



Commonwealth of Pennsylvania

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# Single Audit Report

For the Fiscal Year  
Ended June 30, 2018

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Governor  
Tom Wolf

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**Commonwealth of Pennsylvania**  
**Single Audit Report**  
**For the Fiscal Year Ended June 30, 2018**



*Tom Wolf, Governor*

Prepared By:

*Jen Swails, Secretary*  
**Office of the Budget**

*John Raymond*  
**Chief Financial Officer**

*Anna Maria Kiehl, CPA*  
**Chief Accounting Officer**

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**Commonwealth of Pennsylvania  
Single Audit Report  
For the Fiscal Year Ended June 30, 2018**

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COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

JEN SWAILS  
SECRETARY  
GOVERNOR'S OFFICE OF THE BUDGET

March 19, 2019

To the United States Department of Health and Human Services:

We are pleased to submit the Commonwealth of Pennsylvania's (Commonwealth) Single Audit Report for the fiscal year ended June 30, 2018. This audit has been performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and satisfies the requirements of the Single Audit Act Amendments of 1996 and the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The Commonwealth's Comprehensive Annual Financial Report for the year ended June 30, 2018 has been issued under separate cover. The auditors' report on the supplementary schedule of expenditures of federal awards, and the reports on compliance and internal control over financial reporting and compliance with requirements related to major federal programs are contained in this document.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards reflects \$29.98 billion of federal expenditures by the Commonwealth during the fiscal year ended June 30, 2018. Most of the \$29.98 billion in federal expenditures occurred in ten state agencies, as follows:

AGENCY NAME	<b>FEDERAL EXPENDITURES</b> <b>(in thousands)</b>
Human Services	\$21,973,956
Labor & Industry	2,492,524
Education	2,177,911
Transportation	1,830,026
Health	453,030
Aging	159,855
Military & Veterans Affairs	144,660
Community & Economic Development	139,163
Environmental Protection	109,270
Agriculture	107,428
Subtotal	<u>\$29,587,823</u>
Other Agencies (19)	391,746
Grand Total	<u><u>\$29,979,569</u></u>

For purposes of the Commonwealth's single audit, a Type A federal program is any program with federal expenditures of at least \$44.97 million. Of the \$29.98 billion expended, 96 percent, or \$28.71 billion, represents expenditures under federal programs audited as major programs. The Summary of Auditors' Results lists the Commonwealth's 27 major federal programs for the fiscal year ended June 30, 2018.

#### FINDINGS AND RECOMMENDATIONS - CURRENT YEAR

The accompanying report for the fiscal year ended June 30, 2018 contains various findings, as disclosed in the Schedule of Findings and Questioned Costs. Findings pertaining to the audit of the Commonwealth's basic financial statements are detailed in the Basic Financial Statement Findings. Findings pertaining to the audit of the Commonwealth's federal programs are detailed in the Federal Award Findings and Questioned Costs. The findings contain detailed explanations of the compliance issues, questioned costs, the auditors' recommendations, and the agency responses. This report also includes the Commonwealth's corrective action plan for each finding.

#### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The Summary Schedule of Prior Audit Findings reflects the current status of prior year findings. The status of 38 findings are described from single audits between the years ended June 30, 2016 through June 30, 2017.

#### INDEPENDENT AUDIT

The Commonwealth's June 30, 2018 single audit and basic financial statement audit were performed jointly by the Department of the Auditor General and the independent public accounting firm of CliftonLarsonAllen LLP. The audits were performed pursuant to the authority vested in the Auditor General and the Governor under Section 402 of the Fiscal Code of 1929, and in the Governor under Section 701 of the Administrative Code of 1929.

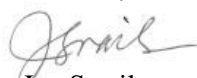
#### REPORTS OF OTHER INDEPENDENT AUDITORS

Other auditors performed the single audits of the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Housing Finance Agency, the State System of Higher Education (component units of the Commonwealth), and the Judicial Department of Pennsylvania (part of the primary government). Federal programs administered by these agencies are not included in the Commonwealth's Schedule of Expenditures of Federal Awards. These agencies have sent their single audit reports directly to the Federal Audit Clearinghouse for distribution to the appropriate federal agencies.

### **ACKNOWLEDGMENTS**

We wish to express our appreciation to the staff of the various Commonwealth agencies whose time and dedicated effort made this audit possible and, at the same time, to affirm our commitment to maintaining the highest standards of accountability in the Commonwealth's management of federal awards.

Sincerely,



Jen Swails  
Secretary of the Budget

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# Independent Auditors' Reports



Commonwealth of Pennsylvania



Department of the Auditor General  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120-0018



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**INDEPENDENT AUDITORS' REPORT**

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania

We have jointly audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents of the separately issued Comprehensive Annual Financial Report.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to jointly express opinions on these financial statements based on our audit. We did not jointly audit the financial statements of certain funds and component units of the Commonwealth, which represent the indicated percent of total assets and deferred outflows of resources and total revenues as presented in the table below. Those financial statements were audited by other auditors, including CliftonLarsonAllen LLP and the Commonwealth of Pennsylvania's Department of the Auditor General acting separately, whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those funds and component units, are based solely on the reports of the other auditors.

	<b>Percentage Audited Separately by</b>				<b>Percent Audited by</b>	
	<b>Department of the Auditor General</b>		<b>CliftonLarsonAllen LLP</b>		<b>Other Auditors</b>	
	<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>Total Revenue</b>	<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>Total Revenue</b>	<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>Total Revenue</b>
<b>Government-Wide</b>						
Business-type Activities	6%	21%	20%	4%	17%	1%
Component Units	0%	0%	19%	42%	81%	57%
<b>Fund statements</b>						
Enterprise Funds	6%	21%	19%	4%	17%	1%
Fiduciary Funds	1%	1%	57%	57%	35%	39%
<b>Discretely Presented Component Units</b>	0%	0%	19%	42%	81%	57%

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the State System of Higher Education, State Employees' Retirement System, the Deferred Compensation Fund, the Public School Employees' Retirement System, the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Higher Educational Facilities Authority, the State Public School Building Authority, the Port of Pittsburgh Commission, the Pennsylvania Turnpike Commission, and the Philadelphia Regional Port Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

#### ***Pennsylvania Turnpike Commission***

The Pennsylvania Turnpike Commission, a discretely presented component unit, has committed to making significant payments under an Amended Lease and Funding Agreement as required under the terms of Act 44 of 2007 and Act 89 of 2013. The Pennsylvania Turnpike Commission's ability to make such payments is dependent on its continuing capability to issue bonds to fund such payments and ultimately to raise tolls sufficient to repay its bonded debt and current lease payments (see Note 16). Our auditors' opinion was not modified with respect to this matter.

#### ***Change in Accounting Principle Resulting From Adoption of New Accounting Pronouncement***

During the fiscal year ended June 30, 2018, the Commonwealth adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the Commonwealth reported a restatement for the change in accounting principle (See Note 18). Our auditors' opinion was not modified with respect to the restatement.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20-42, and the schedules of pension and OPEB amounts, the budgetary comparison schedules, as listed in the table of contents and notes to the required supplementary information on pages 198-207, included in the separately issued Comprehensive Annual Financial Report, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The introductory section, combining non-major fund and component unit financial statements, budgetary comparison schedules for budgeted non-major special revenue funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund and component unit financial statements, and the budgetary comparison schedules for budgeted non-major special revenue funds, as listed in the table of contents of the separately issued Comprehensive Annual Financial Report, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth's internal control over financial reporting and compliance.



Harrisburg, Pennsylvania  
December 13, 2018



Baltimore, Maryland  
December 13, 2018



Department of the Auditor General  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120-0018



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CliftonLarsonAllen LLP  
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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania

We have jointly audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements, and have issued our report thereon dated December 13, 2018. Our report includes a reference to other auditors, including CliftonLarsonAllen LLP and the Commonwealth of Pennsylvania's Department of the Auditor General acting separately, who audited the financial statements of certain funds and component units of the Commonwealth, as described in our report on the Commonwealth's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors, which represent the indicated percent of total assets and deferred outflows and total revenues as described in our report on the Commonwealth's financial statements and as presented in the following table.

	<b>Percentage Audited Separately by</b>				<b>Percent Audited by</b>	
	<b>Department of the Auditor General</b>		<b>CliftonLarsonAllen LLP</b>		<b>Other Auditors</b>	
	<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>Total Revenue</b>	<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>Total Revenue</b>	<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>Total Revenue</b>
<b>Government-Wide</b>						
Business-type Activities	6%	21%	20%	4%	17%	1%
Component Units	0%	0%	19%	42%	81%	57%
<b>Fund statements</b>						
Enterprise Funds	6%	21%	19%	4%	17%	1%
Fiduciary Funds	1%	1%	57%	57%	35%	39%
<b>Discretely Presented Component Units</b>	0%	0%	19%	42%	81%	57%

The financial statements of the State System of Higher Education, State Employees' Retirement System, the Deferred Compensation Fund, the Public School Employees' Retirement System, the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Higher Educational Facilities Authority, the State Public School Building Authority, the Port of Pittsburgh Commission, the Pennsylvania Turnpike Commission, and the Philadelphia Regional Port Authority were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commonwealth's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2018-001 and 2018-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commonwealth's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

**Commonwealth’s Response to Findings**

The Commonwealth’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commonwealth’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Harrisburg, Pennsylvania  
December 13, 2018



Baltimore, Maryland  
December 13, 2018





**Department of the Auditor General  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120-0018**



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
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**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have jointly audited the Commonwealth of Pennsylvania's (Commonwealth) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2018. The Commonwealth's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Commonwealth's basic financial statements include the operations of the State System of Higher Education, the Pennsylvania Higher Education Assistance Agency, the Philadelphia Shipyard Development Corporation, the Pennsylvania Housing Finance Agency, the Philadelphia Regional Port Authority, the Pennsylvania Convention Center Authority, and the Judicial Department of Pennsylvania, which received approximately \$6.7 billion in federal awards and \$26.3 billion of federal loan guarantees that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of these seven entities because other auditors were engaged to perform audits (when required) in accordance with the Uniform Guidance.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Commonwealth's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted

our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commonwealth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Commonwealth's compliance.

***Basis for Qualified Opinion on the 19 Major Federal Programs Identified in the Following Table***

As identified in the following table and as described in the accompanying schedule of findings and questioned costs, the Commonwealth did not comply with requirements regarding the following:

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
Department of Education	2018-005	10.558	Child and Adult Care Food Program	Subrecipient Monitoring
Department of Human Services	2018-007	10.551 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster	Special Tests and Provisions related to Electronic Benefits Transfer (EBT) Card Security
		93.558	Temporary Assistance for Needy Families	
Department of Human Services	2018-009	93.558	Temporary Assistance for Needy Families	Matching, Level of Effort, Earmarking
Department of Human Services	2018-010	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring
		93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
Department of Human Services	2018-011	93.667	Social Services Block Grant	Cash Management, Subrecipient Monitoring

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
Department of Labor and Industry	2018-014	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Eligibility, Special Tests and Provisions related to Completion of Individualized Plans for Employment (IPEs)
Department of Labor and Industry	2018-015	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Period of Performance
Office of the Budget – Office of Comptroller Operations	2018-019	93.775 93.777 93.778	Medicaid Cluster	Reporting
Various Agencies	2018-021	10.553 10.555 10.556 10.559	Child Nutrition Cluster	Subrecipient Monitoring
		10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	
		10.558	Child and Adult Care Food Program	
		20.205 20.219 23.003	Highway Planning and Construction Cluster	
		66.458	Capitalization Grants for Clean Water State Revolving Funds	
		84.010	Title I Grants to Local Educational Agencies	
		84.027 84.173	Special Education Cluster (IDEA)	
		84.367	Supporting Effective Instruction State Grants	
		93.558	Temporary Assistance for Needy Families	

State Administering Agency	Finding Number	CFDA Number	Federal Program/Cluster	Compliance Requirement
	2018-021 (continued)	93.563	Child Support Enforcement	
		93.575 93.596	Child Care and Development Fund (CCDF) Cluster	
		93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
		93.667	Social Services Block Grant	
		93.767	Children’s Health Insurance Program	
		93.959	Block Grants for Prevention and Treatment of Substance Abuse	

Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to those programs.

***Qualified Opinion on the 19 Major Federal Programs Identified Above***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the identified major federal programs for the year ended June 30, 2018.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are identified in the following table and described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
Department of Community and Economic Development	2018-003	14.228	Community Development Block Grants – State’s Program	Subrecipient Monitoring
Department of Education	2018-004	10.558	Child and Adult Care Food Program	Activities Allowed or Unallowed, Allowable Costs, Eligibility, Subrecipient Monitoring
Department of Education	2018-006	84.010	Title I Grants to Local Educational Agencies	Activities Allowed or Unallowed
Department of Human Services	2018-008	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring
Department of Human Services	2018-011	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management, Subrecipient Monitoring
Department of Labor and Industry	2018-012	17.225	Unemployment Insurance	Special Tests and Provisions related to Unemployment Insurance (UI) Program Integrity – Overpayments
Department of Labor and Industry	2018-013	17.258 17.259 17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster	Subrecipient Monitoring
Department of Transportation	2018-016	20.205 20.219 23.003	Highway Planning and Construction Cluster	Procurement and Suspension and Debarment
Various	2018-020	10.553 10.555 10.556 10.559	Child Nutrition Cluster	Subrecipient Monitoring
		10.558	Child and Adult Care Food Program	
		20.205 20.219 23.003	Highway Planning and Construction Cluster	
		84.010	Title I Grants to Local Educational Agencies	

State Administering Agency	Finding Number	CFDA Number	Federal Program/Cluster	Compliance Requirement
	2018-020 (continued)	84.367	Supporting Effective Instruction State Grants	
		93.044 93.045 93.053	Aging Cluster	
		93.558	Temporary Assistance for Needy Families	
		93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
		93.667	Social Services Block Grant	
		93.767	Children’s Health Insurance Program	
		93.959	Block Grants for Prevention and Treatment of Substance Abuse	
Department of Human Services	2018-021	93.775 93.777 93.778	Medicaid Cluster	Subrecipient Monitoring

The Commonwealth’s responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### Report on Internal Control Over Compliance

Management of the Commonwealth is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commonwealth’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-004, 2018-005, 2018-006, 2018-007, 2018-009, 2018-010, 2018-011, 2018-014, 2018-015, 2018-019, and 2018-021 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-003, 2018-008, 2018-011, 2018-012, 2018-013, 2018-016, 2018-017, 2018-018, 2018-020, and 2018-021 to be significant deficiencies.

The Commonwealth's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

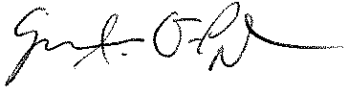
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have jointly audited the financial statements, issued under separate cover, of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements. We issued our report thereon dated December 13, 2018, which includes a reference to other auditors and contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Harrisburg, Pennsylvania  
March 19, 2019



Baltimore, Maryland  
March 19, 2019



# Schedule of Expenditures of Federal Awards



Commonwealth of Pennsylvania

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>U.S. Department of Agriculture</b>				
	<i>SNAP Cluster:</i>			
10.551	Supplemental Nutrition Assistance Program		2,617,074	
10.561	State Admin Matching Grants for Supp Nutrition Assist Prgm		198,455	29,369
	<i>Total SNAP Cluster</i>			2,815,529
	<i>Child Nutrition Cluster:</i>			
10.553	School Breakfast Program		123,972	123,789
10.555	National School Lunch Program (Cash Assistance)	397,720		397,403
10.555	National School Lunch Program (Food Commodities)	55,715		55,715
	<i>Total National School Lunch Program</i>		453,435	
10.556	Special Milk Program for Children		268	268
10.559	Summer Food Service Program for Children (Cash Assistance)	15,647		15,126
10.559	Summer Food Service Program for Children (Food Commodities)	149		149
	<i>Total Summer Food Service Program for Children</i>		15,796	
	<i>Total Child Nutrition Cluster</i>			593,471
	<i>Food Distribution Cluster:</i>			
10.565	Commodity Supplemental Food Program (Cash Assistance)	2,291		2,287
10.565	Commodity Supplemental Food Program (Food Commodities)	8,403		8,403
	<i>Total Commodity Supplemental Food Program</i>		10,694	
10.568	Emergency Food Assistance Program (Administrative Costs)		2,933	1,649
10.569	Emergency Food Assistance Program (Food Commodities)		19,078	19,078
	<i>Total Food Distribution Cluster</i>			32,705
	<i>Forest Service Schools and Roads Cluster:</i>			
10.665	Schools and Roads - Grants to States			2,521
10.025	Plant and Animal Disease, Pest Control, and Animal Care		3,760	267
10.069	Conservation Reserve Program		6	
10.093	Voluntary Public Access and Habitat Incentive Program		1,695	
10.117	Biofuel Infrastructure Partnership		3,956	3,956

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
10.162	Inspection Grading and Standardization	48	
10.170	Specialty Crop Block Grant Program - Farm Bill	998	813
10.171	Organic Certification Cost Share Programs	405	
10.304	Homeland Security - Agricultural	114	
10.435	State Mediation Grants	5	
10.458	Crop Insurance Education in Targeted States	464	216
10.541	Child Nutrition- Technology Innovation Grant	59	
10.547	Professional Standards for School Nutrition Employees	60	
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	176,343	47,969
10.558	Child and Adult Care Food Program (Cash Assistance)	128,370	127,380
10.558	Child and Adult Care Food Program (Food Commodities)	89	89
	Total Child and Adult Care Food Program	128,459	
10.560	State Administrative Expenses for Child Nutrition	8,822	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	2,062	261
10.574	Team Nutrition Grants	127	
10.576	Senior Farmers Market Nutrition Program	1,771	
10.578	WIC Grants to States (WGS)	5,734	223
10.579	Child Nutrition Discretionary Grants Limited Availability	1,422	1,431
10.582	Fresh Fruit and Vegetable Program	5,854	5,830
10.664	Cooperative Forestry Assistance	1,741	516
10.675	Urban and Community Forestry Program	4	
10.676	Forest Legacy Program	13	9
10.678	Forest Stewardship Program	234	
10.680	Forest Health Protection	733	
10.691	Good Neighbor Authority	14	
Passed through: National Fish and Wildlife Foundation			
10.902	Soil And Water Conservation (Award ID 060217057473)	7	
10.912	Environmental Quality Incentives Program	136	124
10.913	Farm and Ranch Lands Protection Program	355	
10.931	Agricultural Conservation Easement Program	836	
<b>Total - U.S. Department of Agriculture</b>		<b>\$3,790,463</b>	<b>\$844,841</b>

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>U.S. Department of Commerce</b>			
	<i>Economic Development Cluster</i>		
11.307	Economic Adjustment Assistance	87	
11.407	Interjurisdictional Fisheries Act of 1986	10	
11.419	Coastal Zone Management Administration Awards	1,150	536
11.474	Atlantic Coastal Fisheries Cooperative Management Act	94	
11.549	State and Local Implementation Grant Program	601	
11.609	Measurement and Engineering Research and Standards	162	
<b>Total - U.S. Department of Commerce</b>		<b>\$2,104</b>	<b>\$536</b>
<b>U.S. Department of Defense</b>			
12.112	Payments to States in Lieu of Real Estate Taxes	327	327
12.401	National Guard Military Operations and Maintenance Projects	64,582	
12.617	Economic Adjustment Assistance for State Governments	1,245	941
12.620	Troops to Teachers Grant Program	90	
<b>Total - U.S. Department of Defense</b>		<b>\$66,244</b>	<b>\$1,268</b>
<b>U.S. Department of Housing and Urban Development</b>			
	<i>CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:</i>		
14.269	Hurricane Sandy CDBG Disaster Recovery Grants	3,645	3,088
14.228	Community Development Block Grants/State's Program	39,970	39,011
14.231	Emergency Solutions Grant Program	5,529	5,341
14.239	Home Investment Partnerships Program	11,420	10,103
14.241	Housing Opportunities for Persons with AIDS	2,380	2,376
14.267	Continuum of Care Program	871	
14.401	Fair Housing Assistance Program - State and Local	348	
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	214	189
<b>Total - U.S. Department of Housing and Urban Development</b>		<b>\$64,377</b>	<b>\$60,108</b>

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>U.S. Department of the Interior</b>			
<i>Fish and Wildlife Cluster:</i>			
15.605	Sport Fish Restoration	7,444	
15.611	Wildlife Restoration and Basic Hunter Education	25,000	
	<i>Total Fish and Wildlife Cluster</i>	<u>32,444</u>	
15.250	Regulation of Surface Coal Mining	12,071	19
15.252	Abandoned Mine Land Reclamation (AMLR)	50,169	2,100
15.255	Science & Technology Projects for Coal Mining & Reclamation	5	
15.433	Flood Control Act Lands	23	23
15.438	National Forest Acquired Lands	1	1
15.608	Fish and Wildlife Management Assistance	66	
15.615	Cooperative Endangered Species Conservation Fund	619	
15.616	Clean Vessel Act	79	
15.622	Sportfishing and Boating Safety Act	1,590	
15.634	State Wildlife Grants	1,505	
15.657	Endangered Species Conservation - Recovery Implement Funds	9	
15.667	Highlands Conservation	59	
15.808	U.S. Geological Survey - Research and Data Collection	32	
15.810	National Cooperative Geologic Mapping	121	
15.904	Historic Preservation Fund Grants-In-Aid	1,213	135
15.916	Outdoor Recreation Acquisition, Development and Planning	1,266	1,266
15.925	National Maritime Heritage Grants	152	152
15.957	Emergency Supplemental Historic Preservation Fund	313	
15.981	Water Use and Data Research	25	
	<b>Total - U.S. Department of the Interior</b>	<b><u>\$101,762</u></b>	<b><u>\$3,696</u></b>
<b>U.S. Department of Justice</b>			
16.004	Law Enforcement Asst - Narcotics & Dangerous Drugs Training	970	
16.017	Sexual Assault Services Formula Program	527	527
16.523	Juvenile Accountability Block Grants	125	(6)
16.540	Juvenile Justice & Delinquency Prevention Program	796	541
16.550	State Justice Statistics Prgm for Statistic Analysis Centers	53	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
16.554	National Criminal History Improvement Program (NCHIP)	269	313
16.575	Crime Victim Assistance	40,968	38,608
16.576	Crime Victim Compensation	4,378	
16.582	Crime Victim Assistance/Discretionary Grants	377	377
16.588	Violence Against Women Formula Grants	4,357	3,941
16.593	Residential Substance Abuse Treatment for State Prisoners	501	175
16.606	State Criminal Alien Assistance Program	1,266	
16.610	Regional Information Sharing Systems	157	
16.710	Public Safety Partnership and Community Policing Grants	1	
16.735	PREA Program: Strategic Support for PREA Implementation	10	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	6,402	4,953
16.741	DNA Backlog Reduction Program	905	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	324	205
16.745	Criminal & Juvenile Justice & Mental Health Collab. Program	1	
16.750	Support for Adam Walsh Act Implementation Grant Program	362	
16.754	Harold Rogers Prescription Drug Monitoring Program	319	
16.812	Second Chance Act Reentry Initiative	235	235
16.827	Justice Reinvestment Initiative	492	491
16.835	Body Camera Policy and Implementation	33	
16.922	Equitable Sharing Program	460	
<b>Total - U.S. Department of Justice</b>		<b>\$64,288</b>	<b>\$50,360</b>
<b>U.S. Department of Labor</b>			
<i>Employment Service Cluster:</i>			
17.207	Employment Service/Wagner-Peyser Funded Activities	23,630	
17.801	Disabled Veterans' Outreach Program (DVOP)	2,535	
17.804	Local Veterans' Employment Representative Program	2,040	
<i>Total Employment Service Cluster</i>			28,205
<i>WIOA Cluster:</i>			
17.258	WIOA Adult Program	26,019	24,438
17.259	WIOA Youth Activities	28,864	26,305
17.278	WIOA Dislocated Worker Formula Grants	36,462	31,637
<i>Total WIOA Cluster</i>			91,345

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
17.002	Labor Force Statistics	2,388	
17.005	Compensation and Working Conditions	297	
17.225	Unemployment Insurance	2,037,125	277
17.235	Senior Community Service Employment Program	4,406	4,162
17.245	Trade Adjustment Assistance	25,721	19,875
17.261	WIOA Pilots, Demonstrations, and Research Projects	244	
17.271	Work Opportunity Tax Credit Program (WOTC)	666	
17.273	Temporary Labor Certification for Foreign Workers	372	
17.277	WIOA Natl Dislocated Worker Grants / WIA Natl Emergency Grants	2,268	2,028
17.282	Trade Adj Assistance Community College & Career Training	52	
17.283	Workforce Innovation Fund	1,842	1,471
17.285	Apprenticeship USA Grants	885	277
17.600	Mine Health and Safety Grants	376	
<b>Total - U.S. Department of Labor</b>		<b>\$2,196,192</b>	<b>\$110,470</b>
<b>U.S. Department of Transportation</b>			
<i>Highway Planning and Construction Cluster:</i>			
20.205	Highway Planning and Construction	1,696,679	163,571
20.219	Recreational Trails Program	1,822	1,693
23.003	Appalachian Development Highway System	84,950	
<i>Total Highway Planning and Construction Cluster</i>		1,783,451	
<i>Federal Transit Cluster:</i>			
20.500	Federal Transit - Capital Investment Grants	7,345	7,081
20.507	Federal Transit - Formula Grants	2,936	1,914
20.525	State of Good Repair Grants Program	203	
<i>Total Federal Transit Cluster</i>		10,484	
<i>Transit Services Programs Cluster:</i>			
20.513	Enhanced Mobility of Seniors & Individuals with Disabilities	3,381	3,381
20.516	Job Access and Reverse Commute Program	1,211	1,211

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
20.521	New Freedom Program	9		9
	<i>Total Transit Services Programs Cluster</i>		4,601	
	<i>Highway Safety Cluster:</i>			
20.600	State and Community Highway Safety	13,285		5,173
20.616	National Priority Safety Programs	7,952		5,321
	<i>Total Highway Safety Cluster</i>		21,237	
20.106	Airport Improvement Program		12,671	12,615
20.200	Highway Research and Development Program		218	
20.215	Highway Training and Education		58	
20.218	Motor Carrier Safety Assistance		8,212	
20.232	Commercial Driver's License Program Implementation Grant		910	
20.505	Metro Trans Planning & State & Non-Metro Planning & Research		4,149	
20.509	Formula Grants for Rural Areas		23,070	22,705
20.519	Clean Fuels		1,804	1,786
20.520	Paul S. Sarbanes Transit in the Parks		174	174
20.523	Capital Assistance Program for Reducing Energy Consumption		1,000	1,000
20.528	Rail Fixed Guideway Public Trans. System State Safety Oversight Form. Grant Program		653	
20.614	Nat Highway Traffic Safety Admin Discretionary Safety Grants & Coop Agreements		126	
20.700	Pipeline Safety Program State Base Grant		1,848	
20.703	Interagency Hazardous Materials Training and Planning Grants		399	286
20.933	National Infrastructure Investments		1,605	1,850
	<b>Total - U.S. Department of Transportation</b>		<b>\$1,876,670</b>	<b>\$229,770</b>
	<b>U.S. Department of the Treasury</b>			
21.016	Equitable Sharing		(135)	
	<b>Total - U.S. Department of the Treasury</b>		<b>(\$135)</b>	<b>\$0</b>
	<b>Appalachian Regional Commission</b>			
23.002	Appalachian Area Development		2,168	216



# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
23.011	Appalachian Research, Technical Assistance, and Demo Projects	60	
<b>Total - Appalachian Regional Commission</b>		<b>\$2,228</b>	<b>\$216</b>
<b>Equal Employment Opportunity Commission</b>			
30.001	Employment Discrimination Title VII of the Civil Rights Act	572	
<b>Total - Equal Employment Opportunity Commission</b>		<b>\$572</b>	<b>\$0</b>
<b>General Services Administration</b>			
39.003	Donation of Federal Surplus Personal Property	1,764	1,764
<b>Total - General Services Administration</b>		<b>\$1,764</b>	<b>\$1,764</b>
<b>National Foundation on the Arts and Humanities</b>			
45.025	Promotion of the Arts - Partnership Agreements	957	
45.310	Grants to States	5,664	3,697
<b>Total - National Foundation on the Arts and Humanities</b>		<b>\$6,621</b>	<b>\$3,697</b>
<b>National Science Foundation</b>			
47.076	Education and Human Resources	59	
<b>Total - National Science Foundation</b>		<b>\$59</b>	<b>\$0</b>
<b>Small Business Administration</b>			
59.061	State Trade Expansion	210	
<b>Total - Small Business Administration</b>		<b>\$210</b>	<b>\$0</b>
<b>U.S. Department of Veterans Affairs</b>			
64.005	Grants to States for Construction of State Home Facilities	2,136	
64.010	Veterans Nursing Home Care	106	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
64.014	Veterans State Domiciliary Care	4,218	
64.015	Veterans State Nursing Home Care	42,677	
64.111	Veterans Education Assistance	16	
<b>Total - U.S. Department of Veterans Affairs</b>		<b>\$49,153</b>	<b>\$0</b>
<b>Environmental Protection Agency</b>			
<i>Clean Water State Revolving Fund Cluster:</i>			
66.458	Capitalization Grants for Clean Water State Revolving Funds	52,518	52,518
<i>Drinking Water State Revolving Fund Cluster:</i>			
66.468	Capitalization Grants for Drinking Water State Revolving Funds	26,345	18,456
66.001	Air Pollution Control Program Support	4,631	
66.032	State Indoor Radon Grants	355	57
66.034	Surveys, Studies, Res., Investigations, Demos & Special Purpose Activities - Clean Air Act	786	44
66.040	State Clean Diesel Grant Program	396	396
66.202	Congressionally Mandated Projects	68	
66.204	Multipurpose Grants to States and Tribes	415	90
66.419	Water Pollution Control State and Interstate Program Support	6,022	17
66.432	State Public Water System Supervision	4,590	
66.454	Water Quality Management Planning	662	
66.460	Nonpoint Source Implementation Grants	3,605	3,015
66.461	Regional Wetland Program Development Grants	259	
66.466	Chesapeake Bay Program	5,761	3,232
Passed through: National Fish and Wildlife Foundation			
66.466	Chesapeake Bay Program (Award ID 060216053407)	43	40
66.466	Chesapeake Bay Program (Award ID 060217057473)	6	
	<b>Total Chesapeake Bay Program</b>	<b>5,810</b>	<b>105</b>
66.469	Great Lakes Program	139	
66.605	Performance Partnership Grants	792	
66.608	Environmental Information Exchange Network Grant Program	207	
66.707	TSCA Title IV State Lead Grants Certification	439	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
66.801	Hazardous Waste Management State Program Support	4,112	
66.804	Underground Storage Tank Prevention and Compliance Program	790	
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,665	
66.817	State and Tribal Response Program Grants	464	
<b>Total - Environmental Protection Agency</b>		<b>\$115,070</b>	<b>\$77,970</b>
<b>U.S. Department of Energy</b>			
81.041	State Energy Program	2,104	352
81.042	Weatherization Assistance for Low-Income Persons	13,442	12,697
81.117	Energy Efficiency and Renewable Energy Info Dissemination	341	341
81.119	State Energy Program Special Projects	12	
81.138	State Heating Oil & Propane Program	7	
<b>Total - U.S. Department of Energy</b>		<b>\$15,906</b>	<b>\$13,390</b>
<b>U.S. Department of Education</b>			
<i>Special Education Cluster (IDEA):</i>			
84.027	Special Education - Grants to States	444,374	430,036
84.173	Special Education - Preschool Grants	12,734	11,904
<i>Total Special Education Cluster (IDEA)</i>		457,108	
<i>TRIO Cluster:</i>			
84.042	TRIO - Student Support Services		186
<i>Student Financial Assistance Programs Cluster:</i>			
84.007	Federal Supplemental Educational Opportunity Grants	46	
84.033	Federal Work-Study Program	14	
84.063	Federal Pell Grant Program	3,419	
84.268	Federal Direct Student Loans	2,966	
<i>Total Student Financial Assistance Programs Cluster</i>		6,445	
84.002	Adult Education - Basic Grants to States	17,260	16,601

