

# OFFICE OF THE STATE AUDITOR

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# DIANA DIZOGLIO

Official Audit Report – Issued May 29, 2024

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## Executive Office for Administration and Finance

For the period July 1, 2020 through April 30, 2022



OFFICE OF THE STATE AUDITOR  
**DIANA DIZOGLIO**

May 29, 2024

Matthew Gorzkowicz, Secretary  
Executive Office for Administration and Finance  
24 Beacon Street  
State House, Room 373  
Boston, MA 02133

Dear Secretary Gorzkowicz:

I am pleased to provide to you the results of the enclosed performance audit of the Executive Office for Administration and Finance. As is typically the case, this report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2020 through April 30, 2022. As you know, my audit team discussed the contents of this report with agency managers. This report reflects those comments.

In addition to providing this report to you, I request a meeting to discuss these findings and the Commonwealth's budget process, which occurred during the conduct of this audit. Over at least the last decade, the Executive Office for Administration and Finance has engaged with the Office of the State Auditor regarding budget needs and requests, regardless of the timing of our audits. It's very concerning that the Executive Office for Administration and Finance recently and decidedly chose not to engage with our office for the fiscal year 2025 budget.

Our office would like to gain an understanding of why this change from the norm occurred during the course of our audit.

I look forward to a productive discussion with you.

Regards,



Diana DiZoglio  
Auditor of the Commonwealth

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## LIST OF ABBREVIATIONS

A&F	Executive Office for Administration and Finance
CARES	Coronavirus Aid, Relief, and Economic Security
CvRF	Coronavirus Relief Fund
CvRF-MP	Coronavirus Relief Fund Municipal Program
FFO	Federal Funds Office

## EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of the Executive Office for Administration and Finance (A&F) for the period July 1, 2020 through April 30, 2022.

The purpose of our audit was to determine the following:

- whether A&F's Federal Funds Office (FFO) established a desk review<sup>1</sup> process of the Coronavirus Relief Fund (CvRF) Municipal Program (CvRF-MP) to ensure that all subrecipient expenditures and supporting documentation met the Coronavirus Aid, Relief, and Economic Security (CARES) Act requirements regarding how subrecipients spent funds they received through the CvRF, in accordance with the Office of the Comptroller of the Commonwealth's "Sub-Recipient Monitoring Policy";
- whether FFO sampled approximately one-third of eligible municipalities across four rounds of desk reviews, in accordance with the "Desk Review Scope and Methodology" section of FFO's "Compliance with COVID-19 Federal Funding" policy;
- whether FFO, if it identified desk reviews with findings related to CvRF compliance, (1) initiated a formal remediation process to ensure that municipalities with these findings employ enhanced policies and procedures moving forward and (2) recommended compliance best practices to the municipalities in question, in accordance with the "Eligibility Review" section of FFO's "Compliance with COVID-19 Federal Funding" policy; and
- whether A&F maintained a debarred vendor list that accurately reflects vendors that should not be awarded state contracts, in accordance with Section 29F(b) of Chapter 29 of the General Laws.

Below is a summary of our findings and recommendations, with links to each page listed.

<b>Finding 1</b> <b>Page <a href="#">10</a></b>	A&F's FFO could not ensure that all subrecipient expenditures and supporting documentation met the CARES Act requirements regarding how the subrecipient spent funds it received through the CvRF.
<b>Recommendation</b> <b>Page <a href="#">11</a></b>	FFO should collect all necessary supporting documentation from the municipalities it sampled during its desk review process.
<b>Finding 2</b> <b>Page <a href="#">11</a></b>	FFO did not initiate its formal remediation process for municipalities that had desk review findings.

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1. According to a memorandum from A&F to the chief executives of Massachusetts cities and towns, dated November 12, 2020, a desk review (also called a desk audit) consists of evaluating the documentation that a municipality provided to support its use of funds it received through the CvRF. These reviews may involve meetings and possible site visits. FFO reviews one CvRF-MP expenditure for each municipality that it samples for evaluation. If FFO identifies any desk reviews with findings related to CvRF compliance, then FFO initiates a formal remediation process, which includes meeting with the municipality to discuss the finding(s) in more detail.

