deposit the proceeds from the sale of property acquired with federal awards on a timely basis. In addition, there was a delay in transferring \$1,934,940 to the Massachusetts Highway Trust Fund.

The Common Rule as stated at Title 49 of the *Code of Federal Regulations* for the U.S. Department of Transportation Section 18.31 "Real Property" permits the Department to sell property previously purchased with federal funds. Under 23 USC 156, the federal share of the proceeds from property purchased with awards from the Highway Trust Fund can be used to fund other eligible highway projects. The Department makes those funds available to other eligible highway projects by transferring the federal share of the proceeds to Fund 290, the Massachusetts Highway Trust Fund. When the Right-of-Way Bureau receives checks from the sale of real estate it forwards them to Fiscal Management for deposit. There is a Department policy that transfers to the Highway Trust Fund must occur within 30 days of being received by Fiscal Management. It is also the Commonwealth's policy to deposit all checks within one day of receipt.

During testing for fiscal year 2002, it was noted that none of the 5 checks selected from real estate sales were deposited within 1 business day. Checks were held from 7 to 17 days by one or both units within the Department before being deposited. Right-of-Way held checks for 2 to 14 days while Fiscal held them 0 to 9 days. Sales proceeds received in the spring of 2002 were held by the Department the shortest length of time indicating improvement had been made in depositing checks since the prior year. Department personnel indicated that it was difficult to deposit checks from closings held out side the Boston area and that it must be determined whether the sale is from a federally-funded project before the check is deposited.

In addition, credits to the Highway Trust Fund totaling \$1,934,940 were not made within 30 calendar days for two of the five items noted above. One transfer of \$1,653,550 took 33 days, which the Department said was an oversight, and another transfer for \$321,390 took 68 days. Department staff indicated that the wrong federal-aid number was initially identified for this sale and it needed to be corrected before the transfer could be made.

As noted during the 2001 audit, one check of sale \$20,300 for a real estate sale did not have complete information concerning the federal-aid project number F-1-1.315 (7), was held in a safe for 8 months. When the check was finally discovered it had expired. The Department had the check reissued and has transferred the federal share \$16,240 to the Highway Trust Fund. (*Department of Transportation – Highway Planning and Construction 20.205; Fiscal Year 2001 Single Audit Finding 38*)

### **Recommendation**

The Massachusetts Highway Department should continue its process review to further streamline the time between the receipt of a check for the sale of real property and its deposit into the Commonwealth's accounts. Information concerning the federal-aid number should be researched before the closing. All checks should be deposited within one day of receipt regardless of whether complete information is available concerning the federal-aid project number. In addition, every effort must be made to credit the Highway Trust Fund within 30 calendar days.

**Massachusetts Highway Department  
Findings on Compliance with Rules and Regulations**

**Finding Number 51 : Proceeds From the Sale of Federally-Funded Property not  
Deposited or Transferred on a Timely Basis (continued)**

**Department Corrective Action Plan**

All Right of Way Bureau personnel involved in real estate closings have been instructed to tender the proceeds from all closings to Mass Highway Fiscal Management within one (1) business day for deposit. Information regarding federal participation etc., will be forwarded to the fiscal management section at that time or as soon as possible. Every effort will be made to credit the Highway Trust Fund within thirty days.

Responsible person: Russell McGilvray, Assistant Director Right-of-Way Bureau  
Glenn Behmer, Director of Revenue  
Implementation date: October 10, 2002

## Massachusetts Highway Department Findings on Compliance with Rules and Regulations

### Finding Number 52: \$933,614 in Disallowed Consultant Costs were not Credited on a Timely Basis

The Massachusetts Highway Department (Department) did not credit \$933,614 in disallowed consultant contract costs to the Federal Highway Administration (FHWA). In addition, another \$45,428 was not credited on a timely basis.

Audit Operations is responsible for performing audits of prime and subconsultants working on Department projects. Those administering the contract review any reports citing disallowed costs for concurrence. Upon approval by the contract administrator, a copy of the report is immediately sent to the Federal-Aid Section within Fiscal Management. The Department's Standard Operating Procedures require that the Federal-Aid Section credit FHWA for its share of the disallowance, as determined by the percentage of funding provided for a particular project within thirty (30) days of receiving the report.

During the 2002 audit, it was noted that for three of the five audit reports tested, the disallowed consultant costs were not credited on a timely basis. Due to an oversight by Audit Operations, two reports containing disallowed costs had not been sent to the Federal-Aid Section. This resulted in \$933,614 of credits not being provided to FHWA as follows:

<b>Federal-Aid Number</b>	<b>Amount Questioned</b>	<b>Federal Share</b>	<b>Credit Due</b>
I-90-1 (011)	\$ 31,401	90%	\$ 28,261
IR-93-1 (177)	43,427	90%	39,084
I-93-1 (025)	15,614	90%	14,053
I-93-1 (188)	77,062	90%	69,356
I-93-1 (375)	25,064	90%	22,558
I-93-1 (409)	6,070	90%	5,463
I-93-1 (445)	2,996	90%	2,696
NH-93-1 (298)	1,084	80%	867
NH-93-1 (273)	4,643	80%	3,714
I-90-1 (113)	22,158	90%	19,942
<u>I-90-1 (176)</u>	<u>808,467</u>	<u>90%</u>	<u>727,620</u>
Total			<u>\$933,614</u>

The Massachusetts Turnpike Authority's Central Artery/Tunnel Project staff provided incorrect appropriation codes for another audit report. As a result, credits totaling \$45,428 for two federal projects (\$1,453 for I-90-1 (006) and \$43,976 for I-90-1 (0025)) were not made until 49 days after Fiscal Management received the audit report. (*Department of Transportation – Highway Planning and Construction 20.205*)

### Recommendation

The Department should establish a mechanism to ensure all reports are promptly released from Audit Operations and the proper appropriation codes are obtained from the Massachusetts Turnpike Authority on a timely basis.

**Massachusetts Highway Department  
Findings on Compliance with Rules and Regulations**

**Finding Number 52: \$933,614 in Disallowed Consultant Costs were not Credited on a Timely Basis (continued)**

**Department Corrective Action Plan**

Audit Operations does have procedures in place to ensure that all reports are promptly released to the Federal-Aid Section of the Department. As a result of this finding, Audit Operations will review the current process with the Federal-Aid Section to determine if additional procedures could be established to make certain that the Federal-Aid Section receives all audit reports in a timely manner.

Responsible person: Elizabeth A. Pellegrini, Director of Audit Operations  
Implementation date: Fiscal year 2002

## Massachusetts Highway Department Findings on Compliance with Rules and Regulations

### Finding Number 53: Certified Payrolls Were not Received on a Timely Basis

The Massachusetts Highway Department (Department) did not receive certified payrolls from construction contractors on a timely basis to comply with Davis-Bacon Act implementing regulations.

Title 29 Part 3 of the *Code of Federal Regulations* establishes the requirements for implementing the Davis-Bacon Act. Part 3.3(b), "Weekly Statement with Respect to Payment of Wages," indicates that each contractor or subcontractor engaged in the construction of a public work "shall furnish each week a statement [of compliance] with respect to the wages paid each of its employees engaged on work covered...during the preceding weekly payroll period." Part 3.4 (a), "Submission of Weekly Statements and the Preservation and Inspection of Weekly Payroll Records" requires that the statement of compliance be either delivered or mailed to the Department by the contractor or subcontractor, within seven days after the regular payment date of the payroll period.

In two of five instances tested, it was noted that some contractors had not submitted a statement to the Department by the time the vendor was paid for that time period. One of the two instances was for a prime contractor working on the Central Artery/Tunnel Project under federal-aid project number STP-90-1 (171) supervised by the Massachusetts Turnpike Authority. The work was performed for the weeks ending July 8 and 15, 2001. The Commonwealth paid the contractor on August 14, 2001 but the signed statement for those weeks was not dated until October 5, 2001. In the other instance, eight of twelve subcontractors did not submit their certified payrolls by the time the prime contractor was paid on federal aid project AC-IM-3 (1001). The work was performed for the weeks ending October 13 and 20, 2001. The Commonwealth paid the prime contractor on December 11, 2001. Statements for seven of the eight subcontractors were not dated until the period between January 2 through 8, 2002. The remaining subcontractor did not date its certificate. Department personnel indicated that it was difficult obtaining certificates on a timely basis. (*Department of Transportation – Highway Planning and Construction 20.205*)

### Recommendation

The Department should instruct its resident engineers as well as those overseeing the Central Artery/Tunnel Project at the Massachusetts Turnpike Authority to ensure that all contractors and subcontractors submit their certified payrolls within seven days after the regular payment date of the payroll period. Construction quantity estimates should not be prepared for payment until the Department has received certified payrolls for the payment period.

### Department Corrective Action Plan

This finding is viewed as an isolated incident. However, this matter was brought to the attention of the Chief Engineer, District Highway Directors and Division Heads at a meeting held on October 10, 2002. At this meeting, the importance of conforming to the requirements of the Davis Bacon Act and Massachusetts General Law was discussed. A copy of the Standard Operating Procedure relative to this subject (CSD-28-01-1-000) will be distributed to all District Highway Directors and Division Heads. Construction managers for the Central Artery Tunnel project will be informed of the same.

Responsible person: Helmut R. Ernst, Deputy Chief Engineer - Construction  
Implementation date: October 10, 2002

## Massachusetts Highway Department Findings on Compliance with Rules and Regulations

### Finding Number 54: Documentation of Debarment and Suspension Compliance Needs Improvement

The Massachusetts Highway Department (Department) did not provide 12 of 16 debarment and suspension certificates for construction contractors. In addition, the certificates provided did not indicate whether the principals were federally suspended or debarred.

Under Title 49 Part 29 of the U.S. Department of Transportation's *Code of Federal Regulations*, the Department is prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions e.g., federal awards to sub-recipients. Contractors receiving individual awards for \$100,000 or more and all sub-recipients must certify that the organization and its principals are not suspended or debarred. The Department may rely upon the certification unless it knows that the certification is erroneous. The Commonwealth requires all departments to obtain such a certificate.

During the pre-qualification process in order for a contractor to become eligible to submit a proposal, the Massachusetts Highway Department requires its potential contractors to submit a signed statement that indicates the organization is not debarred from performing work of any kind by any federal agency or authority. The Department does not have to comply with Title 801 Part 21.00, *Code of Massachusetts Regulation* and the "Procurement Policies and Procedures Handbook," since they exempt horizontal construction, e.g. roads, bridges, tunnels. As a result, those participating in horizontal construction activities do not complete the Commonwealth's Terms and Conditions, which requires the contractor to certify that it is not suspended or debarred from federal procurements.

Of the 25 expenditures selected for testing, 16 expenditures related to construction contracts. The Department could only locate four of the 16 debarment certificates relating to those contracts. Department staff indicated that the remaining 12 certificates were located off-site and could not be easily located. In reviewing the four certificates found, it was noted that the language of the certification does not comply with Title 49 Part 29, *Code of Federal Regulations*. Contractors do not indicate that organization and its principals are not federally-suspended or debarred. None of the contractors tested were currently on the federal debarment and suspension list. (*Department of Transportation – Highway Planning and Construction 20.205*)

### Recommendation

The Department should instruct all bureaus awarding contracts to obtain a federal debarment and suspension certificate, which complies with Title 49 Part 29, *Code of Federal Regulations*, and make the certificates available for audit.

### Department Corrective Action Plan

Mass Highway under MGL c.29 sec. 8B and 720 CMR 5.00 has procedures in place to verify contractors against state and federal debarment. The procedure calls for contractors prior to pre-qualification to submit a signed application under the pains and penalties of perjury that they are not debarred under state and federal law. The regulations calls for a two-year review of the pre-qualification, however, Mass Highway undertakes the review and process every year. It is important to note that construction procurement does not follow the standard commonwealth procedures for goods and services.

**Massachusetts Highway Department  
Findings on Compliance with Rules and Regulations**

**Finding Number 54: Documentation of Debarment and Suspension Compliance  
Needs Improvement (continued)**

**Department Corrective Action Plan (continued)**

The proposed language by the Auditors can be incorporated into the construction contracts and may be beneficial for sub contractors. Again, as stated above, Mass Highway has safeguards in place that meets the requirements of the Finding.

Responsible person: David O'Brien, Pre-qualifications  
Isaac Machado, Deputy Chief Counsel  
Implementation date: In process

## Massachusetts Highway Department Findings not Repeated from Prior Years

1. Functions and responsibilities concerning the Central Artery/Tunnel Project (Project) needed to be more clearly defined between the Department and the Massachusetts Turnpike Authority (Authority). The Department's Board of Commissioner continues to approve various financial aspects of the Project such as contract amendments for the consultants performing Project management. Currently, the Department is in the process of identifying the various parcels that will be transferred as part of the Metropolitan Highway System and negotiating a Memorandum of Understanding with the Authority concerning their maintenance. Standard operating procedures have been established for auditing consultants by the Department and crediting any disallowances to the Federal Highway Administration. (*Fiscal Year 2001 Single Audit Finding 36*)
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## 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 shelter and other services for battered women and their children.

For fiscal year 2002, the Department administered approximately \$646 million. Federal funds amounted to approximately \$250 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:

<b><u>CFDA #</u></b>	<b><u>Federal Program Description</u></b>
93.667	Social Services Block Grant
93.658	Foster Care - Title IV-E

## Department of Social Services Findings on Compliance with Rules and Regulations

### Finding Number 55: Timeliness of CORI Checks Needs Improvement

The Department of Social Services (Department or DSS) did not perform a timely re-evaluation of Criminal Offense Record Information (CORI) checks for persons providing foster care services under the Title IV-E Foster Care Program in two of the twenty-five Title IV-E cases tested. In these two cases the re-evaluation was not performed until 14 and 7 months after the required annual re-evaluation period.

The Department is required to perform criminal background checks on all new hires and an annual re-evaluation, of individuals and families seeking or providing service as foster family resources. Federal regulation, 45 CFR 1356.30(a) and (b), requires that the a foster family home provider must have satisfactorily met a criminal records check with respect to prospective foster and adoptive parents. Under Massachusetts regulation, CMR 110 – 7.113, DSS is required to “re-evaluate foster parents and foster homes annually.... and request criminal record and Central Registry checks for adult household members”. Additionally, the CORI process is required during various stages of an eligible foster care provider’s term with the Department. First, the prospective foster or pre-adoptive family must complete an initial eligibility screening process. This process determines whether or not the individual who is interested in serving as a DSS family resource and the members of her/his household age fourteen years and older are eligible to apply for consideration as a prospective resource provider. Secondly, the prospective foster or pre-adoptive family must complete a homestudy evaluation. The homestudy evaluation is performed to pre-qualify the home and applicant to serve as a DSS family resource. Lastly, annual re-evaluations are performed for current foster or pre-adoptive families to ensure the household continues to be eligible for providing services.

Currently the central office receives an electronic submission from FamilyNet for all CORI check requests from family resource workers. FamilyNet notifies the family resource worker when an annual re-evaluation is due. The family resource worker does not always notify the unit that performs CORI checks when one is due. Additionally, the Department’s current system does not produce a monthly report to identify all cases that require a re-evaluation.

The lack of a timely re-evaluation could result in children being placed in an unsafe environment, does not comply with Department policy and may result in ineligible claims for federal reimbursement. (*Department of Health and Human Services - Title IV-E Foster Care Program 93.658*)

### Recommendation

The Department should develop a system that automatically notifies the CORI unit of the households that require the annual re-evaluation. The notification should be triggered enough in advance to allow the re-evaluation to be performed within the 12 months required.