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
84.010	Title I Grants to Local Educational Agencies	591,516	585,716
84.011	Migrant Education - State Grant Program	4,912	4,421
84.013	Title I Program for Neglected & Delinquent Children & Youth	1,000	779
84.048	Career and Technical Education - Basic Grants to States	38,853	36,628
84.126	Rehabilitation Services - Vocational Rehab Grants to States	141,852	
84.144	Migrant Education - Coordination Program	83	83
84.177	Rehab Services - Independent Living Services for Older Blind Individuals	961	
84.181	Special Education - Grants for Infants and Families	18,851	17,124
84.184	School Safety National Activities	68	
84.187	Supp Employment Services for Individuals with Significant Disabilities	1,349	
84.191	Adult Education National Leadership Activities	370	
84.196	Education for Homeless Children and Youth	2,696	2,355
84.287	Twenty-First Century Community Learning Centers	41,025	39,397
84.323	Special Education - State Personnel Development	1,868	
84.330	Advanced Placement Program	62	
84.358	Rural Education	1,510	1,510
84.365	English Language Acquisition State Grants	16,234	15,466
84.366	Mathematics and Science Partnerships	4,479	4,479
84.367	Supporting Effective Instruction State Grants	89,015	85,924
84.369	Grants for State Assessments and Related Activities	9,538	
84.371	Striving Readers/Comprehensive Literacy Development	12,770	11,424
84.372	Statewide Longitudinal Data Systems	622	
84.377	School Improvement Grants	19,500	18,377
84.388	ARRA - School Improvement Grants	(117)	(117)
84.412	Race to the Top - Early Learning Challenge	14,424	9,734
84.424	Student Support and Academic Enrichment Program	9,285	8,872
<b>Total - U.S. Department of Education</b>		<b>\$1,503,725</b>	<b>\$1,300,713</b>
<b>Elections Assistance Commission</b>			
90.401	Help America Vote Act Requirements Payments	1,500	345
<b>Total - Elections Assistance Commission</b>		<b>\$1,500</b>	<b>\$345</b>

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>U.S. Department of Health and Human Services</b>			
<i>Aging Cluster:</i>			
93.044	Special Programs for the Aging - Title III, Part B	29,716	26,715
93.045	Special Programs for the Aging - Title III, Part C	22,487	22,300
93.053	Nutrition Services Incentive Program	6,300	6,300
	<i>Total Aging Cluster</i>		58,503
<i>Maternal, Infant, and Early Childhood Home Visiting Cluster:</i>			
93.505	Affordable Care Act Maternal, Infant, Childhood Home Visit	368	368
93.870	Maternal, Infant & Early Childhood Home Visiting Grant Program	11,938	11,839
	<i>Total Maternal, Infant, and Early Childhood Home Visiting Cluster</i>		12,306
<i>TANF Cluster:</i>			
93.558	Temporary Assistance for Needy Families		512,941
<i>CCDF Cluster:</i>			
93.575	Child Care and Development Block Grant	249,301	226,919
93.596	Child Care Mandatory and Matching Funds of the CCDF	126,161	125,879
	<i>Total CCDF Cluster</i>		375,462
<i>Medicaid Cluster:</i>			
93.775	State Medicaid Fraud Control Units	6,776	
93.777	State Survey and Cert of Health Care Providers and Suppliers	19,523	
93.778	Medical Assistance Program	17,094,820	344,113
	<i>Total Medicaid Cluster</i>		17,121,119
93.041	Special Programs for the Aging - Title VII, Chapter 3		200
93.042	Special Programs for the Aging - Title VII, Chapter 2		663
93.043	Special Programs for the Aging - Title III, Part D		814
93.048	Special Programs for the Aging - Title IV and Title II		153
93.052	National Family Caregiver Support, Title III, Part E		8,540
93.069	Public Health Emergency Preparedness		16,435
93.070	Environmental Public Health and Emergency Response		818

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
93.071	Medicare Enrollment Assistance Program	885	650
93.073	Birth Defects & Develop. Disabilities-Prevent & Surveillance	183	
93.074	HPP and PHEP Aligned Cooperative Agreements	3,449	960
93.079	Cooperative Agreements to Promote Adolescent Health	329	112
93.090	Guardianship Assistance	11,278	10,717
93.092	Affordable Care Act Personal Responsibility Education Program	1,025	1,003
93.094	Well-Integrated Screening & Eval for Women Across the Nation	697	369
93.103	Food and Drug Administration - Research	2,337	100
93.104	Community Mental Health Services for Children with SED	1,230	1,230
93.110	Maternal and Child Health Federal Consolidated Programs	111	
93.116	Project Grants and Coop Agreements for Tuberculosis Control	937	121
93.127	Emergency Medical Services for Children	155	
93.130	Coop. Agreements to States/Territories for the Coordination & Dev. of Primary Care Offices	168	2
93.136	Injury Prevention & Control Research & State & Comm Programs	3,416	1,620
93.150	Projects for Asst in Transition from Homelessness (PATH)	2,272	2,272
93.197	Childhood Lead Poisoning Prevention Projects	67	
93.226	Research on Healthcare Costs, Quality and Outcomes	364	
93.234	Traumatic Brain Injury State Demonstration Grant Program	239	236
93.235	Title V State Sexual Risk Avoidance Education Program	550	543
93.236	Grants to States to Support Oral Health Workforce Activities	547	543
93.240	State Capacity Building	480	
93.243	Substance Abuse and Mental Health Services - Projects	7,539	6,696
93.251	Universal Newborn Hearing Screening	180	169
93.268	Immunization Cooperative Agreements (Cash Assistance)	3,365	1,493
93.268	Immunization Cooperative Agreements (Vaccines)	93,693	
	Total Immunization Cooperative Agreements	97,058	
93.270	Viral Hepatitis Prevention and Control	68	
93.283	Centers for Disease Control & Prevention - Investigations	780	473
93.305	PPHF 2018: Office of Smoking and Hlth-Nat State-Based Tobacco Control Programs	1,035	242
93.314	EHDI-IS Surveillance Program	11	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	4,295	124
93.324	State Health Insurance Assistance Program	1,653	1,461
93.369	ACL Independent Living State Grants	375	87

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
93.448	Food Safety and Security Monitoring Project	187	
93.500	Pregnancy Assistance Fund Program	289	282
93.511	Affordable Care Act Grants for Health Insur Premium Review	742	
93.521	Affordable Care Act - Building Epi, Lab, & Health Information Systems	614	
93.539	PPHF Capacity Building Assistance	5,273	1,066
93.556	Promoting Safe and Stable Families	9,647	9,614
93.563	Child Support Enforcement	165,350	136,136
93.566	Refugee and Entrant Assistance - State/Replace Designee Administered Programs	10,275	6,514
93.568	Low-Income Home Energy Assistance	199,632	33,676
93.569	Community Services Block Grant	30,129	28,617
93.576	Refugee and Entrant Assistance - Discretionary Grants	807	660
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	897	897
93.590	Community-Based Child Abuse Prevention Grants	999	999
93.597	Grants to States for Access and Visitation Programs	307	307
93.599	Chafee Education and Training Vouchers Program (ETV)	1,598	1,598
93.600	Head Start	7,479	7,479
93.602	Assets for Independence Demonstration Program	53	53
93.630	Developmental Disabilities Basic Support and Advocacy Grants	2,908	1,996
93.643	Children's Justice Grants to States	569	569
93.645	Stephanie Tubbs Jones Child Welfare Services Program	9,284	8,353
93.658	Foster Care - Title IV-E	202,933	194,531
93.659	Adoption Assistance	111,010	80,571
93.667	Social Services Block Grant	92,120	78,833
93.669	Child Abuse and Neglect State Grants	986	132
93.671	Family Violence Prevention and Services	3,383	3,383
93.674	Chafee Foster Care Independence Program	5,409	5,409
93.735	State Health Approaches for Ensuring Quitline Capacity	971	758
93.745	PPHF: Health Care Surveillance/Health Statistics Surveillance Program Announcement	146	
93.752	Cancer Prev & Control Programs Financed in Part by PPHF	207	
93.757	State & Local Pub. Hlth Actions to Prevent Obesity, Diabetes, Heart Disease & Stroke (PPHF)	1,296	688
93.758	PHHS Block Grant Funded Solely with PPHF	7,062	5,311
93.767	Children's Health Insurance Program	605,394	385,856
93.788	Opioid STR	22,028	17,554

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
93.791	Money Follows the Person Rebalancing Demonstration	18,817	527
93.815	Domestic Ebola Supplement to the ELC for Infectious Diseases	626	227
93.817	HPP Ebola Preparedness and Response Activities	908	1,079
93.876	Antimicrobial Resistance Surveillance in Retail Food Spec.	104	
93.881	The Health Insurance Enforcement & Consumer Protections Grant Program	126	
93.889	National Bioterrorism Hospital Preparedness Program	7,436	5,045
93.898	Cancer Prevention & Control Programs for State, Territorial & Tribal Organizations	3,213	1,479
93.917	HIV Care Formula Grants	48,235	(600)
93.940	HIV Prevention Activities - Health Department Based	5,367	831
93.944	HIV/AIDS Surveillance	879	
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,828	871
93.946	Coop Agreements to Support Safe Motherhood and Infant Health	462	
93.958	Block Grants for Community Mental Health Services	16,481	15,991
93.959	Block Grants for Prevention and Treatment of Substance Abuse	53,075	44,007
93.968	Funding in Support of the Pennsylvania Rural Health Model	116	
93.977	Sexually Transmitted Diseases (STD) Prevention & Control Grants	2,195	330
93.991	Preventive Health and Health Services Block Grant	1,448	166
93.994	Maternal and Child Health Services Block Grant to the States	22,884	14,473
<b>Total - U.S. Department of Health and Human Services</b>		<b>\$19,935,851</b>	<b>\$2,169,467</b>
<b>Corporation for National and Community Service</b>			
94.003	State Commissions	270	
94.006	AmeriCorps	9,080	9,080
94.009	Training and Technical Assistance	97	
<b>Total - Corporation for National and Community Service</b>		<b>\$9,447</b>	<b>\$9,080</b>
<b>Executive Office of the President</b>			
95.001	High Intensity Drug Trafficking Areas Program	3,016	
<b>Total - Executive Office of the President</b>		<b>\$3,016</b>	<b>\$0</b>



# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2018

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>Social Security Administration</b>			
	<i>Disability Insurance/SSI Cluster:</i>		
96.001	Social Security - Disability Insurance	120,731	
<b>Total - Social Security Administration</b>		<b>\$120,731</b>	<b>\$0</b>
<b>U.S. Department of Homeland Security</b>			
97.008	Non-Profit Security Program	569	569
97.012	Boating Safety Financial Assistance	2,327	
97.023	Community Assistance Program State Support Services Element	127	
97.029	Flood Mitigation Assistance	1,400	1,161
97.036	Disaster Grants - Public Assist (Presidentially Declared Disasters)	8,729	7,961
97.039	Hazard Mitigation Grant	2,884	2,662
97.041	National Dam Safety Program	163	
97.042	Emergency Management Performance Grants	10,368	5,610
97.043	State Fire Training Systems Grants	5	
97.044	Assistance to Firefighters Grant	22	
97.045	Cooperating Technical Partners	97	
97.047	Pre-Disaster Mitigation	1,066	863
97.067	Homeland Security Grant Program	23,609	19,609
97.091	Homeland Security Biowatch Program	385	
<b>Total - U.S. Department of Homeland Security</b>		<b>\$51,751</b>	<b>\$38,435</b>
<b>GRAND TOTAL</b>		<b>\$29,979,569</b>	<b>\$4,916,126</b>

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Notes to the Schedule of Expenditures of Federal Awards - June 30, 2018***

### **Note A: Single Audit Reporting Entity**

The Commonwealth of Pennsylvania (the Commonwealth) includes expenditures in its schedule of expenditures of federal awards (SEFA) for all federal programs administered by the same funds, agencies, boards, commissions, and component units included in the Commonwealth's financial reporting entity used for its basic financial statements. However, the State System of Higher Education (SSHE), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Pennsylvania Housing Finance Agency (PHFA), the Pennsylvania Convention Center Authority (PCCA), the Philadelphia Shipyard Development Corporation (PSDC), which are discretely presented component units, and the Philadelphia Regional Port Authority (PRPA), which is a blended component unit, elect to have their own single audits (when required) and their expenditures of federal awards are therefore excluded from the Commonwealth's SEFA. These six component units are required to submit their own single audit reports to the Federal Audit Clearinghouse. The PCCA, the PRPA, and the PSDC are not required to submit a single audit for the year ended June 30, 2018, because their federal expenditures were below the requirement threshold. In addition, the Judicial Department of Pennsylvania, which is included in the Primary Government, elected to have its own single audit performed. Their federal expenditures are also excluded from the Commonwealth's SEFA.

### **Note B: Basis of Accounting**

All expenditures for each program included in the schedule of expenditures of federal awards are net of applicable program income and refunds.

Expenditures reported under CFDA #10.551, Supplemental Nutrition Assistance Program (SNAP), represent amounts the Electronic Benefits Transfer (EBT) contractor paid to retail outlets for participants' purchases under the program during the fiscal year ended June 30, 2018.

Expenditures reported under CFDA #10.555, National School Lunch Program, CFDA #10.558, Child and Adult Care Food Program, CFDA #10.559, Summer Food Service Program, CFDA #10.565, Commodity Supplemental Food Program, and CFDA #10.569, Emergency Food Assistance Program, include the value of food commodity distributions calculated using the U.S. Department of Agriculture, Food and Nutrition Service, commodity price list in effect as of November 28, 2016.

Subrecipient expenditures reported under CFDA #14.228, Community Development Block Grants, CFDA #14.231, Emergency Solutions Grant Program, prior to August 23, 2012 with the exception of FY 2011 subrecipient expenditures reported after December 31, 2014, and CFDA #14.239, Home Investment Partnerships Program, represent funds drawn directly from the Housing and Urban Development (HUD) Integrated Disbursement and Information System (IDIS) by subrecipients of the Commonwealth.

Expenditures for CFDA #20.200, Highway Research and Development Program, CFDA #20.205, Highway Planning and Construction, CFDA #20.215, Highway Training and Education, CFDA #20.219, Recreational Trails Program, CFDA #20.505, Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research, CFDA #20.933, National Infrastructure Investments, CFDA #23.002, Appalachian Area Development, and CFDA #23.003, Appalachian Development Highway System, are presented on the basis that expenditures are reported to the U.S. Department of Transportation. Accordingly, certain expenditures are recorded when paid and certain other expenditures are recorded when the federal obligation is determined.

Amounts reported as expenditures for CFDA #39.003, Donation of Federal Surplus Personal Property, represent the General Services Administration's average fair market value percentage of 22.47 percent of the federal government's original acquisition cost (OAC) of the federal property transferred to recipients by the Commonwealth.

Expenditures identified on the SEFA as Vaccines under CFDA #93.268, Immunization Cooperative Agreements, represent the dollar value of the items used.

Expenditures reported by the Pennsylvania Department of Transportation (PennDOT) for CFDA #97.036, Disaster Grants-Public Assistance (Presidentially Declared Disasters), are recorded when the estimated federal obligation is determined and reimbursed.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Notes to the Schedule of Expenditures of Federal Awards - June 30, 2018***

The remaining expenditures included in the schedule of expenditures of federal awards are presented on the cash plus invoices payable basis. Invoices payable represent Commonwealth expenditures recorded on the general ledger for which the Commonwealth Treasury Department has not made cash disbursements.

The Commonwealth has not elected to use the 10% de minimis cost rate referenced in Uniform Guidance § 200.414 Indirect (F&A) costs.

### **Note C: Categorization of Expenditures**

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants that were active during the fiscal year ended June 30, 2018. The categorization of expenditures by program included in the SEFA is based on the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based on revisions to the CFDA, which are issued on a real-time basis on the CFDA website.

### **Note D: Unemployment Insurance**

In accordance with Department of Labor, Office of Inspector General instructions, the Commonwealth recorded State Regular Unemployment Compensation (UC) benefits under CFDA #17.225 in the schedule of expenditures of federal awards. The individual state and federal portions are as follows (amounts in thousands):

State Regular UC Benefits	\$1,857,119
Federal UC Benefits	57,104
Federal Admin.	<u>122,902</u>
Total Expenditures	<u><u>\$2,037,125</u></u>

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# Schedule of Findings and Questioned Costs



Commonwealth of Pennsylvania

# COMMONWEALTH OF PENNSYLVANIA

## Summary of Auditors' Results - June 30, 2018

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### Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                          yes                      X  no

Significant deficiency(ies) identified?              X  yes                          none reported

Noncompliance material to financial statements noted?

      yes                      X  no

### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?                      X  yes                          no

Significant deficiency(ies) identified?              X  yes                          none reported

Type of auditors' report issued on compliance for major federal programs:

Qualified for noncompliance in the following major federal programs:

Supplemental Nutrition Assistance Program (SNAP) Cluster (CFDA #10.551 and #10.561)  
Child Nutrition Cluster (CFDA #10.553, #10.555, #10.556, and #10.559)  
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)  
Child and Adult Care Food Program (CFDA #10.558)  
Highway Planning and Construction Cluster (CFDA #20.205, #20.219, and #23.003)  
Capitalization Grants for Clean Water State Revolving Funds (CFDA #66.458)  
Title I Grants to Local Educational Agencies (CFDA #84.010)  
Special Education Cluster (IDEA) (CFDA #84.027 and #84.173)  
Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA #84.126)  
Supporting Effective Instruction State Grants (CFDA #84.367)  
Temporary Assistance for Needy Families (CFDA #93.558)  
Child Support Enforcement (CFDA #93.563)  
Child Care and Development Fund (CCDF) Cluster (CFDA #93.575 and #93.596)  
Foster Care – Title IV-E (CFDA #93.658)  
Adoption Assistance (CFDA #93.659)  
Social Services Block Grant (CFDA #93.667)  
Children's Health Insurance Program (CFDA #93.767)  
Medicaid Cluster (CFDA #93.775, #93.777, and #93.778)  
Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)

# COMMONWEALTH OF PENNSYLVANIA

## Summary of Auditors' Results - June 30, 2018

Unmodified for the following major federal programs:

- National Guard Military Operations and Maintenance Projects (CFDA #12.401)
- Community Development Block Grants – State’s Program (CFDA #14.228)
- Unemployment Insurance (CFDA #17.225)
- Workforce Innovation and Opportunity Act (WIOA) Cluster (CFDA #17.258, #17.259, and #17.278)
- Aging Cluster (CFDA #93.044, #93.045, and #93.053)
- Immunization Cooperative Agreements (CFDA #93.268)
- Low-Income Home Energy Assistance (CFDA #93.568)
- HIV Care Formula Grants (CFDA #93.917)

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  X  yes   no

### Identification of Major Federal Programs:

CFDA Number(s)	Name of Federal Program or Cluster	Federal Expenditures (000s)
10.551 and 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster	\$ 2,815,529
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	593,471
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	176,343
10.558	Child and Adult Care Food Program	128,459
12.401	National Guard Military Operations and Maintenance Projects	64,582
14.228	Community Development Block Grants – State’s Program	39,970
17.225	Unemployment Insurance	2,037,125
17.258, 17.259, and 17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster	91,345
20.205, 20.219, and 23.003	Highway Planning and Construction Cluster	1,783,451
66.458	Capitalization Grants for Clean Water State Revolving Funds	52,518
84.010	Title I Grants to Local Educational Agencies	591,516
84.027 and 84.173	Special Education Cluster (IDEA)	457,108
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	141,852
84.367	Supporting Effective Instruction State Grants	89,015
93.044, 93.045, and 93.053	Aging Cluster	58,503
93.268	Immunization Cooperative Agreements	97,058
93.558	Temporary Assistance for Needy Families	512,941
93.563	Child Support Enforcement	165,350

# COMMONWEALTH OF PENNSYLVANIA

## Summary of Auditors' Results - June 30, 2018

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93.568	Low-Income Home Energy Assistance	199,632
93.575 and 93.596	Child Care and Development Fund (CCDF) Cluster	375,462
93.658	Foster Care – Title IV-E	202,933
93.659	Adoption Assistance	111,010
93.667	Social Services Block Grant	92,120
93.767	Children's Health Insurance Program	605,394
93.775, 93.777, and 93.778	Medicaid Cluster	17,121,119
93.917	HIV Care Formula Grants	48,235
93.959	Block Grants for Prevention and Treatment of Substance Abuse	53,075
Total Federal Expenditures – Major Programs		<u>\$28,705,116</u>

Dollar threshold used to distinguish between

Type A and Type B programs (000s):

\$44,969

Auditee qualified as low-risk auditee?

    yes

  X  no



# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Index to Basic Financial Statement Findings - June 30, 2018***

<b>Finding No.</b>	<b>Finding Title</b>	<b>Impacted State Agency</b>	<b>Finding Page</b>	<b>CAP Page</b>
2018-001*	General Computer Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-001)	Various	48	128
2018-002*	Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-002)	Various	51	130

\* - Significant Deficiency  
CAP - Corrective Action Plan

# COMMONWEALTH OF PENNSYLVANIA

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## Basic Financial Statement Findings - June 30, 2018

### Finding 2018 – 001:

#### Office of Administration, Office for Information Technology Liquor Control Board

#### General Computer Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-001)

#### Type of Finding: Significant Deficiency

**Condition:** Our review of information technology (IT) general computer controls in the Office of Administration, Office for Information Technology, and at the Liquor Control Board for the fiscal year ended June 30, 2018, disclosed the following control deficiencies:

#### Office of Administration, Office for Information Technology (OA-OIT)

Applications supported by the Employment, Banking, and Revenue Delivery Center, the Infrastructure and Economic Development Delivery Center, and the General Government Delivery Center:

1. There was a lack of segregation of duties between application development and promotion of code to production in certain applications in the mainframe and client/server environments. Developers (including contractors) were granted the ability to develop code and to promote code to production. In other cases, developers were given the ability to change the operations schedule.
2. There were excessive numbers of users with privileged and administrative access to mainframes, servers, and applications, and the use of this access was not logged and/or monitored. There were no policies or procedures governing the granting of powerful user attributes to one mainframe environment. Administrators, and in one instance vendor technicians, had access to shared user IDs with shared passwords, and the use of the shared user IDs was not logged and the passwords did not expire. Finally, developers and/or other inappropriate users were granted administrative access to certain servers.
3. Certain application, system, and database administrators did not have their access to applications revoked for a number of months after they separated employment or no longer required the access. Further, in one application where we performed tests of operating effectiveness, we found that 25 of 40 separated users did not have their user IDs deleted timely after they separated employment or application access was no longer required for their job duties. In another application, procedures were not in place to ensure system administrators were notified promptly to deny access when users separated employment or no longer needed access to the application.

#### Liquor Control Board (LCB)

1. Certain administrators did not have their access to applications revoked for a number of months after they separated employment or no longer needed elevated access.

A detailed schedule of issues has been provided to the OA-OIT and LCB for corrective action.

**Criteria:** Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014.

- Green Book Principle 11 – Design Activities for the Information System, states in part:
  - *11.12 Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error.*

# COMMONWEALTH OF PENNSYLVANIA

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## Basic Financial Statement Findings - June 30, 2018

### Finding 2018 – 001: (continued)

- *11.14 Management designs control activities to limit user access to information technology through authorization control activities such as providing a unique user identification or token to authorized users. These control activities may restrict authorized users to the applications or functions commensurate with their assigned responsibilities, supporting an appropriate segregation of duties. Management designs other control activities to promptly update access rights when employees change job functions or leave the entity.*

A well-designed system of internal controls dictates that effective general computer controls (which include adequate segregation of duties, access controls to programs and data, and controls to update access rights) be established and functioning to ensure that overall agency operations are conducted in accordance with management's intent.

**Cause:** Effective July 1, 2017, IT personnel across 26 state agencies transitioned to the Office of Administration and were organizationally structured into delivery centers. The Shared Services model created six delivery centers, as follows: General Government; Public Safety; Employment, Banking, and Revenue; Health and Human Services; Conservation and Environment; and Infrastructure and Economic Development.

Several delivery centers inherited agency systems with IT control weaknesses noted in prior audit finding 2017 – 001. Management indicated that the grouping of agency resources should help address some of the system, upgrade, and staffing limitations that caused some of the control deficiencies encountered during our audit. However, 2017-2018 was a transition year. Certain projects designed to segregate development from production were not implemented as of the dates of our testing. Movement of agency applications to virtual servers at a shared location caused an increase in the number of administrators granted access. OA-OIT management is exploring a privileged access management project, but the project has not yet been funded. Certain other projects, such as one specifically designed to identify terminated users in one application, contained flaws that prevented administrators from being notified to facilitate timely revocation of users' access.

As for the control deficiency noted in the LCB, as an independent agency, LCB did not have its IT resources folded into the Office of Administration. The weaknesses noted at LCB occurred because procedures were not followed appropriately and periodic access reviews of privileged users were not performed correctly.

**Effect:** Segregation of duties weaknesses, inappropriate and unmonitored privileged access, as well as untimely deletion of separated employees' access, all contribute to the risk that system actions can occur that are not in accordance with management's intent. Applications serving the Departments of Revenue, Labor and Industry, Transportation, Education, General Services, and the Liquor Control Board were impacted by these control weaknesses. Further, without properly functioning controls over segregation of duties, privileged access, and terminated users, the auditors are precluded from reliance on computer controls in these agencies.

**Recommendation:** We recommend that Commonwealth management continue its efforts to resolve the general computer control deficiencies noted above. Specific consideration should be given to:

- Segregating the development of programs from promotion to the production environment;
- Preventing developers from having access to the production environment, the operations schedule, and administrative rights;
- Reducing the number of users with privileged and administrative access to mainframes, servers, databases, and applications based on the principle of least privilege;
- Developing policies to govern the granting of privileged/administrative access;
- Implementing privileged access management systems to control the use of privileged/administrative accounts and facilitate logging and monitoring of their use;
- Restricting and controlling the use of shared user IDs with shared passwords;
- Designing controls to notify systems administrators to allow for prompt removal of access rights when users separate employment, change duties, or no longer require access; and
- Ensuring procedures for performing periodic access reviews include all privileged users and are followed appropriately.

# ***COMMONWEALTH OF PENNSYLVANIA***

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## ***Basic Financial Statement Findings - June 30, 2018***

### **Finding 2018 – 001: (continued)**

**Agency Response:** Office of Administration, Office for Information Technology (OA-OIT), and Liquor Control Board (LCB) agree with this finding.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

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## Basic Financial Statement Findings - June 30, 2018

### Finding 2018 – 002:

#### Various Agencies Office of Administration

#### Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-002)

##### Type of Finding: Significant Deficiency

**Condition:** Commonwealth agencies have inconsistently implemented Commonwealth guidance concerning their responsibilities and expectations in managing vendor relationships. Further, agencies have not all implemented specific procedures to ensure report and performance results are communicated to affected agencies, and to ensure escalation procedures exist when reports include control objective exceptions, testing deviations, or qualified opinions. We noted the following specific control deficiencies:

1. System and Organization Controls (SOC) reports with noted exceptions were not consistently provided to the appropriate parties and did not receive timely, documented follow-up.
2. Certain SOC reports were provided with untimely periods of coverage not coinciding with the Commonwealth's audit period.
3. Complementary user entity controls in SOC reports were not consistently subjected to documented reviews to ensure that appropriate controls were in place and operating effectively at the agencies.

These control deficiencies were identified in the Department of Human Services, the Department of Revenue, the Pennsylvania Liquor Control Board, and the Office of Administration (OA). A detailed schedule of issues has been provided to OA and to the various agencies for corrective action.

**Criteria:** Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014.

- Green Book Principle 11 – Design Activities for the Information System, states in part:
  - *11.17 Another alternative [to developing information technology internally] is outsourcing the development of information technology to service organizations. As for an SDLC [Systems Development Life Cycle] developed internally, management designs control activities to meet objectives and address related risks. Management also evaluates the unique risks that using a service organization presents for the completeness, accuracy, and validity of information submitted to and received from the service organization.*

Management Directive 325.13, *Service Organization Controls*, effective November 22, 2017, section 5(d) states:

*Agencies must understand the controls that each service organization maintains, as well as how each service organization's internal control system interacts with the agency's internal control system.*

Section 6(a)(5) states agencies are responsible for:

*Developing, implementing, and monitoring corrective action plans based on monitoring, audit, or assessment findings, as needed.*

Finally, a well-designed system of internal controls should incorporate sound and consistent vendor management controls. These controls should be established and functioning to reduce the risk that agency operations are out of compliance with management's objectives, or that unexpected control deficiencies arise.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2018***

### **Finding 2018 – 002: (continued)**

**Cause:** Although the Office of the Budget issued policy in the form of Management Directives 325.12 and 325.13, inconsistencies still exist among agencies regarding oversight and evaluation of controls at service organizations. We found agency personnel were sometimes unaware or unclear as to their responsibilities to perform documented monitoring of SOC reports including monitoring corrective action plans, ensuring the effectiveness of the complementary user entity controls at their agencies, and assessing associated risks to their agencies' internal control systems. Further, agency personnel were not aware of their responsibility to distribute the SOC reports to all affected parties, including other agencies who may need to perform their own risk assessment procedures. Finally, there was no centralized list of key contacts at each agency who were responsible for timely receipt and distribution of SOC reports to affected parties.

**Effect:** Management may not have an accurate understanding of the control environment that is implemented and maintained by their vendors, and subsequently would not be able to implement appropriate complementary, mitigating, or compensating controls.

**Recommendation:** We recommend Commonwealth management continue its efforts in ensuring compliance with vendor management policies. The Office of Administration, Office for Information Technology, should identify key contacts at each agency and delivery center who would provide oversight and evaluation of each service organization's internal controls. Specific consideration should be given to the following:

- Monitoring and enforcing vendors' compliance with contract and reporting requirements;
- Requiring SOC reports to be timely, and include a minimum of six months of the Commonwealth's audit period, to ensure appropriate audit coverage;
- Timely reviewing SOC reports, and documenting the assessment of the review;
- Reviewing SOC reports' complementary user entity controls to ensure those controls are in place and operating effectively at agencies and/or applicable sub-service organizations; and
- Ensuring SOC report results are communicated to all affected agencies, and escalation procedures exist when the report(s) includes control objective exceptions, testing deviations, or a qualified opinion.