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<b>Recommendations</b> <b>Page <u>12</u></b>	<ol style="list-style-type: none"><li>1. FFO should conduct meetings with every municipality that has desk review findings.</li><li>2. FFO should, as part of its formal remediation process, develop and document guidelines for conducting meetings with any municipality that has desk review findings.</li></ol>
<b>Finding 3</b> <b>Page <u>14</u></b>	A&F did not maintain a consolidated debarred vendor list that contained all required information.
<b>Recommendations</b> <b>Page <u>15</u></b>	<ol style="list-style-type: none"><li>1. A&amp;F should maintain a consolidated debarred vendor list.</li><li>2. A&amp;F should develop policies, procedures, and internal controls to ensure that it maintains a consolidated debarred vendor list that contains all the required information.</li></ol>

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## OVERVIEW OF AUDITED ENTITY

The Executive Office for Administration and Finance (A&F) was established under Section 2 of Chapter 7 of the Massachusetts General Laws. It is responsible for planning and executing fiscal and administrative policies for the Commonwealth, and it is headed by the Secretary of Administration and Finance, who is a member of the Governor's cabinet. Section 3 of Chapter 7 of the General Laws establishes the following responsibilities of A&F:

- (1) Developing, co-ordinating, administering and controlling the financial policies and programs of the commonwealth;*
- (2) Supervising the organization and conduct of the business affairs of the departments, commissions, offices, boards, divisions, institutions and other agencies within the executive department of the government of the commonwealth;*
- (3) Developing new policies and programs which will improve the organization, structure, functions, economy, efficiency, procedures, services and administrative practices of all such departments, commissions, offices, boards, divisions, institutions and other agencies.*

A&F provides oversight and sets policy for the following state agencies: the Operational Services Division, the Division of Capital Asset Management and Maintenance, the Department of Revenue, the Human Resources Division, the Division of Administrative Law Appeals, the Civil Service Commission, the Appellate Tax Board, the Designer Selection Board, and the Supplier Diversity Office.

In addition, A&F provides limited oversight and technical support to the following state agencies: the Bureau of the State House, the Group Insurance Commission, the Massachusetts Office on Disability, the Massachusetts Developmental Disabilities Council, and the State Library of Massachusetts.

### **Coronavirus Relief Fund**

According to A&F's website, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted by Congress on March 27, 2020, provided Massachusetts with approximately \$2.7 billion from the Coronavirus Relief Fund (CvRF) to cover expenses related to the COVID-19 pandemic. Section 601(d) of Title VI of the Social Security Act required that payments from the CvRF could only cover expenses that met the following criteria:

- (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);*
- (2) were not accounted for in the budget most recently approved as of the date of enactment of this section [March 27, 2020 (the enactment date of the CARES Act)] for the State or government; and*
- (3) were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.*

The US Department of the Treasury administered the CvRF. The Office of Inspector General (which is under the US Department of the Treasury) had oversight of CvRF payments. As such, the Office of Inspector General provided guidance to CvRF recipients on how to report their use of the funds they received through the CvRF to ensure compliance with the CARES Act.

The Commonwealth used part of the CvRF to make approximately \$502 million available to municipalities through the CvRF Municipal Program (CvRF-MP). According to A&F's website, the Commonwealth distributed these funds to the municipal subrecipients in the following three rounds:

- In Round 1, which occurred in May and June of 2020, 258 municipalities received approximately \$95 million [total] in payments.*
- In Round 2, which occurred in October 2020, 276 municipalities received approximately \$230 million [total].*
- In the Reconciliation Period, which was structured as a reimbursement round, 295 municipalities received approximately \$117 million [total].*

## **Federal Funds Office**

According to A&F's website, it "is responsible for maximizing federal revenue and minimizing compliance risks associated with federal grants in the Commonwealth."

