



Commonwealth of Pennsylvania

SINGLE AUDIT REPORT

For the Fiscal Year
Ended June 30, 2019



Governor
Tom Wolf

THE GOVERNOR

Commonwealth of Pennsylvania
Single Audit Report
For the Fiscal Year Ended June 30, 2019

Tom Wolf, Governor



Prepared By:
Office of the Budget

Jen Swails
Secretary

John Raymond
Executive Deputy Secretary

Brian Lyman, CPA
Chief Accounting Officer

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**Commonwealth of Pennsylvania
Single Audit Report
For the Fiscal Year Ended June 30, 2019**

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COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

JEN SWAILS
SECRETARY
GOVERNOR'S OFFICE OF THE BUDGET

March 19, 2020

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, 2019. 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, 2019 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 \$32.2 billion of federal expenditures by the Commonwealth during the fiscal year ended June 30, 2019. Most of the federal expenditures occurred in ten state agencies, as follows:

AGENCY NAME	FEDERAL EXPENDITURES <u>(in thousands)</u>
Human Services	\$24,140,460
Labor & Industry	2,393,671
Education	2,272,986
Transportation	1,841,003
Health	442,624
Community & Economic Development	142,926
Military & Veterans Affairs	139,083
Agriculture	125,915
Aging	122,832
Environmental Protection	107,636
Subtotal	<u>\$31,729,136</u>
Other Agencies (19)	468,406
Grand Total	<u><u>\$32,197,542</u></u>

For purposes of the Commonwealth's single audit, a Type A federal program is any program with federal expenditures of at least \$48.3 million. Of the \$32.2 billion expended, 89 percent, or \$28.6 billion, represents expenditures under federal programs audited as major programs. The Summary of Auditors' Results lists the Commonwealth's 24 major federal programs tested for the fiscal year ended June 30, 2019.

FINDINGS AND RECOMMENDATIONS - CURRENT YEAR

The accompanying report for the fiscal year ended June 30, 2019 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 37 findings are described from single audits between the years ended June 30, 2017 through June 30, 2018.

INDEPENDENT AUDIT

The Commonwealth's June 30, 2019 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.

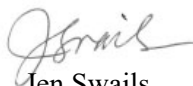
REPORTS OF OTHER INDEPENDENT AUDITORS

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), the Philadelphia Regional Port Authority (blended component unit 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



CliftonLarsonAllen LLP
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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, 2019, 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.

	Percentage Audited Separately by				Percent Audited by	
	Department of the Auditor General		CliftonLarsonAllen LLP		Other Auditors	
	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue
Government-Wide						
Business-type Activities	6%	21%	18%	3%	17%	1%
Component Units	0%	0%	19%	40%	81%	59%
Fund statements						
Enterprise Funds	6%	21%	18%	3%	16%	1%
Fiduciary Funds	1%	1%	63%	81%	33%	12%
Discretely Presented						
Component Units	0%	0%	19%	40%	81%	59%

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, 2019, 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.

During the fiscal year ended May 31, 2019, the Pennsylvania Turnpike Commission implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the Pennsylvania Turnpike Commission reported a restatement for the change in accounting principle (see Note 16). Our auditors' opinion was not modified with respect to this matter.

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 20-41, 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 194-203, 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 12, 2019, 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 12, 2019



Baltimore, Maryland
December 12, 2019



CliftonLarsonAllen LLP
 CLAconnect.com

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

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, 2019, 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 12, 2019. 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.

	Percentage Audited Separately by				Percent Audited by	
	Department of the Auditor General		CliftonLarsonAllen LLP		Other Auditors	
	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue
Government-Wide						
Business-type Activities	6%	21%	18%	3%	17%	1%
Component Units	0%	0%	19%	40%	81%	59%
Fund statements						
Enterprise Funds	6%	21%	18%	3%	16%	1%
Fiduciary Funds	1%	1%	63%	81%	33%	12%
Discretely Presented Component Units	0%	0%	19%	40%	81%	59%

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 2019-001, 2019-002 and 2019-003 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*.

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.

The Honorable Tom Wolf, Governor
Commonwealth of Pennsylvania

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 12, 2019



Baltimore, Maryland
December 12, 2019



CliftonLarsonAllen LLP
CLAconnect.com

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

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, 2019. 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 \$6.2 billion in federal awards and \$23.4 billion of federal loan guarantees that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2019. 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 13 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:

State Administering Agency	Finding Number	CFDA Number	Federal Program/Cluster	Compliance Requirement
Department of Human Services	2019-007	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	2019-009	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring
		93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
Department of Human Services	2019-010	93.667	Social Services Block Grant	Cash Management, Subrecipient Monitoring
Department of Labor and Industry	2019-011	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Eligibility, Special Tests and Provisions related to Completion of Individualized Plans for Employment (IPEs)

State Administering Agency	Finding Number	CFDA Number	Federal Program/Cluster	Compliance Requirement
Department of Labor and Industry	2019-012	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Period of Performance
Office of the Budget – Office of Comptroller Operations	2019-015	93.659	Adoption Assistance	Period of Performance
Office of the Budget – Office of Comptroller Operations	2019-016	93.659	Adoption Assistance	Reporting
Pennsylvania Commission on Crime and Delinquency	2019-018	16.575	Crime Victim Assistance	Subrecipient Monitoring
Various Agencies	2019-020	20.205 20.219	Highway Planning and Construction Cluster	Subrecipient Monitoring
		66.458	Capitalization Grants for Clean Water State Revolving Funds	
		93.558	Temporary Assistance for Needy Families	
		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 13 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, 2019.

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, 2019.

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.

State Administering Agency	Finding Number	CFDA Number	Federal Program/Cluster	Compliance Requirement
Department of Community and Economic Development	2019-004	14.228	Community Development Block Grants – State’s Program	Subrecipient Monitoring
Department of Drug and Alcohol Programs	2019-005	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Period of Performance
Department of Education	2019-006	84.010	Title I Grants to Local Educational Agencies	Reporting
Department of Human Services	2019-008	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring
Department of Human Services	2019-010	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management, Subrecipient Monitoring

The Honorable Tom Wolf, Governor
Commonwealth of Pennsylvania

State Administering Agency	Finding Number	CFDA Number	Federal Program/Cluster	Compliance Requirement
Department of Labor and Industry	2019-013	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Reporting
Office of the Budget – Office of Comptroller Operations	2019-015	93.658	Foster Care – Title IV-E	Period of Performance
Office of the Budget – Office of Comptroller Operations	2019-016	93.658	Foster Care – Title IV-E	Reporting
Pennsylvania Commission on Crime and Delinquency	2019-017	16.575	Crime Victim Assistance	Period of Performance
Various Agencies	2019-019	20.205 20.219	Highway Planning and Construction Cluster	Subrecipient Monitoring
		84.287	Twenty-First Century Community Learning Centers	
		93.558	Temporary Assistance for Needy Families	
		93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
		93.667	Social Services Block Grant	
		93.959	Block Grants for Prevention and Treatment of Substance Abuse	
Department of Human Services	2019-020	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 2019-007, 2019-009, 2019-010, 2019-011, 2019-012, 2019-015, 2019-016, 2019-018, and 2019-020 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 2019-004, 2019-005, 2019-006, 2019-008, 2019-010, 2019-013, 2019-014, 2019-015, 2019-016, 2019-017, 2019-019, and 2019-020 to be significant deficiencies.