### Department Corrective Action Plan

As stated in the Findings, under Massachusetts regulation, CMR 110 – 7.113, the Department of Social Services is required to “re-evaluate foster parents and foster homes annually ...and request criminal record and Central Registry checks for all household members over the age of fourteen (14) years”. Additionally, the CORI process is required during various stages of an eligible foster care provider’s term with the Department. In order to ensure that CORI checks are done in a timely manner, as is required at the time of the annual re-evaluation, the Department has developed a monthly report entitled “Resource Characteristics”. This report is issued on a monthly basis and is accessible on the DocDirect management reporting system maintained by the Department. It has been made available to Family Resource staff.

**Department of Social Services  
Findings on Compliance with Rules and Regulations**

**Finding Number 55: Timeliness of CORI Checks Needs Improvement (continued)**

**Department Corrective Action Plan (continued)**

The report captures the evaluation/assessment history of all foster parents/foster homes providing services and is updated on the second (2<sup>nd</sup>) day of every month, by Region/by Area Office. This report also presents comprehensive data identifying the resource parent, resource ID#, home address, home and work phone, marital status, language spoken, approved capacity and the names of all consumers placed in the home.

For the purposes of effecting a definitive corrective action plan regarding this Finding, this report provides the history of all evaluations/assessments completed/approved on the resource family home by type and date. It delineates – Recent Approved Assessment Date – Recent Approved Re-Assessment Date – and most importantly—Next Assessment Due Date.

Utilizing this monthly reporting tool, the Deputy Commissioner for Field Operations will require that managerial staff review and provide direct quality assurance oversight on a regular basis to determine and confirm that all re-evaluations including the CORI/BRC checks are completed by Family Resource staff in a timely manner to ensure the safety of children being placed in foster homes, to comply with Department policy and regulations and to meet the requirements of Title IV-E.

Responsible person: Susan Getman, Deputy Commissioner of Field Operations  
Implementation date: November 1, 2002

## Department of Social Services Findings on Compliance with Rules and Regulations

### **Finding Number 56: The Process for Home Licensing Needs Improvement**

In two of the twenty-five Title IV-E cases tested, the Department of Social Services (Department) placed children in homes prior to completing proper licensing requirements. In one of these cases, the foster care home was a kinship home and the licensing was performed 11 months after the placement of the child. The other case was a child specific placement and the licensing was performed 7 months after the placement.

Further inquiry noted that, as of June 20, 2002, 632 children were placed in foster care homes prior to the home being licensed. Fifteen of these children were in unlicensed homes for 1 to 2 years while 602 were in unlicensed homes for less than one year. There are approximately 7,000 children in foster care homes. Department officials explained that in situations involving a kinship home or child specific placement, the Department is allowed, under emergency provisions, to place the child in the home for 40 working days before a license is issued. They further explained that the June report does not take into account these allowed exceptions.

Federal regulation, 42 USC 671(a)(10) and 672(c), requires that a provider, whether a foster family home or a child-care institution, must be fully licensed by the proper State Foster Care licensing authority. In Massachusetts, the licensing authority is the Department. Federal regulation, 45 CFR 1356.30(f), further requires that the licensing file for a child-care institution must contain documentation which verifies that safety considerations with respect to staff of the institution have been addressed. The licensing process is not only to ensure that the facility is safe for child placement but also that the staff who work at the facility are safe for child placement.

The lack of proper licensing could result in children being placed in an unsafe environment, does not comply with Department policy and results in ineligible claims for federal reimbursement. After notification of this issue the Department subsequently adjusted the June 30, 2002 quarterly claim to remove the two ineligible households noted above. (*Department of Health and Human Services - Title IV-E Foster Care Program 93.658*)

### **Recommendation**

The Department should identify those homes that require immediate licensing approvals. An action plan should be developed to ensure the homes identified as unlicensed obtain a timely review. The Department should consider the safety hazards that exist by placing children in unlicensed households. Lastly, by ensuring the timeliness of performing license reviews, the agency serves to maximize federally reimbursable expenditures that would have been otherwise non-reimbursable.

### **Department Corrective Action Plan**

As stated in the Finding, Department officials explained that in situations involving a kinship home or a child specific placement, the Department is allowed, under emergency provisions, to place the child in the home for forty (40) working days before a license is issued. They further explained the June report did not take into account these allowed exceptions. In order to ensure the homes identified as unlicensed after the fortieth (40th) working day, in a timely manner, the Department has developed a report entitled "Unapproved Homes with Active Placements". This report is issued on a monthly basis and is accessible on the DocDirect management reporting system maintained by the Department.

**Department of Social Services  
Findings on Compliance with Rules and Regulations**

**Finding Number 56: The Process for Home Licensing Needs Improvement  
(continued)**

**Department Corrective Action Plan (continued)**

The report captures all foster homes with active placements and no licensing approval and is updated on the twentieth (20<sup>th</sup>) day of every month by Region/by Area Office. This report presents comprehensive data identifying the consumer name, birth date, consumer ID#, case ID#, case worker name, placement start date, family resource name, resource worker, and service provided.

For the purposes of effecting a definitive corrective action plan regarding this Finding, this report identifies those homes that require immediate licensing approvals and will ensure those homes identified as unlicensed obtain a timely review.

Utilizing this monthly reporting tool, the Deputy Commissioner for Field Operations will require that managerial staff perform license reviews and provide direct quality assurance oversight on a regular basis to ensure and confirm licensing approvals are completed in compliance with Department policy and regulations for the safety of children in placement. This requirement will also serve to maximize federally reimbursable expenditures under Title IV-E.

Responsible person: Susan Getman, Deputy Commissioner of Field Operations  
Implementation date: November 1, 2002

## Department of Social Services Findings on Compliance with Rules and Regulations

### Finding Number 57: Subrecipient Monitoring Needs Improvement

In the prior year, it was identified that the Department of Social Services (Department) subrecipient monitoring needed improvement. During fiscal year 2001, no notification of federal funding was sent to the Department's subrecipients under the Social Services Block Grant (SSBG) because the supplemental appropriation passed on September 21, 2001 significantly changed the fund splits which is the basis for notifying the subrecipients as to the amount of federal and state funds they have received. As a result, the Department could not effectively monitor its subrecipients to comply with Office of Management and Budget Circular A-133 (A-133).

During fiscal year 2002 the Department worked with the Legislature to correct the issue and allow the Department to finalize the fund splits prior to June 30, 2002. However, due to late state and federal budgets, the Department needed to seek adjustment to the fund splits as indicated in the General Appropriations Act. A supplemental bill was filed with the Legislature in December 2001 to address the issue associated with the fund splits by granting the Department flexibility in determining fund splits. The language contained in this bill was re-filed in the new year. Ultimately, the flexible language was passed in chapter 118 of May 2002 but the Department has not notified subrecipients regarding the actual SFY02 fund split. However, each subrecipient has been notified in their contract that some or all of their funding may be funded through the SSBG. The Department anticipates mailing the subrecipient notifications in early September 2002.

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 nine months after the end of the audit period, 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 is responsible to resolve the finding.

**Department of Social Services  
Findings on Compliance with Rules and Regulations**

**Finding Number 57: Subrecipient Monitoring Needs Improvement (continued)**

The Department is required by the Legislature to pool the federal SSBG funds with state funds within various state appropriation accounts to perform the social services program objectives. These appropriations are funded through fund splits of federal and state dollars, which the Legislature identifies through the state budget process. In the prior year, the Department worked with OSD to identify those subrecipients that received federal funding by using the fund splits within each appropriation. Each subrecipient was provided a percentage of the total funding received that was federal funds. This notification, when coupled with all other sources of federal financial assistance, allowed the subrecipients to determine if they needed to have an audit in accordance with OMB Circular A-133 and to comply with all federal requirements. *(Department of Health and Human Services - Social Services Block Grant 93.667; Fiscal Year 2001 Single Audit Finding 20)*

**Recommendation**

The Department should continue to develop and implement a plan with the Legislature to properly identify the fund splits within the social services program and allow for the timely notification of its subrecipients of the amount of federal funds received. Subrecipients need timely notification in order to respond appropriately to A-133 requirements.

**Department Corrective Action Plan**

The Department as a 'pass through' entity for the expenditure of federal funds recognizes the responsibility to inform subrecipients of their receipt of federal funds in order to be in compliance with the Office of Management and Budget Circular A-133.

To accomplish compliance, the Department will continue the discussions with analysts from the House Ways and Means Committee, the Senate Ways and Means Committee and the Fiscal Affairs Division to discuss issues that may arise as a result of the changes retroactively applied to the Minor Fund/Social Services Fund. The Department will continue to work with these committees to ensure that the issue does not arise in state fiscal year (SFY) 2003.

The Department hopes to be able to ask for flexibility within allocation accounts associated with the Social Services Fund/Minor Fund for SFY2003. The Department will use the assigned percentages as a basis for federal draws. The Department will complete the drawing from these accounts in June 2003 and will prepare and mail subrecipient information at that time.

Responsible person: Ellen Finnegan, Director of Financial Management  
Implementation date: March 2003

## **Executive Office of Elder Affairs Background**

The Executive Office of Elder Affairs (Office) was established by Section 2 of Chapter 6A of the Massachusetts General Laws. The Office's responsibility includes the administration and oversight of various programs and services that benefit older citizens in the Commonwealth in accordance with the requirements of the Older Americans Act of 1965, as amended.

The mission of the Office is to promote dignity, independence and rights of Massachusetts' elders and to support their families through advocacy and the development and management of programs and services.

The Office's responsibilities include the administration and monitoring of protective, supportive and nutritional programs and services for 1.1 million elders including Ombudsman, Protective Services and Senior Center Programs, Case Management, Legal Services, Home Care Programs, Transportation and Health Services Programs. The nutrition program provides education and over eight million meals to elders through home delivered (Meals on Wheels) or congregate meal sites. In addition, the Office is responsible for certifying over 100 Assisted Living Residences and administering Prescription Advantage, the nation's first state sponsored prescription drug insurance plan for seniors' age 65 and older. Elder Affairs programs and services operate through a statewide network providing services to elders through both regional and local agencies which includes 27 regional Aging Services Access Points, 23 Area Agencies on Aging which operates programs authorized under the Older Americans Act, 348 municipal Councils on Aging and 290 senior and drop-in centers.

In fiscal year 2002, the Office administered \$310 million with federal funds totaling approximately \$30 million.

The federal funding to the Office is detailed in the accompanying Schedule of Expenditure of Federal Awards. The Office's major programs were:

<b><u>CFDA</u></b>	<b><u>Federal Program Description</u></b>
93.044	Special Programs For The Aging-Title III, Part B- Grants For Supportive Services and Senior Centers
93.045	Special Programs For The Aging-Title III, Part C- Nutrition Services

## Executive Office of Elder Affairs Findings on Compliance with Rules and Regulations

### Finding Number 58: Indirect Cost Plan not Developed

The Executive Office of Elder Affairs (Office) needs to develop an actual indirect cost allocation plan. Allocation plans were not completed for fiscal years 1999-2002 and, as a result, \$1,275,218 charged to federal programs are unsupported. As reported in the prior audit, the Office last developed a plan for fiscal year 1996 and has not developed one for fiscal years 1997 through 2001.

The Office currently applies a rate of 21% as a budgetary tool in establishing grant or contract amounts in accordance with a negotiated agreement with the Department of Labor dated October 1, 1996. The agreement stipulates that:

"Commencing with State Fiscal Year 1993, indirect cost rates may be used as a budgetary tool in establishing grant or contract amounts. Nevertheless, only actual indirect costs can be charged to Federal grants and contracts in accordance with cost accounting procedures approved by the Office of Cost Determination...."

The agreement stipulates that the Office may apply a budgetary rate of 40% for all programs beginning July 1, 1996 "until amended" (an actual plan is developed). The Office and the Commonwealth, however, have taken a more conservative approach applying a 21% rate in the interim years resulting in a total of \$359,824 in costs billed to the federal program for fiscal year 2002. Additionally, as reported in prior audits, the Office charged costs of \$303,108, \$320,186 and \$292,100, and for fiscal years 1999, 2000 and 2001, respectively.

The Office is allowed to bill federal programs using a rate specified in its Negotiated Agreement with the U.S. Department of Labor. The Agreement states that only actual indirect costs can be charged to federal grants and contracts. The Office is required to compute the actual rate for each fiscal year in accordance with the cost accounting procedures approved in the Elder Affairs Departmental Cost Allocation Plan. The resulting rate is compared with the rate used to bill federal programs and any recoveries must be credited against the applicable federal program or costs may be charged.

Our review revealed that the Office submitted a draft allocation plan for fiscal year 2000 to the Office of the State Comptroller (OSC) for review. OSC completed the review, however, the Office has not finalized the plan. Also, Office personnel stated that, with the assistance of the University of Massachusetts Medical School's Office of Health Care Finance, the cost allocation plan for fiscal year 2001 is substantially completed, however, not finalized. Since the actual rates have not been finalized and the indirect cost plan not completed for fiscal years 1999 through 2002, the amounts charged for indirect costs are still unsupported. The federal programs and amounts are as follows:

**Executive Office of Elder Affairs  
Findings on Compliance with Rules and Regulations**

**Finding Number 58: Indirect Cost Plan not Developed (continued)**

<u>Fiscal Year</u>	<u>CFDA Number</u>	<u>Amount</u>
1999	10.570	\$75,415
2000	10.570	63,196
2001	10.570	66,932
2002	10.570	98,839
1999	17.235	16,894
2000	17.235	13,899
2001	17.235	11,012
2002	17.235	27,969
1999	84.281	145
2000	84.281	1,216
2001	84.338	1,058
1999	93.044	192,800
2000	93.044	220,088
2001	93.044	196,547
2002	93.044	220,816
1999	93.048	4,177
2000	93.048	6,511
2001	93.048	6,858
2002	93.048	2,125
1999	93.779	10,052
2000	93.779	9,598
2001	93.779	9,693
2002	93.779	10,075
1999	93.994	3,625
<u>2000</u>	<u>93.994</u>	<u>5,678</u>
<b>Total</b>		<b>\$1,275,218</b>

*(Department of Agriculture - Nutrition Service Incentive 10.570; Department of Labor - Senior Community Service Employment Program 17.235; Department of Education - Eisenhower Professional Development State Grants 84.281 and Reading Excellence Act 84.338; Department of Health and Human Services - Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers 93.044; Special Programs for the Aging - Title IV - and Title II Discretionary Projects 93.048; Centers for Medicare and Medicaid Services (CMS) Research, Demonstration and Evaluations 93.779; Maternal and Child Health Services Block Grants to States 93.994; Fiscal Year 2000; 2001 Single Audit Finding 27)*

**Recommendation**

The Office should complete the actual indirect cost rate for fiscal years 1999, 2000, 2001 and 2002 and credit applicable federal programs with any over recoveries. The Office should also ensure timely completion of its fiscal year 2003 plan.

**Executive Office of Elder Affairs  
Findings on Compliance with Rules and Regulations**

**Finding Number 58: Indirect Cost Plan not Developed (continued)**

**Department Corrective Action Plan**

Elder Affairs submitted a final cost allocation plan for fiscal year 2000 to the Office of the Comptroller on November 5, 2002. The final plan reflects revisions Elder Affairs made to draft versions of the plan in response to the comments of the Comptroller's staff. Having submitted this final plan, we will review the indirect cost allocations identified for individual federal grants with the Comptroller's staff to determine whether adjustments need to be made to the actual amounts charged.