A&F established the Federal Funds Office (FFO) when Congress provided Massachusetts COVID-19 funding in spring 2020. FFO is responsible for managing CvRF money, including distributing it to municipalities through the CvRF-MP. Since December 2020, FFO has been conducting desk reviews of CvRF-MP expenditures to ensure that municipalities spend the funds appropriately and are compliant with applicable policy guidance.



## **Vendor Contracts**

Massachusetts state agencies and departments award contracts to vendors for various items and services. The Office of the Comptroller of the Commonwealth and the Operational Services Division jointly issued a policy on July 1, 2004 (last revised on May 20, 2011), "State Finance Law and General Contract Requirements," which identifies the minimum contracting requirements that all state agencies must follow. One of these requirements dictates that each state agency must check federal and state debarred vendor lists to ensure that it does not award a contract to a debarred vendor.

## **Debarred Vendor Lists**

The federal government and/or the state government can debar or suspend vendors from receiving public contracts for several reasons. According to the Operational Services Division's website, these reasons include, but are not limited to, "fraud, collusion, attempts to improperly influence a bid process or indictment by the bidder/contractor." As such, there are various federal and state debarred vendor lists. A&F publishes its debarred vendor list on the Division of Capital Asset Management and Maintenance's website. This website also contains links to other debarred vendor lists published by the Office of the Attorney General, the Department of Industrial Accidents, and the Massachusetts Department of Transportation. (See Finding [3](#), which highlights an issue that we identified during the audit; A&F did not maintain a consolidated debarred vendor list that contained all required information.)

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## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Executive Office for Administration and Finance (A&F) for the period July 1, 2020 through April 30, 2022.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Did A&F's Federal Funds Office (FFO) establish a desk review process of the Coronavirus Relief Fund (CvRF) Municipal Program (CvRF-MP) to ensure that all subrecipient expenditures and supporting documentation met the Coronavirus Aid, Relief, and Economic Security (CARES) Act requirements regarding how subrecipients spent funds they received through the CvRF, in accordance with the Office of the Comptroller of the Commonwealth's "Sub-Recipient Monitoring Policy"?	<b>Partially; see Finding <u>1</u></b>
2. Did FFO sample approximately one-third of eligible municipalities across four rounds of desk reviews, in accordance with the "Desk Review Scope and Methodology" section of FFO's "Compliance with COVID-19 Federal Funding" policy?	<b>Yes</b>
3. If FFO identified desk reviews with findings related to CvRF compliance, did FFO (1) initiate a formal remediation process to ensure that municipalities with these findings employ enhanced policies and procedures moving forward and (2) recommend compliance best practices to the municipalities in question, in accordance with the "Eligibility Review" section of FFO's "Compliance with COVID-19 Federal Funding" policy?	<b>No; see Finding <u>2</u></b>
4. Did A&F maintain a debarred vendor list that accurately reflects vendors that should not be awarded state contracts, in accordance with Section 29F(b) of Chapter 29 of the General Laws?	<b>No; see Finding <u>3</u></b>

To accomplish our audit objectives, we gained an understanding of the aspects of the internal control environment relevant to our objectives by reviewing A&F's internal control plans in place during the audit period and by interviewing A&F officials.

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To obtain sufficient, appropriate evidence to address our audit objectives, we performed the following procedures.

### **Desk Reviews Process**

We selected a random, nonstatistical sample of 35 desk reviews from the population of 108 desk reviews conducted by FFO during the audit period. We did this to determine whether FFO established a desk review process of the CvRF-MP to ensure that all subrecipients met the CARES Act requirements regarding expenditures and supporting documentation for CvRF payments. We reviewed the desk reviews, which included the supporting documentation necessary for FFO to conduct its review (i.e., budgets, invoices, and payroll records), and FFO's approvals of expenditures to determine whether it complied with the CARES Act requirements for CvRF payments.

We used nonstatistical sampling methods for testing and therefore did not project the results of our testing to the population.

Based on the results of our testing, we determined that, during the audit period, FFO did not ensure that all subrecipient expenditures and supporting documentation met the CARES Act requirements regarding how that subrecipient spent funds it received through the CvRF. See Finding 1 for more information.