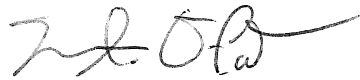
The Commonwealth's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly,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

The Honorable Tom Wolf, Governor
Commonwealth of Pennsylvania


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, 2019, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements. We issued our report thereon dated December 12, 2019, 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 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, 2020



Baltimore, Maryland
March 19, 2020

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Schedule of Expenditures of Federal Awards



Commonwealth of Pennsylvania

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
U.S. Department of Agriculture				
<i>SNAP Cluster:</i>				
10.551	Supplemental Nutrition Assistance Program		2,524,086	
10.561	State Admin Matching Grants for Supp Nutrition Assist Prgm		197,161	26,703
	<i>Total SNAP Cluster</i>			2,721,247
<i>Child Nutrition Cluster:</i>				
10.553	School Breakfast Program		133,558	133,376
10.555	National School Lunch Program (Cash Assistance)	416,789		416,473
10.555	National School Lunch Program (Food Commodities)	53,413		53,413
	<i>Total National School Lunch Program</i>		470,202	
10.556	Special Milk Program for Children		267	267
10.559	Summer Food Service Program for Children (Cash Assistance)	12,611		11,981
10.559	Summer Food Service Program for Children (Food Commodities)	198		198
	<i>Total Summer Food Service Program for Children</i>		12,809	
	<i>Total Child Nutrition Cluster</i>			616,836
<i>Food Distribution Cluster:</i>				
10.565	Commodity Supplemental Food Program (Cash Assistance)	3,268		3,264
10.565	Commodity Supplemental Food Program (Food Commodities)	13,460		13,460
	<i>Total Commodity Supplemental Food Program</i>		16,728	
10.568	Emergency Food Assistance Program (Administrative Costs)		3,150	1,532
10.569	Emergency Food Assistance Program (Food Commodities)		36,928	36,928
	<i>Total Food Distribution Cluster</i>			56,806
<i>Forest Service Schools and Roads Cluster:</i>				
10.665	Schools and Roads - Grants to States			2,934
10.001	Agricultural Research Basic and Applied Research			4
10.025	Plant and Animal Disease, Pest Control, and Animal Care			4,242
10.093	Voluntary Public Access and Habitat Incentive Program			1,753
10.162	Inspection Grading and Standardization			13
10.170	Specialty Crop Block Grant Program - Farm Bill			1,305
10.171	Organic Certification Cost Share Programs			403

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
10.304	Homeland Security - Agricultural		484	
10.458	Crop Insurance Education in Targeted States	258		196
Passed through: National Crop Insurance Services, Inc.				
10.458	Crop Insurance Education in Targeted States (Award ID RM18RMETS524C019)	31		
	Total Crop Insurance Education in Targeted States		289	
10.534	Child and Adult Care Food Program Meal Training Grants		10	
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children		161,665	44,359
10.558	Child and Adult Care Food Program (Cash Assistance)	129,553		128,308
10.558	Child and Adult Care Food Program (Food Commodities)	91		91
	Total Child and Adult Care Food Program		129,644	
10.560	State Administrative Expenses for Child Nutrition		8,748	
10.572	WIC Farmers' Market Nutrition Program (FMNP)		2,063	249
10.576	Senior Farmers Market Nutrition Program		1,771	
10.578	WIC Grants to States (WGS)		3,497	850
10.579	Child Nutrition Discretionary Grants Limited Availability		900	900
10.582	Fresh Fruit and Vegetable Program		4,593	4,593
10.664	Cooperative Forestry Assistance		319	
10.675	Urban and Community Forestry Program		4	
10.676	Forest Legacy Program		1	
10.678	Forest Stewardship Program		201	
10.680	Forest Health Protection		410	
10.691	Good Neighbor Authority		12	
10.698	State & Private Forestry Cooperative Fire Assistance		1,226	567
Passed through: National Fish and Wildlife Foundation				
10.902	Soil And Water Conservation (Award ID 060217057473)		58	
10.912	Environmental Quality Incentives Program		10	
10.916	Watershed Rehabilitation Program		770	
10.931	Agricultural Conservation Easement Program		699	
Total - U.S. Department of Agriculture			\$3,722,917	\$882,059

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COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
U.S. Department of Commerce			
11.307	<i>Economic Development Cluster</i> Economic Adjustment Assistance	316	
11.407	Interjurisdictional Fisheries Act of 1986	12	
11.419	Coastal Zone Management Administration Awards	1,488	489
11.474	Atlantic Coastal Fisheries Cooperative Management Act	102	
11.549	State and Local Implementation Grant Program	364	
Total - U.S. Department of Commerce		\$2,282	\$489
U.S. Department of Defense			
12.112	Payments to States in Lieu of Real Estate Taxes	399	399
12.401	National Guard Military Operations and Maintenance Projects	64,603	
12.617	Economic Adjustment Assistance for State Governments	2,469	2,152
12.620	Troops to Teachers Grant Program	30	
Total - U.S. Department of Defense		\$67,501	\$2,551
U.S. Department of Housing and Urban Development			
<i>CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:</i>			
14.269	Hurricane Sandy CDBG Disaster Recovery Grants	4,036	3,679
14.228	Community Development Block Grants/State's Program	41,034	39,492
14.231	Emergency Solutions Grant Program	5,538	5,353
14.239	Home Investment Partnerships Program	9,033	7,983
14.241	Housing Opportunities for Persons with AIDS	2,583	2,582
14.267	Continuum of Care Program	955	
14.401	Fair Housing Assistance Program - State and Local	247	
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	637	629
Total - U.S. Department of Housing and Urban Development		\$64,063	\$59,718