**Agency Response:** Office of Administration, Office for Information Technology (OA-OIT), and the management of the affected agencies agreed with the finding.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

## Index to Federal Award Findings and Questioned Costs - June 30, 2018

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2018-003 *	14.228	Community Development Block Grants – State’s Program	The Department of Community and Economic Development Did Not Perform Adequate During-the-Award Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-006)	NC	ND	DCED	58	130
2018-004 **	10.553 10.555 10.556 10.558	Child Nutrition Cluster  Child and Adult Care Food Program	Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement (A Similar Condition Was Noted in Prior Year Finding 2017-008)	NC - CACFP	ND	PDE	61	130
2018-005 **	10.558	Child and Adult Care Food Program	Material Noncompliance and a Material Weakness Exist in Pennsylvania Department of Education Monitoring of Child and Adult Care Food Program Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-009)	MNC	ND	PDE	63	131
2018-006 **	84.010	Title I Grants to Local Educational Agencies	A Material Weakness and Noncompliance Exist in the Pennsylvania Department of Education’s Subrecipient Allocation Process	NC	None	PDE	66	131
2018-007 **	10.551 10.561 93.558	Supplemental Nutrition Assistance Program (SNAP) Cluster Temporary Assistance for Needy Families	A Material Weakness and Material Noncompliance Exist at the Department of Human Services Related to Electronic Benefits Transfer Card Security (A Similar Condition Was Noted in Prior Year Finding 2017-011)	MNC	ND	DHS	68	131
2018-008 *	93.558	Temporary Assistance for Needy Families	Department of Human Services Did Not Validate Financial Information as Part of Its On-Site Monitoring of Temporary Assistance for Needy Families Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-013)	NC	ND	DHS	70	132

\* - Significant Deficiency

\*\* - Material Weakness

ND - The amount of questioned costs cannot be determined

MNC - Material Noncompliance

NC - Noncompliance

N/A - Not Applicable

CAP - Corrective Action Plan

# COMMONWEALTH OF PENNSYLVANIA

## Index to Federal Award Findings and Questioned Costs - June 30, 2018

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2018-009 **	93.558	Temporary Assistance for Needy Families	Material Noncompliance and Material Weaknesses Exist in the Claiming and Reporting of State Maintenance of Effort for Temporary Assistance for Needy Families (A Similar Condition Was Noted in Prior Year Finding 2017-014)	MNC	ND	DHS	73	132
2018-010 **	93.558 93.658 93.659	Temporary Assistance for Needy Families Foster Care – Title IV-E Adoption Assistance	Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance, and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services’ Office of Children, Youth, and Families (A Similar Condition Was Noted in Prior Year Finding 2017-012)	MNC	ND	DHS	75	132
2018-011 ** SSBG * SABG	93.667 93.959	Social Services Block Grant Block Grants for Prevention and Treatment of Substance Abuse	Noncompliance and Weaknesses Exist in the Department of Human Services’ Program Monitoring of the Social Services Block Grant and the Block Grants for Prevention and Treatment of Substance Abuse Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-017)	MNC – SSBG NC – SABG	ND	DHS	78	133
2018-012 *	17.225	Unemployment Insurance	Department of Labor and Industry Did Not Comply With Unemployment Insurance Program Integrity Requirements (A Similar Condition Was Noted in Prior Year Finding 2017-018)	NC	\$5,128	L&I	81	134
2018-013 *	17.258 17.259 17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster	Significant Deficiency and Noncompliance Exist Over Subrecipient Monitoring	NC	ND	L&I	84	135

\* - Significant Deficiency  
 \*\* - Material Weakness  
 ND - The amount of questioned costs cannot be determined

MNC - Material Noncompliance  
 NC - Noncompliance  
 N/A - Not Applicable  
 CAP - Corrective Action Plan



# COMMONWEALTH OF PENNSYLVANIA

## Index to Federal Award Findings and Questioned Costs - June 30, 2018

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2018-014 **	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry’s Procedures for Performing Eligibility Determinations and Completing Individualized Plans for Employment (A Similar Condition Was Noted in Prior Year Finding 2017-019)	MNC	None	L&I	87	136
2018-015 **	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry’s Procedures Related to Period of Performance Requirements	MNC	\$5,144	L&I	89	137
2018-016 *	20.205 20.219 23.003	Highway Planning and Construction Cluster	Significant Deficiency and Noncompliance Related to Supporting Documentation of Conflict of Interest Statements for Procurement of Consultant Agreements	NC	ND	PennDOT	92	140
2018-017 *	Various	Various CFDA Numbers – See Finding	Information Technology General Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-004)	N/A	None	OA-OIT	94	140
2018-018 *	93.044 93.045 93.053	Aging Cluster	Deficiencies in Information Technology General Controls (A Similar Condition Was Noted in Prior Year Finding 2017-003)	N/A	None	OA-OIT	97	141
2018-019 **	93.775 93.777 93.778	Medicaid Cluster	Material Noncompliance and a Material Weakness Exist Over the Preparation and Submission of the Quarterly CMS-64 Report	MNC	None	OB-OCO	100	141

55

\* - Significant Deficiency

\*\* - Material Weakness

ND - The amount of questioned costs cannot be determined

MNC - Material Noncompliance

NC - Noncompliance

N/A - Not Applicable

CAP - Corrective Action Plan

# COMMONWEALTH OF PENNSYLVANIA

## Index to Federal Award Findings and Questioned Costs - June 30, 2018

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2018-020 *	Various	Various CFDA Numbers – See Finding	State Agencies Did Not Identify the Federal Award Information and Applicable Requirements at the Time of the Subaward and Did Not Evaluate Each Subrecipient’s Risk of Noncompliance as Required by the Uniform Grant Guidance (A Similar Condition Was Noted in Prior Year Finding 2017-020)	NC	ND	Various	103	141
2018-021 * Medicaid ** All Other Programs	Various	Various CFDA Numbers – See Finding	Material Noncompliance and a Material Weakness Exist in the Commonwealth’s Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2017-021)	NC – Medicaid MNC – All Other Programs	ND	Various	109	144

\* - Significant Deficiency  
 \*\* - Material Weakness  
 ND - The amount of questioned costs cannot be determined

MNC - Material Noncompliance  
 NC - Noncompliance  
 N/A - Not Applicable  
 CAP - Corrective Action Plan

**COMMONWEALTH OF PENNSYLVANIA**

**Matrix of Findings by Federal Agency - June 30, 2018**

<b>Federal Agency</b>	<b>USDA</b>	<b>HUD</b>	<b>DOL</b>	<b>DOT</b>	<b>ARC</b>	<b>EPA</b>	<b>ED</b>	<b>HHS</b>
<b>Prefix</b>	<b>10</b>	<b>14</b>	<b>17</b>	<b>20</b>	<b>23</b>	<b>66</b>	<b>84</b>	<b>93</b>
<b>Finding</b>								
2018-003		X						
2018-004	X							
2018-005	X							
2018-006							X	
2018-007	X							X
2018-008								X
2018-009								X
2018-010								X
2018-011								X
2018-012			X					
2018-013			X					
2018-014							X	
2018-015							X	
2018-016				X	X			
2018-017	X	X	X	X	X		X	
2018-018								X
2018-019								X
2018-020	X			X	X		X	X
2018-021	X			X	X	X	X	X

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Department of Community and Economic Development

#### Finding 2018 – 003:

#### CFDA #14.228 – Community Development Block Grants – State’s Program

The Department of Community and Economic Development Did Not Perform Adequate During-the-Award Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-006)

Federal Grant Number(s) and Year(s): B-11-DC-42-0001 (1/01/2011 – 9/30/2018), B-12-DC-42-0001 (1/01/2012 – 9/30/2019), B-13-DC-42-0001 (1/01/2013 – 9/30/2020), B-14-DC-42-0001 (1/01/2014 – 9/30/2021), B-15-DC-42-0001 (1/01/2015 – 9/30/2019), B-16-DC-42-0001 (1/01/2016 – 12/31/2023), B-17-DC-42-0001 (1/01/2017 – 9/30/2024), B-12-DT-42-0001 (9/01/2011 until expended)

Type of Finding: Significant Deficiency, Noncompliance

#### Compliance Requirement: Subrecipient Monitoring

**Condition:** During the fiscal year ended June 30, 2018, the Department of Community and Economic Development (DCED) reported subrecipient expenditures for the United States Department of Housing and Urban Development (HUD), Community Development Block Grants (CDBG) – State’s Program (including Neighborhood Stabilization Programs) of \$39,011,335, which represented approximately 97 percent of total CDBG cluster expenditures of \$39,970,498 on the Schedule of Expenditures of Federal Awards. Based on our examination of the DCED monitoring schedule, there were 37 on-site visits scheduled for the calendar year 2017, of which on-site monitoring visits were made to 24 subrecipients, resulting in 13 on-site monitoring visits not being conducted.

DCED is required to maintain internal controls that ensure subrecipient grant funds are utilized within the established contract period. The grant managers monitor the subrecipient contracts and the progress of projects through review of expenditure reports, written and verbal communication, desk reviews, and site visits. In accordance with Fiscal Directive 2014-04, the Financial Management Center of DCED has performed a review of invoices submitted by CDBG subrecipients prior to the disbursement of federal funds through HUD’s Integrated Disbursement and Information System (IDIS) for compliance with the following:

- Contract amount;
- Budget category;
- Activity period;
- IDIS project number;
- Environmental clearance date; and
- Expenditure being incurred within the first 3 years of the grant.

DCED continues to be behind in monitoring all of its subrecipients in accordance with its monitoring schedule. The table below highlights the number of awarded subrecipients by grant year and the outstanding monitoring activities that have not been conducted as of June 30, 2018.

Grant Year	Total Subrecipients	Subrecipient Desk Reviews/On-Site Visits Outstanding
2009	144	10
2010	145	66
2011	145	65
2012	140	87
2013	138	95

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 003: (continued)

The monitoring policies and procedures applicable to the fiscal years 2014 through 2016 require a Risk Analysis Evaluation (RAE) to be conducted upon the receipt of a grant application. The RAE results in a score used to rank the subrecipient according to risk. The policy states that subrecipients whose score is among the top 20, thus presenting the highest risk, will receive on-site monitoring, as well as remote monitoring, which requires the quarterly submission of a Monitoring Activity Performance Report (MAPR). Remaining subrecipients are subject to remote monitoring and are required to submit a MAPR on a semi-annual basis. In addition, per the policy and risk analysis, management is required to select a sample of invoices on a quarterly basis, including at least one invoice from all subrecipients drawing funds during that quarter, to conduct a review.

We reviewed support for the following subrecipients for the fiscal years 2014 through 2016 and identified the following:

Type	Population	Sample Size	On-Site Visits Not Conducted	MAPR Not Obtained and Reviewed	MAPR Not Obtained Within the Required Timeframe
High Risk Subrecipients	20	6	4	2	2
Remaining Subrecipients	69	11	Not applicable	1	1

The monitoring policies and procedures applicable to the fiscal year 2017 and going forward (new policy) require a RAE to be completed upon receipt and review of a CDBG entitlement grant application. In addition, the RAE will determine the level of risk associated with the applicable program year. Every four years, these scores are used to determine the monitoring schedule for the next four years as follows:

High Risk – All OBOs (counties administering funds on behalf of smaller jurisdictions) with five or more small jurisdictions will automatically be categorized as high risk. Following these, the highest scoring subrecipients will be rated high risk until the total of high risk grantees is 20. Subrecipients deemed high risk will submit the MAPR semi-annually. In addition, grant managers will conduct on-site monitoring annually based on the four year monitoring schedule. The schedule will ensure that all subrecipients receive an on-site visit at least once every four years.

Medium Risk – The next 20 subrecipients based on score will be rated as medium risk. CDBG subrecipients will submit the MAPR at least annually.

Low Risk – Those subrecipients not rated as high or medium risk will be rated as low risk. CDBG subrecipients will submit the MAPR at least annually.

We reviewed support for six of the 20 high risk subrecipients and ten of the 66 remaining subrecipients for the fiscal year 2017 and forward. No exceptions were identified. MAPRs were obtained and reviewed within the required time frames.

**Criteria:** Regarding subrecipient monitoring, HUD regulation 24 CFR Section 85.40 (a) states:

*Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.*

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2018*

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### **Finding 2018 – 003: (continued)**

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

**Cause:** DCED experienced a significant increase in volume of activity in 2009 and 2011 with the supplemental ARRA funding appropriations in 2009 and in providing direct response to Hurricane Irene and Tropical Storm Lee in 2011 with no additional staff support to manage the increased number of contracts. On-site monitoring activities for subrecipients in that time fell behind, and DCED engaged a contractor in 2015 and 2016 to assist in completion of the backlog of monitoring which resulted in the 2000 through 2009 contracts. In 2015 management reduced the number of overall contracts by requiring small grantees to be administered by their respective counties, reducing the overall number of subrecipients to manage, and management is working to address the 2009 to the current period subrecipient review through its monitoring plan.

**Effect:** While DCED is still working aggressively to ensure that all contracts are monitored, they have implemented other during-the-award tools to monitor performance of subrecipients. For the fiscal years 2014 through 2016, DCED did not adequately perform on-site monitoring of the CDBG subrecipients to ensure the subrecipients administer the federal awards in compliance with laws, regulations, and the provisions of contracts and/or grant agreements.

A material number of subrecipients expended individually less than \$750,000 in total federal awards from the Commonwealth during the fiscal year ended June 30, 2017, and as a result would not have been required to submit a Single Audit under the Uniform Guidance to the Commonwealth during the fiscal year ended June 30, 2017. Therefore, these subrecipients were only subject to fiscal monitoring by the program.

The timely completion of these on-site visits is vital in providing DCED with information necessary to determine whether the program's subrecipients are complying with federal regulations.

**Recommendation:** We recommend that DCED ensure that all on-site visits are completed along with all required documentation, within the scheduled monitoring cycle, to provide reasonable assurance that subrecipients administer the federal awards in compliance with laws, regulations, and the provisions of contracts and/or grant agreements. We also recommend that DCED ensure the results of all monitoring visits are communicated to the subrecipients in a timely manner, and that DCED perform follow-up procedures to ensure appropriate corrective action is implemented by the subrecipients.

**Agency Response:** DCED agrees with this finding.

**Questioned Costs:** The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Department of Education

#### Finding 2018 – 004:

#### CFDA #10.553, 10.555, 10.556, and 10.559 – Child Nutrition Cluster CFDA #10.558 – Child and Adult Care Food Program

**Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement (A Similar Condition Was Noted in Prior Year Finding 2017-008)**

**Federal Grant Number(s) and Year(s): 2018-1PA300305 (10/01/2017 – 9/30/2018), 2017-1PA300305 (10/01/2016 – 9/30/2017)**

**Type of Finding: Material Weakness, Noncompliance for Child and Adult Care Food Program  
Material Weakness for Child Nutrition Cluster**

**Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs, Eligibility, Subrecipient Monitoring**

**Condition:** The Pennsylvania Department of Education (PDE), Division of Food and Nutrition, Bureau of Budget and Fiscal Management, administers the operations of the Child and Adult Care Food Program (CACFP) and the Child Nutrition Cluster (CNC). During the fiscal year ended June 30, 2018, subrecipient expenditures for CACFP were \$127.4 million or approximately 99 percent of total federal program expenditures of \$128.5 million and for CNC, subrecipient expenditures were \$592.4 million or approximately 99 percent of total federal program expenditures of \$593.5 million. As part of our testing of subrecipient expenditures, we selected 40 claim reimbursements for both CACFP and CNC. In addition, we also selected 40 subrecipient applications and agreements for both CACFP and CNC to test PDE's procedures for processing applications and agreements.

Our audit testing of claim reimbursements, applications, and agreements found:

- For one of the 40 CACFP subrecipient agreements tested, the agreement was not signed and dated as approved by PDE. The subrecipient signature on the agreement was dated January 2012. As such, the agreement appears to have been put into effect by PDE without being officially signed and approved by PDE.
- For both CACFP and CNC, subrecipients submit claims for reimbursement and also submit their annual applications through the Program Electronic Application and Reimbursement System (PEARS) utilized by PDE and their subrecipients. Our testing of 40 claim reimbursements submitted in CNC revealed two instances in which the claim reimbursements were submitted by an individual without a PEARS system authorization form on file at PDE. In addition, our testing of 40 applications tested in CNC revealed one instance of an application submitted by an individual without a PEARS system authorization form on file at PDE.

**Criteria:** Regarding program agreements, 7 CFR 226.6 states in part:

*(b) The State agency must enter into written agreements with institutions in accordance with paragraph (b)(4) of this section.*

*(4) The State agency must require each institution that has been approved for participation in the Program to enter into a permanent agreement governing the rights and responsibilities of each party.*

In addition 7 CFR 210.20 states in part:

*(b) Recordkeeping summary. Participating State agencies are required to maintain records to demonstrate compliance with program requirements.*

# COMMONWEALTH OF PENNSYLVANIA

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## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 004: (continued)

Regarding claims processing:

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book Principles 10.01 and 10.03, *Accurate and timely recording of transactions*, states in part:

*Management should design control activities to achieve objectives and respond to risks. In addition, management designs control activities so that all transactions are completely and accurately recorded.*

**Cause:** PDE management acknowledged that the signature and date were missing on one of the subrecipient agreements tested and provided no further explanation. As for the missing PEARS authorization forms, PDE management represented that they have requested the authorization forms from the subrecipients.

**Effect:** Having a properly signed and dated agreement on file is required in order to participate in the CACFP program. Absent a properly approved agreement, the subrecipient noted in the condition above may have received unallowable meal reimbursements from the CACFP program.

In addition, PDE has limited assurance of the accuracy of claim reimbursements and applications when submitted by an unauthorized individual.

**Recommendation:** PDE should strengthen controls to ensure that every subrecipient has a signed and properly dated agreement in accordance with federal regulations for the CACFP program.

PDE should also strengthen controls to ensure that individuals who submit claim reimbursements and applications in PEARS are authorized and have a signed authorization form on file with PDE.

**Agency Response:** The Division of Food and Nutrition acknowledges that one signature and 2 user authorization forms could not be located but does not agree with the auditors' conclusion that this indicates a material weakness.

**Auditors' Conclusion:** Claim reimbursements and applications submitted by individuals without a PEARS authorization form is a material weakness due to the potential impact for unauthorized transactions in both the CNC and CACFP programs. This internal control is significant because it applies to funds passed through to subrecipients which accounts for 99 percent of program expenditures in both programs.

The finding remains as stated.

**Questioned Costs:** The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**



# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Department of Education**

#### **Finding 2018 – 005:**

#### **CFDA #10.558 – Child and Adult Care Food Program**

#### **Material Noncompliance and a Material Weakness Exist in Pennsylvania Department of Education Monitoring of Child and Adult Care Food Program Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-009)**

**Federal Grant Number(s) and Year(s):** 2018-1PA300305 (10/01/2017 – 9/30/2018), 2017-1PA300305 (10/01/2016 – 9/30/2017)

**Type of Finding:** Material Weakness, Material Noncompliance

#### **Compliance Requirement: Subrecipient Monitoring**

**Condition:** The Pennsylvania Department of Education (PDE), Division of Food and Nutrition, Bureau of Budget and Fiscal Management, administers the operations of the Child and Adult Care Food Program (CACFP). During the fiscal year ended June 30, 2018, subrecipient expenditures accounted for \$127.4 million or approximately 99 percent of total federal program expenditures of \$128.5 million. As part of our testing of subrecipient monitoring, we selected 40 subrecipients to test PDE’s monitoring procedures.

PDE performs on-site monitoring of subrecipients to ensure compliance with federal program regulations. Independent centers and sponsoring organizations of one to 100 facilities must be reviewed once every three years, and sponsoring organizations with more than 100 facilities must be reviewed once every two years. PDE uses standardized monitoring reports for independent centers and sponsoring organizations to document its review of each subrecipient, noting findings and areas for improvement. PDE communicates any deficiencies noted and recommendations to the subrecipient and requires the subrecipient to submit corrective action documents (CAD) to PDE. PDE then reviews and evaluates responses submitted on the CAD for adequacy. Applicable to the current audit period, PDE’s internal procedures noted in Standard Operating Procedure (SOP) #FS-RS-CACFP-05, state that the review must be closed within 140 days of the on-site exit date. To close an administrative review, PDE must either approve the subrecipient’s response to the CAD or issue a notice of serious deficiency to the subrecipient if acceptable responses to the CAD are not received. 7 CFR 226.6 (o) requires PDE to ensure the corrective actions are approved within a time period specified by PDE.

We sampled 40 of PDE’s on-site reviews of sponsors out of a population of 460 reviews scheduled during program year October 2017 to September 2018. We audited this period because PDE tracks their on-site monitoring based on a federal fiscal year basis. We noted the following deficiencies in our monitoring testing:

- For two sponsor reviews, we found that PDE has yet to close the reviews within the required 140 day time period using a cutoff date of January 23, 2019. The reviews were in process and not yet closed for 26 and 34 days, respectively, beyond the due date. Also, these two reviews did not yet have a signed final determination letter issued from PDE.
- For three sponsor reviews that were completed by PDE during the audit period and had a final determination letter issued, we found PDE did not close the reviews within the required 140 days. The number of days these reviews were closed beyond 140 days ranged from 16 to 22 days with an average of 20 days.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 005: (continued)

**Criteria:** 7 CFR 226.6 (o) regarding child care standards for compliance states:

*The State agency shall, when conducting administrative reviews of child care centers, and day care homes approved by the State agency under paragraph (d)(3) of this section, determine compliance with the child care standards used to establish eligibility, and the institution shall ensure that all violations are corrected and the State shall ensure that the institution has corrected all violations. If violations are not corrected within the specified timeframe for corrective action, the State agency must issue a notice of serious deficiency...*

PDE's CACFP procedures regarding the performance of CACFP reviews of subrecipients, as specified in SOP #FS-RS-CACFP-05, state only that the "Review must be closed by 140 days after exit date." This 140 days includes the issuance of any necessary findings and follow-up on CADs.

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

**Cause:** PDE management does not believe that the agency has a regulatory requirement to specify a time period for PDE to approve a subrecipient's CAD. 7 CFR 226.6 (o) indicates that the state shall ensure the institution has corrected all violations within the specified timeframe. PDE's procedures in SOP #FS-RS-CACFP-05 require that an administrative review must close within 140 days, which requires PDE to either approve the subrecipient's CAD or issue a notice of serious deficiency, if necessary. However, PDE believes the 140 day requirement is an internal policy only and does not pertain to the requirements in 7 CFR.

**Effect:** When findings and CADs are not reviewed, approved, and closed by PDE timely, subrecipients may continue to operate in noncompliance with program regulations. Permitting subrecipients to operate in violation of program requirements for extended periods of time increases the likelihood that funds may not be spent for intended purposes or in accordance with program requirements. Furthermore, untimely closure of findings and CADs by PDE increases the likelihood that individuals served by the program are not receiving the benefits that are paid for with CACFP funds. In addition, we noted in the subsequent audit period that PDE revised the policy to process a CAD and close an administrative review in 180 days, which will further prolong the approval of a subrecipient's CAD.

**Recommendation:** We recommend that PDE management increase its review and oversight efforts. PDE should implement procedures necessary to ensure subrecipients are timely monitored, and monitoring findings and CADs are timely followed up in accordance with CACFP program regulations.

**Agency Response:** PDE disagrees with this finding as an internal procedure was updated and applicable to the reviews referenced in the findings, as stated in the procedure. Additionally, auditors are in possession of a Program Determination Letter from USDA, clarifying that there is no federal regulatory time frame on which this finding is based.

**Auditors' Conclusion:** As noted in the effect, the internal policy was updated in the subsequent audit period and increased the time PDE has to close the review from 140 to 180 days which will further prolong the approval of a subrecipient's CAD.

The Program Determination Letter noted in the agency response refers to an August 16, 2018 USDA determination concerning this same finding in the prior year (Finding 2017 – 009) and addresses PDE's response to 7 CFR 226.6 (m)(3), but PDE does not address 7 CFR 226.6 (o) which was also cited in the finding. As stated in the criteria and cause sections above, we believe 7 CFR 226.6 (o) clearly states that the state agency must establish a specified timeframe for ensuring subrecipient corrective action has taken place. PDE should seek further resolution from USDA on this matter. The finding remains as stated.

***COMMONWEALTH OF PENNSYLVANIA***

***Federal Award Findings and Questioned Costs - June 30, 2018***

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**Finding 2018 – 005: (continued)**

Questioned Costs: The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Department of Education**

#### **Finding 2018 – 006:**

#### **CFDA #84.010 – Title I Grants to Local Educational Agencies**

#### **A Material Weakness and Noncompliance Exist in the Pennsylvania Department of Education’s Subrecipient Allocation Process**

**Federal Grant Number(s) and Year(s):** S010A150038 (7/01/2015 – 12/30/2017), S010A160038 (7/01/2016 – 12/30/2018), S010A170038 (7/01/2017 – 12/30/2019)

**Type of Finding:** Material Weakness, Noncompliance

**Compliance Requirement:** Activities Allowed or Unallowed

**Condition:** The United States Department of Education (USDE) provides Title I Grants to Local Educational Agencies (Title I) funds to the Pennsylvania Department of Education (PDE) under the authority of the Elementary and Secondary Education Act, as amended by the Every Student Succeeds Act, for the purpose of improving the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

PDE annually allocates Title I funds to the eligible local educational agencies (LEAs). The process begins when USDE provides local educational agency allocation tables to PDE for basic grants, concentration grants, targeted grants, and education finance incentive grants based on LEA-level data for public schools from the Bureau of Census. PDE is required to calculate additional allocations in order to adjust the initial USDE allocations to ensure compliance with Title I federal earmarking requirements which include 1) allocating funds to any eligible LEAs that are not on the Census list (specifically, charter schools), 2) hold harmless level, 3) reserve for school improvement, and 4) reserve for state administration.

PDE’s 2017/2018 school year Title I allocations totaled \$569,773,357. Our current year testing disclosed that 35 allocations totaling \$164,683,845 out of our sample of 40 LEAs’ allocations totaling \$165,718,580 for the fiscal year ended June 30, 2018 were misstated by amounts ranging from (\$2) to \$18,054. Although there was a documented supervisory review and approval process in place, it was not sufficient to detect the misstatements and ensure the accuracy and propriety of PDE’s process for allocating Title I funds to LEAs.

PDE subgranted Title I funds to LEAs in the amount of \$585,716,048 out of total Title I expenditures of \$591,516,367 reported on the Schedule of Expenditures of Federal Awards during the fiscal year ended June 30, 2018.

**Criteria:** 34 CFR Section 200.72, Procedures for adjusting allocations determined by the Secretary to account for eligible LEAs not on the Census list, states:

*(a) General. For each LEA not on the Census list (hereinafter referred to as a “new” LEA), an SEA must determine the number of formula children and the number of children ages 5 to 17, inclusive, in that LEA.*

*(b) Determining LEA eligibility. An SEA must determine basic grant, concentration grant, targeted grant, and education finance incentive grant eligibility for each new LEA and re-determine eligibility for the LEAs on the Census list, as appropriate, based on the number of formula children and children ages 5 to 17, inclusive, determined in paragraph (a) of this section.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

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### Finding 2018 – 006: (continued)

(c) *Adjusting LEA allocations. An SEA must adjust the LEA allocations calculated by the Secretary to determine allocations for eligible new LEAs based on the number of formula children determined in paragraph (a) of this section.*

34 CFR Section 76.702, Fiscal control and fund accounting procedures, states:

*A State and a subgrantee shall use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for Federal funds.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should design control activities to achieve objectives and respond to risks.*

**Cause:** PDE personnel stated that the basic grant allocation file became corrupted, causing the individual LEAs' basic allocations to be incorrect. These incorrect individual basic allocations were added to the allocations of the concentration grants, targeted grants, and education finance incentive grants to calculate the total allocation for each individual LEA. This corruption was not detected by PDE, since PDE's review included verification of each file's total amount, which was correct, as opposed to verifying the accuracy of the individual LEAs' allocations within each file.

**Effect:** Since PDE's oversight of the allocation process was not detailed enough to ensure the accuracy of the individual LEAs' allocations, the individual LEAs' allocations were misstated and not in compliance with federal requirements, and a material weakness exists.

**Recommendation:** We recommend that PDE personnel improve their oversight of the Title I allocations by implementing and documenting a supervisory review and approval process with a level of detail to ensure that all eligible Title I subrecipients are awarded the appropriate funds in accordance with federal regulations. The allocation review process should include verification of the accuracy of the files and the calculations which support the allocation process.

**Agency Response:** PDE agrees with this finding.

**Questioned Costs:** None

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Department of Human Services

#### Finding 2018 – 007:

#### CFDA #10.551 and 10.561 – Supplemental Nutrition Assistance Program (SNAP) Cluster CFDA #93.558 – Temporary Assistance for Needy Families

**A Material Weakness and Material Noncompliance Exist at the Department of Human Services Related to Electronic Benefits Transfer Card Security (A Similar Condition Was Noted in Prior Year Finding 2017-011)**

**Federal Grant Number(s) and Year(s): 181PA405S2514 (10/01/2017 – 9/30/2018), 1701PATANF (10/01/2016 – 9/30/2017), 1801PATANF (10/01/2017 – 9/30/2018)**

**Type of Finding: Material Weakness, Material Noncompliance**

**Compliance Requirement: Special Tests and Provisions related to EBT Card Security**

**Condition:** During our audit of the Supplemental Nutrition Assistance Program (SNAP), we evaluated the security over Electronic Benefits Transfer (EBT) cards, which includes both the physical security of EBT cards during the issuance process at County Assistance Offices (CAO) as well as the handling of EBT cards returned from the United States Postal Service as undeliverable or those that have been lost or stolen. EBT cards are the method by which SNAP benefit payments are made available to recipients. Also, EBT cards are the primary method by which cash and special allowance benefit payments are made available to Temporary Assistance for Needy Families (TANF) recipients. Total benefit expenditures for SNAP for the fiscal year ended June 30, 2018 totaled over \$2.6 billion. Total benefit expenditures for TANF for the fiscal year ended June 30, 2018 totaled over \$171.5 million.

Eleven of the 91 CAO and district locations that the system shows issued EBT cards were selected for site visits in the current audit period. During our review of the physical security over EBT cards, we noted exceptions at four of the eleven CAO and district locations selected for testing. These exceptions included the following:

- Failure to provide documentation related to the timely submission of the Electronic Payment Processing and Information Control system (EPPIC) application forms (1 district office);
- Failure to provide documentation related to the addition of users to the EBT Card Tracking database (1 district office);
- Failure to locate EPPIC addition/deletion forms for two employees (1 district office and 1 location); and
- Employee listed on Department of Human Services (DHS) Project Office master list as a Card Pinner; however, employee listed on CAO list as a Card Maker (1 district office).

Forty of the 260 business days in the current audit period were selected to review the handling and destruction of returned EBT cards. During our review of the handling and destruction of returned EBT cards, we noted an exception on one of the forty business days selected for testing. The exception included failure to complete all fields in the EBT Card Destruction Log.

**Criteria:** Federal Regulation 7 CFR Section 274.8 related to EBT systems provides:

*(a) Functional requirements. The State agency shall ensure that the EBT system is capable of performing the following functional requirements prior to implementation:*

*(1) Authorizing household benefits.*

*(i) Issuing and replacing EBT cards to eligible households;*

*(x) Inventorying and securing accountable documents;*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

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### Finding 2018 – 007: (continued)

7 CFR Section 274.5 Record retention and forms security states:

(c) *Accountable Documents.*

(1) *EBT cards shall be considered accountable documents. The State agency shall provide the following minimum security and control procedures for these documents:*

- i. *Secure storage;*
- ii. *Access limited to authorized personnel;*
- iii. *Bulk inventory control records;*
- iv. *Subsequent control records maintained through the point of issuance or use; and*
- v. *Periodic review and validation of inventory controls and records by parties not otherwise involved in maintaining control records.*

45 CFR 75.302 applicable to TANF states:

(b) *The financial management system of each non-Federal entity must provide for the following (see also §75.361, 75.362, 75.363, 75.364, and 75.365):*

(4) *Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See §75.303.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office, *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

**Cause:** Established policies and procedures were not followed consistently across CAO and district locations, which resulted in ineffective internal controls over EBT card security.

**Effect:** Without adequate security controls over EBT cards, there exists the possibility of misappropriation and/or abuse.

**Recommendation:** We recommend that DHS monitor EBT card security at CAO and district locations on a regular basis to improve consistency in the execution of documented policies and procedures.

**Agency Response:** DHS agrees with this finding.

**Questioned Costs:** The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Department of Human Services**

#### **Finding 2018 – 008:**

#### **CFDA #93.558 – Temporary Assistance for Needy Families**

**Department of Human Services Did Not Validate Financial Information as Part of Its On-Site Monitoring of Temporary Assistance for Needy Families Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-013)**

**Federal Grant Number(s) and Year(s):** 1601PATANF (10/01/2015 – 9/30/2016), 1701PATANF (10/01/2016 – 9/30/2017), 1801PATANF (10/01/2017 – 9/30/2018)

**Type of Finding:** Significant Deficiency, Noncompliance

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** During the fiscal year ended June 30, 2018 the Department of Human Services (DHS) paid \$79.7 million in Temporary Assistance for Needy Families (TANF) funding to subrecipients within the New Directions, Cash Grants, and Alternatives to Abortion appropriations (or 15.5 percent) out of total federal TANF expenditures of \$512.9 million reported on the June 30, 2018 Schedule of Expenditures of Federal Awards.