### **Sample of Eligible Municipalities**

To determine whether FFO sampled approximately one-third of eligible municipalities across four rounds of desk reviews, we reviewed a list of the 323 municipalities that were eligible to receive funds through the CvRF-MP, which we received from A&F officials. We compared this list to the 108 desk reviews that FFO conducted during the audit period. We reviewed emails and letters notifying the municipalities of the desk review and the results of the desk review to verify that the desk reviews were performed.

We noted no exceptions in our testing; therefore, we determined that, during the audit period, FFO sampled approximately one-third of eligible municipalities across four rounds of desk reviews.

### **Formal Remediation Process**

To determine whether FFO initiated a formal remediation process with municipalities if it identified desk reviews with findings related to CvRF compliance, we selected a random, nonstatistical sample of 20 desk reviews from the population of 80 desk reviews with findings. We reviewed the findings,

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recommendations, and close-out notifications (e.g., emails and letters that FFO sent to the municipalities to confirm the end of the desk review process) in our sample to ensure that FFO followed the formal remediation process. We also reviewed FFO's email inbox tool, which is on FFO's website and allows members of the public to submit fraud, waste, and abuse claims. We reviewed all eight fraud, waste, and abuse claims that members of the public submitted during the audit period to verify that FFO triaged each relevant claim to the appropriate agency for further investigation.

We used nonstatistical sampling methods for testing and therefore did not project the results of our testing to the population.

Based on the results of our testing, we determined that the following occurred during the audit period:

- FFO triaged all eight fraud, waste, and abuse claims to the appropriate agency for further investigation, but
- FFO did not conduct meetings as part of its formal remediation process for municipalities that had desk review findings, in accordance with FFO's "Desk Review Process for Coronavirus Relief Fund." See Finding 2 for more information.

### **Debarred Vendor List**

To determine whether A&F maintained a debarred vendor list that accurately reflects vendors that should not be awarded state contracts, in accordance with Section 29F(b) of Chapter 29 of the General Laws, we took the following actions. We reviewed the debarred vendor list that the Division of Capital Asset Management and Maintenance publishes on its website (which it does on behalf of A&F), and we interviewed A&F officials about any updates the Division of Capital Asset Management and Maintenance made to this debarred vendor list during the audit period. Further, we reviewed all state debarred vendor lists published by other state agencies, to which the Division of Capital Asset Management and Maintenance links on its website.

Based on the results of our testing, we determined that, during the audit period, A&F did not maintain a consolidated debarred vendor list that contained all required information. See Finding 3 for more information.

### **Data Reliability Assessment**

To determine the reliability of the list of the 323 municipalities that were eligible to receive funds through the CvRF-MP, which we received from A&F officials, we selected all 323 eligible municipalities and traced

them to the Secretary of the Commonwealth's list of Massachusetts municipalities (which is available to the public on the Secretary of the Commonwealth's website) for agreement.

To determine the reliability of the list of 108 desk reviews conducted by FFO and the list of 80 municipalities that had findings resulting from those desk reviews conducted during the audit period (both of which A&F officials provided to us), first we selected a judgmental sample of 20 municipalities that had desk review findings and traced them to hardcopy close-out notifications for agreement. Second, we identified 28 municipalities that did not have desk review findings by comparing the list of 80 municipalities that had desk review findings to the population of 108 desk reviews FFO conducted. Then, we selected a judgmental sample of 20 municipalities that did not have desk review findings and traced the hardcopy close-out notifications to the list for agreement.

Based on the results of the data reliability assessment procedures described above, we determined that the information obtained for our audit period was sufficiently reliable for the purposes of our audit.