Using the approved final fiscal year 2000 plan as a model, we will prepare the plans for fiscal year 1999, fiscal year 2001 and fiscal year 2002. Cost allocation plans for fiscal years 1999, 2001 and 2002 will be completed by June 1, 2003. Indirect cost charges for individual federal grants will be resolved through the Office of the Comptroller as each fiscal year's plan is completed and approved.

Responsible person: Randal Garten, Budget Director  
Implementation date: November 5, 2002 through June 1, 2003

## Executive Office of Elder Affairs Findings on Compliance with Rules and Regulations

### Finding Number 59: Monitoring of Area Agencies Needs Improvement

The Executive Office of Elder Affairs (Office) needs to improve its monitoring procedures of the Area Agencies on Aging (AAA) to ensure that funds are being spent in accordance with contract requirements and federal and state regulations and to assess program quality and effectiveness. As disclosed in the fiscal year 2001 report, the Office did not have a process in place to observe operations and review financial and program records maintained at AAAs. For fiscal year 2002, monitoring procedures remain the same as fiscal year 2001. The Office did not implement a process to observe operations and review records or staff a former Program Evaluation Unit, which reviewed subrecipients' program quality and effectiveness. The Office did obtain all AAA audit reports issued including the reports noted in the fiscal year 2001 report as not received and followed-up on AAA findings in a timely manner.

The Office passes Title III federal funds through to AAAs for programs including elderly nutrition and supportive services. OMB Circular A-133 §400(d) lists one of the responsibilities of pass-through entities as:

"Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations and provisions of contract or grant agreements and that performance goals are achieved."

OMB Circular A-133, Part B Compliance Supplement, Section 3-M further states that:

"Monitoring activities may take various forms, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, arranging for agreed-upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations, reviewing the subrecipient's single audit or program-specific audit results and evaluating audit findings and the subrecipient's corrective action plan."

In addition to federal regulations, the Commonwealth of Massachusetts' Procurement Policies and Procedures Handbook Chapter 5 Contract Execution and Management: Monitoring and Evaluating Contractor Performance and Compliance states in part:

"The Commonwealth has a responsibility to conduct monitoring and evaluation of the commodities and services it purchases. These activities can assist in identifying and reducing fiscal and programmatic risk as early as possible thus protecting both public funds and clients being served. Contract managers are responsible for monitoring contractor performance and other issues that arise during the life of the contract. In developing monitoring and evaluation procedures, the Commonwealth, through its departments should strive for methods which rely on, among other things, national or industry standards and which are coordinated, cost efficient and appropriate to the level of risk to the Commonwealth in the purchase of the commodities or services."

## Executive Office of Elder Affairs Findings on Compliance with Rules and Regulations

### Finding Number 59: Monitoring of Area Agencies Needs Improvement (continued)

Office officials stated that monitoring activities are conducted through quarterly and annual financial reports, monthly nutrition program statistical reports, annual programmatic statistical reports, phone contacts and monthly meetings with AAA Directors. However, there is no process in place to observe operations and review financial and program records maintained at AAAs. The Office does not verify information supplied by the AAAs nor does it verify AAA site program records that support the information provided. Also, programs are not reviewed for effectiveness. By not monitoring subrecipient activity, the Office cannot ensure that federal awards are used for authorized purposes in compliance with contracts, laws and regulations, or that fiscal and programmatic records are being maintained. (*Department of Health and Human Services - Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers 93.044 and Special Programs for the Aging – Title III, Part C - Nutrition Services 93.045; Fiscal Year 2001 Single Audit Finding 28*)

#### Recommendation

The Office should implement procedures to adequately monitor subrecipients for compliance with the terms and conditions of the contracts and applicable regulations sufficient to ensure that funds are spent in accordance with requirements. In addition, it should establish and implement procedures to evaluate and assess the subrecipient's performance and record keeping for quality and effectiveness.

#### Department Corrective Action Plan

The Executive Office of Elder Affairs took a major step to improve monitoring of Area Agencies on Aging by reorganizing current staff to assign two employees to a newly constituted Title III Programs Administration Unit effective July 1, 2002. This unit will be responsible for monitoring Area Agency services and operations in coordination with existing monitoring activities related to Title III-C Nutrition Programs and III-B Ombudsman services, and with monitoring procedures being developed for the Title III-E Family Caregiver Support Program. Following are the steps the Title III Programs Administration Unit has taken to improve Elder Affairs' monitoring of Area Agencies to date:

- 1) Performed desk reviews of current Area Plans, documented the results of these reviews, and sent letters to six AAAs whose Area Plans did not comply with requirements established by Elder Affairs for priority services, in July 2002.
- 2) Obtained information about the activities of Area Agencies in monitoring their Title III subgrantees and subcontractors, through the following specific steps:
  - a) Obtained monitoring tools used by Area Agencies in their reviews of subgrantee and subcontractor activity (July and August 2002);
  - b) Developed standards for Area Agency monitoring tools, reviewed the tools against these standards, and sent letters to those Area Agencies whose tools varied from the standards requesting remediation of the specific deficiencies identified (August and September 2002);
  - c) Obtained lists of Area Agency monitoring visits conducted in fiscal year 2002 and their results (described on a pass-fail basis).

In addition to being monitoring activities in themselves, these steps will allow Elder Affairs to develop a database of information to check in subsequent monitoring work, and will inform the development of the statewide comprehensive monitoring tool described below.

**Executive Office of Elder Affairs  
Findings on Compliance with Rules and Regulations**

**Finding Number 59: Monitoring of Area Agencies Needs Improvement (continued)**

**Department Corrective Action Plan (continued)**

- 3) As described below in the response to *Finding Number 60: Inadequate Supporting Documentation For Payment Voucher Expenditures*, Title III staff has prepared and issued standard invoice backup documentation formats that will serve as the basis for monitoring Area Agencies' financial activities as well as providing information for programmatic monitoring.

Elder Affairs will build on these steps to develop an effective system of monitoring Area Agencies by taking the following additional actions:

- 1) Beginning in November 2002, Title III staff will visit two Area Agencies per month to accompany the Area Agency Planners on one of his/her monitoring visits/inspections of Title III subgrantees or subcontractors.
- 2) By January 31, 2003, Title III staff will complete and document reviews of the federal fiscal year 2003 annual adjustment to the Area Plan, and will send follow-up letters to any Area Agencies whose adjustments do not comply with requirements.
- 3) By June 30, 2003, Elder Affairs will issue a handbook for Area Agency Planners, which, in addition to providing technical assistance and guidance to the Area Agencies, will codify the federal and state requirements which will govern Elder Affairs' future monitoring activity.
- 4) By June 30, 2003, Elder Affairs will complete a comprehensive statewide monitoring tool for Title III services, based on federal and state regulations and policy and informed by experience from the activities described above. This monitoring tool will include standards for documentation of current monitoring activities related to Title III-C Nutrition, Title III-B and VII Long Term Care Ombudsman, and Title III-E Family Caregiver Support as well as expanded monitoring activities.
- 5) Beginning in July 2003, Elder Affairs staff will use the comprehensive monitoring tool in at least one monitoring visit to an Area Agency per month.

Responsible person: Paul Bolger, Assistant State Planner  
Implementation date: November 2002

## Executive Office of Elder Affairs Findings on Compliance with Rules and Regulations

### **Finding Number 60: Inadequate Supporting Documentation for Payment Voucher Expenditures**

The Executive Office of Elder Affairs (Office) pays federal funds to Area Agencies on Aging (AAA) for reimbursement of program and administrative expenses without sufficient documentation supporting the expenditures. The prior audit reported that for fiscal year 2001, 14 transactions totaling \$728,981 in grant payments to AAAs were inadequately supported. The review of fiscal year 2002 transactions noted 24 transactions totaling \$1,832,873, which were also not supported with sufficient documentation.

The Office contracts with 23 AAAs and the total amount of aging cluster federal funds distributed to these AAAs was approximately \$20.5 million and \$21 million for fiscal years 2001 and 2002, respectively. The AAAs submit monthly payment vouchers listing program and administrative expense totals with descriptive titles such as Nutrition Program, support services or administrative services for which AAAs request reimbursement. The AAAs are not required to submit invoices with details of the monthly expenses to support the reimbursement requests. The Office relies on the AAA's quarterly and annual financial reports to support the expenses shown on the payment vouchers. However, our review noted that the quarterly reports did not reconcile to payments received.

The Commonwealth of Massachusetts' Procurement Policies and Procedures Handbook, Chapter 5, Contracts Execution and Management; Payments, states in part:

"The Contractor shall be required to provide relevant supporting documentation to substantiate any claim for payment of an invoice or to support payments already made by the department."

OMB Circular A-133 places the responsibility on pass-through entities to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of grant agreements.

Our review noted that the quarterly reports submitted by AAAs did not agree to the monthly program expenditure payments made to them for the corresponding period. Office personnel stated that quarterly and annual reports were deemed sufficient support for the payments requested. However, without accompanying detail for monthly invoices, reports supporting requested payment voucher amounts or reconciled quarterly reports of actual expenses to payments, the Office cannot be assured that federal funds were disbursed for authorized purposes. During fiscal year 2002, Office personnel developed a new monthly report formatted to support monthly invoices. This new report's implementation is effective for fiscal year 2003 monthly invoices. (*Department of Health and Human Services - Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers 93.044 and Special Programs for the Aging - Title III, Part C - Nutrition Services 93.045; Fiscal Year 2001 Single Audit Finding 30*)

## Executive Office of Elder Affairs Findings on Compliance with Rules and Regulations

### Finding Number 60: Inadequate Supporting Documentation for Payment Voucher Expenditures (continued)

#### Recommendation

The Office should require supporting documentation for monthly payment requests and review such documentation to ensure that federal funds are used for authorized purposes in compliance with federal and state regulations.

#### Department Corrective Action Plan

Elder Affairs has implemented requirements for detailed documentation of all invoices from Area Agencies for Title III-funded services. Program Instruction EOEI-PI-02-29, Title III Area Plan Administration and Supportive Services Standard Invoice, dated June 18, 2002, requires the twenty-three Area Agencies on Aging to submit an Excel spreadsheet report format to Elder Affairs on a monthly basis. The Standard Invoice collects financial information under the following Title III categories; Area Plan Administration, Title III-B Supportive Services, Title III-D Preventive Health Services, Title III-D Medication Management Services, Title-E Family Caregiver Services and Long Term Care Ombudsman Services. The monthly Standard Invoice serves as the principal document in support of Area Agency on Aging requests for Title III Older Americans Act payments under the above categories. The Standard Invoice format was issued as a working draft designed for July, August and September 2002. Its use has been well received by the Area Agencies on Aging and full implementation begins with the submission of October 2002 Title III invoices.

The Title III-C Nutrition Services Standard Invoice, Program Instruction EOEI-PI-02-42, dated August 30, 2002, is the second instrument that supports Elder Affairs' effort in providing documentation in support of Title III monthly payment requests. The reporting format collects revenue and expenditure information from the twenty-eight Nutrition Projects associated with the Area Agencies on Aging in Massachusetts. The Nutrition Standard Invoice employs a monthly format with a quarterly view for analysis and monitoring. Developed jointly by programmatic and fiscal personnel at Elder Affairs, the Nutrition Services Standard Invoice lays the groundwork for the expanding synchronization of fiscal and programmatic monitoring. Review of monthly invoices, statistical reports and other programmatic reports to monitor the activities of the Area Agencies and their subrecipients will help to ensure that Federal funds are used for authorized purposes.

In coordination with addressing *Finding Number 59: Monitoring of Area Agencies Needs Improvement*, Elder Affairs is also requiring that each Area Agency on Aging and Nutrition Project submit complete, detailed documentation of one monthly Federal Fiscal Year 2003 Title III Standard Invoice payment request that we will identify. This documentation includes, but is not limited to; payroll registers, travel statements, vendor invoices, sub-grant statements, caterer bills and any other supporting documentation that corroborates the monthly Standard Invoices. The submission and review of all accompanying detail in support of the monthly Standard Invoices will ensure that fiscal records are maintained at the Area Agency on Aging level and Federal funds are being disbursed for authorized purposes.

Because the revised monthly billing formats will collect the pertinent information necessary to compile Area Agency on Aging expense data for the semi-annual report to the Administration on Aging, Elder Affairs will discontinue the quarterly reporting process for Title III programs that has served as the basis for preparation of semi-annual reports in the past.

Responsible person: Theodore R. Zimmerman, State Planner  
Implementation date: October 2002

## Executive Office of Elder Affairs Findings on Compliance with Rules and Regulations

### **Finding Number 61: Federal Reports not Reconciled to the Commonwealth's Accounting System**

The Executive Office of Elder Affairs (Office) did not reconcile the Financial Status Report (SF 269) to the Massachusetts Management Accounting and Reporting System (MMARS), the Commonwealth's accounting system. There is no system in place to ensure that amounts compiled and reported by the Office on the SF 269 based on quarterly reports submitted by Area Agencies on Aging (AAA) agree with disbursements recorded on MMARS. Consequently, the federal government does not have adequate assurance that amounts reported are accurate. The fiscal year 2001 report also disclosed the lack of reconciliations to the MMARS and the independent report reviews by Office personnel other than the report preparer.

The Office prepares the SF 269 based on quarterly expense reports submitted by the AAAs and internal records for administrative costs. The purpose of the SF 269 is to report the status of funds including program outlays and program income. A review of fiscal year 2002 reports noted that, while there were secondary reviews of reports, the Office did not implement a reconciliation process between the MMARS system and the SF 269 report. In addition, as indicated in the Finding Number 60, the quarterly reports submitted by the AAAs lack supporting documentation and monitoring verification reviews by the Office. Therefore, there was little assurance that reporting errors would be detected, which could result in under/over reporting of expenditures on the federal reports. The SF 269s are prepared on an accrual basis and MMARS reports are on a cash basis, therefore, a standard reconciling item would be timing differences for expense reimbursements.

The Financial Status Report Instructions on the back of Standard Form 269 states in part:

"For reports prepared on an accrual basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase or decrease in the amounts owed by the recipient for goods and other property received and for services performed by employees, contractors and subgrantees."

Office personnel stated the extensive time required preparing this year's budgetary process resulted in the lack of time to implement a reconciliation process. (*Department of Health and Human Services - Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers 93.044 and Special Programs for the Aging - Title III, Part C - Nutrition Services 93.045; Fiscal Year 2001 Single Audit Finding 32*)

### **Recommendation**

The Office should establish procedures to prepare timely reconciliations between the MMARS system and the SF 269s filed with the U.S. Department of Health and Human Services.

**Executive Office of Elder Affairs  
Findings on Compliance with Rules and Regulations**

**Finding Number 61: Federal Reports not Reconciled to the Commonwealth's Accounting System (continued)**

**Department Corrective Action Plan**

Elder Affairs Accounting and Budget staff are still developing the reconciliation process described in the corrective action plan. Reconciliations for both SF-269 reports submitted in fiscal year 2002 will be completed by November 30, 2002. Subsequent reports will be reconciled to MMARS within 60 days after the submission of the report. We note that, because the monthly standard invoice supporting actual payments will serve as the basis of Area Agency expenditures included in SF-269 reports for periods beginning October 1, 2002, the reconciliation of reports to MMARS will only require the identification of payment dates of the invoices for the reporting period.