Our testing of DHS's during-the-award monitoring of subrecipients for the fiscal year ended June 30, 2018 disclosed that DHS performed on-site monitoring for all 14 subrecipients selected for testing. The on-site monitoring that was performed consisted of reviews of program operations including design, data entry accuracy and timeliness, case management analysis, and program payment performance goals. The on-site monitoring also included a review of a sample of TANF recipient case files to ensure that the recipients' TANF activities were documented and accurately entered in the Commonwealth's Workforce Development System. However, DHS's monitoring procedures for the 14 subrecipients were not adequate since they did not include a review or monitoring of subrecipient financial records, which would provide a timely assessment of a subrecipient's compliance with applicable federal regulations. Although DHS's monitoring procedures include reviewing subrecipient completed questionnaires for selected subrecipients that have questions related to financial matters, DHS monitors did not review subrecipient financial records. For example, DHS did not perform procedures to ensure subrecipient invoices agreed to the books and records of the subrecipient and that the records were adequate to support the allowability of costs paid by DHS during the award period. In addition, DHS's monitoring procedures did not include an evaluation of the operating effectiveness of DHS subrecipient procedures to monitor Single Audits and any related findings.

In addition to the 14 subrecipients tested above, we followed up on one subrecipient identified in the prior year finding as not being on-site monitored by DHS. Our follow up on DHS's monitoring of this subrecipient during the current audit period disclosed that DHS personnel prepared a risk assessment that indicated on-site monitoring may be warranted for the current audit period, but DHS had not conducted any on-site monitoring of this subrecipient and no documentation existed to explain why DHS did not perform on-site monitoring. Since no on-site monitoring occurred, internal control weaknesses, noncompliance, and questioned costs may have existed and remained undetected during the current audit period. This subrecipient received approximately \$1.2 million of TANF funds during the fiscal year ended June 30, 2018.



# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 008: (continued)

**Criteria:** 45 CFR Section 75.352, Requirements for pass-through entities, states:

*(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:*

*(1) Reviewing financial and programmatic reports required by the pass-through entity.*

*(2) 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 other means.*

*(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient...*

2 CFR section 200.331, Requirements for Pass-through Entities, states in part:

*Pass-through entity monitoring of the subrecipient must include:*

*(e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:*

*(1) Providing subrecipients with training and technical assistance on program-related matters; and*

*(2) Performing on-site reviews of the subrecipient's program operations;*

*(3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

**Cause:** DHS has not implemented adequate during-the-award monitoring procedures of DHS subrecipients to include testing of the financial records and the subrecipients' monitoring of Single Audits sufficient to ensure compliance with federal regulations. In addition, as indicated in DHS's corrective action plan for the prior year finding, DHS personnel planned to explore options regarding the best approach for conducting the financial portion of the required on-site subrecipient monitoring but did not revise the procedures used during the current audit period.

Regarding the aforementioned subrecipient that was not subject to on-site monitoring, DHS personnel stated that no on-site monitoring was performed on this subrecipient because recent audits performed of the subrecipient resulted in changes to the subrecipient's policies and procedures. DHS planned to wait to perform on-site monitoring of the subrecipient until the new policies and procedures were implemented. DHS's corrective action plan for the prior year finding indicated that this subrecipient would be monitored during fiscal year ended June 30, 2018, but no documentation was maintained to explain why DHS did not achieve the June 30, 2018 deadline.

**Effect:** TANF subrecipients could be operating in noncompliance with federal regulations without timely detection and correction by DHS management.

# ***COMMONWEALTH OF PENNSYLVANIA***

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## ***Federal Award Findings and Questioned Costs - June 30, 2018***

### **Finding 2018 – 008: (continued)**

**Recommendation:** DHS should strengthen its controls to ensure during-the-award monitoring of TANF subrecipients includes procedures to ensure that subrecipients are in compliance with applicable federal regulations, including ensuring that all required Single Audits were obtained by all DHS subrecipients.

**Agency Response:** DHS agrees with the finding.

**Questioned Costs:** The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Department of Human Services

#### Finding 2018 – 009:

#### CFDA #93.558 – Temporary Assistance for Needy Families

**Material Noncompliance and Material Weaknesses Exist in the Claiming and Reporting of State Maintenance of Effort for Temporary Assistance for Needy Families (A Similar Condition Was Noted in Prior Year Finding 2017-014)**

**Federal Grant Number(s) and Year(s):** 1701PATANF (10/01/2016 – 9/30/2017), 1801PATANF (10/01/2017 – 9/30/2018)

**Type of Finding:** Material Weakness, Material Noncompliance

**Compliance Requirement:** Matching, Level of Effort, Earmarking

**Condition:** The Department of Human Services (DHS) administers the Temporary Assistance for Needy Families (TANF) program which has a minimum state Maintenance of Effort (MOE) expenditure requirement that is reported to the U.S. Department of Health and Human Services (HHS) on the ACF-196R Report. The Commonwealth reported \$469,865,951 on the ACF-196R Report for the federal fiscal year (FFY) 2017 TANF MOE. However, our audit disclosed the FFY 2017 TANF MOE expenditures were inaccurately reported.

We tested a sample of MOE expenditures reported on the ACF-196R report totaling \$165,594,143, which included costs of \$117,714,353 for Pre-Kindergarten (Pre-K), \$36,962,524 for the Head Start Supplemental Assistance Program (HSSAP), and \$10,917,266 for the Nurse Family Partnership. Our testing disclosed that MOE expenditures reported on the ACF-196R Report were over reported for the Pre-K costs due to the use of an incorrect family income threshold in the calculation. The family income threshold was incorrectly calculated using the ratio of the student population that had family incomes of 200 percent or less of the Federal Poverty Income Guidelines (FPIGs), as opposed to 130 percent or less of FPIGs which was the correct eligibility threshold in the approved state plan. The Pennsylvania Department of Education (PDE) subgranted a total of \$145,326,361 to Local Educational Agencies and non-governmental organizations to administer the Pre-K programs. PDE calculated a ratio of 81 percent for the children in Pre-K that had family incomes of 200 percent or less of FPIGs; therefore, 81 percent, or \$117,714,353, of total Pre-K costs of \$145,326,361 was improperly claimed and reported as TANF MOE. In addition, the 81 percent amount used in the TANF MOE calculation was derived from the student population for the month of May 2017 as reported by subrecipients to PDE, instead of the actual reported costs for this population from the entire federal fiscal year.

**Criteria:** 45 CFR Section 263.2, What kinds of State expenditures count toward meeting a State's basic MOE expenditure requirement, states in part:

*(b) ...the benefits or services ... of this section count only if they have been provided to or on behalf of eligible families.*

The Pennsylvania TANF State Plan defines an eligible family for the Pre-K services under the Head Start Supplemental Assistance Program (HSSAP) in Section (m). Section (m) states, in part, related to Pre-K:

*Eligibility requirements for the HSSAP year funding are as follows:*

*Must be a Head Start/Early Head Start grantee or delegate agency, and*

*Must use the grant to provide Head Start services to children from low-income families who meet the Head Start eligibility criteria (whose incomes do not exceed 130 percent of the FPIGs). The Pennsylvania Pre-K Counts program provides high-quality early childhood education to Pennsylvania children in diverse settings, ranging from school-based programs, Keystone STARS 3 and 4 child care centers, private academic preschool and Head Start agencies.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

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### Finding 2018 – 009: (continued)

45 CFR Section 263.1(a), How much State money must a State expend annually to meet the basic MOE requirement, states, in part:

*(1) The minimum basic MOE for a fiscal year is 80 percent of a State's historic State expenditures.*

*(2) However, if a State meets the minimum work participation rate requirements in a fiscal year ... then the minimum basic MOE for that fiscal year is 75 percent of the State's historic State expenditures.*

The Commonwealth's historic State expenditures were \$542,834,133; therefore, 80 percent of historic State expenditures is \$434,267,306, and 75 percent of historic State expenditures is \$407,125,600.

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should design control activities to achieve objectives and respond to risks.*

**Cause:** Commonwealth management did not provide a reason why Pre-K costs for children whose families had incomes of 200 percent or less of FPIGs were charged to TANF MOE, instead of costs for children whose families had incomes of 130 percent or less of FPIGs as approved in the TANF State Plan.

In addition, controls were not adequate to ensure costs charged to TANF MOE for Pre-K were only for eligible families as stated in the State Plan.

**Effect:** Based upon the documentation provided by the Commonwealth, we could not determine the total amount of the overcharge to TANF MOE or if the MOE minimum requirements were met. Since the Commonwealth claimed \$469,865,951 of TANF MOE costs, which is \$62,740,351 more than the required \$407,125,600 TANF MOE for Pennsylvania if work participation rate requirements are met, or \$35,598,645 more than the required \$434,267,306 if work participation rate requirements are not met, the Commonwealth may still have met the required amount of TANF MOE for FFY 2017. If the Commonwealth did not meet the MOE requirement, the penalty would be a reduction of federal TANF funding for the subsequent fiscal year.

**Recommendation:** The Commonwealth should ensure compliance with the MOE requirement by determining the amount of Pre-K costs that were overcharged to TANF MOE and filing an amended ACF-196R Report for FFY 2017 to report the allowable amount of TANF MOE expenditures for Pre-K.

In addition, the Commonwealth should pursue the resolution of any TANF MOE expenditures below the required minimum amount, if applicable, with HHS. The Commonwealth should implement adequate controls to ensure compliance with TANF MOE requirements and to ensure costs claimed are only provided to or on behalf of eligible families.

**Agency Response:** DHS agrees with this finding.

**Questioned Costs:** The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

### **Department of Human Services**

#### **Finding 2018 – 010:**

##### **CFDA #93.558 – Temporary Assistance for Needy Families**

##### **CFDA #93.658 – Foster Care – Title IV-E**

##### **CFDA #93.659 – Adoption Assistance**

**Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance, and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services' Office of Children, Youth, and Families (A Similar Condition Was Noted in Prior Year Finding 2017-012)**

**Federal Grant Number(s) and Year(s):** 1702PATANF (10/01/2016 – 9/30/2017), 1802PATANF (10/01/2017 – 9/30/2018), 1701PAFOST (10/01/2016 – 9/30/2017), 1801PAFOST (10/01/2017 – 9/30/2018), 1701PAADPT (10/01/2016 – 9/30/2017), 1801PAADPT (10/01/2017 – 9/30/2018)

**Type of Finding: Material Weakness, Material Noncompliance**

**Compliance Requirement: Subrecipient Monitoring**

**Condition:** The Department of Human Services' (DHS) Office of Children, Youth, and Families (OCYF) performs two types of during-the-award monitoring of its 67 subrecipient County Children and Youth Agencies (CCYAs). One group within OCYF performs on-site inspections to support its reissuance of licenses for all 67 CCYAs to whom DHS subgrants funds to perform Foster Care, Adoption Assistance services, and Temporary Assistance for Needy Families (TANF) Child Welfare. These inspections primarily focus on health, safety, and performance issues, and each on-site inspection is documented on an Annual Survey and Evaluation Summary. A license, or certificate of compliance, is issued for a period of one year if the results of the on-site inspection determine the entity is in compliance with statutes, ordinances, and regulations.

In addition, a separate group within DHS's OCYF performs Title IV-E Quality Assurance Compliance Reviews which primarily focus on eligibility and allowability. These two types of on-site monitoring visits are not performed at the same time. To test DHS's licensing/inspections and Quality Assurance Compliance Reviews in the current year, we selected 13 of the 67 CCYAs receiving Foster Care, Adoption Assistance, and TANF funds.

Our current year testing of the on-site licensing inspections disclosed the following exceptions:

- Two of the 13 on-site inspections of the 13 CCYAs tested were not reviewed and approved timely by a supervisor and a regional director. One of the inspections was approved 35 days after the expiration of the prior license, and the other inspection was approved 101 days after the expiration of the prior license.

Also, as part of our testing of monitoring, we noted that DHS did not have adequate procedures in place to determine if CCYAs were monitoring their subrecipients or contractors. Specifically, DHS did not perform procedures to determine if CCYAs were monitoring Single Audits of its subrecipients and evaluating the follow-up of any findings, or that CCYAs were only paying for allowable services.

Foster Care program payments made by DHS to its 67 CCYA subrecipients during the fiscal year ended June 30, 2018 were \$182.9 million, or 90.1 percent of total Foster Care expenditures of \$202.9 million reported on the June 30, 2018 Schedule of Expenditures of Federal Awards (SEFA). Adoption Assistance program payments made by DHS to its 67 CCYA subrecipients during the fiscal year ended June 30, 2018 were \$80.6 million, or 72.6 percent of total Adoption Assistance expenditures of \$111 million reported on the June 30, 2018 SEFA. TANF Child Welfare program payments made by DHS to its 67 CCYA subrecipients during the fiscal year ended June 30, 2018 were \$79.2 million, or 15.5 percent of total TANF expenditures of \$512.9 million reported on the June 30, 2018 SEFA.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 010: (continued)

**Criteria:** 45 CFR Section 75.352, applicable to TANF, Foster Care, and Adoption Assistance grants awarded after December 25, 2014 states:

*(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:*

*(1) Reviewing financial and programmatic reports required by the pass-through entity.*

*(2) 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 other means.*

*(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient ...*

PA Code Title 55, Chapter 20, Licensure or Approval of Facilities and Agencies, Section 20.51 states:

*A certificate of compliance will be issued to the legal entity by the Department if, after an inspection by an authorized agent of the Department, it is determined that requirements for a certificate of compliance are met.*

In addition, PA Code Title 55, Chapter 20, Section 20.52 states:

*If, during an inspection, authorized agents of the Department observe items of noncompliance with licensure or approval regulations, the legal entity shall submit an acceptable written plan to correct each noncompliance item and shall establish an acceptable period of time to correct these items.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

**Cause:** As noted in the Corrective Action Plan to prior year Finding 2017 – 012, DHS restructured the on-site inspection process to ensure timely completion and approval of the on-site inspections before the expiration of the prior license. However, DHS personnel did not fully implement the changes for our current audit period.

DHS personnel did not explain why the two on-site inspections were not timely reviewed and approved by a supervisor or a regional director.

DHS believes that its current monitoring procedures to determine subrecipient eligibility, monitor programmatic operations, review subrecipient audits, and review subrecipient agreed upon procedure reports are sufficient to effectively monitor its subrecipients or contractors.

**Effect:** DHS OCYF's failure to timely review and approve inspection reports before the expiration of the prior license allowed the CCYAs to operate without a proper license for an extended period of time. Also, since DHS did not determine if CCYAs were monitoring their subrecipients or contractors, CCYAs could be operating in noncompliance with federal regulations without timely detection and correction by DHS management.

**Recommendation:** DHS's OCYF should strengthen its controls to ensure monitoring and inspections of Foster Care, Adoption Assistance, and TANF subrecipients are performed and reviewed by management on a timely basis and include procedures to ensure CCYAs are monitoring their subrecipients or contractors.

**COMMONWEALTH OF PENNSYLVANIA**

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***Federal Award Findings and Questioned Costs - June 30, 2018***

**Finding 2018 – 010: (continued)**

**Agency Response:** DHS agrees with this finding.

**Questioned Costs:** The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Department of Human Services

#### Finding 2018 – 011:

##### CFDA #93.667 – Social Services Block Grant

##### CFDA #93.959 – Block Grants for Prevention and Treatment of Substance Abuse

**Noncompliance and Weaknesses Exist in the Department of Human Services’ Program Monitoring of the Social Services Block Grant and the Block Grants for Prevention and Treatment of Substance Abuse Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-017)**

**Federal Grant Number(s) and Year(s):** 1701PASOSR (10/01/2016 – 9/30/2017), 1801PASOSR (10/01/2017 – 9/30/2018), TI010044-17 (10/01/2016 – 9/30/2017), B08TI010044-18 (10/01/2017 – 9/30/2018)

**Type of Finding:** Material Weakness, Material Noncompliance for SSBG  
Significant Deficiency, Noncompliance for SABG

#### **Compliance Requirement: Cash Management, Subrecipient Monitoring**

**Condition:** Our examination of the Department of Human Services’ (DHS) procedures for monitoring Social Services Block Grant (SSBG) subrecipients revealed that DHS did not adequately monitor the Domestic Violence, Mental Health, Child Welfare, or Homeless Services subrecipients to ensure that SSBG awards are used in compliance with laws and regulations, which include allowable costs, period of performance, and other requirements. In addition, the Domestic Violence subrecipient was a high risk subrecipient on DHS’s evaluation of subrecipient risk, and no documentation was maintained to explain why on-site monitoring was not performed for this particular subrecipient. The inadequately monitored subrecipients received \$32 million (or approximately 35 percent) of total SSBG program expenditures of \$92.1 million on the current Schedule of Expenditures of Federal Awards (SEFA). In addition, we determined that the same Homeless Services program subrecipients that received SSBG funding and were not adequately monitored by DHS personnel also received \$1,983,000 in Block Grants for Prevention and Treatment of Substance Abuse (SABG) funding during the fiscal year ended June 30, 2018. Total SABG expenditures on the current SEFA were \$53.1 million.

In addition, for the compliance requirement related to cash management, we noted that DHS advanced funds to SSBG subrecipients in five of nine program areas, representing \$39.1 million (or approximately 42 percent) of SSBG program expenditures, without adequately monitoring the reasonableness of the subrecipient cash balances. In particular, for the Legal Services components of the SSBG program, DHS advanced funds to subrecipients on a monthly basis. For program areas related to Mental Health, Intellectual Disabilities, Homeless Services, and Child Welfare, DHS advanced funds to subrecipients on a quarterly basis. Also, we noted \$1,983,000 of SABG funds were advanced under the Homeless Services program area without adequately monitoring the reasonableness of the subrecipient cash balances. Our inquiries with applicable DHS program administrators disclosed that DHS did not adequately monitor the five program areas’ subrecipients for cash management compliance either at the time of payment or at any other time during the fiscal year ended June 30, 2018.

Furthermore, while Single Audits of SSBG and SABG subrecipients are to be conducted each year, this auditing activity does not compensate for the lack of during-the-award program monitoring, since the timing, focus, and scope of subrecipient auditing activities after year end are different than compliance monitoring to be performed by program officials during the year.

**Criteria:** 45 CFR Section 75.352, Requirements for pass-through entities, states:

*(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:*



# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 011: (continued)

- (1) *Reviewing financial and programmatic reports required by the pass-through entity.*
- (2) *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 other means.*
- (3) *Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity...*

45 CFR Section 75.305 (b)(1), applicable to payments to subrecipients, states in part:

*...Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

2 CFR section 200.331, Requirements for Pass-through Entities, states in part:

*Pass-through entity monitoring of the subrecipient must include:*

*(e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:*

- (1) Providing subrecipients with training and technical assistance on program-related matters; and*
- (2) Performing on-site reviews of the subrecipient's program operations;*
- (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.*

**Cause:** DHS management stated a new County Human Services Planning and Monitoring Unit was formed and that risk assessment and monitoring documents were created for use during on-site monitoring of SSBG and SABG subrecipients. However, as noted above, risk assessments and on-site monitoring were not performed for all SSBG and SABG subrecipients.

Regarding the high risk Domestic Violence subrecipient on DHS's evaluation of subrecipient risk, DHS personnel stated that no on-site monitoring was performed for this subrecipient since DHS had previously performed an audit on the subrecipient that led to a change of the subrecipient's Executive Director and changes to the subrecipient's policies and procedures. This rationale was not documented by DHS. As a result, DHS personnel indicated that DHS planned to wait another year before performing on-site monitoring of the subrecipient to allow the new Executive Director to become established and for the subrecipient to fully implement new policies and procedures. DHS personnel indicated that it planned to monitor the subrecipient during the fiscal year ending June 30, 2019.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Finding 2018 – 011: (continued)**

Consistent with prior year audits, DHS management noted that there have been no changes to the payment methodology for the Legal Services, Homeless Services, Mental Health, Intellectual Disabilities, and Child Welfare components of SSBG. These programs provide subrecipients with advances to comply with Commonwealth law and also to ensure that adequate funds are available to provide services to participants on a timely basis. DHS officials believe that their in-house payment review procedures for the SSBG and SABG programs are as efficient as administratively feasible and that controls exist in each of the program areas. With no on-site program monitoring visits by funding agency officials, we consider DHS's limited in-house reviews of subrecipient status reports or other documents to be insufficient to detect potential subrecipient noncompliance, including excess cash violations. DHS does not adjust payments to the subrecipients based on in-house reviews.

**Effect:** Since DHS does not adequately perform during-the-award monitoring of subrecipients, including the monitoring of subrecipient cash on hand, subrecipients may not be complying with applicable grant requirements and federal regulations, including cash management standards.

**Recommendation:** DHS should perform risk based during-the-award monitoring procedures for SSBG and SABG subrecipients to ensure timely compliance with all applicable federal regulations. On-site monitoring visits by state officials should be supported by documentation to show the monitoring performed, areas examined, conclusions reached, and that the monitoring was performed in compliance with applicable regulations. Also, we suggest that DHS should coordinate the monitoring of SSBG subrecipients with other program funding received by the same subrecipients.

As recommended in previous Single Audits and supported by the U.S. Department of Health and Human Services, DHS should either consider changing their current subrecipient payment procedures from advancement basis to reimbursement basis or establish procedures to adequately monitor subrecipient cash on hand to ensure it is limited to immediate needs, but no longer than one month. The implementation and strengthening of these controls should provide DHS with reasonable assurance as to compliance with cash management requirements at the subrecipient level.

**Agency Response:** DHS agrees with the finding.

**Questioned Costs:** The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

### **Department of Labor and Industry**

#### **Finding 2018 – 012:**

#### **CFDA #17.225 – Unemployment Insurance**

#### **Department of Labor and Industry Did Not Comply With Unemployment Insurance Program Integrity Requirements (A Similar Condition Was Noted in Prior Year Finding 2017-018)**

**Federal Grant Number(s) and Year(s):** UI-31314-18-55-A-42 (Effective 10/01/2017), UI-29919-17-55-A-42 (Effective 10/01/2016)

**Type of Finding:** Significant Deficiency, Noncompliance

**Compliance Requirement:** Special Tests and Provisions related to Unemployment Insurance (UI) Program Integrity – Overpayments

**Condition:** The Unemployment Insurance (UI) program is administered by the Pennsylvania Department of Labor and Industry (L&I) to provide compensation benefits to eligible unemployed individuals. In addition to determining eligibility and providing benefit payments, L&I is responsible for monitoring benefit payments to detect and recover overpayments. Overpayments can occur for various reasons such as errors by L&I in the benefit determination process and overpayments resulting from incorrect information provided to L&I by the claimant.

To detect overpayments, L&I employs a variety of methods, such as computer assisted cross matches, referrals from the Benefit Accuracy Measurement unit audits, correspondence with employers, and spot checks of claims by L&I. When potential overpayments are identified, L&I staff conduct research and analysis to confirm an overpayment occurred and calculate the proper overpayment amount. Once L&I makes an overpayment determination final, L&I is responsible for recovery of the overpayment. Some of the methods to recover overpayments include offset of future benefits, the Treasury Offset Program, and voluntary repayment. Timely identification of an overpayment is necessary to ensure overpayments are recovered before the statute of limitations expires. Pennsylvania Unemployment Compensation (UC) law has established a statute of limitations which relieves claimants of overpaid benefits. The statute of limitations is specific to benefit type and overpayment classification and is comprised of recoupment periods ranging from three years from benefit year end or claim week end to ten years from benefit year end depending on the situation.

We selected a sample of 60 benefit overpayments totaling \$63,149 out of a population of 63,830 overpayments totaling \$85,750,800 that were identified during the fiscal year ended June 30, 2018. The UI program had \$1,914,223,027 of UC benefit payments out of total program expenditures of \$2,037,124,769 reported on the Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2018. We tested the overpayment sample to ensure the overpayments were properly identified and classified in accordance with the law, penalties were properly applied as required, and that the overpayments were recovered or in the recovery process. The audit sample disclosed 2 exceptions out of 60 items tested as follows:

- For one case the overpayment determination was untimely, resulting in an improper write off of the \$4,591 overpayment in the system and no recoupment effort. The overpayment was determined by L&I after the statute of limitations had expired, resulting in insufficient time for recovery.
- For one case L&I staff erroneously calculated the overpayment by not factoring in that the claimant worked full-time hours during a claim week. This resulted in a \$537 understatement of the overpayment reported.

**Criteria:** Regarding overpayment recovery, Public Laws 112-96 and 113-67 made amendments to the Federal Unemployment Tax Act and the Social Security Act to require states to recover overpayments through an offset against future UC benefit payments and also require states to utilize the Treasury Offset Program as authorized by the Internal Revenue Code. Both of these amendments were an effort to improve the collections of Unemployment Insurance overpayments and are utilized by L&I when overpayments are identified timely.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 012: (continued)

Public Law 112-96 of February 22, 2012, Section 2103, Improving Program Integrity by Better Recovery of Overpayments, states:

(a) *Use of Unemployment Compensation to Repay Overpayments – section 3304(a)(4)(D) of the Internal Revenue Code of 1986 and section 303(g)(1) of the Social Security Act are each amended by striking “may” and inserting “shall”.*

Public Law 113-67 of December 26, 2013, Section 201, Improving the Collection of Unemployment Insurance Overpayments, states:

(m) *In the case of a covered unemployment compensation debt (as defined under section 6402(f)(4) of the Internal Revenue Code of 1986) that remains uncollected as of the date that is 1 year after the debt was finally determined to be due and collected, the State to which such debt is owed shall take action to recover such debt under section 6402(f) of the Internal Revenue Code of 1986.*

Pennsylvania Unemployment Compensation Law, Section 401, Qualifications Required to Secure Compensation, states in part:

*Compensation shall be payable to any employee who is or becomes unemployed.*

Pennsylvania Unemployment law, Section 4 (u), Definitions, defines the term “unemployed” as follows:

(u) *“Unemployed.”--An individual shall be deemed unemployed (I) with respect to any week.*

*(ii) with respect to which no remuneration is paid or payable to him, or (II) with respect to any week of less than his full-time work if the remuneration paid or payable to him with respect to such week is less than his weekly benefit rate plus his partial benefit credit.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office, *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

**Cause:** L&I management stated that staffing reductions at the UC Service Centers and strained resources resulted in backlogs of potential overpayments being investigated. Additionally, during the timeframe of the overpayments, L&I noted that several tiers of unemployment funding were available which added to the complexity of administering UC benefits, further contributing to the backlog.

**Effect:** Failure to timely and accurately determine overpayments results in established recovery methods becoming ineffective. Furthermore, the two exceptions disclosed in the sample resulted in questioned costs totaling \$5,128.

**Recommendation:** L&I should establish controls to ensure that overpayments are identified, written timely, and calculated correctly. L&I should apply the required overpayment recovery methods to ensure that overpaid benefits are returned to the program.

**Agency Response:** The following are L&I’s responses for each instance of an improper payment uncovered in the audits:

- For one case the overpayment determination was untimely, resulting in an improper write off of the \$4,591 overpayment in the system and no recoupment effort. The overpayment was determined by L&I after the statute of limitations had expired, resulting in insufficient time for recovery.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Finding 2018 – 012: (continued)**

In the previous year's audit, a similar situation was uncovered and the remediation by L&I was to establish Dedicated Overpayment Teams (DOTs) beginning in July 2018. These teams instantly started tackling backlogs right away.

Currently (January 2019), only two of the six UC service centers still have a backlog older than just a few weeks' worth of work.

In the case in question, the determination was completed by the examiner on November 1, 2017, which was eight full months before the DOTs were established. The type of funds which will remain uncollected – EUC – are federal benefits from a program which expired at the end of 2013.

The progress made by the DOTs alludes to future success. Also, backlogs must be completed before the launch of the Modernized UC system, since the new system does not allow for manual handling of overpayments. We do not yet have a new launch date for the system, yet we are aiming to have all backlogs cleared up before the end of 2019.

For the second problem case, the issue is:

- For one case L&I staff erroneously calculated the overpayment by not factoring in that the claimant worked full-time hours during a claim week. This resulted in a \$537 understatement of the overpayment reported.

This case was subject to human error by the examiner not recognizing a full time denial (rather than part-time) and also accidentally swapping the two amounts at hand when the overpayment was input in the system: the amount the claimant was overpaid versus the amount the claimant was eligible to receive. Fortunately, this case is timely and the normal collection methods allowed by UC law will be applied to recover the overpayment.

In the future, our modernized system will eliminate human calculation error because it will not allow manual handling of overpayments. An examiner will still establish the non-monetary determination to deny benefits, but the system will calculate and apply the overpayment on its own.

**Auditors' Conclusion:** We will evaluate any corrective action in the subsequent audit period. The finding and recommendation remain as previously stated.

**Questioned Costs:** Known questioned costs for CFDA 17.225 were \$5,128.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Department of Labor and Industry

#### Finding 2018 – 013:

#### CFDA #17.258, 17.259, and 17.278 – Workforce Innovation and Opportunity Act (WIOA) Cluster

#### Significant Deficiency and Noncompliance Exist Over Subrecipient Monitoring

Federal Grant Number(s) and Year(s): AA-30758-17-55 (7/01/2017 – 6/30/2018), AA28339-16-55 (7/01/2016 - 6/30/2017)

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Subrecipient Monitoring

**Condition:** The Bureau of Workforce Development Administration Oversight Services within the Department of Labor and Industry (L&I) performs annual desk and on-site monitoring of the 23 Local Workforce Development Areas (LWDAs) in addition to performing monitoring of the compliance and oversight functions of the 22 Local Workforce Development Boards. During the fiscal year ended June 30, 2018, Workforce Innovation and Opportunity Act Cluster (WIOA) subrecipient expenditures totaled \$82.4 million, or 90 percent of total program expenditures of \$91.3 million.

Included in the subrecipient expenditures is a special, non-formula fund grant that was awarded to one subrecipient that is not one of the 23 LWDAs, in the amount of \$1.5 million for layoff aversion services under the Dislocated Workers Program. In July 2016 this subrecipient self-reported to L&I an instance of suspected fraud by one of its employees and engaged auditors to conduct agreed-upon procedures due to losses related to unauthorized cash disbursements. L&I reviewed the report of agreed-upon procedures and determined noncompliance with financial management standards to include internal control deficiencies, lack of policies and internal controls, unsupported costs, and lack of source documentation existed. In an official Determination Letter dated November 23, 2016 sent to this subrecipient, L&I requested corrective action to address the noncompliance with financial management standards and stated in the letter that the subrecipient's "procedures and policies are either disregarded or lack integrity posing a severe risk of waste, abuse, and fraud" and that "overall fiscal integrity is unsustainable." In addition, the Single Audit of this subrecipient for the 2016 calendar year end, dated January 25, 2018, reported one material internal control weakness related to segregation of duties and five significant internal control deficiencies. Despite the findings and the self-reported fraud, L&I did not modify or perform additional oversight procedures due to the enhanced risk. Per the definition provided in L&I's Workforce System Policy (WSP) 184-02, L&I should have performed on-site monitoring of this subrecipient as an oversight method in accordance with L&I's WSP No. 07-PY2015 and as replaced by WSP No. 183-01.

**Criteria:** L&I's Workforce System Policy No. 184-02, Appendix B, Definitions, states:

*Subrecipient is a non-federal entity that receives a sub-award to carry out part of a federal program; but does not include an individual that is a beneficiary of such program (e.g., local workforce development boards, other partners, contracted service providers and intermediaries are subrecipients). A subrecipient may also be a recipient of other awards directly from a federal or non-federal awarding agency.*

L&I's Workforce System Policy No. 07-PY2015, Section VII.B. Oversight Activities, in effect through May 21, 2018, states in part:

*On-site visit. An activity wherein staff use monitoring, evaluation and/or audit methods to perform oversight on-site in order to ensure adequately safeguarded funds; program performance goals are met; sub-recipients, programs and fiscal compliance; and other oversight goals and/or needs as deemed useful.*

L&I's Workforce System Policy No. 183-01 replaced WSP No. 07-PY2015 on May 21, 2018 and is entitled Oversight and Monitoring. Appendix C states in part:

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 013: (continued)

#### APPENDIX C: DEPARTMENT RESPONSIBILITIES:

##### II. Oversight Methods.

- *On-site visit.* The Department will perform fiscal and programmatic monitoring to ensure WIOA funds are adequately safeguarded, program performance goals are met, and local areas are programmatically, operationally, and fiscally compliant.