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
U.S. Department of the Interior			
	<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration	7,506	
15.611	Wildlife Restoration and Basic Hunter Education	25,000	
	<i>Total Fish and Wildlife Cluster</i>		32,506
15.250	Regulation of Surface Coal Mining	12,195	24
15.252	Abandoned Mine Land Reclamation (AMLR)	47,034	4,180
15.608	Fish and Wildlife Management Assistance	60	
15.615	Cooperative Endangered Species Conservation Fund	87	
15.634	State Wildlife Grants	1,774	
15.657	Endangered Species Conservation - Recovery Implement Funds	30	
15.667	Highlands Conservation	2,090	
15.808	U.S. Geological Survey - Research and Data Collection	11	
15.810	National Cooperative Geologic Mapping	54	
15.904	Historic Preservation Fund Grants-In-Aid	1,256	106
15.916	Outdoor Recreation Acquisition, Development and Planning	2,360	2,334
15.925	National Maritime Heritage Grants	231	224
15.957	Emergency Supplemental Historic Preservation Fund	69	
15.981	Water Use and Data Research	58	
	Total - U.S. Department of the Interior	\$99,815	\$6,868
U.S. Department of Justice			
16.004	Law Enforcement Asst - Narcotics & Dangerous Drugs Training	960	
16.017	Sexual Assault Services Formula Program	527	527
16.540	Juvenile Justice & Delinquency Prevention Program	734	543
16.550	State Justice Statistics Prgm for Statistic Analysis Centers	111	
16.554	National Criminal History Improvement Program (NCHIP)	461	239
16.575	Crime Victim Assistance	56,652	53,432
16.576	Crime Victim Compensation	4,331	
16.582	Crime Victim Assistance/Discretionary Grants	219	219
16.588	Violence Against Women Formula Grants	4,655	4,286
16.593	Residential Substance Abuse Treatment for State Prisoners	480	123
16.606	State Criminal Alien Assistance Program	3,308	
16.710	Public Safety Partnership and Community Policing Grants	187	

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
16.734	Special Data Collections and Statistical Studies	387	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	5,111	3,168
16.741	DNA Backlog Reduction Program	1,175	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	313	181
16.745	Criminal & Juvenile Justice & Mental Health Collab. Program	3	
16.750	Support for Adam Walsh Act Implementation Grant Program	428	
16.751	Edward Byrne Memorial Competitive Grant Program	173	173
16.754	Harold Rogers Prescription Drug Monitoring Program	23	
16.812	Second Chance Act Reentry Initiative	545	421
16.816	John R. Justice Prosecutors and Defenders Incentive Act	57	
16.827	Justice Reinvestment Initiative	559	509
16.835	Body Camera Policy and Implementation	5	
16.922	Equitable Sharing Program	733	
Total - U.S. Department of Justice		\$82,137	\$63,821
U.S. Department of Labor			
<i>Employment Service Cluster:</i>			
17.207	Employment Service/Wagner-Peyser Funded Activities	25,859	46
17.801	Disabled Veterans' Outreach Program (DVOP)	4,543	
<i>Total Employment Service Cluster</i>		30,402	
<i>WIOA Cluster:</i>			
17.258	WIOA Adult Program	35,415	32,690
17.259	WIOA Youth Activities	34,150	30,256
17.278	WIOA Dislocated Worker Formula Grants	44,355	38,547
<i>Total WIOA Cluster</i>		113,920	
17.002	Labor Force Statistics	2,210	
17.005	Compensation and Working Conditions	245	
17.225	Unemployment Insurance	1,915,447	311
17.235	Senior Community Service Employment Program	4,099	4,089
17.245	Trade Adjustment Assistance	16,033	11,364
17.271	Work Opportunity Tax Credit Program (WOTC)	566	
17.273	Temporary Labor Certification for Foreign Workers	266	
17.277	WIOA Natl Dislocated Worker Grants / WIA Natl Emergency Grants	1,871	874

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
17.280	WIA/WIOA Dislocated Worker Natl Reserve Demonstration Grants		544	505
17.281	WIOA Dislocated Worker Natl Reserve Tech Assist & Train		(25)	
17.283	Workforce Innovation Fund		2,224	1,855
17.285	Apprenticeship USA Grants		855	635
17.600	Mine Health and Safety Grants		760	
Total - U.S. Department of Labor			\$2,089,417	\$121,172
U.S. Department of Transportation				
<i>Highway Planning and Construction Cluster:</i>				
20.205	Highway Planning and Construction	1,790,898		185,085
20.219	Recreational Trails Program	1,541		1,460
	<i>Total Highway Planning and Construction Cluster</i>		1,792,439	
<i>Federal Transit Cluster:</i>				
20.500	Federal Transit - Capital Investment Grants	8,131		7,734
20.507	Federal Transit - Formula Grants	7,581		6,913
20.525	State of Good Repair Grants Program	148		
20.526	Bus and Bus Facilities Formula Program	1,424		1,424
	<i>Total Federal Transit Cluster</i>		17,284	
<i>Transit Services Programs Cluster:</i>				
20.513	Enhanced Mobility of Seniors & Individuals with Disabilities	11,385		11,385
20.516	Job Access and Reverse Commute Program	116		116
20.521	New Freedom Program	14		14
	<i>Total Transit Services Programs Cluster</i>		11,515	
<i>Highway Safety Cluster:</i>				
20.600	State and Community Highway Safety	15,247		5,965
20.616	National Priority Safety Programs	4,757		4,535
	<i>Total Highway Safety Cluster</i>		20,004	
20.106	Airport Improvement Program		12,690	12,583
20.200	Highway Research and Development Program		744	58
20.215	Highway Training and Education		66	
20.218	Motor Carrier Safety Assistance		9,592	

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
20.232	Commercial Driver's License Program Implementation Grant	102	
20.505	Metro Trans Planning & State & Non-Metro Planning & Research	9,293	
20.509	Formula Grants for Rural Areas	33,418	33,332
20.519	Clean Fuels	322	268
20.520	Paul S. Sarbanes Transit in the Parks	16	16
20.528	Rail Fixed Guideway Public Trans. System State Safety Oversight Form. Grant Program	1,105	
20.614	Nat Highway Traffic Safety Admin Discretionary Safety Grants & Coop Agreements	182	
20.700	Pipeline Safety Program State Base Grant	2,238	
20.703	Interagency Hazardous Materials Training and Planning Grants	515	435
20.933	National Infrastructure Investments	4,906	4,901
Total - U.S. Department of Transportation		\$1,916,431	\$276,224
U.S. Department of the Treasury			
21.016	Equitable Sharing	589	
Total - U.S. Department of the Treasury		\$589	\$0
Appalachian Regional Commission			
23.002	Appalachian Area Development	681	448
Total - Appalachian Regional Commission		\$681	\$448
Equal Employment Opportunity Commission			
30.001	Employment Discrimination Title VII of the Civil Rights Act	615	
Total - Equal Employment Opportunity Commission		\$615	\$0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	1,486	1,486
Total - General Services Administration		\$1,486	\$1,486
National Foundation on the Arts and Humanities			
45.025	Promotion of the Arts - Partnership Agreements	762	
45.310	Grants to States	4,649	2,694
Total - National Foundation on the Arts and Humanities		\$5,411	\$2,694