Responsible person: Randal Garten, Budget Director  
Implementation date: November 30, 2002

## Executive Office of Elder Affairs Findings on Compliance with Rules and Regulations

### Finding Number 62: Federal Reports Submitted with Estimated Amounts

The Executive Office of Elder Affairs (the Office) did not comply with Department of Health & Human Services (HHS) federal reporting requirements. Specifically, the Office submitted Financial Status Reports (SF 269) reports with estimated amounts rather than actual or cumulative figures as required by HHS requirements. Additionally, the reports reviewed were submitted late.

The Office requires Area Agencies on Aging (AAA) to submit quarterly reports of program expenses for the period and cumulative year to date totals and compiles the information for reporting on the SF 269. Our review noted that the SF 269 report submitted by the Office for the six-month period ending September 30, 2001 included estimated totals for eight AAAs whose quarterly program expense reports were not received by the Office in time for the Office to submit its report to the federal government. Furthermore, this report was due on October 30, 2001 but was not submitted until December 6, 2001. The report due on April 30, 2002 for the six-month period ending March 30, 2002, which adjusts the previous report's estimated amounts, was not submitted until May 23, 2002. The instructions on the back of the SF 269 state in part:

"For reports prepared on an accrual basis, outlays are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect expense incurred, the value of in-kind contributions applied, and the net increase or decrease in the amounts owed by the recipient for goods and other property received and for services performed by employees, contractors and subgrantees."

Administration on Aging Program Instructions 95-01 and 02-01 for Title III funds require the SF 269s be submitted according to the following schedule: April 30 for the first six months of a fiscal year and October 30 for the last six months of a fiscal year. Because submitted reports were late and with estimated amounts, the Office did not comply with HHS Title III program reporting requirements. Office personnel stated that estimates were used and the reports were issued late due to the late submission of AAA quarterly reports. For AAA reports not received, Office personnel stated that totals were adjusted in the subsequent report. (*Department of Health and Human Services - Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers 93.044 and Special Programs for the Aging - Title III, Part C - Nutrition Services 93.045*)

### Recommendation

The Office should establish procedures to ensure the SF 269 reports are in compliance with the Department of Health and Human Services requirements and discontinue the use of estimated totals. The Office should report actual or cumulative amounts and submit reports timely. Procedures should also be established that require AAAs to submit required reports in a timely manner. These procedures may include the withholding of funds for late submissions.

**Executive Office of Elder Affairs  
Findings on Compliance with Rules and Regulations**

**Finding Number 62: Federal Reports Submitted with Estimated Amounts  
(continued)**

**Department Corrective Action Plan**

Elder Affairs' Corrective Action Plan for Finding Number 60: Inadequate Supporting Documentation for Payment Voucher Expenditures addresses the first step in eliminating estimated amounts from the calculations that generate the Financial Status Report (SF 269). The monthly programmatic billing formats, discussed in Finding Number 60, collect the pertinent information necessary to compile Area Agency on Aging expense data for the semi-annual report to the Administration on Aging. Elder Affairs will report actual or cumulative amounts in connection with the submission of the new Area Agency on Aging monthly standard invoices. The design and execution of the new reporting systems represent actual amounts for administrative and program costs and disbursements of the Area Agencies. Generating estimated figures at the state agency level based on prior Area Agency submissions would no longer be necessary.

The new Standard Invoices also eliminate what has been a major obstacle to submitting the SF 269 on time. Linking monthly report submissions to Title III payments should force the Area Agencies on Aging to focus on report due dates to obtain the payments necessary to continue program operations. In the past, Elder Affairs has continually stressed the importance of timely submission of Title III fiscal and programmatic reports, including the threat of withholding funds for late submissions. The new system intrinsically links the data necessary for the completion of the SF 269 to the payment of Title III funds to the Area Agencies.

Because the financial data to be reported on the SF 269 must often pass through three or more levels of reporting, from provider and sub-grant to Area Agency on Aging through to the Department, Area Agencies may sometimes find it difficult to submit complete Standard Invoices for the last month of a reporting period within the 30 days permitted for preparation of the SF 269. In these cases, Elder Affairs will consult with the Administration on Aging about the appropriate preparation and documentation of that period's report.

Responsible person: Theodore R. Zimmerman, State Planner  
Implementation date: October 2002 for Report Period Ending September 30, 2002

## Executive Office of Elder Affairs Findings not Repeated from Prior Years

1. The Executive Office of Elder Affairs (Office) processed six monthly payments totaling \$242,600 to five Area Agencies on Aging (AAA) for cost reimbursement contracts based on budgeted amounts rather than actual costs incurred which did not comply with OMB Circular A-87. A review of fiscal year 2002 payments showed that the Office discontinued issuing payments to AAAs based on budgeted amounts. *(Fiscal Year 2001 Single Audit Finding 29)*
  2. The Office did not complete a reconciliation of fiscal year 2000 program funds awarded to the actual revenue and costs reported on the AAAs' Program Income and Expense Statements. These Statements are one of the primary methods used by the Office to monitor and track AAA expenses. Also, the Office had not received a Statement from its largest AAA. The Office has completed a reconciliation of the fiscal year 2000 program funds awarded to the amounts reported by the AAAs. The largest AAA submitted its audit report in compliance with OMB Circular A-133 for fiscal year 2000. *(Fiscal Year 2001 Single Audit Finding 31)*
  3. The Office did not maintain adequate documentation for salaries charged to federal awards. The Office provided the semi-annual certifications for those employees who were charged 100% to the federal programs. All employees who are charged to federal programs work solely on that program. *(Fiscal Year 2001 Single Audit Finding 33)*
  4. The Office did not obtain certifications or complete verification checks of subrecipients and vendors for federal suspension or debarment. The fiscal year 2002 Single Audit found that the Office has implemented procedures, which require certifications and documented verification checks. *(Fiscal Year 2001 Single Audit Finding 34)*
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## Department Of Transitional Assistance Background

The Department of Transitional Assistance's (Department) mission is to provide accurate and timely benefits with respect and courtesy to those in need of the Department's services. In pursuing this goal, the Department provides assistance to over a quarter of a million people in the Commonwealth each month through such programs as Transitional Assistance to Needy Families (TANF), Temporary Aid to Families with Dependent Children (TAFDC), General Relief, Supplemental Security Income and Food Stamps. The Department also operates the employment services program that provides basic education, skills training, job referral, career counseling, day care, and transportation services to certain AFDC and Food Stamp clients. The TANF Block Grant, which became effective October 1, 1996, and the beginning of the federal fiscal year, substantially changed the federal funding for these programs and merged the AFDC and JOBS programs into TANF.

During fiscal year 2002, the Department administered about \$900 million in carrying out its programs. Federal funds, including Federal Food Stamp program funding, amounted to approximately \$600 million.

The federal funding to this Department is detailed in the accompanying Schedule of Expenditures of Federal Awards. The Department's major programs were:

<b><u>CFDA #</u></b>	<b><u>Federal Program Description</u></b>
93.558	Transitional Assistance to Needy Families
10.551	Food Stamps
10.561	State Administrative Matching for Food Stamp Program

## Department of Transitional Assistance Findings on Compliance With Rules And Regulations

### **Finding Number 63: Food Stamps Status Of Claims Against Household Report Filed With Inaccurate Data**

The Food Stamps Report *Status of Claims Against Household (FNS-209)* submitted to the U.S. Department of Agriculture, Food and Consumer Service (USDA/FCS) for the quarter ended December 31, 2001 by the Department of Transitional Assistance (Department) contained cash collection amounts which could not be supported by the BEACON system. However, unlike the issues noted in prior years, the Department has improved the reconciliation of the BEACON system to the *FNS-209* for almost all the information necessary to properly complete the *FNS-209*. However the BEACON system is still unable to generate accurate cash collection reports that will reconcile to the BARS Monthly Summary Reports and the *FNS-209*.

As required by 7 CFR 273.18, the *FNS-209* is submitted on a quarterly basis and is used to support the amount of outstanding claims against food stamp recipients and the amount of cash collections and recoupments made during the quarter. The accuracy of these reports is important because the Department must submit to the federal government 65% of the amount collected due to Intentional Program Violations, 80% of the amount collected due to Inadvertent Household Errors and 100% of the amount collected due to State Agency Administrative Errors.

The Department has acknowledged that the BEACON system contains the remaining technical and programming problem, which cause the underlying source data to be reported inconsistently on the *FNS-209*. The Department is currently addressing the technical and programming issue related to BEACON and is planning to reconcile the *FNS-209*'s prepared using BEACON when the relevant issues have been corrected. (*Department of Agriculture – Food Stamps 10.551; Fiscal Year 1994; 2001 Single Audit Finding 21*)

### **Recommendation**

The Department should rectify the technical problems with the BEACON system and perform quarterly reconciliation's of all *FNS-209* Reports that were created with BEACON generated data. If this component of the system is not able to function properly within a reasonable period of time, we recommend that alternative procedures be developed that will support the cash collections of the *FNS-209*.

### **Department Corrective Action Plan**

The Department agrees with both the finding and recommendation.

The Office of Administration and Finance, Recovery Unit, continues to work with the Department's Management Information Services staff to identify and implement reporting requirements and changes necessary to ensure that all components of recovery processing and collections are reconciled within BEACON.

Responsible person: Arthur Locke  
Implementation date: March 2003

## Department of Transitional Assistance Findings on Compliance With Rules And Regulations

### **Finding Number 64: Failure to Provide Necessary TANF Case File Verification Forms**

The Division of Transitional Assistance (Department) was unable to provide all of the documentation used to verify the eligibility of one of the 25 Temporary Assistance for Needy Family (TANF) recipients tested.

Federal regulations, 42 USC 607 and 608, indicate the general requirements and prohibitions of individuals to be eligible to receive TANF benefits. The State Plan, submitted to the Department of Health and Human Services, as part of the grant award to participate in the TANF Program, provides the detail procedures of the state's implementation of the federal program. Specifically, one of the requirements for an individual to receive full TANF assistance is documentation of their dependent child through the use of the children's social security card. The one case file noted did not contain this required documentation.

The Department believes these missing documents were simply misfiled at the Transitional Assistance Office (TAO). Without these verification documents the eligibility of these recipients could be questioned.

*(Department of Health and Human Services – Temporary Assistance for Needy Families 93.558; Fiscal Year 2001 Single Audit Finding 22)*

### **Recommendation**

We recommend that the Department review the TAO's filing system, policies and procedures to ensure that there is an adequate system in place for maintaining all required documentation.

### **Department Corrective Action Plan**

Field Operations accepts the recommendation of the finding, however, it should be noted that as a standard operating measure all TAO filing systems, policies and procedures regarding the assurance of adequate case filing systems containing the required documentation are in fact regularly reviewed and highlighted. Fortunately, it is the rare instance in which documents are not correctly filed.

Responsible person: Cescia Derderian

Implementation date: October 2002

## Department of Transitional Assistance Findings on Reportable Conditions

### **Finding Number 65: The BEACON System Lacks the Appropriate Segregation of Duties**

The Benefit Eligibility And Control On-line Network system (BEACON) is an on-line real time, integrated, client server based system used by the Department of Transitional Assistance (Department) to provide all data necessary to determine eligibility and benefit amounts for the Department's Food Stamps, TAFDC, EAEDC, Emergency Assistance, Employment Services and Child Care Programs. The data is collected and entered on-line in real time by an Assistance Unit Managers (AU Managers) for each eligible household. The system provides access control at different levels of authorization. However, we noted the lack of appropriate segregation of duties that relate to AU Managers with Level 3 access and above. These individuals can enter household data and approve their own cases, resulting in the ability to establish new cases and approve them for payment without them being reviewed or approved by other personnel.

The Department identified this issue in February 2002 and has acknowledged that AU Managers with Level 3 access and above have initiation and approval authority, but have indicated that this is consistent with the controls under the old PACES system and does not pose an internal control weakness. However, the Department will implement controls in conjunction with the MIS and field operations divisions along with enhancement to the BEACON system. (*Department of Health and Human Services – Temporary Assistance to Needy Families 93.558; Department of Agriculture – Food Stamps 10.551*)

#### **Recommendation**

We recommend that the Department implement the above control procedures and periodically review reports that will track those users who both initiate and process a new case file without supervisory review. The review should pay particular attention to the eligibility determinations being made to ensure that they comply with all federal and state requirements and that case files are not being inappropriately established.

#### **Department Corrective Action Plan**

Field Operations recently submitted a Systems Request for the development of a report that will track those users who both initiate and process a new case file without supervisory review.

The report requested in SR#2186 will be run monthly. The report will highlight all new reopened cases processed by one individual. The report, residing in the ACTUATE reports section of BEACON will be used by local office managers and central office staff to review and monitor any user who both initiates and processes a new case file or other critical case functions without supervisory review.

Additionally, Field Operations receives a report annually that lists all employees, by TAO, by SSN and by security level. This list is reviewed by TAO management to ensure that security levels that would allow one individual to process a case independent of a supervisor is a rare and uncommon occurrence. A security review based on this annual report is presently being conducted by TAO managers in conjunction with central office MIS staff. In the limited situations where there is one individual processing a case there are procedures in place in local offices that require post audit reviews by local office managers.

Responsible person: Cescia Derderian  
Implementation date: January 2003

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**Commonwealth of Massachusetts  
Higher Education  
Student Financial Assistance Programs at Other Institutions  
Background**

As part of the Single Audit of the Commonwealth, the Office of the Comptroller, the Office of the State Auditor of the Commonwealth and Deloitte & Touche LLP entered into a cooperative agreement to provide the necessary audit coverage for the student financial assistance programs funded by the U.S. Department of Education and administered by the Commonwealth's colleges and universities. The institutions selected for audit were determined using a risk-based approach. The institutions covered by this arrangement are as follows:

**State Colleges**

Bridgewater State College  
Fitchburg State College  
Framingham State College  
Mass. Maritime Academy  
Mass. College of Art  
Mass. College of Liberal Arts  
Salem State College  
Westfield State College  
Worcester State College

**Community Colleges**

Berkshire Community College  
Bristol Community College  
Bunker Hill Community College  
Cape Cod Community College  
Greenfield Community College  
Holyoke Community College  
Massasoit Community College  
Mass. Bay Community College  
Middlesex Community College  
Mt. Wachusett Community College  
North Shore Community College  
Northern Essex Community College  
Quinsigamond Community College  
Roxbury Community College  
Springfield Technical Community College

During fiscal year 2002, the Office of the State Auditor performed the audit of the student financial assistance programs at three institutions selected using the risk-based approach. These institutions were: Roxbury Community College, Salem State College and Massasoit Community College. As a result of these audits, findings are presented for all three of these institutions.

The University of Massachusetts contracted for an audit in accordance with OMB Circular A-133 for fiscal year 2002 with an independent public accounting firm. Separate reports on compliance, internal controls as well as the Schedule of Expenditures of Federal Awards and Data Collection Form are issued as a result of this audit. The findings resulting from the audit of the University of Massachusetts are excluded from this report.

**Institutions of Higher Education  
Massasoit Community College  
Findings on Compliance with Rules and Regulations**

**Finding Number 66: Conflicting or Unresolved Income Data Records within the Student Verification Process**

Massasoit Community College (College) did not resolve conflicting revenue information in two student files prior to awarding Title IV funds. Failure to resolve conflicting information may result in students receiving funds they are not entitled to. The student files were two of 25 selected for testing in the 2001-02 award year.

The first student's file contained a Verification Worksheet that indicated receipt of child support of \$1,690 that was not reported on the student's Institutional Student Information Record (ISIR). Also, attached to the student's Verification Worksheet was a document from the Internal Revenue Service intercepting the student's tax refund and applying it to past due child support with the Department of Revenue - Child Support Enforcement Division. Further inquiry with College officials indicated uncertainty whether this student was receiving or paying child support and that additional investigation was needed. The College is in the process of resolving this case. The student received \$3,750 in Federal Pell Grant (Pell) and \$400 in Federal Supplemental Educational Opportunity Grants (FSEOG) funds.