Regarding subrecipient monitoring, WIOA regulations at 20 CFR §683.410(a) state:

(a) *Each recipient and subrecipient of funds under title I of WIOA and under the Wagner-Peyser Act must conduct regular oversight and monitoring of its WIOA and Wagner-Peyser Act program(s) and those of its subrecipients and contractors as required under title I of WIOA and the Wagner-Peyser Act, as well as under 2 CFR part 200.*

(2) *Determine whether there is compliance with other provisions of WIOA and the WIOA regulations and other applicable laws and regulations;*

2 CFR §200.331, Requirements for pass-through entities, states in part:

*All pass-through entities must:*

(d) *Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.*

*Pass-through entity monitoring of the subrecipient must include:*

(e) *Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:*

- (1) *Providing subrecipients with training and technical assistance on program-related matters; and*
- (2) *Performing on-site reviews of the subrecipient's program operations;*
- (3) *Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

**Cause:** L&I views this subrecipient as a risk component that may affect the operation of some of the 23 LWDA's (subrecipients) rather than as a subrecipient. As such, L&I is not considering performing on-site monitoring of this subrecipient similar to the monitoring L&I conducts for the 23 LWDA's each fiscal year.

**Effect:** This subrecipient could be operating in noncompliance with federal regulations without timely detection and correction by L&I management. Furthermore, L&I management has limited assurance that this subrecipient's internal controls are adequately designed and operating effectively to ensure compliance with federal regulations.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

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### Finding 2018 – 013: (continued)

**Recommendation:** Although this entity is not an LWDA, it is a subrecipient and has had several operational deficiencies as evidenced by recent audits including a fraud investigation. As a result, we recommend L&I perform on-site monitoring of this subrecipient to ensure adequate internal controls are in place, the internal controls are operating effectively, and that the subrecipient is in compliance with federal regulations.

**Agency Response:** The PA Department of Labor & Industry reviewed Workforce System Policy No. 183-01 regarding compliance for the on-site monitoring of subrecipients. L&I's intent for Appendix C, II. Oversight Methods, was to employ the method(s) necessary based on the severity of the occurrence or event. It was not the intention of this policy to require on-site visits for all subrecipients.

Oversight Methods. The Department will use monitoring, evaluation, and audits as the primary methods of oversight. *The following activities may be employed by the Department to uphold its oversight obligations.*

*On-site visit.*

*Desk review.*

*Random sampling.*

While the subrecipient did report an occurrence of fraud, the forensic audit conducted at the mandate of L&I as a result of the occurrence indicated that no funds subgranted from L&I were affected. L&I believes its continual review and monitoring of the subrecipient expenditures prior to and after the event, its thorough monitoring review and follow-up with the subrecipient of the forensic audit, and its thorough monitoring review and follow-up of the Single Audit report was sufficient in addressing the significant and material internal control weaknesses identified in the 2016 Single Audit report.

L&I already monitors according to 2 CFR 200 to assure compliance with applicable federal requirements and performance expectations, including the monitoring of all expenditures and activities related to those expenditures from the subrecipient and compliance to Single Audit reporting requirements. However, L&I recognizes a need to document subrecipient monitoring formally as outlined in WIOA Final Rule 683.400 (d).

**Auditors' Conclusion:** Based on the severity of the internal control weaknesses identified in the agreed-upon procedures and the 2016 Single Audit that went undetected by L&I's monitoring, we believe that on-site monitoring is warranted based on L&I's policy above. The 2016 Single Audit disclosed the subrecipient received \$1.41 million in WIA/WIOA Dislocated Worker Formula Grants and \$89 thousand in private funds. Therefore, 94 percent of the subrecipient's operating revenue is subgranted from L&I. On-site monitoring would give added assurance to L&I that all WIOA subrecipients are in compliance with federal regulations.

The finding remains as stated.

Questioned Costs: The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**



# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Department of Labor and Industry

#### Finding 2018 – 014:

#### CFDA #84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States

**A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry’s Procedures for Performing Eligibility Determinations and Completing Individualized Plans for Employment (A Similar Condition Was Noted in Prior Year Finding 2017-019)**

**Federal Grant Number(s) and Year(s):** H126A160056 (10/01/2015 – 9/30/2016), H126A170056 (10/01/2016 – 9/30/2017), H126A180056 (10/01/2017 – 9/30/2018)

**Type of Finding:** Material Weakness, Material Noncompliance

**Compliance Requirement:** Eligibility, Special Tests and Provisions related to Completion of Individualized Plans for Employment (IPEs)

**Condition:** As part of the Rehabilitation Services – Vocational Rehabilitation Grants to States (RS-VR) program, the Office of Vocational Rehabilitation (OVR), Pennsylvania Department of Labor and Industry, purchases vocational rehabilitation services from vendors to be provided to OVR clients. We selected a sample of 60 participants in the RS-VR program for benefits totaling \$116,036 of the \$42.9 million charged to the program during the fiscal year ended June 30, 2018. Our review of the 60 OVR client case files disclosed the following:

- For 9 of the 60 OVR clients tested for whom RS-VR program payments were made, OVR personnel did not make the eligibility determinations within 60 days after the RS-VR program application date or by the agreed upon extension date as required by federal regulations. The untimely eligibility determinations were completed between 6 and 718 days after the eligibility determination period expired. Our testing did not disclose any costs being incurred for ineligible clients.
- For 5 of the 53 OVR clients tested for whom RS-VR payments were made and for whom Individual Plans for Employment (IPE) were required, OVR personnel did not complete an IPE within 90 days after the RS-VR eligibility was determined or by the agreed upon extension as required by federal regulations. The IPEs that were not completed timely were completed between 20 and 322 days after the 90 day IPE completion deadline expired.

**Criteria:** The United States Department of Education’s Regulation 34 CFR 361 regarding the State Vocational Rehabilitation Services Program states in part:

*Section 361.41 Processing referrals and applications.*

*(a) Referrals. The designated State unit must establish and implement standards for the prompt and equitable handling of referrals of individuals for vocational rehabilitation services, including referrals of individuals made through the One-Stop service delivery systems established under section 121 of the Workforce Investment Act of 1998. The standards must include timelines for making good faith efforts to inform these individuals of application requirements and to gather information necessary to initiate an assessment for determining eligibility and priority for services.*

*(b) Applications. (1) Once an individual has submitted an application for vocational rehabilitation services, including applications made through common intake procedures in One-Stop centers established under section 121 of the Workforce Investment Act of 1998, an eligibility determination must be made within 60 days, unless-*

*(i) Exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making an eligibility determination within 60 days and the designated State unit and the individual agree to a specific extension of time; or*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

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### Finding 2018 – 014: (continued)

(ii) An exploration of the individual's abilities, capabilities, and capacity to perform in work situations is carried out in accordance with section 361.42(e) or, if appropriate, an extended evaluation is carried out in accordance with section 361.42(f).

In addition, Section 361.45 states in part:

*Section 361.45 Developing of the individualized plan for employment.*

(a) *General requirements. The State plan must assure that—*

(1) *An individualized plan for employment (IPE) meeting the requirements of this section and Section 361.46 is developed and implemented in a timely manner for each individual determined to be eligible for vocational rehabilitation services...*

Further, 29 USC 722(b)(3)(F) states in part:

*(F) Timeframe for completing the individualized plan for employment.*

*The individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in paragraph (1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should design control activities to achieve objectives and respond to risks. Management should implement control activities through policies.*

**Cause:** OVR personnel indicated that the untimely eligibility determinations and IPE completions were due to inadequate administrative and employee oversight.

**Effect:** Since OVR personnel did not have adequate procedures in place to ensure that client eligibility determinations were completed within 60 days of the application date or within the specific time period extension agreed upon by the client, or that IPEs were completed within 90 days of the eligibility determination or within the specific time period extension agreed upon by the client, OVR was not in compliance with federal regulations and a control deficiency exists. Also, OVR clients may not receive necessary RS-VR program services timely. Our sample contained no ineligible OVR clients for whom case service costs were incurred, so no costs are questioned.

**Recommendation:** We recommend that OVR personnel have procedures in place to timely identify and follow up on incomplete eligibility determinations and to ensure that all client eligibility determinations are completed within the 60 day period subsequent to the application date or within the specific time period extension agreed upon by the client to ensure compliance with federal regulations. In addition, OVR personnel should have procedures in place to ensure that IPEs are completed within 90 days of the eligibility determination.

**Agency Response:** OVR is in agreement with the finding.

**Questioned Costs:** None

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Department of Labor and Industry

#### Finding 2018 – 015:

#### CFDA #84.126 – Rehabilitation Services – Vocational Rehabilitation Grants to States

#### A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry’s Procedures Related to Period of Performance Requirements

Federal Grant Number(s) and Year(s): H126A170056 (10/01/2016 – 9/30/2017), H126A180056 (10/01/2017 – 9/30/2018)

Type of Finding: Material Weakness, Material Noncompliance

Compliance Requirement: Period of Performance

**Condition:** During our audit of the Rehabilitation Services – Vocational Rehabilitation Grants to States (RS-VR) program, we evaluated internal control over and tested compliance with period of performance requirements for the grant awarded by the United States Department of Education that began during the fiscal year ended June 30, 2018 audit period.

- Per review of supporting invoice service dates, 5 of the 22 expenditures tested that were charged in the first month of the federal fiscal year 2018 RS-VR grant were incurred prior to the allowable start of the period of performance. These expenditures included mileage reimbursements and other general charges totaling \$5,144. Total expenditures posted to the federal fiscal year 2018 RS-VR grant in the first month of the allowable period of performance were \$4,000,631.
- In addition, for 1 of 5 adjustments tested, supporting documentation could not be provided to document that a transfer of costs in the amount of \$13,679,244 from the federal fiscal year 2017 RS-VR grant to the federal fiscal year 2018 RS-VR grant only included costs incurred during the federal fiscal year 2018 grant period of performance. No authorization was provided from the federal awarding agency to allow charges outside the allowable period of performance.

**Criteria:** 2 CFR 200.303(a), Internal controls, states:

*The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the committee of the Sponsoring Organizations of the Treadway Commission (COSO).*

2 CFR 200.309, Period of performance, states:

*A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in §200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the award that were authorized by the Federal awarding agency or pass-through entity.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office’s *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Finding 2018 – 015: (continued)**

*Management should design control activities to achieve objectives and respond to risks. Management should implement control activities through policies.*

**Cause:** Office of Vocational Rehabilitation (OVR), Pennsylvania Department of Labor and Industry, personnel did not check service dates prior to submitting invoices charged to the federal fiscal year 2018 grant for payment. In addition, staff submitting claims for mileage reimbursement and those reviewing the claims did not ensure that reimbursed costs were charged to the correct federal grant year. Staff also indicated that they were unaware of the requirement to check the period of performance of underlying costs prior to posting adjustments. OVR personnel did not have adequate procedures in place to ensure that only costs incurred during the period of performance of the federal fiscal year 2018 RS-VR grant were charged to the grant.

**Effect:** Expenditures outside of the allowable period of performance were incorrectly charged to the federal fiscal year 2018 RS-VR grant without authorization by the federal awarding agency, resulting in noncompliance and questioned costs.

**Recommendation:** We recommend that OVR personnel implement procedures to ensure that costs and adjustments being charged to a federal grant are incurred within the allowable period of performance of the grant to which they are being charged, or when necessary, obtain authorization from the federal awarding agency prior to charging costs that are outside the allowable period of performance.

**Agency Response:** The compliance requirement for period of performance as depicted in the first bullet of the condition above remains an issue for the audit year. However, the amount of \$1,643,470, or as updated by the auditor to \$4,000,631, has not been fully vetted by OVR's fiscal team. Additional information as to the finding has been provided, and it appears that only a portion (5 of the 22 tested) have a period of performance compliance issue that was not previously corrected by OVR's fiscal team. We have provided a response to the auditor's information request regarding the corrections made by OVR's fiscal team.

We do however acknowledge that there is a timing issue regarding year of performance as to date of performance for some types of services at the beginning of an award period. The service may have been provided or partially provided in the prior award period or between award periods and the expenditure amount included in the subsequent award. Please note that this is a timing issue between grant award notifications and should only impact the period of performance.

The compliance requirement for period of performance as depicted in the second bullet of the condition above remains an issue for the audit year. However, the amount of \$13,679,244 should be adjusted down to properly account for other journal entry postings during this period reducing this amount.

The excel file we provided illustrates all SU journal entries parked by OVR's fiscal staff and posted by the Comptroller's Office for the period of July 2017 to December 2018. The net impact of the journal entries reduces the amount transferred to the federal fiscal year 2018 RS-VR grant by \$12,079,074 to \$1,600,170.

Again, this remains a period of performance issue, but the overall impact should properly consider all other entries reducing this amount in the condition statement above to \$1,600,170.

In review, this period of performance finding appears to be an isolated year resulting from a reduced amount of federal reallocation funding. A solution that will be fully reviewed and thoroughly developed for consideration as a corrective action plan will be the utilization of state appropriations, along with Social Security Administration (SSA) claim reimbursements, for any shortfalls in federal grant awards from reallocation funding. This should eliminate the period of performance compliance issue for years where federal funding is under planned budgeted levels by offsetting with state appropriations and SSA claim reimbursements.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2018***

### **Finding 2018 – 015: (continued)**

**Auditors' Conclusion:** The agency response indicates agreement and acknowledgement of the finding. The amount of \$4,000,631 identified in the finding is the total amount of expenditures posted during the first month of the period of performance. In addition, management indicated that \$12,079,074 of the \$13,679,244 adjustment identified in the finding was subsequently corrected. Due to the extent and timing of the adjustments, we could not verify the reconciliation provided by management.

**Questioned Costs:** Known questioned costs for CFDA 84.126 of \$5,144 were determined which represent the amount of transactions incurred and charged to the federal grant prior to the allowable start of the period of performance.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Department of Transportation**

#### **Finding 2018 – 016:**

#### **CFDA #20.205, 20.219, and 23.003 – Highway Planning and Construction Cluster**

#### **Significant Deficiency and Noncompliance Related to Supporting Documentation of Conflict of Interest Statements for Procurement of Consultant Agreements**

**Federal Grant Number(s) and Year(s):** N78000 (7/01/2017 – 6/30/2018)

**Type of Finding:** Significant Deficiency, Noncompliance

**Compliance Requirement:** Procurement and Suspension and Debarment

**Condition:** The Pennsylvania Department of Transportation (PennDOT) utilizes engineering consultants in the administration of the Highway Planning and Construction (HPC) Cluster. PennDOT procures consulting services and assumes responsibility as its own purchasing agent as described in the Commonwealth of Pennsylvania's Procurement Code. PennDOT's Publication 93, *Administration of Consultant Agreements*, provides guidance as to specific procurement procedures and requirements. Consultant services, including federally awarded projects, are procured and awarded by PennDOT based on a qualification based selection process. Publication 93 requires that once a planned project is established, PennDOT must enter project information within the Engineering and Construction Management System including the initiating organization, agreement name, type, and agreement team, etc. The established agreement team consists in part of a selection committee of individuals tasked with reviewing the consultant's submitted statements of interest.

The selection committee consists of a minimum of five representatives from both the district procuring the services as well as the central office. In order to ensure a fair and impartial evaluation of the prospective consultant's proposal, the selection committee must remain free from conflicts of interest with any of the firms who submitted proposals. In order to ensure this is achieved, all selection committee members are required to sign statements certifying that they have no conflicts of interest.

We performed procedures on five different consultant agreements awarded in the fiscal year ended June 30, 2018 to ensure that the agreements contained a signed conflict of interest statement for each selection committee member. The agreements tested were from different engineering districts within PennDOT. The results are as follows:

- For three of the five agreements selected, PennDOT was unable to provide signed conflict of interest statements for all selection committee members.

The federal expenditures for consultant services totaled \$230 million out of total HPC Cluster expenditures of \$1.78 billion reported on the Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2018.

**Criteria:** 2 CFR 200.317, Procurements by states, states in part:

*When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds.*

2 CFR 200.318, General procurement standards, states in part:

*(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State and local laws and regulations...*

*(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts.*

# COMMONWEALTH OF PENNSYLVANIA

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## *Federal Award Findings and Questioned Costs - June 30, 2018*

### **Finding 2018 – 016: (continued)**

PennDOT's Publication 93, *Administration of Consultant Agreements*, Section 2.8.1, Initiating Organization Consultant Selection Committee, states in part:

*A fair and impartial evaluation of the consultant's submission is a basic requirement of the qualification based selection process. If a potential conflict may occur, a substitute must be obtained.*

*The following paragraph must be added to each selection committee member's signed selection documentation:*

*By signing this selection documentation I am certifying that neither I nor any members of my immediate family have a potential conflict of interest with any submitted firms.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should design control activities to achieve objectives and respond to risks. Management should implement control activities through policies.*

**Cause:** PennDOT has established procurement procedures concerning conflicts of interest among the selection committee as detailed in Publication 93. However, in certain instances members of the selection committee overlooked or were unaware of this process resulting in a failure to properly complete and document the required information.

**Effect:** PennDOT did not comply with its established awarding procedures. PennDOT could compromise the fair and impartial evaluation of consultant proposals, resulting in inappropriate contracts being awarded and unallowable costs being charged to the federal grants.

**Recommendation:** PennDOT should ensure that established procedures are followed and conflict of interest statements are properly signed as required by Publication 93.

**Agency Response:** PennDOT agrees with this finding.

**Questioned Costs:** The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

### **Office of Administration – Office for Information Technology**

#### **Finding 2018 – 017:**

**CFDA #10.553, 10.555, 10.556, and 10.559 – Child Nutrition Cluster**

**CFDA #10.558 – Child and Adult Care Food Program**

**CFDA #14.228 – Community Development Block Grants – State’s Program**

**CFDA #17.225 – Unemployment Insurance**

**CFDA #20.205, 20.219, 23.003 – Highway Planning and Construction Cluster**

**CFDA #84.010 – Title I Grants to Local Educational Agencies**

**CFDA #84.027 and 84.173 – Special Education Cluster (IDEA)**

**CFDA #84.367 – Supporting Effective Instruction State Grants**

**Information Technology General Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-004)**

**Federal Grant Number(s) and Year(s):** 2018-1PA300305 (10/01/2017 – 9/30/2018), 2017-1PA300305 (10/01/2016 – 9/30/2017), 2018-1PA300305 (10/01/2017 – 9/30/2018), 2017-1PA300305 (10/01/2016 – 9/30/2017), B-11-DC-42-0001 (1/01/2011 – 9/30/2018), B-12-DC-42-0001 (1/01/2012 – 9/30/2019), B-13-DC-42-0001 (1/01/2013 – 9/30/2020), B-14-DC-42-0001 (1/01/2014 – 9/30/2021), B-15-DC-42-0001 (1/01/2015 – 9/30/2019), B-16-DC-42-0001 (1/01/2016 – 12/31/2023), B-17-DC-42-0001 (1/01/2017 – 9/30/2024), B-12-DT-42-0001 (9/01/2011 – Until Expensed), UI-31314-18-55-A-42 (Effective 10/01/2017), UI-29919-17-55-A-42 (Effective 10/01/2016), N78000 (7/01/2017 – 6/30/2018), S010A160038 (7/01/2016 – 12/30/2018), S010A170038 (7/01/2016 – 12/30/2018), H027A150093 (7/01/2015 – 9/30/2016), H027A160093 (7/01/2016 – 9/30/2017), H173A160090 (7/01/2016 – 9/30/2017), H027A170093 (7/01/2017 – 9/30/2018), H173A170090 (7/01/2017 – 9/30/2018), S367A160051 (7/01/2016 – 12/30/2018), S367B160033 (7/01/2016 – 12/30/2018), S367A170051 (7/01/2017 – 12/30/2019)

**Type of Finding: Significant Deficiency**

**Compliance Requirement: Other**

**Condition:** As part of testing internal controls over major programs, we performed certain tests of information technology (IT) general controls, including procedures to determine the status of prior year findings such as Single Audit Finding 2017 – 004. Our procedures disclosed the following control deficiencies in applications administered by the Office of Administration, Office for Information Technology (OA-OIT):

1. There was a lack of segregation of duties between application development and promotion of code to production in certain applications. Individuals who developed code either promoted code to production or were granted administrative access with the ability to promote code to production.
2. There were excessive numbers of users with privileged and/or administrative access to servers and applications. In addition, two users had inappropriate administrative access to one application.
3. In one application, a system administrator’s access to an application was not revoked timely after separating employment.

Control deficiencies in IT general controls were identified in the following major programs: Child Nutrition Cluster, Child and Adult Care Food Program, Community Development Block Grants – State’s Program, Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), and Supporting Effective Instruction State Grants.

Further, we also performed certain tests of IT general controls as part of our audit of the Comprehensive Annual Financial Report, which included tests of applications supporting activities material to the Commonwealth’s financial statements. Basic Financial Statement Finding 2018 – 001, which was reported for the Commonwealth for the fiscal



# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 017: (continued)

year ended June 30, 2018, disclosed IT general control deficiencies in applications supporting the following major programs: Highway Planning and Construction Cluster, Unemployment Insurance, Title I Grants to Local Educational Agencies, Special Education Cluster (IDEA), and Supporting Effective Instruction State Grants.

A detailed schedule of issues has been provided to OA-OIT for corrective action.

**Criteria:** Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014.

- Green Book Principle 11 – Design Activities for the Information System, states in part:
  - *11.12 Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error.*
  - *11.14 Management designs control activities to limit user access to information technology through authorization control activities such as providing a unique user identification or token to authorized users. These control activities may restrict authorized users to the applications or functions commensurate with their assigned responsibilities, supporting an appropriate segregation of duties. Management designs other control activities to promptly update access rights when employees change job functions or leave the entity.*

A well-designed system of internal controls dictates that effective general computer controls (which include adequate segregation of duties, access controls to programs and data, and controls to update access rights) be established and functioning to ensure that overall agency operations are conducted in accordance with management's intent.

**Cause:** As noted in Basic Financial Statement Finding 2018 – 001, IT personnel across 26 Commonwealth agencies transitioned to OA-OIT, effective July 1, 2017. OA-OIT inherited agency systems with IT control weaknesses noted in the prior year Single Audit Finding 2017 – 004 and prior year Basic Financial Statement Finding 2017 – 001. Management indicated that the grouping of agency resources should help address some of the system, upgrade, and staffing limitations that caused some of the control deficiencies encountered during our audits. However, 2017-2018 was a transition year. Certain projects designed to segregate development from production were not implemented as of the dates of our testing. Movement of agency applications to virtual servers at a shared location caused an increase in the number of administrators granted access. OA-OIT management is exploring a privileged access management project, but the project has not yet been funded. Finally, the termination of a contractor was not communicated to systems administrators, so the contractor's access was not removed.

**Effect:** The deficiencies noted above in IT general controls could result in unauthorized changes to the software and noncompliance with federal laws and regulations.

**Recommendation:** We recommend that OA-OIT continue its efforts to resolve the general computer control deficiencies noted above. Specific consideration should be given to:

- Segregating the development of programs from promotion to the production environment;
- Preventing developers from having access to the production environment and administrative rights;
- Reducing the number of users with privileged and administrative access to servers, databases, and applications based on the principle of least privilege;
- Developing policies to govern the granting of privileged/administrative access;
- Implementing privileged access management systems to control use of privileged/administrative accounts and facilitate logging and monitoring of their use; and

# ***COMMONWEALTH OF PENNSYLVANIA***

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## ***Federal Award Findings and Questioned Costs - June 30, 2018***

### **Finding 2018 – 017: (continued)**

- Designing controls to notify systems administrators to allow for prompt removal of access rights when users separate employment, change duties, or no longer require access.

**Agency Response:** Office of Administration, Office for Information Technology (OA-OIT), agrees with this finding.

**Questioned Costs:** None

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

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## *Federal Award Findings and Questioned Costs - June 30, 2018*

### Office of Administration – Office for Information Technology

#### Finding 2018 – 018:

#### CFDA #93.044, 93.045, and 93.053 – Aging Cluster

#### Deficiencies in Information Technology General Controls (A Similar Condition Was Noted in Prior Year Finding 2017-003)

**Federal Grant Number(s) and Year(s):** 17AAPAT3SS (10/01/2016 – 9/30/2017), 17AAPAT3CM (10/01/2016 – 9/30/2017), 17AAPAT3HD (10/01/2016 – 9/30/2017), 17AAPANSIP (10/01/2016 – 9/30/2017), 18AAPAT3SS (10/01/2017 – 9/30/2018), 18AAPAT3CM (10/01/2017 – 9/30/2018), 18AAPAT3HD (10/01/2017 – 9/30/2018), 18AAPANSIP (10/01/2017 – 9/30/2018)

**Type of Finding:** Significant Deficiency

**Compliance Requirement:** Other

**Condition:** As noted in the prior year, the Pennsylvania Department of Aging (PDA) developed an application that recorded Area Agency on Aging (AAA) expenditures and tracked matching at the subrecipient level. Additionally, the application tracked program income reported by AAAs. As part of our audit of the Aging Cluster for the fiscal year ended June 30, 2018, we performed follow-up procedures to the prior year finding which reported a segregation of duties weakness in this application because a developer was granted administrative access as well as the ability to promote code to production. During our procedures, we found that this weakness continued to exist during the current audit period.

**Criteria:** Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office, *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014.

- Green Book Principle 11 – Design Activities for the Information System, states in part:
  - *11.12 Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error.*
  - *11.15 Management designs control activities over changes to technology. This may involve requiring authorization of change requests; reviewing the changes, approvals, and testing results; and designing protocols to determine whether changes are made properly....*
  - *11.16 Control activities for the development, maintenance, and change of application software prevent unauthorized programs or modifications to existing programs.*
- Green Book Principle 16 – Perform Monitoring Activities, states that *Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*
- Green Book Principle 17 – Evaluate and Remediate Deficiencies, states that *Management should remediate identified internal control deficiencies on a timely basis.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 018: (continued)

Additionally, the Commonwealth’s Information Technology Policy (ITP) – SFT000, “Software Development Life Cycle Policy,” states in part:

*Agencies shall incorporate separation of duties to maintain continuity and integrity throughout the execution of the procedures and processes associated with the Software Development Life Cycle [SDLC] framework and affiliated software development projects. Careful consideration should be given to: Establishing access controls granting permissions to Commonwealth employees and/or outside contractors performing multiple roles within the various environments (i.e., development, production, system integration, testing, staging, etc.) to add, modify, delete, and migrate application code, data sets, and/or make configuration changes to systems in these environments.*

Finally, general control activities over technology are integral to the overall internal control structure of the Commonwealth. A well-designed system of internal controls dictates that information technology general controls be adequately designed and operating effectively to ensure that federal programs are administered in accordance with management’s intent.

**Cause:** As noted in the prior year, two employees of the Department of Human Services, Bureau of Information Systems (DHS-BIS), supported the PDA-developed application – one developer and one system administrator. When the system administrator retired in January 2017, the developer was assigned administrator responsibilities in the application creating a segregation of duties weakness. Although PDA management represented that no changes were made to the application during the fiscal year ended June 30, 2018, no monitoring of system logs was performed to ensure that there had been no unauthorized changes to the production environment.

Effective July 1, 2017, information technology (IT) personnel across 26 state agencies transitioned to the Office of Administration, Office for Information Technology (OA-OIT). As part of the initiative, the “Shared Services” model created six delivery centers within OA-OIT. IT personnel who were previously employed by DHS-BIS were transitioned into OA-OIT’s Health and Human Services (HHS) Delivery Center. Responsibility for administration and maintenance of the Aging application transitioned to the HHS Delivery Center, as well.

The HHS Delivery Center replaced the legacy Aging application with a web-based application in July 2018. Through inquiry, we learned that the new application is a vendor-supported, Custom-off-the-Shelf product, and that the vendor develops changes to the application code. However, since the new application was placed into service after the audit period, no current year testing was performed to ensure effective segregation of duties and change management controls exist in the new system.

**Effect:** The deficiency noted above in IT general controls could have resulted in unauthorized changes to the software and noncompliance with federal regulations.

**Recommendation:** We recommend that the OA-OIT HHS Delivery Center ensure the controls over the new application include effective segregation of duties between development and production. Additionally, a standard change control process should be followed and documented to ensure that program changes are deployed to production with appropriate management authorization, approval, and testing prior to implementation.

**Agency Response:** Office of Administration, Office for Information Technology (OA-OIT), acknowledges the finding during the audit period, however we have taken corrective action. This is based on:

1. The system the finding is based on (as noted in the finding) was replaced in July. Any past or current findings are no longer relevant for the now retired system.
2. OA-OIT does the testing and evaluation of any changes before being put into production.
3. Any changes from the vendor are given to OA-OIT to test. The developers are not able to put any changes into production in the Pennsylvania Compute Services environment.

# ***COMMONWEALTH OF PENNSYLVANIA***

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## ***Federal Award Findings and Questioned Costs - June 30, 2018***

### **Finding 2018 – 018: (continued)**

**Auditors' Conclusion:** OA-OIT acknowledges the finding. We will evaluate the corrective action in the subsequent audit period.

**Questioned Costs:** None

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Office of the Budget – Office of Comptroller Operations

#### Finding 2018 – 019:

#### CFDA #93.775, 93.777, and 93.778 – Medicaid Cluster

#### Material Noncompliance and a Material Weakness Exist Over the Preparation and Submission of the Quarterly CMS-64 Report

**Federal Grant Number(s) and Year(s):** 1805PA5ADM (10/01/2017 – 9/30/2018), 1805PA5MAP (10/01/2017 – 9/30/2018), 05-1705PA5ADM (10/01/2016 – 9/30/2017), 05-1705PA5MAP (10/01/2016 – 9/30/2017)

**Type of Finding:** Material Weakness, Material Noncompliance

#### Compliance Requirement: Reporting

**Condition:** The Pennsylvania Department of Human Services (DHS) is required to submit the CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program* (CMS-64 Report), to the United States Department of Health and Human Services (HHS). The CMS-64 Report includes data related to Medicaid Cluster expenditures, recoveries, drug rebates, donations, taxes, fees, and assessments. During the fiscal year ended June 30, 2018 audit period, we selected two of the four quarterly CMS-64 Reports for testing: the quarter ended September 30, 2017 and the quarter ended June 30, 2018. The CMS-64 Report includes a Medicaid Drug Rebate Schedule (schedule), Form CMS 64.9R, which reports the total drug rebates receivable by the Commonwealth at the end of each quarter. The schedule's detail includes the drug rebates receivable amount carried over (prior quarter ending balance), any adjustments to previously reported rebate amounts, rebates invoiced and reported in the current quarter, and the rebates receivable ending balance. The schedule presents the rebates receivable amounts for the current quarter, four prior quarters (carried forward from prior schedules), and the cumulative totals.

Our procedures disclosed that the “rebates invoiced in this quarter” amount reported on the quarter ended March 31, 2018 CMS-64 Report of \$2,770,140,070 did not agree to the actual rebates invoiced by the drug rebate contractor in the amount of \$277,010,070 as shown in the table below.

Rebates Invoiced In This Quarter			
	Reported on the CMS-64 Report	Correct Total per Drug Rebate Contractor	Overstatement
Quarter Ended March 31, 2018	\$2,770,140,070	\$277,010,070	\$2,493,130,000

The above error resulted in a \$2,493,130,000 overstatement of the cumulative drug rebates receivable on the CMS-64 Report as of March 31, 2018, which was carried to and overstated on the CMS-64 Report as of June 30, 2018 as shown in the table below.

Cumulative Total Rebates Receivable			
	Balance As Of The End Of The Quarter Reported on the CMS-64 Report	Correct Total	Overstatement
Quarter Ended March 31, 2018	\$2,880,785,228	\$387,655,228	\$2,493,130,000
Quarter Ended June 30, 2018	\$2,881,874,639	\$388,744,639	\$2,493,130,000

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2018*

### **Finding 2018 – 019: (continued)**

Although the CMS-64 Reports were subjected to a documented supervisory review and approval, the overstatements remained undetected by Commonwealth management for two consecutive quarters until notification by the auditor. This indicates that the preparation and the supervisory review and approval processes were not adequate, and a material weakness exists over the preparation and submission of the CMS-64 Reports.

In addition, our procedures disclosed that the Commonwealth's reconciliation of federal grant awards, revenue, and expenditures for the federal Medicaid grants which closed September 30, 2017 was performed in November 2018 which was not timely.