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## DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

### **1. The Executive Office for Administration and Finance's Federal Funds Office could not ensure that all subrecipient expenditures and supporting documentation met the Coronavirus Aid, Relief, and Economic Security Act requirements regarding how the subrecipient spent funds it received through the Coronavirus Relief Fund.**

The Executive Office for Administration and Finance's (A&F's) Federal Funds Office (FFO) did not collect all necessary supporting documentation during its desk review process. Specifically, for 1 of the 35 desk reviews in our sample, FFO could not provide us with evidence that the expenditure was incurred during the period March 1, 2020 through December 31, 2021.<sup>2</sup>

If FFO does not collect all necessary supporting documentation, then it cannot ensure that it reviews each Coronavirus Relief Fund (CvRF) Municipal Program expenditure for compliance with the Coronavirus Aid, Relief, and Economic Security Act. This could then lead the Federal government to recoup funds received through the CvRF.

### **Authoritative Guidance**

The Office of the Comptroller of the Commonwealth's "Sub-Recipient Monitoring Policy" states,

*State departments that accept federal funds are responsible for monitoring the use of those funds, even when the grants are sub-awarded to one or more non-profit providers or other government entities (subrecipients). Even though a department does not directly expend the funds for program/grant use, the department is responsible for sufficient oversight of the award to ensure funds are spent in accordance with the federal grant requirements.*

Section 601(d) of Title VI of the Social Security Act requires that CvRF payments can only cover expenses that "were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021."

### **Reasons for Issue**

FFO did not provide a reason why it did not collect the necessary supporting documentation for the one expenditure in question.

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2. This expenditure was a purchase by the Town of Natick for \$7,250 for software to virtually inspect buildings.

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## Recommendation

FFO should collect all necessary supporting documentation from the municipalities it sampled during its desk review process.

## Auditee's Response

*To mitigate risk associated with timeliness of expenditures, the Executive Office for Administration & Finance's Federal Funds Office ("FFO") has performed in-depth desk reviews of 108 municipalities, representing 33% of Massachusetts municipalities in receipt of Coronavirus Relief Fund ("CvRF Municipal Program") administered through FFO. In addition, FFO completed comprehensive programmatic closing efforts, inclusive of the identified municipality, and in accordance with US Treasury guidance to close and report the CvRF Municipal Program. This review process included a review of each line-item appropriating federal funds to assess whether each expenditure funded by these line-items was reasonably related to an eligible use category.*

*FFO notes the Office of the State Auditor's ("SAO") findings and its recommendations. The CvRF Municipal Program, which was the subject of this finding, had closed. However, if a similar program is implemented in the future, FFO will be sure to establish policies that ensure that all necessary supporting documentation for each review is collected.*

## Auditor's Reply

FFO notes in its response to our audit that it completed a "review of each line-item appropriating federal funds to assess whether each expenditure funded by these line-items was reasonably related to an eligible use category." However, FFO could not provide documentation confirming that one of the expenditures was incurred during the period March 1, 2020 through December 31, 2021, as required. We believe that during its desk review process, FFO should collect and review supporting documentation (as FFO did for the other 34 desk reviews we tested) related to any grant activity taken by its subrecipients to ensure that corresponding expenditures comply with the guidelines of the grant.

We encourage FFO to ensure that it collects all necessary supporting documentation during desk reviews for similar programs as well. As part of our post-audit review process, we will be following up on this issue in the near future.

## **2. The Federal Funds Office did not initiate its formal remediation process for municipalities that had desk review findings.**

FFO did not initiate a formal remediation process with municipalities that had findings from a desk review. A&F could not provide us with evidence that it conducted meetings with any of the municipalities from our sample of 20 desk reviews that had findings.

If FFO does not conduct meetings with municipalities to discuss desk review findings related to CvRF compliance, then there is a higher-than-acceptable risk that those municipalities may not understand, and subsequently may not be able to employ, FFO's recommendations, which include enhanced policies and procedures.

### **Authoritative Guidance**

According to the "Eligibility Review" section of FFO's "Compliance with COVID-19 Federal Funding" policy, "If there are findings on compliance with CvRF, the FFO team will initiate a formal remediation process to ensure enhanced policies and procedures are incorporated moving forward and recommend compliance best practices."

Section II(b) of FFO's "Desk Review Process for Coronavirus Relief Fund" document states, "FFO will engage the entity in meetings to discuss expenditure in more detail and clearly articulate documentation needed to make a final determination." This final determination may include removing the expenditure from the grant if significant findings are revealed during the desk review process.