For a second student, the College did not collect relevant depository, tax return, or identifying information pertaining to the student's net worth of investments totaling \$57,311 reported on the student's ISIR. The student received \$1,125 in Pell and \$371 in FSEOG funds.

The College is responsible for verifying information used to calculate the Expected Family Contribution (EFC) as part of the determination of need for students selected for verification by the Central Processing System (CPS). The College, under the Program Participation Agreement with the Secretary of Education, is required by 34 CFR 668.16 (6)(f) to:

“Develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV...”

Further under (34 CFR 668.54) the College agrees to determine and resolve discrepancies if there are any inconsistent information. An institution is required to resolve any discrepant information prior to disbursing any Title IV funds to students (34 CFR 668.16(f)). Information is further verified by securing additional documentation from the student (34 CFR 668.56). Once required documentation is received, the institution must determine whether any of the data elements reported on the ISIR are incorrect, and if so, calculations must be performed to determine if the student's eligibility is affected (34 CFR 668.59).

As a result of the audit, a letter was sent by the College to the student on August 15, 2002 requesting the student to verify the net worth of investments. College staff have also been formally advised that discrepancies in student files need to be reviewed and, if necessary, supported by written documentation provided by the student for any informational changes that do not come from the Verification Worksheet, Tax return, or other formal document. (*Department of Education – Federal Pell Grant Program 84.063 and Federal Supplemental Educational Opportunity Grants 84.007*)

**Institutions of Higher Education  
Massasoit Community College  
Findings on Compliance with Rules and Regulations**

**Finding Number 66: Conflicting or Unresolved Income Data Records within the Student Verification Process (continued)**

**Recommendation**

Massasoit Community College should implement improved procedures to ensure that all income verification information collected for students is properly evaluated and reviewed to determine its impact on a student's eligibility. All discrepancies should be noted and final resolution documented within the student file prior to the awarding or the adjusting of Title IV funds.

**Department Corrective Action Plan**

Staff has been advised that any changes need to be documented in writing by the student (or parent, when applicable) for any changes that do not come from the Verification Worksheet, Tax Return or other formal document. Staff training on policies and procedures will be on going.

The Child Support Paid data was reduced to the amount indicated in the supporting document from the IRS. The EFC was then recalculated, but remained at "0". Correction of the Child Support Paid Data was submitted to CPS as the dollar value of the correction was over \$200.

For the student with the Net Investments, which was in question, the Financial Aid Office sent a letter seeking verification of the total Net Investments. The student in writing to the College verified the \$57,311 in Net Investment.

Responsible person: Sharon A. McLaughlin, Director of Financial Aid  
Implementation date: August 15, 2002

**Institutions of Higher Education  
Massasoit Community College  
Findings on Compliance with Rules and Regulations**

**Finding Number 67: Student Status Confirmation Reports Identifying Graduated Students not Submitted in Accordance with Regulations**

Massasoit Community College (College) does not notify the National Student Loan Data System (NSLDS) of changes in student enrollment when a student has graduated as required by federal regulations. The College is required to identify and update the loan status of students, including each year's graduates, via periodic Student Status Confirmation Reports (SSCR). (*U.S. Department of Education Dear Colleague Letter - GEN-96-17; 34 CFR 682.610; 34 CFR 682.401(b)(20) and NSLDS Enrollment Guide (Formerly SSCR User's Guide) April 2002*)

The Dean of Enrollment Management stated that the College does not report any student graduation status dates to NSLDS. The College submits SSCRs three times each semester via an electronic file to NSLDS updating the enrollment status for students during the semester. When the programmer for the College's Advance Programs For Educational Computer Solutions (APECS) developed the computerized program to allow the College to send the SSCR data electronically, the graduation/status was not incorporated into the program.

Timely reporting of enrollment data for federal student loan borrowers is critical because student enrollment status determines the date a federal loan borrower enters a grace or repayment period, the timing of the government's payment of interest subsidies, and whether a borrower is eligible for in-school deferment privileges. Not reporting student graduation status to NSLDS could result in a failure to maximize the fiscal integrity of the Title IV loan programs because loans may not be moved into repayment status in a timely manner, and student entitlements to grace and deferment periods could be compromised due to inaccurate tracking of enrollment status dates. (*Department of Education – Federal Family Education Loan Program 84.032*)

**Recommendation**

Massasoit Community College should expand the computerized program that allows it send SSCRs electronically to include graduation status and date and remit this data to NSLDS. This should ensure that all graduated students who are federal student loan borrowers are reported shortly after graduation.

**Department Corrective Action Plan**

The College's IT department has updated the program used to produce SSCR report to include the Graduated student data, and a report was run and submitted to NSLDS for the Spring of 2002. From now on the College will annually submit the graduate student data.

Responsible person: Sharon A. McLaughlin, Director of Financial Aid  
Implementation date: October 10, 2002

**Institutions of Higher Education  
Massasoit Community College  
Findings on Compliance with Rules and Regulations**

**Finding Number 68: Incorrect Calculations and Application of Refund of Title IV Program Awards**

Massasoit Community College (College) incorrectly calculated and applied Title IV Program awards or refunds to three students during the 2001-2002 Program Year. Three of 25 student files reviewed contained incorrect calculations of Title IV Program awards or showed that the student received a refund they were not entitled to receive. These calculations and application of funds resulted in students not receiving the proper Title IV funds. Federal regulation, 34 CFR 668.16(c)(1), requires the College to:

“Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls;”

For the first student, the College incorrectly calculated the grant award based on a half-time student enrollment status that amounted to \$937 for the semester. The student was enrolled for three-quarters of the Spring semester with an Expected Family Contribution (EFC) of "0" and was entitled to receive a Federal Pell Grant (Pell) of \$1,407 for the semester. As a result of the miscalculation, the College underpaid the student \$470. This incorrect calculation occurred because the student's award was adjusted on the Financial Aid Offer (FAO) screen, but the accepted offer from this screen was not rolled to the Financial Aid Data Screen (FIN). An authorization on the FIN releases the dollar amount for the indicated program for the specific term. The Financial Aid Director stated the award has now been adjusted on the Institutional Student Information Record (ISIR) and submitted to Central Processing System.

The College incorrectly adjusted the EFC for a second student resulting in an erroneous need calculation. The student received an EFC of \$ 1,120 per the ISIR for the award year. The College incorrectly reduced the student's EFC of \$ 1,120 by 50% to \$560 because the student attended the College for only one semester. However, per the College's Financial Aid Packaging Policy for the 2001-02 award year, the College utilizes a pro ration method for adjusting a student's EFC if the student attends school for only one semester. The correct EFC utilizing the pro ration method was \$498. The College's error in calculating the student's EFC could result in a student receiving more or less financial aid funds than they are entitled to. In this case, however, the error did not impact the award. The Financial Aid Director stated that training and oversight would be reinforced regarding adjusting student's EFC.

For the third student, the College incorrectly returned Title IV funds for a student who withdrew. The student had been awarded a Federal Pell Grant of \$1,875 and a Federal Supplemental Educational Opportunity Grant (FSEOG) of \$200. The student withdrew during the semester and only earned Title IV funds of \$915. The earned amount was correctly calculated, but the amount to be returned to Title IV was incorrectly apportioned. In apportioning the \$915, \$200 should have been apportioned to FSEOG and \$715 to Pell. In fact, the entire \$915 was apportioned to Pell resulting in an inadvertent refund to the student of \$200. In response to this audit, the College submitted a revised Federal Return of Title IV Funds Withdrawal Calculation Form to reflect the correct apportioning of funds. Also, \$200 will be removed from the student's Pell award and refunded to the Pell program. The College will cover the \$200 reduction in Pell funds with institutional funds, since this was an administrative error and not the fault of the student.

**Institutions of Higher Education  
Massasoit Community College  
Findings on Compliance with Rules and Regulations**

**Finding Number 68: Incorrect Calculations and Application of Refund of Title IV Program Awards (continued)**

Incorrect calculations or misapplication of financial aid awards may result in students either not receiving funds to which they were entitled, or, conversely, in students receiving funds to which they were not entitled. Although these three instances noted are minor in actual dollars per occurrence, significant sums could be in error (12.5%) if extrapolated throughout the entire Title IV award population. (*Department of Education – Federal Pell Grant Program 84.063 and Federal Supplemental Educational Opportunity Grants 84.007*)

**Recommendation**

Massasoit Community College should review its system of internal controls over the awarding and refunding of student financial aid to ensure that these funds are properly administered. Consideration should be given to the conduct of periodic reviews of student files by independent College personnel.

**Department Corrective Action Plan**

To avoid such errors in the future, the Financial Aid Office will perform all Return of Title IV Refund Calculations, and Business Office accountants will review the calculations prior to disbursing Title IV funds.

For the student whose Spring 2002 Pell Grant adjustment had not been completed the Financial Aid Office made the adjustment on the FIN Screen, the increase was then rolled, CPS was notified and the increase was paid.

One student had a half-year enrollment for which the EFC had been reduced by 50% instead of being calculated based on a 4 month EFC. The error did not effect the student's award. However, the Financial Aid staff has been informed to monitor these situations closely and training will be on going.

For the student for whom the Return to Title IV Withdrawal Calculation was incorrectly apportioned, the recalculation was performed, the Pell Grant adjusted and CPS was notified.

Responsible person: Sharon A. McLaughlin, Director of Financial Aid  
Implementation date: August 15, 2002

**Institutions of Higher Education  
Massasoit Community College  
Findings on Compliance with Rules and Regulations**

**Finding Number 69: Pell Grant Recipients not Making Satisfactory Academic Progress**

Massasoit Community College (College) awarded a total of \$3,125 in Pell Grant funds to two students, included in a sample of 25 students receiving Pell Grants, who were not making satisfactory academic progress prior to the second semester of the award year. Federal regulations promulgated under 34 CFR 690.75 Determination of Eligibility for Payment - Federal Pell Grant Program states that "

(a) For each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the requirements of 34 CFR 668.19 have been met, and the student -- (1) qualifies as an eligible student under 34 CFR 668, subpart C." Further, 34 CFR 668.32 (f) requires the student to "Maintain satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Sec. 668.16 (e)".

The first student was a freshman student who received a Federal Pell Grant (Pell) award of \$2,500 for the 2001-2002 award year (\$1,250/fall semester & \$1,250/spring semester). The student was awarded the spring or second semester award even though he was no longer making satisfactory academic progress at the end of the fall semester. The student attempted 6 courses totaling 18 credit hours and earned 6 "Fs" and "0" credit hours with a GPA of 0.00 for the fall semester. The student could not have met the program award requirements after the first semester even if he successfully completed the one course in which he enrolled for the second semester. In spite of not maintaining satisfactory academic progress, the College paid the student the second Pell disbursement of \$1,250 for the spring 2002 semester.

College officials stated that reviews of satisfactory progress for financial aid awards recipients are made only once a year by the College. The College's Office of Financial Aid established a Policy of Satisfactory Academic Progress Standards that include:

"Grade Point Average – a student must maintain a 2.0 upon completion of all total semester hours. A student must successfully complete the following percentage of courses (credits). Grades (F, W, I) are included in credits attempted. 50% of all credits up to 24, 75% of all credits over 24....

Student progress will be reviewed once a year during the summer months... If a student fails to meet these standards, he/she will not be eligible for any additional assistance until the standard is met e.g. grade point average, or percentage of credits attempted or semester limit."

The second student received a Pell award of \$3,750 for the 2001-2002 award year (\$1,875/fall semester & \$1,875/spring semester) although he was no longer making satisfactory progress at the end of the fall semester. The student attempted three courses totaling nine credit hours and earned six credit hours with a GPA of 1.533 for the fall semester. In spite of not maintaining satisfactory academic progress during the fall semester, the College paid the student the second Pell disbursement of \$1,875 for the spring semester. The student, who was taking four classes totaling 12 credit hours subsequently withdrew from all four courses for the spring semester on May 8, 2002.

The College has no requirement for evaluating satisfactory academic progress that coincides with each payment period as required by federal regulation. There was no documentation within the student's file to identify any College administrative review of the student's academic record by awarding officials. (*Department of Education – Federal Pell Grant Program 84.063*)

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**Finding Number 69: Pell Grant Recipients not Making Satisfactory Academic Progress (continued)**

**Recommendation**

Massasoit Community College should review its practices of reviewing students' satisfactory academic progress for those who are receiving Title IV funds to assure that they comply with federal regulations. These procedures should include a review of students receiving Title IV funds who are below the grade point and credit hour thresholds necessary to make satisfactory academic progress.. When a student is below these thresholds, the College should notify the student and document clearly if and why the student is to be allowed to continue receiving Title IV financial support.

**Department Corrective Action Plan**

We respectfully suggest that corrective action is not necessary based on the following information from the US Department of Education.

The Financial Aid Director contacted Thomas Threlkeld of the Boston Region of the US Department of Education regarding the question of Satisfactory Academic Progress. Mr. Threlkeld cited CFR 668 and in particular 668.16(e) and explained that this section clearly states that an annual review is the federal minimum allowed for Satisfactory Academic Progress. He further explained that before disbursing aid for the second semester, we would only need to go back to the last time we were required to review Satisfactory Progress (the previous spring) and make sure that annual review was performed. A second review at the end of the fall semester is not necessary. Mr. Threlkeld informed me that our annual review of Satisfactory Progress does meet the federal requirements.

Mr. Threlkeld also explained that CFR34 refers to Financial Aid History and that this section of the regulations requires that the Financial Aid Office ensure that transfer students do not owe any federal funds. The Financial Aid Office checks default and refund owed statuses for every incoming transfer student through the NSLDS website prior to disbursing funds.

Responsible person: Sharon A. McLaughlin, Director of Financial Aid  
Implementation date: N/A

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**Finding Number 70: Over Award of Title IV Grant Funds**

Massasoit Community College (College) awarded Title IV funds totaling \$11,629 to a ¾ part time student, whose total costs per Student Expense Budget for 2001-02 were \$8,216. The student file was one of 25 selected for testing. The Financial Aid Director made a professional judgment to allow for the student's special circumstances to increase components beyond the amounts listed in the College's established Student Expense Budget for 2001-02. As a result of the decision, the Director increased a component of the cost of attendance to allow the student to receive a \$3,500 Federal Family Education Loan in order to pay her personal debts. However, the Financial Aid Director did not fully document the adjustment or the circumstances of her decision in the student's file. The only documentation in the student's file was a letter from the student indicating an increase in debts and a print-out of total aid disbursed to the student.

Section 472 of the Higher Education Act, as amended, gives specific parameter for determining a student's cost of attendance (COA) for Title IV aid programs. A student's cost of attendance includes tuition and fees, room and board expenses while attending school, allowances for books and supplies, transportation, loan fees, dependent-care costs, costs related to a disability and other miscellaneous expenses.

According to Sec. 479(a) of the Higher Education act as amended,  
"Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students, such as standard living expenses or increased debts".

Increasing a student's cost of attendance because a student has utilities and credit card expenses does not seem to fit the components of what the Department of Education defines as cost of attendance. Additionally, there was no documentation in the file showing why this student was considered a special circumstance.  
*(Department of Education – Federal Family Education Loan Program 84.032)*

**Recommendation**

Massasoit Community College must fully document all professional judgment decisions that allow special circumstances to be considered in awarding additional aid greater than the student expense budget. The College must clearly demonstrate with support, increases in aid that reflects the students' educational expenses that are beyond the parameters of costs of attendance.