**Criteria:** 45 CFR Section 75.302, Financial management and standards for financial management systems, states:

*(b) The financial management system of each non-Federal entity must provide for the following:*

*(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §75.341 and 75.342.*

42 CFR Section 431.16, Reports, states:

*A State plan must provide that the Medicaid agency will –*

*(a) Submit all reports required by the Secretary;*

*(b) Follow the Secretary's instructions with regard to the form and content of those reports; and*

*(c) Comply with any provisions that the Secretary finds necessary to verify and assure the correctness of the reports.*

42 CFR Section 433.74, Reporting requirements, states:

*(a) Beginning with the first quarter of Federal fiscal year 1993, each State must submit to CMS quarterly summary information on the source and use of all provider-related donations (including all bona fide and presumed-to-be bona fide donations) received by the State or unit of local government, and health care-related taxes collected. Each State must also provide any additional information requested by the Secretary related to any other donations made by, or any taxes imposed on, health care providers. States' reports must present a complete, accurate, and full disclosure of all of their donation and tax programs and expenditures.*

*(d) If a State fails to comply with the reporting requirements contained in this section, future grant awards will be reduced by the amount of FFP CMS estimates is attributable to the sums raised by tax and donation programs as to which the State has not reported properly, until such time as the State complies with the reporting requirements. Deferrals and/or disallowances of equivalent amounts may also be imposed with respect to quarters for which the State has failed to report properly. Unless otherwise prohibited by law, FFP for those expenditures will be released when the State complies with all reporting requirements.*

Further, adequate internal controls over report preparation would include detailed written report preparation procedures, a segregation of duties between the preparation and the review and approval of the report, and an adequate review and approval process which would detect errors in the report preparation and ensure that such errors are corrected on a timely basis.

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should design control activities to achieve objectives and respond to risks.*

*Management should externally communicate the necessary quality information to achieve the entity's objectives.*

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Finding 2018 – 019: (continued)**

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

**Cause:** The Commonwealth’s Office of Comptroller Operations (OCO) personnel indicated that the “rebates invoiced in this quarter” amount was erroneously overstated upon input into the quarter ended March 31, 2018 CMS-64 Report and carried forward to the quarter ended June 30, 2018 CMS-64 Report. OCO personnel stated there is a supervisory review and approval process in place, but due to time constraints for some quarters, the review focuses on the reported expenditures. Also, OCO personnel did not maintain detailed, written report preparation procedures.

Regarding the untimely grant reconciliations, OCO personnel indicated this was due to a lack of staff.

**Effect:** OCO personnel represented that upon notification of the errors by the auditor, they consulted with HHS personnel who instructed OCO to correct the error by making adjustments to the September 30, 2018 CMS-64 Report.

Since the report preparation and the supervisory review and approval processes were not adequate, the drug rebates receivable amounts were materially misstated on the CMS-64 Reports for the quarters ended March 31, 2018 and June 30, 2018. DHS was not in compliance with federal regulations, and a material weakness exists. Inaccurate reporting of required amounts could result in future grant awards being reduced.

The untimely grant reconciliations could result in the grant awards being overspent and not detected or corrected on a timely basis.

**Recommendation:** OCO should ensure their written procedures for the preparation, review, approval, and submission of the CMS-64 Report are improved and include all required information such as rebates receivable, other receipts, and assessments. The written procedures should have sufficient detail to ensure the CMS-64 Report is prepared accurately and in accordance with federal regulations. OCO should ensure these procedures are fully executed and include sufficient supervisory review of receivables, assessments, and all required amounts, and not just limited to expenditures.

OCO should ensure federal grant reconciliations are performed on a timely basis in order to promptly identify and investigate any discrepancies and ensure compliance with federal requirements.

**Agency Response:** OCO agrees with the finding.

**Questioned Costs:** None

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**



# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Various Agencies**

#### **Finding 2018 – 020:**

**CFDA #10.553, 10.555, 10.556, and 10.559 – Child Nutrition Cluster**

**CFDA #10.558 – Child and Adult Care Food Program**

**CFDA #20.205, 20.219, and 23.003 – Highway Planning and Construction Cluster**

**CFDA #84.010 – Title I Grants to Local Educational Agencies**

**CFDA #84.367 – Supporting Effective Instruction State Grants**

**CFDA #93.044, 93.045, and 93.053 – Aging Cluster**

**CFDA #93.558 – Temporary Assistance for Needy Families**

**CFDA #93.658 – Foster Care – Title IV-E**

**CFDA #93.659 – Adoption Assistance**

**CFDA #93.667 – Social Services Block Grant**

**CFDA #93.767 – Children’s Health Insurance Program**

**CFDA #93.959 – Block Grants for Prevention and Treatment of Substance Abuse**

**State Agencies Did Not Identify the Federal Award Information and Applicable Requirements at the Time of the Subaward and Did Not Evaluate Each Subrecipient’s Risk of Noncompliance as Required by the Uniform Grant Guidance (A Similar Condition Was Noted in Prior Year Finding 2017-020)**

**Federal Grant Number(s) and Year(s): 2018-1PA300305 (10/01/2017 – 9/30/2018), 2017-1PA300305 (10/01/2016 – 9/30/2017), N78000 (7/01/2017 – 6/30/2018), S010A170038 (7/01/2017 – 12/30/2019), S010A160038 (7/01/2016 – 12/30/2018), S367A170051 (7/01/2017 – 12/30/2019), S367A160051 (7/01/2016 – 12/30/2018), S367B160033 (7/01/2016 – 12/30/2018), 18AAPAT3SS (10/01/2017 – 9/30/2018), 18AAPAT3CM (10/01/2017 – 9/30/2018), 18AAPAT3HD (10/01/2017 – 9/30/2018), 18AAPANSIP (10/01/2017 – 9/30/2018), 17AAPAT3SS (10/01/2016 – 9/30/2017), 17AAPAT3CM (10/01/2016 – 9/30/2017), 17AAPAT3HD (10/01/2016 – 9/30/2017), 17AAPANSIP (10/01/2016 – 9/30/2017), 1801PATANF (10/01/2017 – 9/30/2018), 1701PATANF (10/01/2016 – 9/30/2017), 1601PATANF (10/01/2015 – 9/30/2016), 1801PAFOST (10/01/2017 – 9/30/2018), 1701PAFOST (10/01/2016 – 9/30/2017), 1801PAADPT (10/01/2017 – 9/30/2018), 1701PAADPT (10/01/2016 – 9/30/2017), 1801PASOSR (10/01/2017 – 9/30/2018), 1701PASOSR (10/01/2016 – 9/30/2017), 1805PA5021 (10/01/2017 – 9/30/2018), 1705PA5021 (10/01/2016 – 9/30/2017), B08TI010044-18 (10/01/2017 – 9/30/2018), TI010044-17 (10/01/2016 – 9/30/2017)**

**Type of Finding: Significant Deficiency, Noncompliance**

**Compliance Requirement: Subrecipient Monitoring**

**Condition:** The Uniform Guidance in 2 CFR section 200 applies to the major programs listed above for the fiscal year ended June 30, 2018. Our testing disclosed that the state agencies did not identify the federal award information and applicable requirements in subrecipient award documents. Additionally, the state agencies did not evaluate each subrecipient’s risk of noncompliance for the purpose of determining the appropriate subrecipient monitoring related to the subaward. This represents an internal control weakness which causes subrecipients to be improperly informed of federal award information and not adequately monitored by the state agencies. Also, it could cause the omission or improper identification of program expenditures on subrecipients’ Schedules of Expenditures of Federal Awards (SEFAs). The following chart shows which federal award information required by 2 CFR section 200 was missing or incorrect (as indicated by “No”) from the subrecipient award documents at the time of the subaward and which major programs did not have a state agency evaluation of each subrecipient’s risk of noncompliance.

**COMMONWEALTH OF PENNSYLVANIA**

**Federal Award Findings and Questioned Costs - June 30, 2018**

**Finding 2018 – 020: (continued)**

Program	Amount Passed to Subrecipients (in thousands)	Federal Award Date	Subaward Period of Performance Start and End Dates	Contact Information for Awarding Official	Terms and Conditions Concerning Closeout	Evaluation of Subrecipient Risk
Child Nutrition Cluster	\$592,450	No	-	-	-	-
Child and Adult Care Food Program	\$127,469	No	-	-	-	-
HPC Cluster	\$165,264	-	-	No	No	No (1)
Title I	\$585,716	-	-	-	-	No (2)
Supporting Effective Instruction	\$85,924	-	-	-	-	No (2)
Aging Cluster	\$55,315	-	-	-	-	No (2)
TANF – Child Welfare	\$79,199	No	No	No	-	No (3)
TANF – PDE Teen Parenting	\$13,388	-	-	-	-	-
Foster Care – Counties	\$183,084	No	No	No	-	No (3)
Foster Care – Non-Profit Contract	\$11,448	No	No	No	-	No
Adoption Assistance – Counties	\$80,571	No	No	No	-	No (3)
SSBG – Child Welfare	\$12,021	No	No	No	-	No
SSBG – Mental Health	\$10,366	-	-	-	-	No
SSBG – Intellectual Disabilities	\$7,451	-	-	-	-	No
SSBG – Homeless Services	\$4,183	-	-	-	-	No
Children’s Health Insurance Program	\$385,856	No	No	No	-	-
SABG – DHS	\$1,983	-	-	-	-	No

**COMMONWEALTH OF PENNSYLVANIA**

**Federal Award Findings and Questioned Costs - June 30, 2018**

**Finding 2018 – 020: (continued)**

Program	Federal Award Identification Number	Name of Federal Awarding Agency	CFDA Number	CFDA Title
Child Nutrition Cluster	No	-	-	-
Child and Adult Care Food Program	No	-	No	-
HPC Cluster	-	-	No	No
Title I	-	-	-	-
Supporting Effective Instruction	-	-	-	-
Aging Cluster	-	-	-	-
TANF – Child Welfare	No	No	-	-
TANF – PDE Teen Parenting	No	-	-	-
Foster Care – Counties	No	No	-	-
Foster Care – Non-Profit Contract	No	No	No	No
Adoption Assistance – Counties	No	No	-	-
SSBG – Child Welfare	-	-	-	-
SSBG – Mental Health	-	-	-	-
SSBG – Intellectual Disabilities	-	-	-	-
SSBG – Homeless Services	-	-	-	-
Children’s Health Insurance Program	No	No	No	No
SABG – DHS	-	-	-	-

(The cells with a hyphen in the table indicate that the federal award information was included in the subrecipient award documents or was not applicable for the respective major program.)

(1) PennDOT continues to implement a process for evaluating subrecipient risk.

(2) Although an evaluation of subrecipient risk was conducted, it was inadequate since only some of the following factors identified in 2 CFR 200.331 were considered and documented: the subrecipient’s prior experience with the same or similar subawards; the results of prior audits (audit findings), including whether or not the subrecipient received a Single Audit, and whether the subaward was audited as a major program; whether the subrecipient had new personnel or new or substantially changed systems; and the extent and results of any federal awarding agency monitoring.

(3) Although an evaluation of subrecipient risk was conducted, it was inadequate since there was no written evidence that the risk assessment considered any of the factors identified in 2 CFR 200.331 as described in Note (2) above.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 020: (continued)

**Criteria:** 2 CFR section 200.331, Requirements for Pass-through Entities, states in part:

*All pass-through entities must:*

*(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:*

*(1) Federal Award Identification.*

*(iii) Federal Award Identification Number (FAIN);*

*(iv) Federal Award Date (see section 200.39 Federal award date) of award to the recipient by the Federal agency;*

*(v) Subaward Period of Performance Start and End Date;*

*(x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the pass-through entity;*

*(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;*

*(6) Appropriate terms and conditions concerning closeout of the subaward.*

*(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:*

*(1) The subrecipient's prior experience with the same or similar subawards;*

*(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F–Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;*

*(3) Whether the subrecipient has new personnel or new or substantially changed systems; and*

*(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should identify, analyze, and respond to risks related to achieving the defined objectives. Management should identify, analyze, and respond to significant changes that could impact the internal control system.*

**Cause:** In general, the state agencies' procedures for timely identifying new federal requirements and implementing policies and procedures to ensure compliance need improvement.

**Effect:** Excluding the federal grant award information at the time of the subaward may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also the potential for subrecipients to have incomplete SEFAs in their Single Audit reports submitted to the Commonwealth, and federal funds may not be properly audited at the subrecipient level in accordance with the Single Audit Act and Uniform Guidance.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Finding 2018 – 020: (continued)**

Not evaluating each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward may result in subrecipients using the subaward for unauthorized purposes or in violation of the terms and conditions of the subaward, and state agency monitoring would not detect this noncompliance and ensure it is corrected in a timely manner.

**Recommendation:** State agencies should develop policies and reporting mechanisms to ensure all required federal award information is disseminated to all subrecipients at the time of the subaward to ensure subrecipient compliance with the Uniform Guidance in 2 CFR section 200 and other applicable federal regulations. In addition, state agencies should correspond with applicable subrecipients to ensure they are aware of the correct federal award information and review applicable subaward documents prior to issuance to ensure federal information is complete and accurate. State agencies should also implement procedures to document their evaluation of the factors cited in 2 CFR 200.331 for each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

**PDE Response:** PDE agrees with the finding, except for CFDA numbers 84.010 and 84.367.

The Division of Federal Programs continues to disagree with this finding. Uniform Guidance 2 CFR section 300.331(b) indicates that the SEA must evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring and “may” include the consideration of such factors as... 2 CFR section 300.331 then provides a list of possibilities from which the Division of Federal Programs chose to build the current risk analysis that is being used. The current risk analysis was reviewed by USDE in June of 2017 and approved by awarding PDE with a “met” during the fiscal review that was conducted. If USDE has approved our risk assessment, the Division of Federal Programs will continue to use it.

Here is a list of risk factors currently used by DFP to determine risk:

- Size of Title I allocation
- Excessive Title I carryover
- Failure to meet maintenance of effort
- Late comparability submission
- Late submission of data in Pennsylvania Information Management System
- Late submission of consolidated application
- Late submission of funding adjustments
- New personnel that includes Superintendent or Business Manager or Federal Program Staff
- New charter school
- Previous year monitoring findings

In the 2019-20 year, we will be adding another factor that considers participation in our meetings. Local educational agency representatives must attend at least one of our workshops, which are offered at locations across the state many times throughout the year at no cost, or they will receive risk points.

**PennDOT Response:** PennDOT agrees with the finding.

**Aging Response:** Aging agrees with the finding.

**DHS Response:** DHS agrees with the finding.

**Auditors’ Conclusion:** The agency responses from PDE’s Division of Food and Nutrition and Division of Student Services, PennDOT, Aging, and DHS indicate agreement with the finding.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2018***

### **Finding 2018 – 020: (continued)**

Regarding PDE's Division of Federal Programs' (DFP) evaluation of subrecipient risk, there was no evidence provided that DFP's subrecipient risk assessment considered the following factors identified in 2 CFR 200.331(b): 1) the results of previous audits (audit findings), including whether or not the subrecipient received a Single Audit, and whether the subaward was audited as a major program, 2) whether the subrecipient had new or substantially changed systems, and 3) the extent and results of any federal awarding agency monitoring. This is significant since a subrecipient may not receive the required audit or may have audit findings, indicating noncompliance with federal regulations, and PDE management may not identify the subrecipient as higher risk and in need of program monitoring. The subrecipient may continue to receive funds and operate in noncompliance with federal regulations, without timely detection and correction by PDE management.

Including these factors in DFP's subrecipient risk assessment would enable DFP to obtain a more comprehensive understanding of the risk of noncompliance related to each subrecipient, in order to conduct the appropriate subrecipient monitoring.

If PDE believes USDE is satisfied with DFP's subrecipient risk assessment in its current format, PDE should request that USDE audit resolution personnel address the subrecipient risk assessment in a program determination letter.

Questioned Costs: The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report.**

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Various Agencies**

#### **Finding 2018 – 021:**

**CFDA #10.553, 10.555, 10.556, and 10.559 – Child Nutrition Cluster**

**CFDA #10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children**

**CFDA #10.558 – Child and Adult Care Food Program**

**CFDA #20.205, 20.219, and 23.003 – Highway Planning and Construction Cluster**

**CFDA #66.458 – Capitalization Grants for Clean Water State Revolving Funds**

**CFDA #84.010 – Title I Grants to Local Educational Agencies**

**CFDA #84.027 and 84.173 – Special Education Cluster (IDEA)**

**CFDA #84.367 – Supporting Effective Instruction State Grants**

**CFDA #93.558 – Temporary Assistance for Needy Families**

**CFDA #93.563 – Child Support Enforcement**

**CFDA #93.575 and 93.596 – Child Care and Development Fund (CCDF) Cluster**

**CFDA #93.658 – Foster Care – Title IV-E**

**CFDA #93.659 – Adoption Assistance**

**CFDA #93.667 – Social Services Block Grant**

**CFDA #93.767 – Children’s Health Insurance Program**

**CFDA #93.775, 93.777, and 93.778 – Medicaid Cluster**

**CFDA #93.959 – Block Grants for Prevention and Treatment of Substance Abuse**

**Material Noncompliance and a Material Weakness Exist in the Commonwealth’s Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2017-021)**

**Federal Grant Number(s) and Year(s):** 2017-1PA300305 (10/01/2016 – 9/30/2017), 2018-1PA300305 (10/01/2017 – 9/30/2018), 171PA705W1006 (10/01/2016 – 9/30/2017), 181PA705W1006 (10/01/2017 – 9/30/2018), N78000 (7/01/2017 – 6/30/2018), CS-420001-17 (7/01/2017 – 6/30/2024), S010A160038 (7/01/2016 – 12/30/2018), S010A170038 (7/01/2017 – 12/30/2019), H173A160090 (7/01/2016 – 9/30/2017), H173A170090 (7/01/2017 – 9/30/2018), H027A160093 (7/01/2016 – 9/30/2017), H027A170093 (7/01/2017 – 9/30/2018), S367A160051 (7/01/2016 – 12/30/2018), S367A170051 (7/01/2017 – 12/30/2019), S367B160033 (7/01/2016 – 12/30/2018), 1601PATANF (10/01/2015 – 9/30/2016), 1701PATANF (10/01/2016 – 9/30/2017), 1801PATANF (10/01/2017 – 9/30/2018), 1704PACSES (10/01/2016 – 9/30/2017), 1804PACSES (10/01/2017 – 9/30/2018), G1701PACCDF (10/01/2016 – 9/30/2017), G1801PACCDF (10/01/2017 – 9/30/2018), 1701PAFOST (10/01/2016 – 9/30/2017), 1801PAFOST (10/01/2017 – 9/30/2018), 1701PAADPT (10/01/2016 – 9/30/2017), 1801PAADPT (10/01/2017 – 9/30/2018), 1701PASOSR (10/01/2016 – 9/30/2017), 1801PASOSR (10/01/2017 – 9/30/2018), 1705PA5021 (10/01/2016 – 9/30/2017), 1805PA5021 (10/01/2017 – 9/30/2018), 05-1705PA5MAP (10/01/2016 – 9/30/2017), 1805PA5MAP (10/01/2017 – 9/30/2018), TI010044-16 (10/01/2015 – 9/30/2017), TI010044-17 (10/01/2016 – 9/30/2018), B08TI010044-18 (10/01/2017 – 9/30/2019)

**Type of Finding:** Significant Deficiency, Noncompliance for Medicaid Cluster  
Material Weakness, Material Noncompliance for Other Programs

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** Under the Commonwealth of Pennsylvania's (Commonwealth) implementation of the Single Audit Act, review and resolution of subrecipient Single Audit reports is split into two stages. The Office of the Budget’s Bureau of Audits (OB-BOA) ensures the reports meet technical standards through a centralized desk review process. The various funding agencies in the Commonwealth are responsible for making a management decision on each finding

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Finding 2018 – 021: (continued)**

within six months of the Federal Audit Clearinghouse (FAC) acceptance date for audits subject to Uniform Guidance and to ensure appropriate corrective action is taken by the subrecipient (except for Uniform Guidance audits under U.S. Department of Labor programs which are permitted 12 months for management decisions in accordance with 2 CFR 2900.21). Each Commonwealth agency is also responsible for reviewing financial information in each audit report to determine whether the audit included all pass-through funding provided by the agency in order to ensure pass-through funds were audited. Most agencies meet this requirement by performing Schedule of Expenditures of Federal Awards (SEFA) reconciliations. The agency is also required to adjust Commonwealth records, if necessary.

Our fiscal year ended June 30, 2018 testing of this process disclosed the following audit exceptions regarding Commonwealth agencies' reviews of subrecipient audit reports:

- Department of Education (PDE): Our procedures disclosed 10 subrecipient audits which were excluded from PDE's tracking list, and four of the audits did not have evidence of review by PDE. Although none of the audits contained federal award findings requiring management decisions by PDE, the potential exists for PDE to be in noncompliance if audits with findings are missed and audit resolution and management decisions are not completed timely.
- Department of Transportation (PennDOT): The time period for making a management decision on findings was approximately 6.3 months to 8.6 months after the FAC acceptance date for nine out of the 14 subrecipient audit reports with findings. Our procedures also disclosed five subrecipient audits which were excluded from PennDOT's tracking list and not reviewed by PennDOT. Although none of the five audits contained federal award findings requiring management decisions by PennDOT, the potential exists for PennDOT to be in noncompliance if audits with findings are missed and audit resolution and management decisions are not completed timely.
- Pennsylvania Infrastructure Investment Authority (PENNVEST): The time period for making a management decision on findings was over 14 months after the FAC acceptance date for one out of two subrecipient audit reports with findings. The subrecipient audit in question was one of four subrecipient audits which were excluded from PENNVEST's tracking list. The four subrecipients received federal equivalency loans which were subject to Single Audit requirements. Although three of the four subrecipient audit reports were reviewed by PENNVEST, PENNVEST was not aware of the fourth audit report which contained a PENNVEST federal award finding, until we notified PENNVEST of the omission. There was also a delay in the completion of the SEFA reconciliation.
- Department of Human Services (DHS): The time period for making management decisions on findings ranged from approximately 6.7 months to over 17.6 months after the FAC acceptance date for 38 out of the 41 subrecipient audit reports with findings. There was also a delay in DHS's procedures to ensure the subrecipient SEFAs were accurate so that major programs were properly determined and subject to audit. It should be noted that the Department of Health's audit resolution process was placed under DHS's authority during the audit period.
- Department of Drug and Alcohol Programs (DDAP): The time period for making management decisions on findings was over 16 months after the FAC acceptance date for two out of two subrecipient audit reports with findings. One of the two subrecipient audits in question was one of four subrecipient audits which were excluded from DDAP's tracking list and not reviewed by DDAP. DDAP was not aware of the four excluded reports until we notified DDAP of the omission. There was also a delay in the completion of the SEFA reconciliations.



# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

### Finding 2018 – 021: (continued)

In addition, our review of the audit tracking lists for the agencies with major programs/clusters with material subgranted funds disclosed that 123 subrecipient audit reports with findings were received during the fiscal year ended June 30, 2018. Twenty-six of those audit reports were submitted late to the Federal Audit Clearinghouse, with FAC acceptance dates ranging from approximately 1.5 weeks to over 25 months after the nine month Single Audit due date.

We evaluated the significance of the fiscal year ended June 30, 2017 subrecipient expenditures recorded on the Commonwealth's subrecipient universe for which the required audits were not received during the current year (the fiscal year ended June 30, 2018) for 21 major programs or clusters. Our testing disclosed that six of the 21 major programs/clusters had immaterial expenditures for which audits were not received, representing immaterial noncompliance with the Uniform Guidance.

However, material noncompliance was identified for an additional six of the 21 major programs as shown in the table below, since the Single Audit for the City of Philadelphia was not submitted to the FAC as of our January 2019 test date. The Commonwealth subgranted federal funds totaling \$295,088,927 to the City of Philadelphia during the fiscal year ended June 30, 2017, for which a Single Audit was due March 31, 2018.

CFDA #	Program Name	Total Subgranted Funds Per OB-BOA Universe	Total Subgranted to Entities Which Did Not Submit Audits*
93.558	Temporary Assistance for Needy Families	\$238,001,735	\$36,966,598
93.563	Child Support Enforcement	\$139,052,027	\$25,053,788
93.658	Foster Care – Title IV-E	\$216,013,345	\$89,224,111
93.659	Adoption Assistance	\$101,197,797	\$22,908,495
93.667	Social Services Block Grant	\$79,015,246	\$14,631,100
93.959	Block Grants for Prevention and Treatment of Substance Abuse	\$43,289,190	\$12,332,708

\* Total subgranted to entities without audits only includes entities which met the dollar threshold for which a Single Audit was required.

As a follow up to the prior year finding, we noted that the Commonwealth subgranted federal funds totaling \$31,139,858 to Bucks County during the fiscal year ended December 31, 2016, for which a Single Audit was due September 30, 2017. The audit was submitted to the FAC on July 12, 2018, which was 9.5 months late.

DHS was the lead agency for the Bucks County and City of Philadelphia audits.

**Criteria:** The Uniform Guidance, Subpart F – Audit Requirements, became effective for audits of fiscal years beginning on or after December 20, 2014.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

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### Finding 2018 – 021: (continued)

2 CFR §200.331, Requirements for pass-through entities, states in part:

*All pass-through entities must:*

*(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:*

*(2) 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 review, and other means.*

*(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision.*

*(f) Verify that every subrecipient is audited as required by Subpart F – Audit Requirements of this part when it is expected that the subrecipient’s Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements.*

*(g) Consider whether the results of the subrecipient’s audit, on-site review, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records.*

*(h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.*

In order to carry out these responsibilities properly, good internal control dictates that state pass-through agencies ensure subrecipient Single Audit SEFAs are representative of state payment records each year, and that the related federal programs have been properly subjected to Single Audit procedures.

2 CFR §200.512, Report submission, states in part:

*(a) General. (1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor’s report(s), or nine months after the end of the audit period.*

2 CFR §200.521, Management decision, states in part:

*(a) General. The management decision must clearly state whether or not the finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.*

*(d) Time requirements. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.*

2 CFR §200.505, Sanctions, states:

*In cases of continued inability or unwillingness to have an audit conducted in accordance with this part, Federal agencies and pass-through entities must take appropriate action as provided in §200.338 Remedies for noncompliance.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2018

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### Finding 2018 – 021: (continued)

2 CFR §200.338, Remedies for noncompliance, states in part:

*If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions, as described in §200.207 Specific conditions. If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances.*

*(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.*

*(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.*

*(c) Wholly or partly suspend or terminate the Federal award.*

*(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).*

*(e) Withhold further Federal awards for the project or program.*

*(f) Take other remedies that may be legally available.*

To ensure Commonwealth enforcement of federal regulations for subrecipient noncompliance with audit requirements, Commonwealth Management Directive 325.8, *Remedies for Recipient Noncompliance with Audit Requirements*, Section 5 related to policy, states in part:

*(a) Agencies must develop and implement remedial action that reflects the unique requirements of each program...*

*(b) Overall periods for the implementation of remedial action should not exceed six months from the date the first remedial action is initiated. At the end of the six-month period, the recipient should take the appropriate corrective action or the final stage of remedial action should be imposed on the recipient. Examples of remedial action include, but are not limited to:*

*(4) Withholding a portion of assistance payments until the noncompliance is resolved.*

*(5) Withholding or disallowing overhead costs until the noncompliance is resolved.*

*(6) Suspending the assistance agreement until the noncompliance is resolved.*

*(7) Terminating the assistance agreement with the recipient and, if necessary, seeking alternative entities to administer the program.*

Management Directive 325.9, *Processing Audits of Federal Pass-Through Funds*, Section 7 related to procedures, states in part:

*c. Agencies.*

*(1) Evaluate single audit report submissions received from BOA to determine program purpose acceptability by verifying, at a minimum, that all agency-funded programs are properly included on the applicable financial schedules; that findings affecting the agency contain sufficient information to facilitate a management decision; and that the subrecipient has submitted an adequate corrective action plan.*

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2018*

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### **Finding 2018 – 021: (continued)**

- (6) *Impose or coordinate the imposition of remedial action in accordance with 2 CFR Part 200.338 and Management Directive 325.8, Remedies for Recipient Noncompliance with Audit Requirements when subrecipients fail to comply with the provisions of Subpart F.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's, *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book states in part:

*Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Management should remediate identified internal control deficiencies on a timely basis.*

**Cause:** The common reason provided by Commonwealth management for untimely audit resolution in the various agencies, including making management decisions, approving corrective action, and performing procedures to ensure the accuracy of subrecipient SEFAs was either a change in staff or a lack of staff to follow up and process subrecipient audit reports more timely.

The subrecipient audits which were missed and not followed up by the agencies were generally due to the agencies not evaluating OB-BOA's listings of Single Audit report submissions as part of the process for identifying all subrecipient Single Audits for which the agencies were responsible. This issue, along with human error, also resulted in incomplete agency audit tracking lists.

Regarding late and outstanding audit report submissions, the Commonwealth agencies do not appear to be timely implementing remedial action steps in accordance with 2 CFR §200.338 and Commonwealth Management Directive 325.8 in order to ensure compliance with federal audit submission requirements.

**Effect:** Since required management decisions were not made within six months to ensure appropriate corrective action was taken on audits received from subrecipients, the Commonwealth did not comply with federal regulations, and subrecipients were not made aware of acceptance or rejection of corrective action plans in a timely manner. Further, noncompliance may recur in future periods if control deficiencies are not corrected on a timely basis, and there is an increased risk of unallowable charges being made to federal programs if corrective action and recovery of questioned costs is not timely.

Regarding the SEFA reviews or alternate procedures which are not being performed timely and the late Single Audit report submissions, there is an increased risk that subrecipients could be mispending and/or inappropriately tracking and reporting federal funds over multiple year periods, and these discrepancies may not be properly monitored, detected, and corrected by agency personnel on a timely basis as required.

Regarding the agencies not evaluating OB-BOA's listings of Single Audit report submissions as part of the process for identifying all subrecipient Single Audits for which the agencies were responsible, there is a risk of noncompliance if agencies do not verify subrecipients obtain the required Single Audits, make the required management decisions, and ensure appropriate corrective action is implemented. The incomplete agency audit tracking lists hamper the respective agencies' abilities to ensure subrecipient audits are identified and subjected to audit resolution procedures and management decisions.

Finally, additional federal pass-through funds may be unaudited in the future without timely and effective remedial action from Commonwealth agencies to enforce compliance.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2018***

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### **Finding 2018 – 021: (continued)**

**Recommendation:** We recommend that the above weaknesses that cause untimely subrecipient Single Audit resolution, including untimely management decisions on findings, untimely review of the SEFA or alternate procedures, and late audit report submissions be corrected to ensure compliance with federal requirements and Commonwealth Management Directives, and to better ensure more timely subrecipient compliance with program requirements.

Commonwealth agencies should evaluate OB-BOA’s listings of Single Audit report submissions as part of the process for identifying and tracking all subrecipient Single Audits for which the agencies are responsible in accordance with Commonwealth Management Directive 325.9 and follow up on missed audits.

Commonwealth agencies should promptly pursue outstanding audits and implement remedial action steps in accordance with 2 CFR §200.338 and Commonwealth Management Directive 325.8 on a timely basis, including withholding funding from subrecipients which do not comply with audit submission requirements.

#### **PDE Response:**

PDE agrees with the finding.

#### **PennDOT Response:**

PennDOT agrees with the finding.

#### **PENNVEST Response:**

PENNVEST agrees with the finding.

#### **DHS Response:**

DHS agrees with the finding.

#### **DDAP Response:**

The Department of Drug and Alcohol Programs agrees with the concerns indicated by the Auditor General regarding timely completion of reconciliations to submitted Schedules of Expenditures of Federal Awards and a more expedited processing of findings and questioned costs associated with the subrecipient audits. The ability to move ahead of the backlog of audits has proved to be a recurrent issue due to challenges in staffing numbers and knowledge of that staff to address the changes inherent to the new audit guidance issued under 2 CFR. The Department continues to develop processes and procedures to address auditing issues related to funds distributed by the Department of Drug and Alcohol Programs. The Department understands the necessity to establish methods to address reconciliation of SEFA submissions in a timelier manner, as well as to seek and finalize corrective action to audit findings of subrecipients, should such findings occur.