### **Reasons for Issue**

When we met with FFO officials, they told us that they only conducted meetings with municipalities that they identified as having desk review findings related to CvRF compliance and that they did not meet with municipalities that had desk review findings unrelated to CvRF compliance. However, for municipalities in our sample that FFO identified as having desk review findings related to CvRF compliance, FFO did not provide any evidence that it conducted any meetings with these municipalities following a desk review.

### **Recommendations**

1. FFO should conduct meetings with every municipality that has desk review findings.
2. FFO should, as part of its formal remediation process, develop and document guidelines for conducting meetings with any municipality that has desk review findings.

### **Auditee's Response**

*While FFO did not have a documented formal remediation process, there was follow up conducted following findings in desk audits and there was an internal process in which FFO engaged in an interactive process with municipalities when a finding arose in the desk audit. During the course of the SAO audit, FFO provided backup documentation illustrating the remediation steps taken to address issues that arose during desk reviews, including references to and descriptions of these interactions with municipalities. The following documents were provided in response to this:*



- *Memorandum dated November 12, 2020, from [the] Secretary of Administration and Finance, to Chief Executives of Massachusetts Cities and Towns related to [the Coronavirus Aid, Relief, and Economic Security] Act Coronavirus Relief Fund – Desk Reviews*
- *Table depicts Desk Review groupings for each municipality*
- *Memorandum dated April 5, 2021, from [the Executive Office for Administration and Finance (ANF)]-FFO to Interested Parties regarding the Coronavirus Relief Fund Desk Review Processes*
- *Memorandum dated February 2022 from [an official from] ANF-FFO Compliance Counsel and Accenture [limited liability partnership] regarding the Desk Review Process for Coronavirus Relief Fund*
- *Table of ANF-FFO Desk Review findings by municipality*

*FFO also offered to make additional documentation, including email correspondence, available during the course of the audit to be responsive to this request. As part of the review process, FFO collected quarterly reports from each municipality to identify expenditures, assess eligibility for the CvRF Municipal Program, and to report to the U.S. Treasury. For all expenditures across all municipalities, FFO reviewed expense detail and descriptions for reasonableness and requested further information where necessary and did engage with the municipality as described above.*

*Since the timing of this audit, the CvRF Municipal Program has closed. As part of the closing process, FFO reviewed whether there were any ongoing responsibilities for FFO to continue in the practice of follow-on subrecipient monitoring. Sub-recipient monitoring is required by [Section 200.332 of Title 2 of the Code of Federal Regulations (CFR)] which applied to these funds as noted in Treasury's [CFR] guidance. Per 2 CFR 200, these obligations only apply in years in which funds are expended by the non-federal entity. To appropriately apply these requirements, FFO consulted with the Commonwealth's external auditor. . . . In this meeting, FFO was informed that post award close-out, we should not be monitoring subrecipients who had not expended funds in the fiscal year. Further, FFO performed comprehensive programmatic closing efforts, in accordance with US Treasury guidance, to close and report the CvRF Municipal Program. Accordingly, while FFO agrees that if continued monitoring had been needed, we would implement formal remediation processes which included meetings, that recommendation is not applicable to the current status of the program. However, should a similar program be implemented in the future, FFO will be sure to establish policies that ensure that remediation processes are properly documented and followed.*

## **Auditor's Reply**

In its response, FFO lists documents it provided to us that it describes as “illustrating the remediation steps taken to address issues that arose during desk reviews, including references to and descriptions of these interactions with municipalities.” However, while these listed documents were provided to us for background information regarding FFO’s desk review process (including what FFO’s procedures should be), they are not evidence confirming the remediation steps that FFO actually took regarding its desk reviews. In addition, one of the listed documents includes FFO’s procedure for meeting with municipalities

to discuss desk review findings. As stated in the "Authoritative Guidance" section for Finding 2, this procedure states, "FFO will engage the entity in meetings to discuss expenditure in more detail and clearly articulate documentation needed to make a final determination." As such, FFO did not provide any evidence that it conducted any meetings with municipalities that had findings resulting from desk reviews.