**Department Corrective Action Plan**

As a result of the above findings, the Financial Aid Office has instituted a new Loan Request Form effective October 1, 2002. This form will require students to itemize their expenses, list the amount and reason for the loan request and attach official documentation regarding their request, such as eviction notices, notice of job termination, etc.

Responsible person: Sharon A. McLaughlin, Director of Financial Aid  
Implementation date: September 19, 2002

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**Institutions of Higher Education  
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**Finding Number 71: Status of U.S. Department of Education Office of the Inspector General Issues**

The 1997 Single Audit of the Commonwealth reported that the U.S. Department of Education Office of Inspector General (OIG) conducted an audit of the English as a Second Language (ESL) program at Roxbury Community College (College) covering the period from July 1, 1993 to June 30, 1995 (Audit Control No. A01500991). The OIG's final report contained three findings and recommended that the College repay in excess of \$2.2 million. The College disagreed with the OIG findings and, at that time, was awaiting the final audit determination letter from federal officials. The 1997 Single Audit found eight additional students who, pending the outcome of the College's appeal, could have been ineligible. The 1998 Single Audit revealed that the U.S. Department of Education (DOE) issued its Final Determination Letter on September 18, 1998. On the basis of this determination, the 1998 Single Audit concluded that five of the eight students were eligible and the eligibility of the remaining three students, who received Federal Pell Grants (Pell) of \$3,901, depended on the final result of College's continued appeal to an Administrative Law Judge. The 2001 Single Audit Report recommended that the College repay the \$201,563 to DOE as well as the Pell awards of \$3,901 paid to the three students identified in the fiscal year 1997 Single Audit as taking only ESL classes

Our current audit disclosed that the Secretary of DOE issued a final decision certifying the earlier decision of the Administrative Law Judge for the College to repay \$200,488 to DOE for awarding financial aid to ineligible ESL students and the \$1,075 for awarding aid to a 15-year old student. The College acknowledged that during mid-November 2001, the Secretary of the DOE certified that the College should repay \$200,488 to DOE for awarding financial aid to ineligible ESL students, the \$1,075 for awarding aid to a 15 year old student (who became sixteen, the necessary minimum age later that academic year), and the three students in 1997.

The College entered into a formal written repayment agreement on July 12, 2002, to repay DOE \$201,563 in sixteen quarterly payments ending April 1, 2006. Two quarterly payments of \$13,977 have been forwarded to the DOE paid from the College's Unrestricted Trust Funds. However, the College did not address the issue of the three students, who received Pell awards of \$3,901, identified in the fiscal year 1997 Single Audit. (*Department of Education - Federal Pell Grant Program 84.063; Department of Education Report 7/93-6/95 Finding 1; Fiscal Year 1997; 2001 Single Audit Finding 40*)

**Recommendation**

The College should repay the Pell awards of \$3,901 paid to the three students identified in the fiscal year 1997 Single Audit as taking only ESL classes.

**Department Corrective Action Plan**

Since this action and finding occurred before the current Financial Aid Director and Vice President for Finance were employed by the College, the Vice President for Finance requested time to research the finding and determine the appropriate action for the College. Allowing time for the Department of Education to respond to requests for information, we fully anticipate the College to review and formulate an appropriate action plan by December 15, 2002.

Responsible person: Dr. William Fenstemacher, Vice President for Finance  
Implementation date: December 15, 2002

**Institutions of Higher Education  
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**Finding Number 72: Roxbury Community College Did not Comply with Reporting and Disclosure of Information**

Roxbury Community College (College) did not comply with federal regulations required for reporting and disclosing information to students pursuing Title IV Funds. The College is required to make information relative to its Financial Aid Programs readily available to both current and prospective students. The College has not published a general College catalog for the past two academic years, 2001-2002 and 2002-2003. College officials stated that the College catalog is in review and would be available to students sometime before January 1, 2003 for the 2002-2003 academic year. The College maintained a Website on the Internet but does not provide sufficient information to current and prospective students in the form of detailed information on Financial Aid Programs at the College in order to comply with regulations on reporting and disclosure of information.

Federal regulation, 34 CFR 668.42, requires that the College publish annually available student financial assistance information as follows:

“(a)(1) Information on financial assistance that the institution must publish and make readily available to current and prospective student’s under this subpart includes, but is not limited to, a description of all the Federal, State, local, private and institutional student financial assistance programs available to students who enroll at that institution. (2) These programs include both need-based and non-need-based programs. (3) The institution may describe its own financial assistance programs by listing them in general categories.

(b) For each program referred to in paragraph (a) of this section, the information provided by the institution must describe—(1) The procedures and forms by which students apply for assistance; (2) The student eligibility requirements; (3) The criteria for selecting recipients from the group of eligible applicants, and (4) The criteria for determining the amount of a student’s award.

(c) The institution shall describe the rights and responsibilities of students receiving financial assistance and, specifically, assistance under the title IV, HEA programs. This description must include specific information regarding—(1) Criteria for continued student eligibility under each program; (2) (i) Standards which the student must maintain in order to be considered to be making satisfactory progress in his or her course of study for the purpose of receiving financial assistance; and (ii) Criteria by which the student who has failed to maintain satisfactory progress may re-establish his or her eligibility for financial assistance; (3) The method by which financial assistance disbursements will be made to the students and the frequency of those disbursements; (4) The terms of any loan received by a student as part of the student’s financial assistance package, a sample loan repayment schedule for sample loans and the necessity for repaying loans;”

Federal regulation, 34 CFR 668.43, requires the following:

“(a) Further states that the College must make certain information available Institutional information that the institution must make readily available upon request to enrolled and prospective students under this subpart includes, but is not limited to

- (1) the cost of attending the institution, including
  - (i) Tuition and fees charged to full-time and part-time students;
  - (ii) Estimates of the costs necessary books and supplies;
  - (iii) Estimates of typical charges for room and board
  - (iv) Estimates of transportation costs for students; and

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**Finding Number 72: Roxbury Community College Did not Comply with Reporting and Disclosure of Information (continued)**

(v) Any additional cost of a program in which a student is enrolled or expresses a specific interest.”

*(Department of Education – Federal Pell Grant Program 84.063, Federal Supplemental Educational Opportunity Grants 84.007 and Federal Work-Study Program 84.033)*

**Recommendation**

Roxbury Community College should have readily available to all currently enrolled and prospective students an annual catalog or updated Internet Website location that complies with the reporting and disclosure of information requirements of the federal financial assistance programs and such information be provided as soon as possible. In addition, the College must ensure that such data and relative information is provided to students no later than the first day of class in the fall of each academic year.

**Department Corrective Action Plan**

During the past two years, the College exhausted its supply of catalogs but did provide complete information about the financial aid available to enrolled students, eligibility criteria and standards, the application process including how to apply for both federal and state aid, and award notification. Both the Admissions and Financial Aid Offices prepared and distributed this information on all relevant policies and procedures regarding financial aid. This was available to all students before the first day of classes. We understand samples of this information were provided to you, and have provided them again in this attachment. In addition, the College maintains this information on the College website which is available to both current and prospective students, and to the public at large.

In addition, the auditors received draft copies of the new catalog to demonstrate our intent of providing this important information in the catalog and that the catalog was near completion. We expect to have copies delivered and distributed before the Spring semester.

Therefore, even with the difficulties of the College’s decreased appropriation received from the state during each of the past two years, the College was able to provide information prepared by the Admissions and Financial Aid Office fully informing students of the required information.

Responsible person: Dr. William Fenstemacher, Vice President for Finance, and  
Dr. Rudolph Jones, Vice President for Enrollment Services  
Implementation date: December 15, 2002

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**Finding Number 73: Students Inappropriately Awarded Pell Grants without a Documented High School Diploma or Equivalent**

Roxbury Community College (College) awarded a total of \$31,875 in Federal Pell Grants (Pell) to nine students included in a sample of 25 students receiving Pell Grants, who did not have a high school diploma or its equivalent. Six of these students' admissions files did not contain any evidence that these students had the required high school diploma or its recognized equivalent. Three of these students' files contained a foreign language document, without the necessary translation, purporting to be a high school diploma, despite the College's stated requirement in its 2000-2001 Catalog that "students with a transcript in a language other than English must submit a notarized or certified translation of their transcript."

Federal regulations, 34 CFR 668.668.32 (e) Student Assistance General Provisions – Subpart C – Student Eligibility, detail students eligibility to receive Title IV, HEA assistance as follows:

“ (1) Has a high School diploma or its recognized equivalent (2) Has obtained within 12 months before the date the student initially receives title IV, HEA program assistance, a passing score specified by the Secretary on an independently administered test in accordance with subpart J of this part”.

As a result, the above students were not eligible for the program award requirements of 34 CFR 668.32(e)(1)&(2) and 34 CFR 668.156, the College's own admissions requirements and the subsequent awarding of Federal Financial Aid under the Title IV programs. (*Department of Education – Federal Pell Grant Program 84.063*)

**Recommendation**

Roxbury Community College should review its practices of tracking students application information by cross-checking that data within the Admissions, Registrar's, Financial Aid, and Business Offices prior to award of Federal Title IV funds. The College should review its practices of monitoring each student's admission and registrar files to be sure that each file contains required admissions documentation for those who are applying for Federal financial aid. The College should undertake a system whereby the Admissions Office can track the documents that are sent to the Registrar's office and the Registrar's Office conversely, should have a system in place for receiving and acknowledging the receipt of said admissions files.

**Department Corrective Action Plan**

The six files in question all had the relevant documentation when the files were transferred to the Registrar's Office. This was verified by the electronic database in the Admissions Office. However, in view of the missing information, the Admissions and the Registrar's Offices will perform the following: after the Add/Drop period is over, the Registrar's Office will run a list of all new students that have continued to be enrolled. This list will be provided to the Admissions Office. The files will be checked for completion. Both offices will sign the list and both will retain copies.

The Admissions Office will ensure that applicants to the college whose credentials are in a foreign language will have them translated and notarized as accurate.

Responsible person: Dr. Rudolph Jones, Vice President of Enrollment Services, and  
Raymond O'Rourke, Director of Financial Aid

Implementation date: December 31, 2002

**Institutions of Higher Education  
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**Finding Number 74: Lack of Procedures to Identify Walk-Away Students**

Roxbury Community College (College) did not establish procedures during fiscal year 2002 to identify walk-away Students. The fiscal year 1999 Single Audit initially reported that the College lacked a procedure to identify walk-away students to comply with federal regulations.

In the case of students who do not "officially" withdraw, federal student financial assistance regulations [34 CFR, Part 668.22] require schools to calculate refunds based on the last recorded date of attendance and establish procedures to identify that date. In describing what is expected of participating schools, the Student Financial Aid (SFA) Handbook states:

"Participating SFA schools are expected to monitor student attendance for the purpose of determining a withdrawal date in cases of unofficial withdrawal. The school must demonstrate that the student has remained in academic attendance through a specific point in time. The school's determination of the student's last day of attendance must be based on an event that the school routinely monitors and must be confirmed by an employee of the school."

Since these regulations require that the school base its refund calculations on the last date that it can demonstrate academic attendance, the school may be liable for refunds as if the students withdrew before the first day of class. If the actual number of official withdrawals is consistent with our 1999 sample and if the school cannot demonstrate that the remainder stayed in school past the refund date, the school's liability could be substantial.

The College adopted a three-step faculty attendance policy on January 1, 2000. The first step was to forward class rosters to instructors two weeks into the semester to capture those students who never attended classes. The second step required all instructors to mark mid-term rosters with one of three grades: satisfactory, unsatisfactory, or not attending. In addition, the instructors were verbally instructed to give the last date of attendance for those marked not attending. The third step is similar to the second but for final grades. Financial aid awards were consequently calculated or adjusted based on the actual withdrawal date. College personnel indicated that, for the most part, the first step was not implemented until the fall of 2000. The second and third steps were implemented in the spring of 2000, but were not uniformly enforced until the fall.

The 2002 Single Audit disclosed that a more comprehensive system was in place for fall 2001 where faculty were instructed on September 20, 2001 (add/drop deadline) and on October 30, 2001 (mid-term) to indicate on class rosters students that "never attended" (N/A) or "stopped attending" (W/A) noting the last day of attendance. The rosters were accompanied by written instructions. The class rosters were collated by the Registrar's Office and a report of "Student Changes" was forwarded to the Financial Aid Office. However, the "Student Changes" report was marked "In Progress" and the report stated many faculty did not prepare the initial status (add/drop) report or prepare it too late for initial reporting purposes.

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**Finding Number 74: Lack of Procedures to Identify Walk-Away Students (continued)**

On September 24, 2002, the College submitted an updated Corrective Action Plan for this issue repeated in the fiscal year 2001 Single Audit:

“The identification of “walk-away students” -students who leave the college during the academic year without officially withdrawing from the college-continues to be a problem for the college because the coordination of activities has not occurred in a timely manner this past year. The Registrar’s Office and academic departments complete the first six terms in a timely manner. . .performing the analysis to identify walk-away students and providing the list to the Financial Aid Office have been the problem areas this past year. This process needs to be completed each semester including the summer session.”

The College further responded in its status of prior year findings as follows:

“We are running a list of students receiving all “F” grades, which indicates the student did not satisfactorily complete the semester, and in virtually all cases, this was the result of the student leaving the college without officially withdrawing from his or her classes. We plan to temporarily hire a person to go through this information to complete this process for the 2002 academic year.”

Because of the repeated conditions noted over this and prior years, and the College’s acknowledgement of such, there are no assurances that conditions of eligibility, continuing progress, or even student attendance in eligible programs at the College are being met that qualifies students for federal financial assistance. This serious control weakness has continued over a number of years within the College’s operating environment. The College’s lack of significant progress has diminished the reliability of student records. (*Department of Education - Federal Supplemental Educational Opportunity Grants 84.007, Federal Work-Study Program 84.033 and Federal Pell Grant Program 84.063; Fiscal Year 2000; 2001 Single Audit Finding 41*)

**Recommendation**

The College must take immediate steps to identify “walk-away” students in fiscal year 2002 and the prior years cited in Single Audits. Reviews of students receiving federal Title IV Funds must be made to determine that they have not violated conditions of their awards by leaving the College without withdrawing. The College needs to assure that its policies and procedures are fully implemented so that all unofficially withdrawn students are identified along with the last date of attendance including the faculty preparing and returning the status reports in a timely manner. The College then needs assurances that it has complied with 34 CFR 668.22 which requires schools to calculate refunds based on the last recorded date of attendance and establish procedures to identify that date. Follow-up steps must be taken to ensure that the College has properly calculated awards and refunds in accordance with these regulations.

**Department Corrective Action Plan**

The College developed an electronically produced report that became available for the first time in September 2002, from its Jenzabar system. This report produces a list of any enrolled student who did not earn credits at the end of each grading period.

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**Finding Number 74: Lack of Procedures to Identify Walk-Away Students (continued)**

**Department Corrective Action Plan (continued)**

Listed below is a brief explanation of the College's procedure for identifying Walk-Away Students:

- 1.) At the end of the first two weeks of the fall and spring semesters' faculty turn in attendance rosters to the Registrar. Non-attending students are deleted from classes.
- 2.) Financial Aid adjusts or cancels student awards based on this information.
- 3.) At the 50% point in the semester faculty turn in revised attendance rosters to the Registrar.
- 4.) Financial Aid makes secondary adjustments and cancellations prior to disbursing Aid, somewhere around the 60% of the semester.
- 5.) Subsequent to grades being posted at the end of each semester the Registrar presents to Financial Aid a list of students for whom the College cannot confirm attendance.
- 6.) Financial Aid cancels the awards for any aid recipient that appears on the Registrar's Walk Away Report.
- 7.) Involved students will be billed by the college for outstanding charges. Students that don't respond to billing demands will have their account assigned to the U.S. Department of Education Select Program for collection in accordance with our Internal Control Plan procedures.