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
National Science Foundation			
47.076	Education and Human Resources	38	
Total - National Science Foundation		\$38	\$0
Small Business Administration			
59.061	State Trade Expansion	531	
Total - Small Business Administration		\$531	\$0
U.S. Department of Veterans Affairs			
64.010	Veterans Nursing Home Care	137	
64.014	Veterans State Domiciliary Care	3,553	
64.015	Veterans State Nursing Home Care	43,461	
Total - U.S. Department of Veterans Affairs		\$47,151	\$0
Environmental Protection Agency			
<i>Clean Water State Revolving Fund Cluster:</i>			
66.458	Capitalization Grants for Clean Water State Revolving Funds	63,579	63,579
<i>Drinking Water State Revolving Fund Cluster:</i>			
66.468	Capitalization Grants for Drinking Water State Revolving Funds	32,939	23,797
66.001	Air Pollution Control Program Support	6,127	
66.032	State Indoor Radon Grants	356	38
66.034	Surveys, Studies, Res., Investigations, Demos & Special Purpose Activities - Clean Air Act	719	37
66.040	State Clean Diesel Grant Program	161	161
66.202	Congressionally Mandated Projects	6	
66.204	Multipurpose Grants to States and Tribes	98	
66.419	Water Pollution Control State and Interstate Program Support	4,447	24
66.432	State Public Water System Supervision	3,139	
66.441	Healthy Watersheds Consortium Grant Program	54	
66.454	Water Quality Management Planning	510	
66.460	Nonpoint Source Implementation Grants	3,603	2,849
66.461	Regional Wetland Program Development Grants	199	

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
66.466	Chesapeake Bay Program	9,276		6,305
Passed through: National Fish and Wildlife Foundation				
66.466	Chesapeake Bay Program (Award ID 060216053407)	84		83
66.466	Chesapeake Bay Program (Award ID 060217057473)	195		
	Total Chesapeake Bay Program		9,555	
66.469	Great Lakes Program		185	143
66.605	Performance Partnership Grants		653	
66.608	Environmental Information Exchange Network Grant Program		99	
66.707	TSCA Title IV State Lead Grants Certification		250	
66.801	Hazardous Waste Management State Program Support		4,506	
66.804	Underground Storage Tank Prevention and Compliance Program		750	
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		1,505	
66.817	State and Tribal Response Program Grants		421	
Total - Environmental Protection Agency			\$133,861	\$97,016
U.S. Department of Energy				
81.041	State Energy Program		1,332	183
81.042	Weatherization Assistance for Low-Income Persons		15,801	13,089
81.117	Energy Efficiency and Renewable Energy Info Dissemination		131	131
81.138	State Heating Oil & Propane Program		6	
Total - U.S. Department of Energy			\$17,270	\$13,403
U.S. Department of Education				
<i>Special Education Cluster (IDEA):</i>				
84.027	Special Education - Grants to States	431,406		418,784
84.173	Special Education - Preschool Grants	13,804		12,898
	Total Special Education Cluster (IDEA)		445,210	
<i>TRIO Cluster:</i>				
84.042	TRIO - Student Support Services		259	

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
	<i>Student Financial Assistance Programs Cluster:</i>		
84.007	Federal Supplemental Educational Opportunity Grants	58	
84.033	Federal Work-Study Program	12	
84.063	Federal Pell Grant Program	3,560	
84.268	Federal Direct Student Loans	3,114	
	<i>Total Student Financial Assistance Programs Cluster</i>		6,744
84.002	Adult Education - Basic Grants to States	16,516	15,848
84.010	Title I Grants to Local Educational Agencies	667,319	662,156
84.011	Migrant Education - State Grant Program	5,550	5,060
84.013	Title I Program for Neglected & Delinquent Children & Youth	1,178	949
84.048	Career and Technical Education - Basic Grants to States	39,420	37,469
84.126	Rehabilitation Services - Vocational Rehab Grants to States	139,853	
84.144	Migrant Education - Coordination Program	39	39
84.177	Rehab Services - Independent Living Services for Older Blind Individuals	2,062	
84.181	Special Education - Grants for Infants and Families	15,684	13,620
84.187	Supp Employment Services for Individuals with Significant Disabilities	655	
84.191	Adult Education National Leadership Activities	242	
84.196	Education for Homeless Children and Youth	2,638	2,492
84.287	Twenty-First Century Community Learning Centers	46,761	45,249
84.323	Special Education - State Personnel Development	1,323	482
84.358	Rural Education	1,342	1,342
84.365	English Language Acquisition State Grants	13,704	13,009
84.366	Mathematics and Science Partnerships	1,597	1,597
84.367	Supporting Effective Instruction State Grants	75,131	71,710
84.369	Grants for State Assessments and Related Activities	10,147	
84.372	Statewide Longitudinal Data Systems	1,701	
84.377	School Improvement Grants	14,595	14,067
84.412	Race to the Top - Early Learning Challenge	2,212	1,925
84.424	Student Support and Academic Enrichment Program	34,929	34,327
84.938	Hurricane Education Recovery	13,792	13,737
	Total - U.S. Department of Education	\$1,560,603	\$1,366,760