FFO also discusses the subrecipient monitoring required by Section 200.332 of Title 2 of the Code of Federal Regulations and states, "Per 2 CFR 200, these obligations only apply in years in which funds are expended by the non-federal entity [in this case, municipalities]." However, Section 200.332(d)(2) of Title 2 of the Code of Federal Regulations requires that pass-through entities,<sup>3</sup> such as FFO, follow up with subrecipients regarding all findings pertaining to federal awards. It specifically states,

*Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.*

In its response, FFO states, "Post award close-out, we should not be monitoring subrecipients who had not expended funds in the fiscal year." However, FFO's own policies required that it conducts meetings with municipalities that had findings from desk reviews, and FFO did not provide evidence that it conducted these meetings.

We strongly encourage FFO to implement our recommendations, which are as follows: (1) FFO should conduct meetings with any municipality that has desk review findings and (2) FFO should, as part of its formal remediation process, develop and document guidelines for conducting meetings with any municipality that has desk review findings. As part of our post-audit review process, we will be following up on this issue in the near future.

### **3. The Executive Office for Administration and Finance did not maintain a consolidated debarred vendor list that contained all required information.**

A&F did not maintain a consolidated debarred vendor list that contained all required information. Instead, it relied upon lists to which the Division of Capital Asset Management and Maintenance links on its website.

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3. According to Section 200.1 of Title 2 of the Code of Federal Regulations, a pass-through entity is "a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program."

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Our review also found that the lists to which the Division of Capital Asset Management and Maintenance linked on its website were missing information. Specifically, those lists did not include the extent of debarment restrictions and, in cases involving suspensions, hearing dates for debarment proceedings.

Because state agencies must check multiple debarred vendor lists before awarding a contract, if A&F does not maintain a consolidated debarred vendor list that contains all the required information, then there is a higher-than-acceptable risk that state agencies could mistakenly award state contracts to debarred vendors.

## Authoritative Guidance

According to Section 29F(b) of Chapter 29 of the General Laws,

*The secretary of administration and finance shall establish and maintain a consolidated list of contractors to whom public contracts shall not be awarded and from whom offers, bids or proposals shall not be solicited.*

*The list shall show at a minimum the following information: . . . (3) the extent of restrictions imposed; . . . and (5) in the case of a suspension, the hearing date, if and when set, for debarment proceedings.*

## Reasons for Issue

According to A&F officials, A&F's debarred vendor list is maintained by the Division of Capital Asset Management and Maintenance. Other state agencies maintain their own debarred vendor lists, to which the Division of Capital Asset Management and Maintenance links on its website. Because each state agency maintains its own debarred vendor list, A&F does not have policies, procedures, and internal controls regarding the maintenance of a consolidated debarred vendor list across all state agencies.

## Recommendations

1. A&F should maintain a consolidated debarred vendor list.
2. A&F should develop policies, procedures, and internal controls to ensure that it maintains a consolidated debarred vendor list that contains all the required information.

## Auditee's Response

*During the past few months, ANF has reviewed requirements and practices under [Section 29F of Chapter 29 of the General Laws,] which requires that the Secretary of Administration and Finance establish and maintain a consolidated list of contractors to whom public contracts shall not be awarded and from whom offers, bids or proposals shall not be solicited. ANF's practice to date has*

*been to have its Division of Capital Asset Management and Maintenance maintain a page that included a list of any vendors they had debarred and links to the debarred entity lists maintained by other authorities. Over the next year, we will consider and develop policies, procedures and internal controls to best meet that mandate beyond current practice.*

### **Auditor's Reply**

A&F states in its response, "Over the next year, we will consider and develop policies, procedures and internal controls to best meet that mandate beyond current practice." A&F should take measures even sooner to address our concerns on this matter, as every day that passes creates additional opportunities for state agencies and local governments to contract with debarred vendors. As part of our post-audit review process, we will be following up on this issue in the near future.