Summary: The College is aware that the walk away process was not administered at the end of each semester. However the College did present auditors with a final list of walk away adjustments that was done prior to the conclusion of the audit. We respectfully ask that this finding be removed due to the fact that federal regulations do not dictate a timeframe process for walk-away students. In the future we will administer this process at the end of each enrollment period.

Responsible person: Dr. Terrance Gomes, Executive Vice President for Academic Affairs, and  
Dr. Rudolph Jones, Vice President for Enrollment Services  
Implementation date: December 31, 2002

**Institutions of Higher Education  
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**Finding Number 75: Pell Grant Recipient not Making Satisfactory Academic Progress**

Roxbury Community College (College) awarded a total of \$3,282 in Federal Pell Grant (Pell) funds to a student included in our sample of 25 students, who was not making satisfactory academic progress prior to the first semester of the award year. In reviewing the College's policy, the federal regulations, and the student's admissions file and transcripts we determined that the student was not in compliance with the program award requirements of satisfactory progress. Federal regulations promulgated under 34 CFR 690.75, Determination of Eligibility for Payment - Federal Pell Grant Program, states that:

“(a) For each payment period, an institution may pay a Federal Pell Grant to an eligible student only after it determines that the requirements of 34 CFR 668.19 have been met, and the student -- (1) qualifies as an eligible student under 34 CFR 668, subpart C.”

Further, 34 CFR 668.32 (f) requires the student to:

“Maintain satisfactory progress in his or her course of study according to the institution's published standards of satisfactory progress that satisfy the provisions of Sec. 668.16 (e)”.

The student received a Pell award of \$3,282 for the 2001-2002-award year (\$1,407/fall and \$1,875/spring semester). The student was awarded the fall and spring semester awards even though he was not making satisfactory progress at the end of the spring semester 2001. The student's transcript shows that he failed all his previous attempted courses totaling 34 credit hours and earned 7 “F” grade scores and 0 credit hours with a Grade Point Average (GPA) of 0.00 prior the fall semester 2001. In spite of not maintaining satisfactory progress, the College awarded the student the Pell of \$3,282 for the fall 2001 and spring 2002 semesters.

College officials stated that reviews of satisfactory progress for financial assistance awards recipients are made only once a year by the College, although the College disburses awards in each semester to the student. The College has no requirement for evaluating satisfactory academic progress that coincides with each payment period as required by federal regulation. There was no documentation within these students' files to identify any College administrative review of the student's academic record by awarding officials. (*Department of Education – Federal Pell Grant Program 84.063*)

**Recommendation**

Roxbury Community College should review its practices of reviewing students' satisfactory academic progress for those who are receiving Title IV funds to assure that they comply with federal regulations. These procedures should include a review of students receiving Title IV funds who are below the grade point and credit hour thresholds necessary to make satisfactory academic progress. When a student is below these thresholds, the College should notify the student and document clearly if and why the student is to be allowed to continue receiving Title IV financial support.

**Department Correction Plan**

The College is implementing procedures that require a review of student's satisfactory academic progress before the beginning of each semester as required by federal regulation. The Registrar's Office regularly runs student grade point averages and reviews satisfactory academic progress in terms of the number of courses completed each semester and for the entire career of the student at the College.

Responsible persons: Dr. Terrance Gomes, Vice President for Academic Affairs, and  
Quinton Wilder, Registrar

Implementation date: December 15, 2002

**Institutions of Higher Education  
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**Finding Number 76: Student Awarded Pell Grant Using Multiple Social Security Numbers and Different Dates of Birth**

Roxbury Community College (College) awarded \$3,682 in Federal Pell Grants (Pell) to one student, who may have applied to and received Title IV funds from the College under highly questionable and possibly false pretences.

The College's Admissions Office has the initial responsibility for verifying a student's admission to the College. The information provided by the Admissions Office is used by the Financial Aid Office to determine if the student was eligible for admission and potentially eligible for financial aid.

A student is eligible to receive Title IV, HEA program assistance if the student has a correct social security number as determined under in section 34 CFR 668.36(b)(1) which states as follows:

“An institution may not disburse any title IV, HEA program assistance funds to a student until the institution is satisfied that the student's reported social security number is accurate”.

Our review of the student's file revealed that the file contained six separate applications that were dated July 16, 1998, July 1, 1999, August 16, 2001, December 14, 2001, and two others that were undated. Further review of the student's applications revealed that three different social security numbers and two different dates of birth were entered by the applicant student. On the application dated August 16, 2001, the Admissions Office reported him as a “new” student despite previous dated applications on file and other documentation including notes and letters within the file that the student had previously applied and attended College in previous semesters. As a result of this determination the student was awarded \$3,682 in Pell Grants for the 2001-2002 academic year.

We further found that the student had used two more social security numbers, the fourth and fifth) in cashing two net refund checks totaling \$1,725 issued by the College which represented the balance of his student account for the fall 2001(\$713) and spring 2002 (\$1,012) semesters. In order to determine whether the College inappropriately awarded any additional funds to this student, we traced all social security numbers identified and used by the student to the College's Student Activity Receivable reports for the 2001-2002 award period. Although no additional student financial aid was given to this student during the current award period, our review of the Student Accounts Receivable Activity Reports for prior periods revealed that an outstanding balance of \$1,862 for this student, under another previously identified social security number, was owed the College for the fall 2000 semester. The College refunds to the student cited above were not applied to the student's previous balance as a result of his use of multiple social security numbers.

Additionally, we noted that this student was one of the twenty five tested that was not in compliance with the Title IV program award requirements of satisfactory academic progress, as discussed in Finding Number 75, “Pell Grant Recipients Not Making Satisfactory Academic Progress”. This student's transcript showed that he failed all attempted courses totaling 34 credit hours in previous semesters at the College. (*Department of Education – Federal Pell Grant Program 84.063*)

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**Finding Number 76: Student Awarded Pell Grant Using Multiple Social Security Numbers and Different Dates of Birth (continued)**

**Recommendation**

Roxbury Community College must contact the U.S. Department of Education to report the conditions cited in regard to this student applying for and receiving Title IV funds for further investigative review. The College must improve upon its verification practices and procedures to include review and resolution of situations involving students who have applied for admission to the College more than once prior to awarding any financial aid to the student. The College needs to improve upon its practices of tracking students application information by cross-checking that data within the Admissions, Registrars, Financial Aid, and Business Offices.

**Department Corrective Action Plan**

When an individual applies for admission to Roxbury Community College and completes an application, office staff transfer the information to a computer information data base. During 2002 and earlier years, the software was a Clearview product and did not identify duplicate numbers automatically. The new Jenzabar administrative and financial software automatically checks for identical numbers and sends a message to the staff member that this number is already in the file. Our policies do not permit multiple social security numbers for the same student and the staff member is instructed to check the information or application further. The capability to automatically check the data base for identical numbers, and internal control which results in greater integrity of the data base and student enrollment/eligibility was not possible in the legacy Clearview software.

Consequently, the new software will prevent similar fraudulent incidences in the future. The Jenzabar software has been functional since July 1, 2002.

Responsible person: Dr. Rudolph Jones, Vice President for Enrollment Services, and  
Raymond O'Rourke, Director of Financial Aid

Implementation date: The software was operational July 1, 2002. The prevention process is already  
in place.

**Institutions of Higher Education  
Roxbury Community College  
Findings on Reportable Conditions**

**Finding Number 77: Roxbury Community College Administration Needs Improvement**

During the fiscal year 2002 Single Audit we found that Roxbury Community College (College) made progress in improving its administration over Student Financial Assistance (SFA) Programs and other financial areas. However, we believe that the College still needs to improve in these areas, which have also been identified in two other reports.

Our prior audit found that the College could not provide information and documentation to substantiate the federal SFA awards for the 2000-2001 award year necessary to conduct an audit of its federal SFA programs. As such, the College was not complying with the U.S. Department of Education (DOE) standards of administrative capability. In addition, the audit disclosed that the College did not have (1) written policies and procedures, (2) systems in place to process, record and report accurate SFA data, (3) adequate staff to administer its programs, and (4) coordination between the student Financial Assistance Office and the Business Office. For that award year, DOE authorized the College a total of \$3,531,595 in Federal Pell Grant (Pell), Federal Supplemental Educational Opportunity Grant, and Federal Work-Study funds. The College only drew down \$3,246,629, which were questioned costs in last year's Single Audit.

Federal regulation, 34CFR668.14(b)4 states that an institution by entering into its program participation agreement with DOE:

“Agrees to establish and maintain such administrative and fiscal procedures and records as may be necessary to ensure proper and efficient administration of funds.”

The College attributed these problems to the lack of a computer system that integrates the Offices of Financial Assistance, Admissions, Registrar, and Business. While we agreed that the College may have been hampered by not having an integrated computer capability, our observations also indicated that turnover of the Financial Aid Director, uncertainty of duties within the Financial Assistance Office (FAO), lack of coordination between the FAO and the Business office, and poor management practices and director oversight were at least as critical in causing the conditions previously described.

The prior audit recommended that the College in conjunction with the Board of Higher Education temporarily assign the necessary personnel and other resources to the FAO and Business Office to correct the administration and processing of SFA in a timely and accurate manner. There was an immediate need to establish proper records and procedures for the fall term. We also recommended that the College should review, evaluate and document current policies and procedures and develop procedures and controls to improve the administration, documentation, and oversight of its SFA programs. The College also needed to reconcile its records, make the appropriate adjustments during the FISAP edit period, and return funds to the respective grantor agencies.

**Institutions of Higher Education  
Roxbury Community College  
Findings on Reportable Conditions**

**Finding Number 77: Roxbury Community College Administration Needs Improvement (continued)**

The current audit revealed some improvements in addressing the prior year's audit issues, however, improvements must continue to be made. The areas cited in last year's report included non-appropriated fund activity not reconciled monthly, the need to finalize DOE Office of Inspector General issues, lack of procedures to identify walk-away students, and inadequate administration of student financial assistance programs. These areas are all in need of continued improvement. New conditions found during this audit and included in this report include: noncompliance with reporting and disclosure of information; students inappropriately awarded Pell Grants without a documented high school diploma; student awarded a Pell Grant using incorrect social security numbers and different dates of births; Pell Grant recipient not making satisfactory academic progress; and the College's internal control plan needs to be updated.

Because of past conditions and results of prior Single Audits at the College, a Commonwealth Joint Agency comprised of staff from the Human Resource Division (HRD), The Operational Services Division (OSD), Information Technology Division (ITD), Comptroller's Office (OSC), Board of Higher Education (RGT), and State Auditor's Office (SAO) conducted a management review of the administrative and business operations of the College. In a report dated November 7, 2001 the Joint Agency review concluded, among other things, that the College needed to (1) fill the high level of vacancies it had, (2) implement a general ledger system, (3) develop and update its written policies and procedures, (4) show evidence of competitive procurements, (5) award, bill and disburse SFA in a more timely manner and (6) improve its accounting, tracking and reporting of its receivables.

As indicated above, the College's independent audit firm issued its report dated August 20, 2002 on its audit of the fiscal year 2001 financial statements. The auditor's report identified eight reportable conditions of noncompliance dealing with the not only SFA but also overall College fiscal matters, as follows:

- The College does not have a comprehensive integrated general ledger system. The College recorded activity in separate, decentralized, manual spreadsheets.
- The College has informal procedures to verify that the expenditures paid through the Commonwealth Statewide Accounting System, Massachusetts Management Accounting and Reporting System (MMARS) are proper, however, these procedures were ignored.
- The College did not have adequate internal controls to verify that students who received Federal and State financial aid met the minimum requirements.
- The College has inadequate procedures to track day tuition funds, which are required to be remitted to the Commonwealth of Massachusetts.
- The College was unable to generate an accurate listing of students accounts receivable from its computer software system as of June 30, 2001.
- The College has inadequate controls in remitting employee withholdings to respective third party timely. Each pay period, employees have a portion of their salaries withheld for certain items.
- Proper Segregation of duties between the Financial Aid Department and the Business Office were not always followed.
- One bank account was not reconciled by College personnel to the general ledger on a timely basis.

**Institutions of Higher Education  
Roxbury Community College  
Findings on Reportable Conditions**

**Finding Number 77: Roxbury Community College Administration Needs Improvement (continued)**

The independent auditor concluded that two of the conditions listed above, verification of expenditures paid through MMARS and inadequate controls to verify that students received federal and state financial aid met minimum requirements, were material weaknesses. The audit firm is in the process of auditing the fiscal year 2002 financial statements.

The College's Board of Trustees, recognizing the serious nature of the problems at the College, took preliminary action to improve overall operations beginning with the dismissal of the former President and the appointment of a new Interim President in February 2002. The Interim President assessed the conditions of both the academic and administrative operations and made some organized changes. The College began fiscal year 2003 by implementing new hardware and software, including a new comprehensive database management system to facilitate student services aimed at enhancing the efficiency and effectiveness of enrollment management.

In direct response our request for an update to the College's Corrective Action Plan (CAP) for this finding, the College responded on September 24, 2002, noting general improvements had been made since the last Single Audit Report was issued. The College explained that it had instituted procedures and general improvements that it believed would bring it into full compliance with federal regulations for administration of Title IV HEA programs as stated in 34 CFR 668.16. (*Department of Education - Federal Supplemental Educational Opportunity Grants 84.007, Federal Work-Study Program 84.033, and Federal Pell Grant Program 84.063; Fiscal Year 2001 Single Audit Finding 39*)

**Recommendation**

Roxbury Community College should continue to implement improvements as planned. The College must update and monitor its new electronic management database and financial operating system to ensure that its applications are performing as planned. Correction of prior years results reported continually should be monitored to ensure that full corrective action is implemented. The College should continue to review, evaluate, and update current policies and procedures as needed. Responsible College officials should ensure that improvements continue to be made in the administration, documentation, and oversight over SFA programs. All necessary recording of financial awards, activity, and reporting be monitored with any adjustments being made immediately into the College's electronically controlled operating system.

**Department Corrective Action Plan**

This finding cited improvement in the College's administration of financial aid at the College during fiscal year 2002 compared with earlier years but noted the continued need for improvement in management of the operations and the need to exercise due diligence in areas such as the completeness of the admission files.

The timeliness of awarding financial aid improved significantly this year. During fiscal year 2001, financial aid for the spring 2001 semester was not completed June 2001. We worked continuously this year to obtain student applications for aid earlier, and to call attention to the need for the completion of all required documentation. We were successful and this year, awarded aid to 85% of the completed applications before September 1, 2002.

**Institutions of Higher Education  
Roxbury Community College  
Findings on Reportable Conditions**

**Finding Number 77: Roxbury Community College Administration Needs  
Improvement (continued)**

**Department Correction Plan (continued)**

We are aware that the completeness of Admission's folders filed in the Registrar's Office continues to be a problem area. We are instituting a checklist of each item required in the Admission's folder to be completed, signed and dated by a staff member in the Admission's Office, and then in the Registrar's Office. This procedure should resolve the missing data issue.