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Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
Elections Assistance Commission				
90.401	Help America Vote Act Requirements Payments		1,818	
90.404	2018 HAVA Election Security Grants		2,023	2,023
Total - Elections Assistance Commission			\$3,841	\$2,023
U.S. Department of Health and Human Services				
<i>Aging Cluster:</i>				
93.044	Special Programs for the Aging - Title III, Part B	24,698		21,979
93.045	Special Programs for the Aging - Title III, Part C	24,240		20,715
93.053	Nutrition Services Incentive Program	6,668		6,668
<i>Total Aging Cluster</i>			55,606	
<i>TANF Cluster:</i>				
93.558	Temporary Assistance for Needy Families		513,112	261,572
<i>CCDF Cluster:</i>				
93.575	Child Care and Development Block Grant	289,197		270,600
93.596	Child Care Mandatory and Matching Funds of the CCDF	97,946		97,766
<i>Total CCDF Cluster</i>			387,143	
<i>Medicaid Cluster:</i>				
93.775	State Medicaid Fraud Control Units	7,115		
93.777	State Survey and Cert of Health Care Providers and Suppliers	19,145		
93.778	Medical Assistance Program	19,165,886		304,519
<i>Total Medicaid Cluster</i>			19,192,146	
93.041	Special Programs for the Aging - Title VII, Chapter 3		200	200
93.042	Special Programs for the Aging - Title VII, Chapter 2		611	607
93.043	Special Programs for the Aging - Title III, Part D		870	870
93.048	Special Programs for the Aging - Title IV and Title II		169	169
93.052	National Family Caregiver Support, Title III, Part E		6,061	6,061
93.069	Public Health Emergency Preparedness		18,163	4,911
93.070	Environmental Public Health and Emergency Response		429	91
93.071	Medicare Enrollment Assistance Program		796	786
93.073	Birth Defects & Develop. Disabilities-Prevent & Surveillance		230	

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CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
93.074	HPP and PHEP Aligned Cooperative Agreements	508	252
93.079	Cooperative Agreements to Promote Adolescent Health	40	3
93.090	Guardianship Assistance	12,040	11,427
93.092	Affordable Care Act Personal Responsibility Education Program	1,070	1,052
93.094	Well-Integrated Screening & Eval for Women Across the Nation	221	102
93.103	Food and Drug Administration - Research	2,190	
93.104	Community Mental Health Services for Children with SED	4,136	4,136
93.110	Maternal and Child Health Federal Consolidated Programs	120	34
93.116	Project Grants and Coop Agreements for Tuberculosis Control	918	
93.127	Emergency Medical Services for Children	205	
93.130	Coop. Agreements to States/Territories for the Coordination & Dev. of Primary Care Offices	231	
93.136	Injury Prevention & Control Research & State & Comm Programs	5,803	1,965
93.150	Projects for Asst in Transition from Homelessness (PATH)	2,367	2,273
93.197	Childhood Lead Poisoning Prevention Projects	146	
93.226	Research on Healthcare Costs, Quality and Outcomes	1,453	923
93.234	Traumatic Brain Injury State Demonstration Grant Program	86	85
93.235	Title V State Sexual Risk Avoidance Education Program	581	575
93.236	Grants to States to Support Oral Health Workforce Activities	202	103
93.240	State Capacity Building	488	
93.243	Substance Abuse and Mental Health Services - Projects	8,428	7,684
93.251	Universal Newborn Hearing Screening	203	179
93.268	Immunization Cooperative Agreements (Cash Assistance)	4,018	1,613
93.268	Immunization Cooperative Agreements (Vaccines)	95,650	
	Total Immunization Cooperative Agreements	99,668	
93.270	Viral Hepatitis Prevention and Control	144	
93.283	Centers for Disease Control & Prevention - Investigations	404	
93.305	PPHF 2018: Office of Smoking and Hlth-Nat State-Based Tobacco Control Programs	1,036	159
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	3,365	
93.324	State Health Insurance Assistance Program	1,662	1,605
93.336	Behavioral Risk Factor Surveillance System	53	
93.354	Public Health Crisis Response Awards	1,298	137
93.366	State / Partner Actions to Improve Oral Health Outcomes	55	53
93.367	Flexible Funding Model - Infrastr Develop & Maint for SMFRP	330	
93.369	ACL Independent Living State Grants	799	488
93.426	Improving Health of Americans: Prev & Mgmt of Diab & HD	1,070	428
93.434	Every Student Succeeds Act/Preschool Development Grants	725	639

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Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
93.436	WISEWOMAN	226	
93.439	State Physical Activity and Nutrition	411	81
93.448	Food Safety and Security Monitoring Project	129	
93.500	Pregnancy Assistance Fund Program	797	794
93.511	Affordable Care Act Grants for Health Insurance Premium Review	764	
93.521	Affordable Care Act - Building Epi, Lab, & Health Information Systems	135	
93.539	PPHF Capacity Building Assistance	4,549	925
93.556	Promoting Safe and Stable Families	9,581	9,599
93.563	Child Support Enforcement	183,528	144,898
93.566	Refugee and Entrant Assistance - State/Replace Designee Administered Programs	5,742	6,363
93.568	Low-Income Home Energy Assistance	235,447	33,652
93.569	Community Services Block Grant	31,342	30,119
93.576	Refugee and Entrant Assistance - Discretionary Grants	620	523
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	175	175
93.590	Community-Based Child Abuse Prevention Grants	846	846
93.597	Grants to States for Access and Visitation Programs	133	133
93.599	Chafee Education and Training Vouchers Program (ETV)	1,620	1,620
93.600	Head Start	7,487	7,487
93.602	Assets for Independence Demonstration Program	(24)	(24)
93.603	Adoption Incentive Payments	1,202	1,202
93.630	Developmental Disabilities Basic Support and Advocacy Grants	2,445	1,478
93.643	Children's Justice Grants to States	442	442
93.645	Stephanie Tubbs Jones Child Welfare Services Program	9,280	8,353
93.658	Foster Care - Title IV-E	223,387	213,372
93.659	Adoption Assistance	124,301	89,405
93.667	Social Services Block Grant	91,449	78,129
93.669	Child Abuse and Neglect State Grants	909	378
93.671	Family Violence Prevention and Services	3,570	3,570
93.674	Chafee Foster Care Independence Program	5,052	5,052
93.735	State Health Approaches for Ensuring Quitline Capacity	551	369
93.745	PPHF: Health Care Surveillance/Health Statistics Surveillance Program Announcement	(53)	
93.747	Elder Abuse Prevention Interventions Program	133	
93.757	State & Local Pub. Hlth Actions to Prevent Obesity, Diabetes, Heart Disease & Stroke (PPHF)	781	460
93.758	PHHS Block Grant Funded Solely with PPHF	2,540	1,974
93.767	Children's Health Insurance Program	677,992	384,194
93.788	Opioid STR	27,782	21,113