**Questioned Costs:** The amount of questioned costs cannot be determined.

**The corrective action plan for this finding, if any, has not been reviewed by the auditors. See Corrective Action Plans located elsewhere in this Report**

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# Management's Summary Schedule of Prior Audit Findings



Commonwealth of Pennsylvania



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

JEN SWAILS  
SECRETARY  
GOVERNOR'S OFFICE OF THE BUDGET

***Summary Schedule of Prior Audit Findings - June 30, 2018***

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**Finding State Agency/Finding Title/Comments**

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**FINDINGS FOR THE YEAR ENDED JUNE 30, 2017:**

(Please see Corrective Action Plan Schedule for planned corrective actions for any current year repeat findings.)

**FINANCIAL STATEMENT FINDINGS**

**STATEWIDE (SW)**

2017-001 General Computer Controls in Several Commonwealth Agencies Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2016-005)

PDE disagreed with the finding. The PDE issue was not cited in the current finding.

PennDOT is implementing the following mitigating controls due to the hard-coded password within the OPEX machine: 1. Create a correlation between the CWOPA user and the OPEX user via the logs of both systems; 2. Restrict logon access to the workstation which has the OPEX software installed to only those employees authorized to use the system. The modified CAP to address the issue was reviewed with the auditors. The new completion date is slated for October 31, 2018. PennDOT took corrective action on the other two issues cited in the finding.

L&I has created a process to assign roles, including privileges based on work area. The grant/revoke process for user moves is dependent upon the receiving area approving the move and removal/addition of roles necessary for that area. This issue has been resolved. Since 2017, we have conducted 1 review of access, and necessary changes were completed. As a part of the internal audit for special permissions, L&I will ensure justification for assigned roles is documented and work to ensure a separation of duties for each sub-group within the UC mainframe application.

DOR is currently implementing a COTS solution, GenTax, which has built-in best practices and controls related to code development and promotion through environments.

2017-002 Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2016-004)

Corrective action was taken by OB-BOA. OA-OIT is working on a SOC report policy to be completed by June 30, 2020.

**FEDERAL PROGRAM FINDINGS**

**DEPARTMENT OF AGING**

2017-003 Deficiencies in Information Technology Controls Over the Pennsylvania Department of Aging's Financial Reporting Requirements System

BIS management implemented oversight controls to review server logs to ensure no program changes were deployed to production without the appropriate approvals.



# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2018

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### **Finding State Agency/Finding Title/Comments**

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#### **DEPARTMENT OF AGRICULTURE (AGRI)**

- 2017-004 Deficiencies in Information Technology Controls Over the Pennsylvania Department of Agriculture's PaMeals Application (A Similar Condition was Noted in Prior Year Finding 2016-006)

AGRI put a process in place to maintain documentation of management's authorization to initiate program code development, testing of changes, and final approval of each PaMeals change before deployment to the production environment. With the creation of the OA Conservation and Environment Delivery Center, there is now in place a more formal project management release process since there are additional IT staff to support the application deployment process. This process will allow for the proper separation of duties.

#### **DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT (DCED)**

- 2017-005 Deficiencies in Information Technology Controls Over the Pennsylvania Department of Community and Economic Development's Electronic Single Application System (A Similar Condition Was Noted in Prior Year Finding 2016-009)

Corrective action was taken.

- 2017-006 The Department of Community and Economic Development Did Not Perform Adequate During-the-Award Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2016-010)

The Center for Community Development continues to implement its monitoring plan based on subrecipient risk of administering the program, but due to a delay in implementing this process, DCED plans to have this process implemented and finding resolved for the 2019 Single Audit.

- 2017-007 The Department of Community and Economic Development Did Not Perform Sufficient Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2016-011)

Corrective action was taken.

#### **DEPARTMENT OF EDUCATION (PDE)**

- 2017-008 Material Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement (A Similar Condition Was Noted in Prior Year Finding 2016-012)

DFN has started to review the sponsor agreements for signatures prior to forwarding a copy to the sponsor. Also a business rule was added to PEARS.

- 2017-009 Material Noncompliance and a Material Weakness Exist in Pennsylvania Department of Education Monitoring of Child and Adult Care Food Program Subrecipients

DFN filled vacancies and reassigned duties to follow internal procedures of closing reviews within 140 days.

- 2017-010 A Material Weakness and Noncompliance Exist Over the Pennsylvania Department of Education's Consolidated State Performance Report, Annual Report Card, and Reporting of the Annual High School Graduation Rate (A Similar Condition Was Noted in Prior Year Finding 2016-013)

Corrective action was taken. The CSPR and RFRM were not required to be tested during the current audit.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2018

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### Finding State Agency/Finding Title/Comments

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#### DEPARTMENT OF HUMAN SERVICES (DHS)

- 2017-011 A Material Weakness and Material Noncompliance Exist at the Department of Human Services Related to Electronic Benefits Transfer Card Security (A Similar Condition Was Noted in Prior Year Finding 2016-016)

The EBT Project Office transferred all existing applications from July 1, 2017 ongoing into the OneDrive system as of March 5, 2018. The EBT Project Office updated the EBT Procedures Manual clarifying all security expectations. The last update to the manual occurred in March 2018. The Division of Corrective Action (DCA) began training in April 2018 and the majority of offices have completed their training. The final sessions will be completed in August 2018. Staff Development will use the information and questions obtained during DCA training to develop annual EBT Security training. The bulk of that work will occur upon completion of DCA training. They are on target for the January 2019 completion date. The Information Memorandum titled, "Local Form Procedures," was issued to all CAOs, district offices, call centers, DHS Helpline and Headquarters staff in March 2018. The training for the HQ Card Destruction log was completed by the EBT Project Officer in February 2018.

- 2017-012 Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services' Office of Children, Youth and Families (A Similar Condition Was Noted in Prior Year Finding 2016-017)

The tentative allocation letters for FY 18-19 were sent to the Counties on 3/1/18. The letters included the CFDA numbers for federal funds. OCYF will issue guidance to all CCYAs and Juvenile Probation Offices when the final allocation letters for FY 18/19 are sent. They are in the process of being completed. OCYF has started tracking the follow-up timeframes toward assuring timely completion of the entire licensing process from the on-site fieldwork to the approval of the CAP prior to the expiration of the prior year's license.

- 2017-013 Department of Human Services Did Not Validate Financial Information as Part of its On-Site Monitoring of Temporary Assistance for Needy Families Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2016-018)

TANF - New Directions, Cash Grants - The risk assessments have been completed for 23 EARNs, 20 PA Workwear, 20 Work Ready, 17 Refugee Resettlement, 14 KEYS, 6 SNAP E&T, and 1 ELECT grant subrecipients. Also, DHS is continuing to explore the contracting of a CPA Firm to assist in conducting the monitoring. The monitoring is planned to be conducted during the year ending June 30, 2019. TANF - Alternatives to Abortion - The Office of Social Programs (OSP) has received federal restrictions and requirements provided under the Office of Management and Budget's (OMB) Uniform Guidance annually since FY 2016. Additionally, procedures for the evaluation of subrecipient risk were implemented in October 2017. After review of these evaluations and consideration of past audits of this program, a subgroup of the subrecipients were chosen for on-site monitoring by OSP. A risk assessment will be completed each year thereafter, with subsequent monitoring taking place that will prioritize subrecipients receiving "high risk" designation and/or those who have not had monitoring in the past year.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2018

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### Finding State Agency/Finding Title/Comments

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#### DEPARTMENT OF HUMAN SERVICES (DHS) (Continued)

- 2017-014 Material Noncompliance and Material Weaknesses Exist in the Claiming and Reporting of State Maintenance of Effort for Temporary Assistance for Needy Families

OIM program staff are presently reviewing the State Plan. Once complete, the plan will be routed for OIM executive signature and in early September released for a 45-day public comment period. The plan will then be forwarded to the Governor for approval. DHS budget staff have met with Comptroller Operations, Federal Accounting, to review the necessary corrections to the ACF-196R reports identified in the finding. Federal Accounting will be correcting those reports once all expenditures are moved from the old internal orders to the newly established internal orders. New internal order numbers were established in the Department of Education to isolate Head Start Supplemental Assistance Program expenditures and for the Department of Human Services to isolate Nurse Family Partnership expenditures retroactively to FFY 2016 and through FFY 2019. These new internal order numbers will ensure that these expenditures are properly identified and reported on future ACF-196R reports. DHS was advised that the following reports were corrected - ACF-196R GY16 FY16 QE 09/30/2016 and ACF-196R GY17 FY17 QE 09/30/2017.

- 2017-015 Material Noncompliance and Material Weakness Over Health and Safety Requirements (A Similar Condition Was Noted in Prior Year Finding 2016-020)

Corrective action was taken.

- 2017-016 Significant Deficiency and Noncompliance Over Fraud Detection and Repayment (A Similar Condition Was Noted in Prior Year Finding 2016-021)

Corrective action was taken.

- 2017-017 Noncompliance and Weaknesses Exist in the Department of Human Services' Program Monitoring of the Social Services Block Grant and the Block Grants for Prevention and Treatment of Substance Abuse Subgrantees (A Similar Condition Was Noted in Prior Year Finding 2016-022)

DHS is currently working through the vacancy posting process and will begin interviewing once this is complete. In addition, we will attempt to streamline the monitoring procedures. As it relates to subgrantee cash management, the DHS will explore if a change to the current payment system is feasible, or other options for monitoring cash on hand. Grant Programs under the Office of Social Programs (OSP) have received federal restrictions and requirements provided under the Office of Management and Budget's (OMB) Uniform Guidance annually since FY 2016. Procedures for the evaluation of subrecipient risk were implemented in October 2017. After review of these evaluations and consideration of past audits for some of these programs, a subgroup of the recipients was chosen for on-site monitoring by the OSP. Risk assessments will be completed each year, with subsequent monitoring taking place that will prioritize subrecipients receiving "high risk" designation and/or those who have not had monitoring in the past year.

#### DEPARTMENT OF LABOR AND INDUSTRY (L&I)

- 2017-018 Department of Labor and Industry Did Not Comply With Unemployment Insurance Program Integrity Requirements

Regarding the missing paper file: L&I considers this closed as it was a one-time occurrence which was likely the product of closing offices. There are no other planned office closures, and we are still anticipating electronic files in our new system. Regarding the late overpayment: This is not yet closed as dedicated overpayment teams are scheduled to be in effect starting in July 2018. The teams are responsible for detecting and processing overpayments as their only assigned function.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2018

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### Finding State Agency/Finding Title/Comments

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#### DEPARTMENT OF LABOR AND INDUSTRY (L&I) (Continued)

2017-019 A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry's Procedures for Performing Eligibility Determinations and Completing Individualized Plans for Employment (A Similar Condition Was Noted in Prior Year Finding 2016-026)

EPR Reports - Reports illustrating the disposition of Status 2 (determining eligibility) and Status 10 (completing IPEs) cases are being run manually and distributed to all field offices monthly. We anticipate these reports to be in a standard report format for use by all offices in December 2018, but until that time they will be run and disseminated monthly. SARA Virtual Assistant Software (SARA) - This potential tool is still a future consideration and is undergoing legal review currently. The initially stated deployment date of October 2018 will need to be pushed back to February 2019. Electronic Signature (remote capability): The majority of OVR forms have been updated to capture an electronic signature. We are currently awaiting the deployment of our agency wide laptop refresh so our counselors can take full advantage of touch-screen capabilities and full-time access to 4G/LTE data connectivity while in the field.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2018

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### Finding State Agency/Finding Title/Comments

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#### STATEWIDE (SW)

2017-020 State Agencies Did Not Identify the Federal Award Information and Applicable Requirements at the Time of the Subaward and Did Not Evaluate Each Subrecipient's Risk of Noncompliance as Required by the Uniform Grant Guidance (A Similar Condition Was Noted in Prior Year Finding 2016-027)

Corrective action was taken by DCED.

PDE is having the FAIN notification built into sponsor level screens and the eGrants system will allow staff to manually enter CFDA numbers. PDE disagreed with the risk assessment portion of the finding.

DHS update: TANF: A risk assessment tool has been developed, and a risk assessment of the subrecipients has been performed. The Federal award information is now included on all grants. All SAP forms to the list of subrecipients now include federal award information. OSP-SSBG/TANF: Grant Programs under the Office of Social Programs (OSP) have received federal restrictions and requirements provided under Uniform Guidance once per year since FY 2016. Procedures for the evaluation of subrecipient risk were implemented in October 2017. After review of these evaluations and consideration of past audits for some of these programs, a subgroup of the recipients was chosen for on-site monitoring by the OSP. Risk assessments will be completed each year with subsequent monitoring taking place that will prioritize subrecipients receiving "high risk" designation and/or those who have not had monitoring in the past year. OA-SSBG: The Office of Administration, Bureau of Financial Operations, County Human Services Planning and Monitoring Unit (Unit) is responsible for SSBG and Human Services Block Grant monitoring. Procedures were implemented for the evaluation of subrecipient risk subsequent to the FYE June 30, 2017 for the SSBG program. Counties are chosen for monitoring based on a risk assessment tool that includes: allocation amount, findings in the county's single audit report, and timely submission. Counties receiving a "high risk" designation are prioritized. Currently there are vacancies in this Unit, which has impacted monitoring. We plan to fill the vacancies with individuals having a fiscal background, rather than a programmatic background, which should also help with the efficiency of the monitoring. In addition, we will attempt to streamline the monitoring procedures. ODP-ICF/ID: ODP is in the process of finalizing correspondence that will identify all the required Federal Award information and the requirements of closeout. During the fiscal year ending June 30, 2018, a risk assessment was performed on all the ICF/ID providers. From the results of the risk assessment, high risk ICF/ID providers were chosen for monitoring. Monitoring is planned for early FY 18-19. OCYF-Foster Care and Adoption Assistance: OCYF has developed allocation letters for the year ending June 30, 2019 that include all applicable requirements; final allocation letters are in the process of being completed. OCYF has a risk assessment process in place for Title IV-E and TANF awards, based on the number of eligible cases per county. OCYF is able to analyze the adjustments and findings in the Department of the Auditor General reports of CCYAs, strengthening the risk-based assessment process.

PennDOT continues to work on updating the agreements to include all the required federal information. The agency is on schedule to meet the goal of having agreements updated by the end of 2018. The CAP for this issue is not completed due to a set schedule on the documents that are migrated to the Reimbursement Agreement System (RAS).

# **COMMONWEALTH OF PENNSYLVANIA**

## **Summary Schedule of Prior Audit Findings - June 30, 2018**

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### **Finding State Agency/Finding Title/Comments**

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#### **STATEWIDE (SW) (Continued)**

2017-021 Material Noncompliance and a Material Weakness Exist in the Commonwealth's Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2016-028)

Corrective action was taken by DCED and PEMA.

DHS anticipates that the backlog will be eliminated before June 30, 2019. DHS is continuing to explore ways to further streamline the Single Audit review process. Regarding enforcement of the subrecipients' submission deadlines, we have continued to monitor the status of audit reports and follow our remedial action plans, which is to consider withholding a percentage of State funding.

PDE implemented a process which includes proceeding with the resolution process without waiting for OB-BOA's report acceptance. Due to the timing of the process change, the finding was repeated.

PENNVEST implemented a timelier review process taking the correct six month timeframe starting point into account. Due to the timing of the process change, the finding was repeated.

### **FINDINGS FOR THE YEAR ENDED JUNE 30, 2016:**

#### **FINANCIAL STATEMENT FINDINGS**

##### **STATEWIDE (SW)**

2016-004 Vendor Management Controls in Various Commonwealth Agencies Need Improvement

Refer to finding 2017-002 for the status of this issue.

2016-005 General Computer Controls In Various Commonwealth Agencies Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2015-005)

Refer to finding 2017-001 for the status of this issue.

#### **FEDERAL PROGRAM FINDINGS**

##### **DEPARTMENT OF AGRICULTURE (AGRI)**

2016-006 Deficiencies in Information Technology Controls Over the Pennsylvania Department of Agriculture's PaMeals Application

Refer to finding 2017-004 for the status of this issue.

##### **DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT (DCED)**

2016-009 Deficiencies in Information Technology Controls Over the Pennsylvania Department of Community and Economic Development's Electronic Single Application System

Refer to finding 2017-005 for the status of this issue.

2016-010 The Department of Community and Economic Development Did Not Perform Adequate During-the-Award Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2015-007)

Refer to finding 2017-006 for the status of this issue.

# **COMMONWEALTH OF PENNSYLVANIA**

## **Summary Schedule of Prior Audit Findings - June 30, 2018**

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### **Finding State Agency/Finding Title/Comments**

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#### **DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT (DCED) (Continued)**

2016-011 The Department of Community and Economic Development Did Not Perform Adequate Monitoring of Subrecipients

Refer to finding 2017-007 for the status of this issue.

#### **DEPARTMENT OF EDUCATION (PDE)**

2016-012 Material Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement

Refer to finding 2017-008 for the status of this issue.

2016-013 A Material Weakness and Noncompliance Exist Over the Pennsylvania Department of Education's Consolidated State Performance Report, Annual Report Card, and Reporting of the Annual High School Graduation Rate (A Similar Condition Was Noted in Prior Year Finding 2015-012)

Refer to finding 2017-010 for the status of this issue.

#### **DEPARTMENT OF HUMAN SERVICES (DHS)**

2016-016 A Material Weakness and Material Noncompliance Exist at the Department of Human Services Related to Electronic Benefits Transfer Card Security (A Similar Condition Was Noted in Prior Year Finding 2015-017)

Refer to finding 2017-011 for the status of this issue.

2016-017 Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services' Office of Children, Youth and Families (A Similar Condition Was Noted in Prior Year Finding 2015-020)

Refer to finding 2017-012 for the status of this issue.

2016-018 Department of Human Services Did Not Validate Financial Information as Part of its On-Site Monitoring of Temporary Assistance for Needy Families Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2015-019)

Refer to finding 2017-013 for the status of this issue.

2016-020 Material Noncompliance and Material Weakness Over Health and Safety Requirements (A Similar Condition Was Noted in Prior Year Finding 2015-022)

Refer to finding 2017-015 for the status of this issue.

2016-021 Significant Deficiency and Noncompliance Over Fraud Detection and Repayment

Refer to finding 2017-016 for the status of this issue.

2016-022 Noncompliance and Weaknesses Exist in the Department of Human Services' Program Monitoring of the Social Services Block Grant and the Block Grants for Prevention and Treatment of Substance Abuse Subgrantees (A Similar Condition Was Noted in Prior Year Finding 2015-023)

Refer to finding 2017-017 for the status of this issue.

# **COMMONWEALTH OF PENNSYLVANIA**

## **Summary Schedule of Prior Audit Findings - June 30, 2018**

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### **Finding State Agency/Finding Title/Comments**

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#### **DEPARTMENT OF LABOR AND INDUSTRY (L&I)**

2016-026 A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry's Procedures for Performing Eligibility Determinations and Completing Individualized Plans for Employment (A Similar Condition Was Noted in Prior Year Finding 2015-028)

Refer to finding 2017-019 for the status of this issue.

#### **STATEWIDE (SW)**

2016-027 State Agencies Did Not Identify the Federal Award Information and Applicable Requirements at the Time of the Subaward and Did Not Evaluate Each Subrecipient's Risk of Noncompliance as Required by the Uniform Grant Guidance (A Similar Condition Was Noted in Prior Year Finding 2015-036)

Refer to finding 2017-020 for the status of this issue.

2016-028 Material Noncompliance and a Material Weakness Exist in the Commonwealth's Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2015-037)

Refer to finding 2017-021 for the status of this issue.



# Management's Corrective Action Plans



Commonwealth of Pennsylvania



# COMMONWEALTH OF PENNSYLVANIA

## Corrective Action Plans - June 30, 2018

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-001 (cont'd)		Manager	regular internal audits of access.	
		Kevin Sperber, IT Generalist Admin 1	Servers & Applications -We will continue reviewing this group's membership to ensure least privileged access is being enforced. There is a secondary account application that we will be implementing. This application allows users who have the need to apply and receive a secondary admin only account for systems. This admin only account has no access to the internet or to e-mail providing a more secure environment to work in. This will be implemented for each of the individuals that require an account on the systems till a proper privileged identity management (PIM) can be purchased and implemented. The large number of individuals are still required to have access due to the number of individuals that are working on the team and need access to resolve issues in a timely fashion when they are on call.	
		Andrew Bishop, IT Manager 2		
		Onkar Kumbhojkar, IT Manager 1		
		Kevin Sperber, IT Generalist Admin 1	3. Documented the process to grant/revoke privileged access. Documented and implemented internal audits procedure. The accounts in question have been rectified. The agency will conduct an internal review by June 30, 2019 to validate the controls.	06/30/2019
		Jason Ream and Robert Giallo, IT Managers		
		Dana Williams, Info Security Specialist 1		
Gerry Schopman, Prog Analyst 4				
Chris Kajder, LCB CISO	4. LCB issue: Added steps to enforce Principal 11 – Design Activities by modifying the privileged account review process. Updated our quarterly privileged account review process/procedure requiring business owners to research any unfamiliar name prior to approving continued access during the quarterly review. Additionally, HR actions will be reviewed closely by the Security Team for separations and transfers to ensure the appropriate de-provisioning actions have been taken.	Completed		

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2018-002	OA-OIT	Jennifer Fullerton, OSAM	<p><b>Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-002)</b></p> <p>OA-OIT will establish a policy to gather, track and ensure SOC reports are collected and on file and current for all current and future systems where SOC reports can be required.</p>	06/30/2020
2018-003	DCED	Kathy Possinger, Director, Center for Community and Housing Development	<p><b>The Department of Community and Economic Development Did Not Perform Adequate During-the-Award Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-006)</b></p> <ul style="list-style-type: none"> <li>• In July 2017, DCED developed a new subrecipient monitoring plan which identified a framework for a multi-year calendar to monitor high, medium and low risk subgrantees in the CDBG program. The plan addresses on-site and remote oversight of grantee compliance in areas of program delivery, environmental review, federal labor standards, fair housing and equal opportunity and financial management. DCED commenced full implementation of the plan in July of 2018.</li> <li>• DCED has developed a new schedule for MAPR submission and a tracking system to ensure timely receipt and review of semi-annual and annual submissions.</li> <li>• Thirty-three (33) on-site visits are scheduled for completion by June 30, 2019. The visits will include 14 high risk, 7 medium risk and 12 low risk grantees.</li> <li>• DCED has also prioritized completion of 71 reviews of outstanding pre-2014 CDBG entitlement contracts that are now being administered by a county on behalf of the entitlement municipality. This list also includes 29 CDBG discretionary contracts to be monitored. All reviews in this priority area are to be completed by 6/30/2020.</li> <li>• DCED will complete 20 remote environmental review monitorings, 20 labor standards monitorings and 20 fair housing and equal opportunity monitorings.</li> <li>• Financial management center staff will continue to review 100% of invoices submitted prior to IDIS drawdown for budget, draw authority, and available funds in IDIS. Financial management will also complete remote monitoring of a sampling of invoices submitted by grantees throughout the year for backup documentation and compliance with requirements of 2 CFR 200.</li> </ul>	06/30/2020
2018-004	PDE	Vonda Ramp, State Dir., Child Nutr. Programs	<p><b>Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement (A Similar Condition Was Noted in Prior Year Finding 2017-008)</b></p> <p>Although PDE, Division of Food and Nutrition maintains that this finding is not a material weakness, it is currently migrating all agreements and user authorization forms to PEARS to better track and account for these documents.</p>	06/30/2019

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-005	PDE	Vonda Ramp, State Director, Child Nutrition Programs	<p><b>Material Noncompliance and a Material Weakness Exist in Pennsylvania Department of Education Monitoring of Child and Adult Care Food Program Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-009)</b></p> <p>The Department of Education, Division of Food and Nutrition (DFN), maintains its disagreement with this finding. See PDE’s response in the body of the finding.</p>	N/A
2018-006	PDE	Kelly Gallatin, Federal Funds Manager  Susan McCrone, Chief, Federal Programs	<p><b>A Material Weakness and Noncompliance Exist in the Pennsylvania Department of Education’s Subrecipient Allocation Process</b></p> <p>The Division of Federal Program’s staff did calculate Title I allocations correctly during the 2017-18 year. However, during the calculation of preliminary Title I allocations, the excel file was corrupt and an error was identified and later corrected in the allocation process during funding adjustments. All LEAs received accurate Title IA allocations during the 2017-18 program year. As corrective action, by 3/15/19, a “check” will be built into the formula for each of the Title I pots that exist in the spreadsheet and are part of the Title IA allocation. This will ensure that the formulas are calculating accurately. Additional oversight includes the review by Kelly Gallatin and review/sign off by Susan McCrone.</p>	Completed
2018-007	DHS	Tanoa Fagan, Income Maint. Program Rep.  Tonya Holloway, EBT Project Officer	<p><b>A Material Weakness and Material Noncompliance Exist at the Department of Human Services Related to Electronic Benefits Transfer Card Security (A Similar Condition Was Noted in Prior Year Finding 2017-011)</b></p> <ol style="list-style-type: none"> <li>1. In addition to the use of a centralized based storage platform for the proper storage and retention of Electronic Payment Processing and Information Control (EPPIC) System application submissions, all CAO submission documents will be stored in the platform used to further document the time and date of any submissions and/or requests.</li> <li>2. The EBT Project Office has made updates to the EBT Procedure Manual that document all requirements and expectations relating to the addition of users to the EBT Card Tracking Database.</li> </ol>	Completed  03/31/2019

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-008	DHS	Joel O'Donnell, Director, Bur. of Program Sup., OIM  Lindsey Mauldin, Director, OSP	<p><b>Department of Human Services Did Not Validate Financial Information as Part of Its On-Site Monitoring of Temporary Assistance for Needy Families Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-013)</b></p> <p>As the Governor has recently announced a major initiative to upgrade Education and Training components of PA state government, the department is reviewing its current program details. However, the DHS is exploring a couple of different possibilities to satisfy the audit finding to include the possibility of contracting of a certified public accounting (CPA) firm to assist in conducting the financial portion of our subrecipient monitoring, as well as a consideration of the department ramping up a new division unit specifically for conducting award monitoring of all DHS federal programs by one unit. OSP will document the rationale for instances when a subrecipient that scores high on the Estimated Risk Calculator is not monitored in the current year.</p>	06/30/2019
2018-009	DHS	Cathy Buhrig, Director, Bureau of Policy, OIM	<p><b>Material Noncompliance and Material Weaknesses Exist in the Claiming and Reporting of State Maintenance of Effort for Temporary Assistance for Needy Families (A Similar Condition Was Noted in Prior Year Finding 2017-014)</b></p> <p>After reviewing the TANF State Plan, it was realized that the placement of Pre-K immediately after a bulleted statement that Head Start Supplemental Assistance Program (HSSAP) eligibility criteria sets the family income threshold at 130% of FPIG might cause one to erroneously conclude that eligibility for Pennsylvania's Pre-K assistance is set at the same threshold as HSSAP. By policy and practice, DHS has set the family income limit for Pre-K assistance at 200% of FPIG, not 130%. Accordingly, DHS is in compliance with the MOE requirement, and no Pre-K costs were overcharged; therefore, the filing of an amended ACF-196R report is unnecessary.</p> <p>DHS revised the TANF State Plan on December 20, 2018, to clarify that the family income limit for Pre-K assistance is 200% of FPIG.</p>	Completed
2018-010	DHS	Stephanie Golden, Administrative Officer 4	<p><b>Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance, and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services' Office of Children, Youth, and Families (A Similar Condition Was Noted in Prior Year Finding 2017-012)</b></p> <p>OCYF provides written guidance and outlines expectations related to contract monitoring as it relates to federal and state funding via the Needs-Based Plan and Budget bulletin. OCYF also discusses these practices at the quarterly Pennsylvania Children and Youth Administrators (PCYA) meeting. From a monitoring perspective, OCYF began collecting county-specific information regarding their internal</p>	06/30/2019

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2018-010 (cont'd)			<p>controls as part of the Title IV-E Quality Assurance Compliance Reviews in the fall of 2018. Each county is assessed to determine whether their internal controls address the risks assumed with contracting for services.</p> <p>OCYF strives to ensure that annual inspections are scheduled to occur within 365 days of the previous inspection. However, there are times when critical events may interfere with the licensing schedule. Interruptions are more likely to occur not with the start of the inspection but with the inspection process as a whole. It is important to acknowledge that the staff who complete the annual inspections are also responsible for conducting investigations of suspected child abuse and reviews of child fatalities and near fatalities. As such, staff are often pulled from an inspection or may be delayed in their completion of follow-up paperwork to the inspection. OCYF has started tracking the follow-up timeframes toward assuring timely completion of the entire licensing process from the on-site fieldwork to the approval of the CAP prior to the expiration of the prior year's license. We continue to see improvements in this area.</p>	
2018-011	DHS	Kelly Leighty, Director, Division of Financial Policy and Operations	<p><b>Noncompliance and Weaknesses Exist in the Department of Human Services' Program Monitoring of the Social Services Block Grant and the Block Grants for Prevention and Treatment of Substance Abuse Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2017-017)</b></p> <p>The DHS expends Social Services Block Grant (SSBG) funds through several program offices, and directly on certain contracts. The Department of Human Services has a dedicated monitoring position within the Shared Services for Health and Human Services, Bureau of Financial Operations, Fiscal Monitoring Unit (Unit). The Unit is responsible for SSBG and Human Services Block Grant monitoring through both on-site monitoring visits and the review of supporting documentation (desk reviews) to ensure fiscal and programmatic compliance of subrecipients with established federal and state regulations and policies. Counties are chosen for monitoring based on a risk assessment tool including: allocation amount, findings in the county's single audit report, and timely submission. Counties receiving a "high risk" designation are prioritized.</p> <p>The monitoring position was vacant for over half of the fiscal year 2017-2018, which impacted monitoring. The vacancy was filled in December 2018 with an individual having a fiscal background, rather than a programmatic background, which should help with the efficiency of the monitoring. We are currently working to streamline the monitoring procedures.</p> <p>A risk assessment is being conducted and monitoring will begin during the second half of fiscal year 2018-2019.</p>	06/30/2019

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2018-011 (cont'd)		Lindsey Mauldin, Director, Office of Social Programs	<p>As it relates to cash management, the DHS is exploring the feasibility of other payment options than those currently in place.</p> <p>Grant Programs under the Office of Social Programs (OSP) have received federal restrictions and requirements provided under the Office of Management and Budget's (OMB) Uniform Guidance once per year since FY 2016 and will continue to receive this guidance. Procedures for the evaluation of subrecipient risk were implemented in October 2017. After review of these evaluations and consideration of past audits for some of these programs, a subgroup of the recipients was chosen for on-site monitoring by the OSP, which was completed in March 2018. Risk assessments will be completed each year thereafter, with subsequent monitoring taking place that will prioritize subrecipients receiving "high risk" designation and/or those who have not had monitoring in the past year.</p>	06/30/2019
2018-012	L&I	Susan Dickinson, Director, Office of Unemployment Compensation Benefits Policy	<p><b>Department of Labor and Industry Did Not Comply With Unemployment Insurance Program Integrity Requirements (A Similar Condition Was Noted in Prior Year Finding 2017-018)</b></p> <p>1. The Dedicated Overpayment Teams (DOTs) in the UC service centers have made significant progress in addressing the backlog of outstanding overpayments. As of January 2019, four UC service centers have reduced their backlog of potential overpayments to a few weeks.</p> <p>One strategy that DOT staff will implement is to separate the timely and late potential overpayments. U.S. Department of Labor officials have a 21-day deadline for state unemployment compensation agencies to issue timely overpayments. Most DOT employees will focus on issuing as many timely overpayments as possible to meet this mandate.</p> <p>A few DOT employees simultaneously will focus on the late overpayment cases after organizing them in chronological order. The goal is to issue every non-monetary and overpayment determination before the statute of limitations for recouping the overpayments expires.</p> <p>2. Management plans to discuss the \$537 error with the examiner who issued the non-monetary and overpayment determinations and to provide existing procedures about verifying each overpaid week before issuing the determinations.</p> <p>Management also plans to remind examiners:</p> <p>a) To calculate each overpaid week correctly before writing the determinations. b) To review the calculations before issuing the determinations.</p>	09/30/2020
				09/30/2020