Finally, the College's lack of a general ledger and accurate financial software has been a major handicap which has been resolved with the purchase of Jenzabar software. This software has been actively used starting July 1, 2002 and is meeting our expectations. With this software in place, we can now focus on the remaining managerial and operational issues commonly faced by Roxbury and other colleges: processing financial information in a timely manner, and the capability of submitting accurate reports in a timely manner.

Responsible person: Dr. William Fenstemacher, Vice President for Finance, and  
Carl Willis, Associate Vice President for Finance

Implementation date: December 31, 2002

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**Institutions of Higher Education  
Salem State College  
Findings on Compliance with Rules and Regulations**

**Finding Number 78: Credit Balances not Returned to Students Within Required Time**

Salem State College (College) continued not refunding credit balances to students in a timely manner. Federal regulation, 34 CFR 668.164(e) states that:

“Whenever a school credits Student Financial Aid (SFA) funds to a student’s account and those funds exceed the student’s allowable charges, a credit balance occurs. A school must pay the excess SFA program funds (the credit balance) directly to the student as soon as possible, but no later than 14 days after the later of:

- ...the date the balance occurred on the student’s account, if the balance occurred after the first day of class of a payment period, or
- ...the first day of classes of the payment period if the credit balance occurred on or before the first day of class of that payment period.”

A test of 5 students having credit balances disclosed that the College exceeded the 14-day limit for all 5 students by 22 to 98 days. The amounts ranged from \$44 to \$2,040 totaling \$2,956.31. In addition, the College has not paid credit balances to 8 of the 25 students in amount ranging from \$10 to \$2,040 totaling \$3,137.78.

In the prior audit, the College indicated that the Accounts Receivable Department of Student Financials was monitoring all student balances after Financial Aid was applied to student accounts to ensure the timely refund of credit balances. The procedures the College designed to monitor credit balances would, if effectively implemented, resolve this issue. However the College did not implement the procedures. (*Department of Education – Federal Pell Grant Program 84.063, Federal Supplemental Educational Opportunity Grants Program 84.007, Federal Direct Loan Program 84.268 and Federal Perkins Loan Program 84.038; Department of Health and Human Services – Nursing Student Loans 93.364; Fiscal Year 2001 Single Audit Finding 45*)

**Recommendation**

The College should implement the procedures to monitor credit balances to ensure that credit balances resulting from financial aid are paid to students within the required time.

**Department Corrective Action Plan**

As indicated by the auditors, the College developed procedures to monitor credit balances. The College did implement the procedures. However, due to a glitch in the software, the College was not able to refund credit balances resulting from financial aid within the required time to all students. We are working to correct the problem.

Responsible person: John F.X. Donovan, Executive Director of Financial Services  
Implementation date: November 15, 2002

**Institutions of Higher Education  
Salem State College  
Findings on Compliance with Rules and Regulations**

**Finding Number 79: Title IV Program Funds Need to Be Returned**

The previous Single Audit noted Salem State College (College) was late in calculating refunds (return of funds) to federal financial aid programs because new software did not identify student withdrawals (walk-aways) in a timely manner. The audit noted \$51,945 needed to be returned to the respective programs.

During the current audit the College provided documentation to show it returned the proper amounts to the U.S. Department of Education and Direct Loan Servicing Center on January 29, 2002. The College instituted procedures to identify unofficial withdrawals (walk-aways). The Registrar's Office asks faculty members to complete a report, at the end of the tenth week of each semester, which identifies students as "never attended", or "no longer attended" with a last date of attendance. The Registrar's Office then scans the forms to generate a "Not Attending Report" which is used by the Financial Aid Office to determine if a return of funds calculation is necessary.

Our review of walk-away and return of funds data for academic year 2001-2002 showed marked improvement in identifying withdrawals and making the return of funds calculation. However, four students on the list of walk-aways were identified for which a return of funds calculation should have been made and was not. We informed the Financial Aid Office and it calculated the refunds as \$98 for Federal Supplemental Education Opportunity Grants Program and \$3,825 for the federal loan programs.

We also noted five additional returns of fund calculations that were made more than 30-days after the institution determined that the student withdrew. Federal regulations (34 CFR 668.22) requires refunds to be made within 30-days after the institution determines that the student withdrew. The time required, to make the refund calculation ranged from 37 to 120 days. (*Department of Education - Federal Pell Grant Program, 84.063, Federal Direct Loan Program, 84.268, Federal Family Education Loan Program 84.032, and Federal Supplemental Educational Opportunity Grants, 84.007; Fiscal Year 2001 Single Audit Finding 47*)

**Recommendation**

Salem State College should return the funds to the proper programs for the four walk-away students and ensure that return of funds are made in a timely manner.

**Department Corrective Action Plan**

The College has returned the appropriate funds to the proper programs for the four walk-away students.

Responsible person: John F.X. Donovan, Executive Director of Financial Services

Implementation date: October 31, 2002

**Institutions of Higher Education  
Salem State College  
Findings on Compliance with Rules and Regulations**

**Finding Number 80: Amounts Reported on the Perkins Loan Program Fiscal Operations Report and Application to Participate (FISAP) and Nursing Student Loan Annual Operating Report (AOR) Do not Agree with the College's General Ledger**

The 2002 federal financial reports filed by Salem State College (College) for the Federal Perkins Loan Program (Perkins) and Nursing Student Loans (NSL) did not agree in many aspects with the College's general ledger. The issue was reported in the 1999-2001 Single Audit reports. The financial reports were prepared from information supplied by the loan servicing agency, bank account information and internal college records. The general ledger balances and other bank account balances were not consistently included in the FISAP and the AOR reports.

A companion of major accounts on the financial reports versus the College's general ledger follow:

<b>Account</b>	<b>Perkins Loan</b>		<b>Nursing Loan</b>	
	<b>FISAP</b>	<b>General Ledger</b>	<b>AOR</b>	<b>General Ledger</b>
Cash	\$ 39,488	\$ 188,815	\$ 64,309	\$193,165
Loans Receivable	6,962,900	1,702,674	1,819,827	631,814
Collections/Principal	(4,788,496)	(8,679)	(1,112,993)	(4,926)
Offsets (assignments, cancellations, etc.)	(471,345)	-	(17,708)	-
Net Loans Receivables	1,703,034	1,693,995	689,127	626,888
Federal Capital Contributions	1,751,849	1,752,331	633,217	374,029
Institutional Capital Contributions	363,085	-	101,411	-
Interest and Other Income	787,275	30,203	191,562	14,823
Fund Balance	-	150,995	-	431,390

In last year's Single Audit it was recommended that the College incorporate in its general ledger the chart of accounts that are used in the FISAP and AOR financial reports. We also recommended that the College include the loan service agency bank balances in the respective reports regarding cash balances. Our analysis of each program follows:

**Perkins Loan Program (FISAP)**

The College included the loan servicing bank account in the FISAP cash balance as recommended in the prior year audit report. The FISAP cash balance consists of general ledger accounts loan servicing and loan account. Three other cash accounts in the general ledger totaling \$149,327 for the Perkins program are not included in the FISAP report.

The College did not make journal entries to the general ledger using the complete FISAP chart of accounts and the 2001 balances forward. Instead the College entered the net loans receivable from the 2001 FISAP report. The College needs to maintain separate accounts for loan cancellations, collections, and other credits to facilitate report preparation and possible reimbursement by the federal government for uncollectible loans. The College in fiscal year 2002 established a federal contributions account within the general ledger by reducing fund balance. There is a difference of \$482 between the contributions account in the FISAP and general ledger. We also noted that the College misreported the following:

**Institutions of Higher Education  
Salem State College  
Findings on Compliance with Rules and Regulations**

**Finding Number 80: Amounts Reported on the Perkins Loan Program Fiscal Operations Report and Application to Participate (FISAP) and Nursing Student Loan Annual Operating Report (AOR) Do not Agree with the College's General Ledger (continued)**

<b>FISAP Line Number</b>		<b>FISAP</b>	<b>AFSA</b>
Line 15	Loan Cancellations (Death/Disability)	\$ 26,704	\$ 26,090
Line 16	Loan Cancellations (Bankruptcy)	12,458	11,657
Line 23	Interest Income on Loans	653,940	640,642
Line 24	Other Income	33,151	31,844

In preparing the FISAP, the College used the loan-servicing agency consolidated loan report, which included non-Perkins activity. This action caused all of the differences noted above.

**Nursing Student Loan (AOR)**

The College did not make the required entries to the general ledger for the prior year balances using the correct chart of accounts. Instead, only one balance for the federal capital contribution of \$374,029 was established in the general ledger on June 30, 2002 that differs from the AOR report which shows a balance of \$633,217. The AOR's reported cash balance of \$64,309 does not agree with any individual or combined cash accounts within the general ledger. (*Department of Education – Federal Perkins Loan Program 84.038; Department of Health and Human Services – Nursing Student Loans 93.364; Fiscal Year 1999; 2001 Single Audit Finding 43*)

**Recommendation**

The College needs to establish general ledger accounts and balances that can be used to prepare the required financial reports. The College needs to investigate differences between the books and the reports and file amended reports.

**Department Corrective Action Plan**

The College has already established the appropriate general ledger accounts. It will make every effort to populate the accounts with the correct balances. Differences between the books and the reports will be explored and amended reports will be filed as necessary.

Responsible person: John F.X. Donovan, Executive Director of Financial Services  
Implementation date: January 31, 2002

**Institutions of Higher Education  
Salem State College  
Findings on Compliance with Rules and Regulations**

**Finding Number 81 : Unreconciled Cash for Title IV Programs**

At the fiscal year end of June 30, 2002, Salem State College (College) had unreconciled cash balances for both the Federal Pell Grant Program (Pell) and the Federal Supplemental Educational Opportunity Grants Program (FSEOG). The College's general ledger showed cash deficits of \$68,110 for Pell and \$10,465 FSEOG. Prior single audits (1999-2001) reported unreconciled cash balances (general ledger to bank statements) and unexplained cash deficits or balances, conditions which are inconsistent with drawing funds only as needed and disbursing funds shortly thereafter. In fiscal year 2002, the cash deficits were caused by disbursements in excess of drawdowns and transfers as of June 30, 2002 are as follows:

	<b>Pell</b>	<b>FSEOG</b>
Drawdowns from Department of Education (DOE)	\$ 2,667,574*	\$ 244,781
Transfer from Federal Work-Study (FWS)	-	<u>151,339</u>
		396,120**
Disbursements	<u>2,736,910**</u>	<u>406,585**</u>
	<u>\$ 69,336</u>	<u>\$ (10,465)</u>

\*General Ledger shows \$2,669,684 which includes \$2,100 which belongs to FWS.

\*\*Agrees to General Ledger.

The College's authorizations for fiscal year 2002 for Pell and FSEOG were \$2,700,124 and \$244,781, respectively. Unless the College intends to self-finance these grants it needs to increase its maximum authorization for drawdowns and transfers for each program, if possible, to cover the recorded disbursements. Although the drawdown and disbursement rosters as well as the general ledger detail the negative cash balances, the College did not provide sufficient bank reconciliation data to support the cash balances. The Pell and FSEOG programs at the College have the following cash accounts per their respective trial balances at June 30, 2002:

<b>General Ledger Account Number</b>	<b>Cash Account Name</b>	<b>Pell Fund 2200 Balance</b>	<b>FSEOG Fund 2201 Balance</b>
1000	Massachusetts Municipal Depository Trust (MMDT)	\$ 3,339	-
1002	Clearing	117,179	\$ 25,373
1004	Payables	(289,835)	(58,138)
1018	Federal Grants Control	<u>101,207</u>	<u>22,300</u>
	Totals	<u>\$ (68,110)</u>	<u>\$ (10,465)</u>

The above accounts are pooled with other college funds in the four bank accounts. The following problems were noted in the reconciliations process:

- The College did not provide us a bank reconciliation or account distribution for the payables account. The College indicated that this account is a check writing account and should have a zero balance.
- The MMDT bank account is not reconciled to the MMDT general ledger but rather the MMDT account is added to the clearing account balance and both are reconciled to the combined bank

**Institutions of Higher Education  
Salem State College  
Findings on Compliance with Rules and Regulations**

**Finding Number 81: Unreconciled Cash for Title IV Programs (continued)**

statement balances. Investment activity is not booked in a timely manner. The effect of this timing difference is that MMDT is understated while the clearing account is overstated.

Evidence indicates that the College does not reconcile bank accounts timely. It did not provide the June 2002 bank reconciliations until September 2002. At our entrance conference on June 18 2002, we requested the May 2002 bank reconciliations to ensure that cash was being reconciled on a timely basis. The College never provided the May reconciliations and continually stated that it hired an employee to do bank reconciliations. Therefore, bank reconciliations were not performed timely throughout fiscal year 2002 indicating cash was neither controlled nor safeguarded adequately. As a result, the College may not be complying with its Program Participation Agreement (34CFR, 668.14) with the Secretary of Education whereby the College agreed that:

“It will establish and maintain such administrative and fiscal procedures as may be necessary to ensure proper and efficient administration of funds received from the Secretary . . .”

*(Department of Education – Federal Pell Grant Program 84.063 and Federal Supplemental Educational Opportunity Grants Program 84.007; Fiscal Year 2001 Single Audit Finding 44)*

**Recommendation**

In order to properly control cash the College needs to prepare proper, timely bank reconciliations and compare the pooled cash balances with its general ledger account distributions. The College should seek increased authorizations to avoid Pell and FSEOG deficits.

**Department Corrective Action Plan**

The College is working with its bank in exploring new software and services that may be available that will facilitate the College's cash reconciliation process. The new technology and services, coupled with a college accountant who is dedicated to cash reconciliation, should ensure timely cash reconciliation of all accounts.

When FSEOG and Pell disbursements are done in PeopleSoft, a disbursement file is created and sent to the DOE immediately after the disbursement run. This in turn increases our authorization level. In 2001-2002, we were having difficulties with the disbursement flat file sent to DOE. We do not anticipate this problem in the future. Authorization levels should be equal to drawdowns.

Responsible person: John F.X. Donovan, Executive Director of Financial Services  
Implementation date: January 31, 2003

**Institutions of Higher Education  
Salem State College  
Findings not Repeated from Prior Years**

1. Salem State College (College) did not maintain the Nursing Student Loans and the Federal Perkins Loans funds in interest bearing accounts. In January 2002 the College established interest-bearing accounts for both Loan Programs. *(Fiscal Year 2001 Single Audit Finding 42)*
  
  2. Salem State College (College) did not report a student loan and related records to the Loan Organization Center (LOC) within 30-days as required by federal regulations. The College informed us that its current financial aid software electronically informs the LOC by generating a Disbursement Status Report within five days after the loan disbursement. The Disbursement Status Report gives the date the loan was disbursed and the date LOC was notified and the information was accepted into the LOC files. A test of five students from the Federal Direct Loan Roster showed that all disbursements were reported to LOC within the 30-day requirement. *(Fiscal Year 2001 Single Audit Finding 46)*
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## Various Departments Findings not Repeated from Prior Years

1. The Information Technology Division (Division) did not properly distribute the cost of tape and report storage in its final fiscal year 2000 rates. The necessary rate adjustments were made in the computation of the 2001 final rates. *(Fiscal Year 2001 Single Audit Finding 48)*
  
2. Some grants administered by the Department of Social Services (Department) were assessed indirect costs by the Office of the Comptroller using a 17.10% rate rather than charging the grants in accordance with Department's cost allocation plan. After the total allowable costs indirect costs for fiscal year 2001 on a program -by-program basis, an adjustment was made to only charge the maximum amount allowable for each program in accordance the Department's cost allocation plan. *(Fiscal Year 2001 Single Audit Finding 49)*