COMMONWEALTH OF PENNSYLVANIA

Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
93.791	Money Follows the Person Rebalancing Demonstration	13,575	549
93.815	Domestic Ebola Supplement to the ELC for Infectious Diseases	1,592	712
93.817	HPP Ebola Preparedness and Response Activities	1,388	1,379
93.870	Maternal, Infant & Early Childhood Home Visiting Grant Program	11,891	11,746
93.876	Antimicrobial Resistance Surveillance in Retail Food Spec.	71	
93.881	The Health Insurance Enforcement & Consumer Protections Grant Program	171	
93.889	National Bioterrorism Hospital Preparedness Program	7,180	5,199
93.898	Cancer Prevention & Control Programs for State, Territorial & Tribal Organizations	3,304	1,425
93.917	HIV Care Formula Grants	47,363	670
93.940	HIV Prevention Activities - Health Department Based	5,133	870
93.944	HIV/AIDS Surveillance	341	
93.945	Assistance Programs for Chronic Disease Prevention and Control	256	92
93.946	Coop Agreements to Support Safe Motherhood and Infant Health	406	34
93.958	Block Grants for Community Mental Health Services	22,953	22,445
93.959	Block Grants for Prevention and Treatment of Substance Abuse	49,838	40,158
93.968	Funding in Support of the Pennsylvania Rural Health Model	4,130	
93.977	Sexually Transmitted Diseases (STD) Prevention & Control Grants	1,867	282
93.982	Mental Health Disaster Asst and Emergency Mental Health	508	479
93.991	Preventive Health and Health Services Block Grant	4,991	2,766
93.994	Maternal and Child Health Services Block Grant to the States	23,851	14,857
Total - U.S. Department of Health and Human Services		\$22,183,661	\$2,183,774
Corporation for National and Community Service			
94.003	State Commissions	397	
94.006	AmeriCorps	11,002	11,002
94.009	Training and Technical Assistance	186	
Total - Corporation for National and Community Service		\$11,585	\$11,002
Executive Office of the President			
95.001	High Intensity Drug Trafficking Areas Program	3,411	
Total - Executive Office of the President		\$3,411	\$0

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Schedule of Expenditures of Federal Awards - June 30, 2019

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
Social Security Administration			
	<i>Disability Insurance/SSI Cluster:</i>		
96.001	Social Security - Disability Insurance	121,860	
	Total - Social Security Administration	\$121,860	\$0
U.S. Department of Homeland Security			
97.008	Non-Profit Security Program	539	539
97.012	Boating Safety Financial Assistance	2,325	
97.023	Community Assistance Program State Support Services Element	77	
97.029	Flood Mitigation Assistance	3,306	3,107
97.036	Disaster Grants - Public Assist (Presidentially Declared Disasters)	13,243	2,826
97.039	Hazard Mitigation Grant	3,689	3,490
97.041	National Dam Safety Program	97	
97.042	Emergency Management Performance Grants	10,633	5,476
97.043	State Fire Training Systems Grants	21	
97.045	Cooperating Technical Partners	25	
97.047	Pre-Disaster Mitigation	358	315
97.067	Homeland Security Grant Program	25,651	20,056
97.091	Homeland Security Biowatch Program	421	
	Total - U.S. Department of Homeland Security	\$60,385	\$35,809
	GRAND TOTAL	\$32,197,542	\$5,127,317

COMMONWEALTH OF PENNSYLVANIA

Notes to the Schedule of Expenditures of Federal Awards - June 30, 2019

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 and the PSDC are not required to submit a single audit for the year ended June 30, 2019, 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, 2019.

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 December 4, 2017.

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, and CFDA #23.002, Appalachian Area Development, 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.

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.

COMMONWEALTH OF PENNSYLVANIA

Notes to the Schedule of Expenditures of Federal Awards - June 30, 2019

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, 2019. 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	\$1,743,971
Federal UC Benefits	34,759
Federal Admin.	<u>136,717</u>
Total Expenditures	<u><u>\$1,915,447</u></u>

Schedule of Findings and Questioned Costs



Commonwealth of Pennsylvania

COMMONWEALTH OF PENNSYLVANIA

Summary of Auditors' Results - June 30, 2019

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)
- Crime Victim Assistance (CFDA #16.575)
- Highway Planning and Construction Cluster (CFDA #20.205 and #20.219)
- Capitalization Grants for Clean Water State Revolving Funds (CFDA #66.458)
- Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA #84.126)
- 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)
- Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)

COMMONWEALTH OF PENNSYLVANIA

Summary of Auditors' Results - June 30, 2019

Unmodified for the following major federal programs:

- 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)
- Food Distribution Cluster (CFDA #10.565, #10.568, and #10.569)
- Community Development Block Grants – State's Program (CFDA #14.228)
- Title I Grants to Local Educational Agencies (CFDA #84.010)
- Special Education Cluster (IDEA) (CFDA #84.027 and #84.173)
- Twenty-First Century Community Learning Centers (CFDA #84.287)
- Supporting Effective Instruction State Grants (CFDA #84.367)
- Medicaid Cluster (CFDA #93.775, #93.777, and #93.778)
- Social Security – Disability Insurance (CFDA #96.001)

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	\$ 2,721,247
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	616,836
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	161,665
10.558	Child and Adult Care Food Program	129,644
10.565, 10.568, and 10.569	Food Distribution Cluster	56,806
14.228	Community Development Block Grants – State's Program	41,034
16.575	Crime Victim Assistance	56,652
20.205 and 20.219	Highway Planning and Construction Cluster	1,792,439
66.458	Capitalization Grants for Clean Water State Revolving Funds	63,579
84.010	Title I Grants to Local Educational Agencies	667,319
84.027 and 84.173	Special Education Cluster (IDEA)	445,210
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	139,853
84.287	Twenty-First Century Community Learning Centers	46,761
84.367	Supporting Effective Instruction State Grants	75,131
93.558	Temporary Assistance for Needy Families	513,112
93.563	Child Support Enforcement	183,528

COMMONWEALTH OF PENNSYLVANIA

Summary of Auditors' Results - June 30, 2019

93.575 and 93.596	Child Care and Development Fund (CCDF) Cluster	387,143
93.658	Foster Care – Title IV-E	223,387
93.659	Adoption Assistance	124,301
93.667	Social Services Block Grant	91,449
93.767	Children's Health Insurance Program	677,992
93.775, 93.777, and 93.778	Medicaid Cluster	19,192,146
93.959	Block Grants for Prevention and Treatment of Substance Abuse	49,838
96.001	Social Security – Disability Insurance	<u>121,860</u>
	Total Federal Expenditures – Major Programs	<u>\$28,578,932</u>

Dollar threshold used to distinguish between
Type A and Type B programs (000s):

\$48,296

Auditee qualified as low-risk auditee?

 yes

 X no

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Index to Basic Financial Statement Findings - June 30, 2019