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2018-012 (cont'd)			<p>c) That they legally cannot issue overpayments for the same issue and weeks if they make mathematical errors on the determinations and do not vacate them during the 15-day appeal period.</p> <p>Supervisors also periodically have to check the examiners' work for accuracy and timeliness.</p> <p>As part of L&amp;I's state quality service plan with the U.S. Department of Labor, Benefit Payment Control and Benefit Integrity will develop and conduct Overpayment Establishment training for UC service center staff. Benefit Payment Control and Benefit Integrity also will conduct audits of the overpayments that the examiners, who work in the UC service centers, establish.</p> <p>One component of the training is to remind examiners about verifying their figures before issuing any non-monetary and overpayment determinations.</p>	
2018-013	L&I	<p>Daniel D. Kuba, Bureau Workforce Development Administration</p> <p>Greg Hart, Oversight Services Supervisor</p>	<p><b>Significant Deficiency and Noncompliance Exist Over Subrecipient Monitoring</b></p> <p>L&amp;I staff reviewed Workforce System Policy No. 183-01 regarding compliance for the on-site monitoring of subrecipients. L&amp;I's intent of Appendix C, II. Oversight Methods was to employ the method(s) necessary based on the severity of the occurrence or event. It was not the intention of this policy to require on-site visits for all subrecipients.</p> <p><u>Oversight Methods.</u> The Department will use monitoring, evaluation, and audits as the primary methods of oversight. The following activities may be employed by the Department to uphold its oversight obligations: On-site visit; Desk review; Random sampling.</p> <p>On-site visits, desk reviews, and/or random sampling may be employed to uphold L&amp;I's oversight obligations. L&amp;I understands that the "will" in the following component in the policy may have caused confusion and will change the wording to "may" in the next policy update.</p> <p><u>On-site visit.</u> The Department <del>will</del> [may] perform fiscal and programmatic monitoring to ensure WIOA funds are adequately safeguarded, program performance goals are met, and local areas are programmatically, operationally, and fiscally compliant.</p> <p>While the referenced subrecipient (SUB) did report an occurrence of fraud, the forensic audit conducted at the mandate of L&amp;I, as a result of the occurrence, indicated that no funds subgranted from L&amp;I were affected. L&amp;I believes its continual review and monitoring of SUB expenditures prior to and after the event, its thorough monitoring review and follow-up with SUB of the forensic audit, and its thorough monitoring review and follow-up of SUB's single audit report was sufficient in addressing the</p>	06/30/2019

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-013 (cont'd)			<p>significant and material internal control weaknesses identified in the 2016 SUB Single Audit report.</p> <p>L&amp;I already monitors according to 2 CFR 200 to assure compliance with applicable federal requirements and performance expectations, including the monitoring of all expenditures and activities related to those expenditures from SUB and compliance with Single Audit reporting requirements. However, L&amp;I recognizes a need to document the monitoring formally as outlined in WIOA Final Rule 683.400 (d).</p> <p>Additionally, although subrecipient on-site monitoring is not a requirement for non-local subrecipients, L&amp;I has already included SUB in the PY18 on-site monitoring plan. This step was put in place to address L&amp;I's desire to further test the practices of financial policies updated by SUB as a result of the fraud and recent single audit findings. In the future, L&amp;I will continue to monitor SUB and document all monitoring activities formally, whether it be on-site or as a desk review.</p>	
2018-014	L&I	Nathaniel Raney, Division Chief, Systems & Evaluation, OVR	<p><b>A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry's Procedures for Performing Eligibility Determinations and Completing Individualized Plans for Employment (A Similar Condition Was Noted in Prior Year Finding 2017-019)</b></p> <p>A. Time Extension Form (Form OVR-103) – OVR will remove the Customer's Signature line, thus reducing this step that can be very time-consuming while our counselors try to coordinate a meeting with the customer to obtain said signature. Communication relating to the agreed upon time extension will be conveyed to the customer via verbal conversation, a case progress note (CPN) or auto-generated letter; details of this process are still being evaluated.</p> <p>B. Over the past several months OVR conducted a qualitative review of cases in Status 02 to learn more about the problems staff are facing with moving cases in the appropriate amount of time. Although the review is not yet fully completed some trends have emerged that OVR will be discussing to determine how to most appropriately proceed. Some of the trends are:</p> <ol style="list-style-type: none"> <li>1. An influx of students/youth with disabilities who require additional testing or do not have/provide OVR with records to allow a case to progress timely, or parents are not returning completed forms when the student is still a minor.</li> <li>2. Obtaining a copy of a photo ID prior to allowing the case to progress past Status 02</li> <li>3. Vacancies in the counselor position</li> </ol> <p>C. Lean 5S Project (5S stands for Sort, Straighten, Shine, Standardize, and Sustain). 5S is a common-sense approach to the work environment that allows staff to increase efficiency by organizing a work space and its effectiveness by identifying and storing the items used, to maintain the area and the items,</p>	08/31/2019

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2018-014 (cont'd)			and then maintaining that order. OVR has developed a 5S Project regarding caseload optimization. At this time the details of the project must first be shared and discussed with union leadership, after which, the agreed upon details of the project will be shared in future corrective action plan updates.	
2018-015	L&I	Nathaniel Raney, Division Chief, Systems & Evaluations, OVR	<p><b>A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry’s Procedures Related to Period of Performance Requirements</b></p> <p>Condition 1: I. Annual filing of pre-award costs with Rehabilitation Services Administration (RSA). Pursuant to §200.458, pre-award costs are those incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.</p> <p>An agency can request permission to charge the Federal award prior to the actual award date. As such, the following data will need to be compiled and submitted prior to the new GAN – October 1 of each year and submitted to RSA for pre-approval:</p> <p>The requested data to be forward should include the following:</p> <ul style="list-style-type: none"> <li>• Specify GAN award and period (annual process)</li> <li>• Type/category of expenditures</li> <li>• Show expenditures meet tests as necessary, reasonable, allowable</li> <li>• Expenditure amount or estimated amount for each type/category</li> <li>• Current policy/process in place</li> <li>• Why this request is needed</li> <li>• The request should be prepared by the Budget Analyst 3 and reviewed and approved by both the Budget Chief and Director prior to submission. The submission is through an e-mail with attachment to the RSA mailbox. (The timetable to prepare the pre-award request should begin in August and be submitted to RSA prior to October 1 before the start of each new GAN.)</li> </ul> <p>II. If any of the amounts requested are not approved by RSA under the pre-award costs, an alternate/follow-up plan is as follows:</p> <ul style="list-style-type: none"> <li>• CWDS – IT request to identify value/service dates of expenditures paid in the GAN year, generally expenditures paid in the months of October/November with a value/service date prior to October 1.</li> <li>• Accountant 2 and or Budget Analyst 3 provide a needs request to IT through Division Chief, Systems &amp; Evaluations. The needs request should be completed by the next release input timeline of August</li> </ul>	12/31/2019

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2018-015 (cont'd)			<p>2019.</p> <ul style="list-style-type: none"> <li>• Request to include the fields needed in CWDS to identify expenditures paid in the next GAN year, generally October and November, that occurred in the prior GAN year. The method for identifying these expenditures is through the value/service date.</li> <li>• If the value/service date begins and ends prior to October 1, this amount needs to be charged to the prior GAN. The process for correction will have the Accountant 2 prepare and park a journal entry in SAP for expenditures that should have been paid in the prior GAN year.</li> <li>• The Accountant 2 will then forward an e-mail request to the Comptroller’s Office to have the parked document posted. Before this request is made, the Budget Analyst 3 should review and approve the parked journal entry document.</li> <li>• Regarding value/service dates that begin prior to October 1 and end after September 30, two options will be considered. Option 1 – allocate the expenditure cost by dates within the prior award period to the subsequent award period and initiate pro-rata allocation of costs. The costs attributable to the prior GAN award will follow the action steps above by preparing a SAP journal entry and parking the document and having the Comptroller’s Office post the document. Option 2 – work with the respective vendors to have the current invoice deleted and resubmitted with 2 new invoices. The new invoices would allocate the cost by GAN period and then have vendor resubmit invoices to OVR.</li> <li>• Going forward, OVR should work with each of the vendors to have invoices bifurcated to show expenditures for services up to September 30 in one invoice and a second invoice for services beginning October 1.</li> <li>• SAP – Similar process as with CWDS. If the value/service date begins and ends prior to October 1, this amount needs to be charged to the prior GAN. The process will have the Accountant 2 prepare and park a journal entry in SAP. The Accountant 2 will then forward an e-mail request to the Comptroller’s Office to post the parked document. Before this request is made, the Budget Analyst 3 should review and approve the parked journal entry document. Going forward, OVR should work with each of the vendors to have invoices bifurcated to show expenditures for services up to September 30 in one invoice and a second invoice for services beginning October 1.</li> <li>• Annual review – Budget Analyst 3, each year should review the prior year’s pre-award costs to ensure that all costs were moved to the applicable year. A report should be generated in SAP and CWDS to verify the amounts. The Budget Chief and Budget Analyst 3 will sign off on the report indicating that all applicable expenditures were properly moved.</li> <li>• The timetable for Section II should start immediately with the filing of this corrective action report beginning with the IT support for CWDS updates.</li> </ul> <p>Condition 2: Period of Performance Corrective Action Plan (Transfer of expenditures between GAN periods). OVR considers this to be an isolated incident and attributable to expenditures in the current GAN year</p>	

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2018-015 (cont'd)			<p>exceeding the anticipated awards amount, including reallocation funding. OVR, however, will implement the following actions to negate this issue from reoccurring if a similar set of facts and circumstances occurs in a subsequent year.</p> <p>I. Budget Analyst 3 to prepare and provide a report of expenditures by month and year-to-date to the Director, Central Operations and Budget Chief. The report will include the following:</p> <ul style="list-style-type: none"> <li>• Expenditures by GL account by month and YTD. Comparison of these expenditures to budget.</li> <li>• Show how each expenditure is funded: GAN award year; State match and non-State match.</li> <li>• Show what amount is remaining in budget for each open GAN year, along with the State appropriation.</li> </ul> <p>II. If at any time, current GAN award is near fully expensed, the following funding will be considered and in the following order:</p> <ul style="list-style-type: none"> <li>• Federal award reallocation funding to be used in accordance with State match.</li> <li>• SSA claims reimbursement.</li> <li>• State appropriations to be used until the start of the new GAN.</li> </ul> <p>OVR should not transfer expenditures to a new GAN year for services that were incurred prior to the start of the GAN year. The above funding should be implemented to prevent this from occurring.</p> <p>III. As a further check and balance to prevent period of performance issues from occurring for the transfer of expenditures into a subsequent GAN year before the start of that GAN, all journal entries prepared by the fiscal team will include the following action steps:</p> <ul style="list-style-type: none"> <li>• All journal entries parked by the Accountant 2 to be reviewed by Budget Analyst 3 (thru initialing/signing of supporting workpapers).</li> <li>• Journal entries over a certain threshold will be reviewed and approved by Fiscal Chief - threshold \$500k (also thru initialing/signing of supporting workpapers).</li> <li>• Work with the Comptroller's Office to inquire as to or establish an approval process for review and posting of parked documents.</li> <li>• The timetable for Sections I and II should start immediately with the monthly reports in Section 1, along with the review process for all fiscal journal entry postings.</li> </ul> <p>Assigned tasks, along with greater detail on action steps to be further developed.</p>	

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2018-016	PennDOT	Thomas O. Miller, P.E., Civil Engineer Manager Transportation	<p><b>Significant Deficiency and Noncompliance Related to Supporting Documentation of Conflict of Interest Statements for Procurement of Consultant Agreements</b></p> <p>1. The conflict of interest statement from Publication 93 Section 2.8.1 was added to Appendix 5A in the March 2018 edition. Appendix 5A is the Confidentiality Certification form.</p> <p>2. PennDOT will add Appendix 2H to Publication 93 as a Consultant Selection Meeting Memo Sample. This will include the Publication 93 Section 2.8.1 statement. This is expected to be added in the next Pub 93 publication by April 30, 2019.</p>	04/30/2019
2018-017	OA-OIT	<p>Kevin Sperber, IT Generalist Admin 1</p> <p>Kevin Mace, Computer Service Delivery Manager</p> <p>Jason Ream, IT Director, GGDC</p> <p>Mike Patterson, CISO IED DC</p>	<p><b>Information Technology General Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-004)</b></p> <p>1. Mainframe – Create user roles/profiles and migrate all mainframe RACFIDs into one or more roles by 12/31/2019. Roles/profiles will be restricted to prevent development staff from promoting code and streamline the process of requesting and granting roles/profiles to prevent inappropriate access being granted.</p> <p>Client / Server - Corrective action plan is to phase out the older servers by 12/31/2019.</p> <p>Operation Schedule - Previously implemented a compensating control utilizing our System Implementation Document (SID). For each change implemented in production, a programmer receives written management approval prior to moving the change into production.</p> <p>2. Mainframe - Create user roles/profiles and migrate all mainframe RACFIDs into one or more roles/profiles. Roles/profiles will be restricted to users with a business justification. Streamline the process of requesting and granting roles/profiles to prevent inappropriate access being granted. Additionally, document the process to grant/revoke privileged access.</p> <p>Servers &amp; Applications - We will continue reviewing this group’s membership to ensure least privileged access is being enforced. There is a secondary account application that we will be implementing. This application allows users who have the need to apply and receive a secondary admin only account for systems. This admin only account has no access to the internet or to e-mail providing a more secure environment to work in.</p> <p>3. Document the process to grant/revoke privileged access. Document and implement an internal audit procedure. The accounts in question have been rectified. The agency will conduct an internal review by June 30, 2019 to validate the controls.</p>	<p>12/31/2019</p> <p>12/31/2019</p> <p>06/30/2019</p>

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-018	OA-OIT	Rob Heinlen, Contracting Division Chief, Department of Aging	<p><b>Deficiencies in Information Technology General Controls (A Similar Condition Was Noted in Prior Year Finding 2017-003)</b></p> <p>OA-OIT acknowledges the finding during the audit period, however corrective action was taken.</p> <p>This is based on:</p> <ul style="list-style-type: none"> <li>- The system the finding is based on (as noted by the AG in the finding) was replaced in July 2018. Any past or current findings are no longer relevant for the now retired system.</li> <li>- OA-OIT does the testing and evaluation of any changes before being put into production.</li> <li>- The developers are not able to put any changes into production in the PACS environment.</li> </ul>	Completed
2018-019	OB-BAFM	Tammy Miller, Manager, Dept. of Human Services Unit, General Accounting	<p><b>Material Noncompliance and a Material Weakness Exist Over the Preparation and Submission of the Quarterly CMS-64 Report</b></p> <p>As per guidance from the Centers for Medicare and Medicaid Services (CMS), the CMS64.9R report was corrected as a prior period adjustment on the QE0918 CMS64. The error had no impact on expenditures claimed or funds drawn against the grant. A supervisory review step has been added to the quarterly CMS64 checklist to ensure this report is validated for accuracy on future submissions. No further corrective action is necessary.</p> <p>The grant award reconciliation process is on a minimum six to nine-month delay after quarter end. CMS does not submit the quarterly finalization award until at least six months after quarter end. The CMS finalization award is utilized by the Unit as the last step in the reconciliation process. In the past six months, the Unit has been working on reconciling prior grant awards and defining a process to timely complete grant reconciliations. The goal is to have the grant analysis complete and reconciled within six months after quarter end, so when the CMS quarterly finalization award is received, the Unit can validate the CMS grant award analysis.</p>	Completed  12/31/2019
2018-020	PDE	Vonda Ramp, State Director, Child Nutrition	<p><b>State Agencies Did Not Identify the Federal Award Information and Applicable Requirements at the Time of the Subaward and Did Not Evaluate Each Subrecipient's Risk of Noncompliance as Required by the Uniform Grant Guidance (A Similar Condition Was Noted in Prior Year Finding 2017-020)</b></p> <p>DFN (10.553, 10.555, 10.556, 10.558, 10.559): Effective November 19, 2018, the Federal Award Identification Number is identified on each reimbursement to sponsors of the Child Nutrition Programs (CNC Cluster and CACFP).</p>	Completed

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-020 (cont'd)		Programs  Susan McCrone, Chief, Federal Programs	<p>DFP (84.010, 84.367):                      The Division of Federal Programs continues to disagree with this finding. Uniform Guidance 2 CFR 300.331(b) indicates that the State Educational Agency (SEA) must evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations and terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring and “may” include the consideration of such factors as... 2 CFR 300.331 then provides a list of possibilities from which the Division of Federal Programs chose from to build the current risk analysis that is being used. The current risk analysis was reviewed by USDE in June of 2017 and approved by awarding PDE with a “met” during the fiscal review that was conducted. Since USDE has approved our risk assessment the Division of Federal Programs will continue to use it.</p> <p>Here is a list of risk factors currently used by DFP to determine risk:</p> <ul style="list-style-type: none"> <li>• Size of Title I allocation</li> <li>• Excessive Title I carryover</li> <li>• Failure to meet Maintenance of Effort</li> <li>• Late comparability submission</li> <li>• Late submission of data in PIMS</li> <li>• Late submission of consolidated application</li> <li>• Late submission of funding adjustments</li> <li>• New personnel that includes Superintendent or Business Manager or Federal Program Staff</li> <li>• New charter school</li> <li>• Previous year monitoring findings</li> </ul> <p>In 2019-20, we will be adding another factor that considers participation in our meetings. LEA representatives must attend at least one of our workshops, which are offered at locations across the state many times throughout the year at no cost, or they will receive risk points.</p>	N/A
		Carmen Medina, Program Mgr., Student Services	<p>Elect (93.558):                      Effective 2/7/19, this error has already been corrected, the 2018-2019 documents use the correct TANF grant numbers.</p>	<b>Completed</b>
	<b>PennDOT</b>	Allen Melley, Civil Engineer	<p>PennDOT is working on updating its Reimbursement Agreements. PennDOT and PennDOT’s Office of Chief Counsel will work to ensure that the federally funded templates currently in RAS and those to be</p>	<b>12/01/2019</b>



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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-020 (cont'd)		Manager, Bureau of Project Delivery, Highway Administration  Michael H. Kline, Senior Counsel, Office of Chief Counsel	<p>uploaded include: the CFDA number and title, the awarding official contact information and close out procedures. This will require the following steps:</p> <ol style="list-style-type: none"> <li>1. Review all existing reimbursement agreement templates to determine what federal requirements need to be added and make the necessary updates, which will be completed by July 31, 2019. This will entail making sure all reimbursement agreements contain a place for the CFDA on the signature page, updating the notice provisions contained in the reimbursement agreements and adding language to the reimbursement agreements that address closeout requirements;</li> <li>2. After revisions are made to the agreement templates, the Department and OCC will request form approval from the Office of General Counsel and Office of Attorney General if appropriate;</li> <li>3. Completed templates will be uploaded into the RAS testing system following completion of the template updates. It is anticipated that testing would be completed on or before September 1, 2019; and</li> <li>4. After testing, the updated templates will be loaded into RAS for use by PennDOT personnel.</li> </ol> <p>On or before July 1, 2019, PennDOT will require the use of the RAS system by users utilizing the templates that are covered by PennDOT Publication 740.</p> <p>Besides uploading many of PennDOT's Reimbursement Agreements into RAS, the following actions will be taken:</p> <ol style="list-style-type: none"> <li>1. OCC attorneys who assist in the drafting and reviewing of reimbursement agreements (including paper versions executed outside of RAS) will be made aware of the federal requirements and will make sure agreements they draft or review have the required information.</li> <li>2. PennDOT staff who are responsible for reimbursement agreements (including paper agreements executed outside of RAS) will be made aware of the federal requirements and will make sure agreements they draft or review have the required information.</li> </ol>	12/01/2019
	<b>Aging</b>	Robert Heinlen, Contracting Division Chief	The risk factors that were noted in the finding are being incorporated into the onsite evaluation process of risk assessment.	<b>Completed</b>
	<b>DHS</b>	Andrea Cellasio, OB	CHIP: CHIP began ensuring that subrecipients were provided required notice of federal award and applicable requirements via rate award letters issued in December of 2018. CHIP will continue to	<b>Completed</b>

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-020 (cont'd)		<p>Fin. Policy Consult.</p> <p>Rich Chesek, Dir. of Ops. CHIP</p> <p>Patricia Allan, E.D., CHIP</p> <p>Kelly Leighty, Director, Division of Financial Policy and Operations</p> <p>Stephanie Golden, Administrative Officer 4</p>	<p>provide notice and applicable requirements as part of the subrecipient contract award process.</p> <p>OA-SSBG: OA-BFO filled the vacant monitoring position in December 2018. One of the first tasks is the completion of a subrecipient risk assessment followed by an evaluation of the current monitoring procedures to determine if streamlining is feasible. As it relates to the identification of federal award information, specific to Child Welfare, OA-BFO will continue to work with the Office of Children, Youth and Families for resolution on this issue.</p> <p>SABG: Philadelphia is the only county that receives SABG dollars through OIM for housing services. The money is passed-through DHS-OIM from the Department of Health. However, OA-BFO will include the monitoring of the SABG funds in their review of Philadelphia.</p> <p>OCYF-Foster Care and Adoption Assistance: The fiscal year 18-19 final allocation letters were sent to the Counties on July 24, 2018, which include all applicable requirements. OCYF has a risk assessment process in place for Title IV-E and TANF awards, based on the number of eligible cases per county. OCYF assumed cost settlement responsibilities of the County Children and Youth Agencies (CCYA) program during the year ended June 30, 2017. OCYF is able to analyze the findings and adjustments in the Department of the Auditor General reports of CCYAs, strengthening the risk-based assessment process.</p>	<p>06/30/2019</p> <p>12/31/2019</p>
2018-021	PDE	Clayton P. Carroll, II, Audit Coordinator	<p><b>Material Noncompliance and a Material Weakness Exist in the Commonwealth's Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2017-021)</b></p> <p>Audits retrieved are reconciled to OB-BOA's tracking lists on a quarterly basis to ensure PDE responds to all audits within its subrecipient universe. PDE now utilizes electronic filing and will reconcile these records to future lists generated solely for auditor requests.</p>	Completed

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**Corrective Action Plans - June 30, 2018**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-021 (cont'd)	PennDOT	David Maynard, Administrative Officer 1  Olivia Inderrieden, Administrative Officer 1	PennDOT's Audit Resolution Section will be implementing the following steps to ensure proper and timely tracking, processing, and closure of subrecipient audit reports:  1. Subrecipients listed on the transmittals received from OB-BOA will be recorded on the subrecipient tracking spreadsheet on the appropriate fiscal year end tab.  2. A tracking number will be assigned to subrecipients on the tracking spreadsheet with a status of "Open."  3. The subrecipient's folder will be downloaded and stored on the agency's collaborative directory on the shared drive.  4. The subrecipient folder will be reviewed upon download and an email will be sent to either the entity or their auditors for information that needs verification or is missing within the first week of receiving the transmittal letter from OB-BOA.  5. Received audit reports will be processed and closed out within a three-month internal time frame which starts after the transmittal notification from OB-BOA.  6. There will be a review of the files and spreadsheet for accuracy and missing information conducted quarterly.	04/01/2019
	PENNVEST	Steven Anspach, Budget Analyst 2  Kyle Mooney, Acct 2	In an effort to assure that projects are not missing, PENNVEST will ensure the tracking list is complete and contains all equivalency projects that have disbursed any funds during the audit period. All of those projects will be reviewed and reconciled. This will eliminate the possibility of omitting projects where PENNVEST is not aware they are the lead agency or responsible for the requirement.	Completed
	DHS	David Bryan, Manager, Audit Resolution Section  Alexander	Regarding the timeliness of finding resolution and procedures related to the SEFA reviews, the Audit Resolution Section is continuing to explore ways to further streamline the process of single audit reviews to gain efficiencies. We have also had meetings with OB-BOA to discuss ways of streamlining the process.  Regarding enforcement of the subrecipients' submission deadlines, we will continue to monitor the	06/30/2020

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2018-021 (cont'd)		Matolyak, Director, Division of Audit and Review	<p>status of audit reports and follow our remedial action plans, which is to consider withholding a percentage of State funding. We continue to have discussions within DHS and within the Commonwealth regarding this consideration.</p> <p>DHS will continue to monitor the status of, and work with the City of Philadelphia and Bucks County, to assist them to become compliant with audit submission requirements. Philadelphia’s audit report for the year ended June 30, 2017 was submitted to the Federal Audit Clearinghouse on February 1, 2019. We continue to have conversations with the City of Philadelphia and their independent auditors. Their goal is to have the June 30, 2018 single audit submitted by the end of August 2019, and to submit the June 30, 2019 single audit timely.</p>	
	<b>DDAP</b>	Terry W. Matulevich, Director, Bureau of Administration and Program Support	<p>Since inception as a separate agency in July of 2012, the ability to process subrecipient audits has been inhibited by a limit of staff with institutional knowledge in audit review and resolution. This has resulted in the untimely completion of SEFA reconciliations and related delays in resolving findings. Currently, DDAP’s Division of Budget and Grants Management (DBGM) has one staff member trained on subrecipient audit report review procedures, which is not a dedicated staff position, but rather performs this function with other duties. Adding to the challenges previously faced is the more recent transition to learning the new requirements issued under OMB 2 CFR Part 200.</p> <p>Moving forward, DDAP is collaborating with the Departments of Health and Human Services (DHHS) Shared Services, Bureau of Financial Operations concerning the functions related to subrecipient audits. Although not yet implemented, initial discussions have centered around sharing duties and streamlining and automating processes. The goal under this collaboration is to create more effective and efficient processes, along with the shared assignment of duties, to better maintain tracking of posted audits, currency in SEFA reconciliations, communications relative to findings, and more timely closure of audits. It is expected that the first formal meeting with Shared Services will occur in March of 2019 to identify strategies that can be implemented prior to the end of the fiscal year (June 2019). Implementation of new processes with DHHS Shared Services is slated for July 1, 2019.</p>	<b>12/31/2020</b>

# Appendix



Commonwealth of Pennsylvania

# **COMMONWEALTH OF PENNSYLVANIA**

## **APPENDIX - Legend of Abbreviations - June 30, 2018**

The following legend presents descriptions of abbreviations that appear throughout the report:

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
ACF	Administration for Children and Families
ACH	Automated Clearing House
AG	Department of the Auditor General
AGRI	Department of Agriculture
AICPA	American Institute of Certified Public Accountants
ARC	Appalachian Regional Commission
ARRA	American Recovery and Reinvestment Act
BAFM	Bureau of Accounting and Financial Management
BCSE	Bureau of Child Support Enforcement
BFD	Bureau of Food Distribution
BFO	Bureau of Financial Operations
BFS	Basic Financial Statements
BOA	Bureau of Audits
BPS	Bureau of Payable Services
BQA	Bureau of Quality Assurance
BUCD	Bureau of Unemployment Compensation Disbursements
BWDA	Bureau of Workforce Development Administration
CACFP	Child and Adult Care Food Program
CAFR	Comprehensive Annual Financial Report
CAO	County Assistance Office
CAP	Corrective Action Plan
CCDBG	Child Care and Development Block Grant
CCDF	Child Care and Development Fund
CCIS	Child Care Information Service
CCYA	County Children and Youth Agency
CDBG	Community Development Block Grants
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CHIP	Children's Health Insurance Program
CIS	Client Information System
CMIA	Cash Management Improvement Act of 1990
CMS	Centers for Medicare and Medicaid Services
CNC	Child Nutrition Cluster
CN-PEARS	Child Nutrition Program Electronic Application and Reimbursement System
COPPAR	Commonwealth of Pennsylvania Policy and Procurement Action Request
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSE	Child Support Enforcement
CWDS	Commonwealth Workforce Development System
CWSRF	Capitalization Grants for Clean Water State Revolving Funds
DCED	Department of Community and Economic Development
DDAP	Department of Drug and Alcohol Programs
DEP	Department of Environmental Protection
DFN	Division of Food and Nutrition
DFP	Division of Federal Programs
DGS	Department of General Services
DHS	Department of Human Services (formerly Department of Public Welfare (DPW))
DMVA	Department of Military and Veterans Affairs
DOD	United States Department of Defense
DOE	United States Department of Energy
DOH	Department of Health
DOI	United States Department of Interior

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## ***Legend of Abbreviations (Continued) - June 30, 2018***

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
DOL	United States Department of Labor
DOR	Department of Revenue
DOT	United States Department of Transportation
DVA	Department of Veterans Affairs
EBT	Electronic Benefits Transfer
eCIS	Electronic Client Information System
ED	United States Department of Education
EPA	United States Environmental Protection Agency
ESEA	Elementary and Secondary Education Act
FAIN	Federal award identification number
FC	Foster Care – Title IV-E
FEMA	Federal Emergency Management Agency
FFY	Federal Fiscal Year
FHWA	Federal Highway Administration
FNS	Food and Nutrition Service
FYE	Fiscal Year Ended
GAAP	Generally Accepted Accounting Principles
GAO	United States Government Accountability Office
HHS	United States Department of Health and Human Services
HIV	Human Immunodeficiency Virus
HPC	Highway Planning and Construction
HSGP	Homeland Security Grant Program
HUD	United States Department of Housing and Urban Development
IDEA	Individuals with Disabilities Education Act
IES	Integrated Enterprise System
IT	Information Technology
ITP	Information Technology Policy
ITS	Integrated Tax System
L&I	Department of Labor and Industry
LCB	Liquor Control Board
LEA	Local Educational Agency
LIHEAP	Low-Income Home Energy Assistance Program
LWIB	Local Workforce Investment Board
MA	Medical Assistance Program
MD	Management Directive
MLF	Motor License Fund
MOU	Memorandum of Understanding
NCLB	No Child Left Behind
NGMO	National Guard Military Operations and Maintenance Projects
NIST	National Institute of Standards and Technology
NSLP	National School Lunch Program
NSP	Neighborhood Stabilization Program
OA	Office of Administration
OB	Office of the Budget
OCDEL	Office of Child Development and Early Learning
OCO	Office of Comptroller Operations
OCYF	Office of Children, Youth, and Families
ODP	Office of Developmental Programs
OIG	Office of Inspector General
OIM	Office of Income Maintenance
OIT	Office for Information Technology
OMB	Office of Management and Budget
OVR	Office of Vocational Rehabilitation
PDA	Pennsylvania Department of Aging
PDE	Pennsylvania Department of Education

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## ***Legend of Abbreviations (Continued) - June 30, 2018***

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
PEMA	Pennsylvania Emergency Management Agency
PennDOT	Pennsylvania Department of Transportation
PENNVEST	Pennsylvania Infrastructure Investment Authority
PID	Pennsylvania Insurance Department
PIMS	Pennsylvania Information Management System
PLCB	Pennsylvania Liquor Control Board
PTE	Pass-through entity
RFP	Request for Proposal
RS-VR	Rehabilitation Services – Vocational Rehabilitation Grants to States
SABG	Block Grants for Prevention and Treatment of Substance Abuse
SAS	Statement on Auditing Standards
SDLC	Systems Development Life Cycle
SEA	State educational agency
SEFA	Schedule of Expenditures of Federal Awards
SNAP	Supplemental Nutrition Assistance Program
SOC	System and Organization Controls
SSA	United States Social Security Administration
SSAE	Statements on Standards for Attestation Engagements
SSBG	Social Services Block Grant
SW	Statewide Finding
SWIF	State Workers' Insurance Fund
TANF	Temporary Assistance for Needy Families
UC	Unemployment Compensation
UCMS	Unemployment Compensation Modernization System
UG	Uniform Guidance
UI	Unemployment Insurance
USDA	United States Department of Agriculture
USDE	United States Department of Education
USDHS	United States Department of Homeland Security
USDOL	United States Department of Labor
WIA	Workforce Investment Act
WIC	Women, Infants, and Children
WIOA	Workforce Innovation and Opportunity Act