Finding No.	Finding Title	Impacted State Agency	Finding Page	CAP Page
2019-001*	Information Technology General Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2018-001)	OA-OIT	46	116
2019-002*	Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2018-002)	Various	48	116
2019-003*	Elevated Access Privilege Monitoring Controls Within the Integrated Enterprise System Need Improvement	OA	50	117

* - Significant Deficiency
CAP - Corrective Action Plan

COMMONWEALTH OF PENNSYLVANIA

Basic Financial Statement Findings - June 30, 2019

Finding 2019 – 001:

Office of Administration, Office for Information Technology

Information Technology General Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2018-001)

Type of Finding: Significant Deficiency

Condition: Our review of information technology (IT) general controls in the Office of Administration, Office for Information Technology (OA-OIT), for the fiscal year ended June 30, 2019, disclosed the following control deficiencies in 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 (while such access may be required in certain circumstances, this could be done with monitoring through emergency change or update processes).
2. There were large 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 had access to shared user IDs with shared passwords, 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 retained access to applications for as long as over four years after they separated employment or no longer required access. Further, in one application where we performed a walkthrough of the operating effectiveness of the controls in place, we found that two out of five separated users did not have their user IDs deleted timely after they separated employment. In another application, procedures were not in place to ensure system administrators were notified promptly to disable or remove access when users separated employment or no longer needed access to the application.

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

Criteria: Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, 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.

COMMONWEALTH OF PENNSYLVANIA

Basic Financial Statement Findings - June 30, 2019

Finding 2019 – 001: (continued)

Cause: In 2017 most Commonwealth IT services were consolidated into six delivery centers within OA-OIT. Management within certain delivery centers has addressed some of the general computer control deficiencies noted in prior years. However, due to system limitations, upgrade needs, or limited staffing, some of the deficiencies persist. Further, movement of agency applications to virtual servers at a shared location caused an increase in the number of users with administrative access to certain applications. No solutions have been implemented, such as a privileged user management system, to perform documented monitoring of the use of the privileged accounts. As for timely removal of users, a control system in one application designed to notify system administrators of user terminations contained flaws. Finally, inconsistencies in the procedures for, and the performance of, periodic access reviews of privileged users contributed to users retaining access after termination or after they no longer required access to the application.

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, and General Services, as well as the State Workers' Insurance Fund, 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 OA-OIT 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, where possible, 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;
- Monitoring the use of privileged accounts and/or 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
- Instituting policies requiring periodic access reviews of all privileged users to ensure all user accounts are appropriate and current.

Agency Response: OA-OIT agrees 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

Basic Financial Statement Findings - June 30, 2019

Finding 2019 – 002:

Various Agencies Office of Administration

Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2018-002)

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 required by contracts were not consistently obtained for applicable vendor services.
2. SOC reports with noted exceptions and qualifications were not consistently provided to the appropriate parties and did not receive timely, documented follow-up.
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 (DHS), the Department of Revenue, the Pennsylvania Liquor Control Board (PLCB), the Department of General Services (DGS), 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*, 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*, 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

Basic Financial Statement Findings - June 30, 2019

Finding 2019 – 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 continue to be 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, contract managers continued to be unaware 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; as well as following up with the providers in circumstances of significant exceptions and qualifications to identify action plans for remediation or mitigation. The Office of Administration, Office for Information Technology (OA-OIT), has begun to develop a policy to gather, track, and ensure SOC reports are collected and on file. DHS stated that they are awaiting a final policy, which they understand will include training, policies, and procedures on SOC report monitoring and documentation requirements. Finally, DGS expressed concern that their agreement with one Commonwealth credit card processing vendor prohibited DGS from distributing the SOC reports to user agencies. However, if the user agencies do not receive the SOC reports, they cannot comply with the Management Directives which require them to monitor controls in place at the vendor.

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. OA-OIT 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;
- 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;
- 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; and
- Providing guidance and training to agency managers on how to perform and document effective SOC report monitoring.

Agency Response: OA-OIT and PLCB 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

Basic Financial Statement Findings - June 30, 2019

Finding 2019 – 003:

Office of Administration

Elevated Access Privilege Monitoring Controls Within the Integrated Enterprise System Need Improvement

Type of Finding: Significant Deficiency

Condition: A standard operating procedure regarding the use and monitoring of elevated access privilege rights (“firefighter process”) in the Integrated Enterprise System has been established. However, we noted inconsistencies in the performance of the firefighter log reviews by operating groups within the Office of Administration, Integrated Enterprise Systems Office (OA-IESO), including:

1. Absence of documentation to support that the review process was performed;
2. Insufficient documentation to determine the individual that completed the review, and/or the timing when the review was performed;
3. Frequency of review(s) performed; and
4. Timeliness of the review(s) performed.

Additionally, we noted that the access granted to the firefighter accounts exceeds that needed based on the intended purpose of the firefighter process.

Criteria: Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, 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.*

Privileged access management controls should be established and functioning to reduce the risk that agency operations are out of compliance with management’s objectives, and to help reduce the risk that inappropriate access or undetected system and data changes may occur.

Cause: The assignment of responsibilities was not clearly documented within policies and not clearly communicated to responsible individuals when training them on position responsibilities. Further, there was no independent oversight required to ensure the reviews were performed. Finally, OA-IESO has not utilized the SAP Governance Risk and Compliance (GRC) tool to properly restrict the use of these accounts.

Effect: The absence of appropriately restricted and monitored access for firefighter accounts increases the risk of unauthorized configuration changes or transactions. Further, inconsistencies in the performance of the firefighter log reviews increases the risk that inappropriate usage of the accounts could occur, or financial transactions could be performed and go undetected.

Recommendation: We recommend that OA-IESO reinforce and communicate its existing formal procedures for documenting and monitoring the firefighter process, including: assignment of responsibility, frequency, and documentation that should be evidenced during the individual’s reviews. Management should implement procedures by an individual independent of the firefighter process to periodically assess compliance with the communicated procedure. Additionally, OA-IESO should use the SAP GRC tool to assess the access granted to the firefighter accounts and restrict them to only those needed to perform the intended purpose of the account.

COMMONWEALTH OF PENNSYLVANIA

Basic Financial Statement Findings - June 30, 2019

Finding 2019 – 003: (continued)

Agency Response: OA-OIT agrees 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

Index to Federal Award Findings and Questioned Costs - June 30, 2019

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2019-004 *	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 2018-003)	NC	ND	DCED	57	117
2019-005 *	93.959	Block Grants for Prevention and Treatment of Substance Abuse	A Significant Deficiency and Noncompliance Exist in the Department of Drug and Alcohol Programs Related to Period of Performance Requirements	NC	\$12,049	DDAP	60	117
2019-006 *	84.010	Title I Grants to Local Educational Agencies	A Significant Deficiency and Noncompliance Exist Over the Pennsylvania Department of Education’s Reporting of the Annual State Per Pupil Expenditure Amount	NC	None	PDE	62	118
2019-007 **	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 2018-007)	MNC	ND	DHS	65	118
2019-008 *	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 2018-008)	NC	ND	DHS	68	119

52

* - 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

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Index to Federal Award Findings and Questioned Costs - June 30, 2019

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2019-009 **	93.558	Temporary Assistance for Needy Families	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 2018-010)	MNC	ND	DHS	70	120
	93.658	Foster Care – Title IV-E						
	93.659	Adoption Assistance						
2019-010 ** SSBG * SABG	93.667	Social Services Block Grant	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 2018-011)	MNC-SSBG NC-SABG	ND	DHS	73	120
	93.959	Block Grants for Prevention and Treatment of Substance Abuse						
2019-011 **	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 2018-014)	MNC	None	L&I	76	121
2019-012 **	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 (A Similar Condition Was Noted in Prior Year Finding 2018-015)	MNC	\$208,756	L&I	78	122

* - 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

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Index to Federal Award Findings and Questioned Costs - June 30, 2019

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2019-013 *	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Significant Deficiency and Noncompliance Related to the Department of Labor and Industry’s Preparation and Submission of the Semi-Annual SF-425 Report	NC	None	L&I	80	124
2019-014 *	Various	Various CFDA Numbers – See Finding	Information Technology General Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2018-017)	N/A	None	OA-OIT	82	124
2019-015 ** AA * FC	93.658 93.659	Foster Care – Title IV-E Adoption Assistance	Control Weaknesses and Noncompliance Exist in Foster Care and Adoption Assistance Related to Period of Performance Requirements	MNC-AA NC-FC	ND	OB-OCO	85	125
2019-016 ** AA * FC	93.658 93.659	Foster Care – Title IV-E Adoption Assistance	Control Weaknesses and Noncompliance Exist Over the Preparation and Submission of the Quarterly CB-496 Reports	MNC-AA NC-FC	None	OB-OCO	87	125
2019-017 *	16.575	Crime Victim Assistance	A Significant Deficiency and Noncompliance Exist in the Pennsylvania Commission on Crime and Delinquency’s Procedures Related to Period of Performance Requirements	NC	\$2,725	PCCD	90	126
2019-018 **	16.575	Crime Victim Assistance	Material Weakness and Material Noncompliance Exist in the Pennsylvania Commission on Crime and Delinquency Monitoring of Crime Victim Assistance Program Subrecipients	MNC	ND	PCCD	92	126
2019-019 *	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 2018-020)	NC	ND	Various	94	127

* - 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

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Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2019-020 * Medicaid ** All Other Programs	Various	Various CFDA Numbers – See Finding	A Material Weakness and Material Noncompliance Exist in the Commonwealth's Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2018-021)	NC – Medicaid MNC – All Other Programs	ND	Various	99	129

* - 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

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Matrix of Findings by Federal Agency - June 30, 2019

Federal Agency	USDA	HUD	DOJ	DOT	EPA	ED	HHS
Prefix	10	14	16	20	66	84	93
Finding							
2019-004		X					
2019-005							X
2019-006						X	
2019-007	X						X
2019-008							X
2019-009							X
2019-010							X
2019-011						X	
2019-012						X	
2019-013						X	
2019-014	X	X	X	X		X	
2019-015							X
2019-016							X
2019-017			X				
2019-018			X				
2019-019				X		X	X
2019-020				X	X		X

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Federal Award Findings and Questioned Costs - June 30, 2019

Department of Community and Economic Development

Finding 2019 – 004:

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 2018-003)

Federal Grant Number(s) and Year(s): B-12-DT-42-0001 (9/03/2011 Until Expensed), B-14-DC-42-0001 (1/01/2014 – 9/30/2021), B-15-DC-42-0001 (1/01/2015 – 9/30/2022), B-16-DC-42-0001 (1/01/2016 – 12/31/2023), B-17-DC-42-0001 (1/01/2017 – 9/30/2024), B-18-DC-42-0001 (1/01/2018 – 9/30/2025)

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Subrecipient Monitoring

Condition: During the fiscal year ended June 30, 2019, 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 Program and CDBG-Disaster Recovery Programs) of \$39,492,235, which represented approximately 96 percent of total CDBG cluster expenditures of \$41,034,302 on the Schedule of Expenditures of Federal Awards.

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 communications, 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 & 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 remains behind in monitoring of its pre-2014 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, 2019.

Grant Year	Total Subrecipients	Subrecipient Desk Reviews/On-Site Visits Outstanding
2012	141	63

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 004: (continued)

The monitoring policies and procedures applicable to the fiscal years 2014 through 2016 required a Risk Analysis Evaluation (RAE) to be conducted upon the receipt of a grant application. The RAE resulted in a score used to rank the subrecipient according to risk. The policy stated that subrecipients whose score was among the top 20, thus presenting the highest risk, will receive on-site monitoring, as well as remote monitoring, which required the quarterly submission of a Monitoring Activity Performance Report (MAPR). Remaining subrecipients were subject to remote monitoring and were required to submit a MAPR on a semi-annual basis. In addition, per the policy and risk analysis, management was 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	1	1	1
Remaining Subrecipients	70	11	Not Applicable	3	3

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 supporting documentation for six of the 20 high risk subrecipients and eleven of the 70 remaining subrecipients for the fiscal year 2017 and forward and no exceptions were identified.

Criteria: Regarding subrecipient monitoring, 2 CFR Section 200.331 states:

All pass-through entities must:

(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.

(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 performance reports required by the pass-through entity.*

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 004: (continued)

- (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 as required by §200.521 Management decision.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, 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 during 2011 in providing direct response to Hurricane Irene and Tropical Storm Lee 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. 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 current period subrecipient reviews through its monitoring plan. Additionally, management identified operational inefficiencies in the implementation of the 2014 monitoring plan and, in 2017, following a full staff reorganization, made structural updates to the monitoring plan, assessment of risk, and identification of subrecipients subject to monitoring over a multi-year period.

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.

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, 2018, 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, 2019. 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 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Department of Drug and Alcohol Programs

Finding 2019 – 005:

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

A Significant Deficiency and Noncompliance Exist in the Department of Drug and Alcohol Programs Related to Period of Performance Requirements

Federal Grant Number(s) and Year(s): 2B08TI010044-17 (10/01/2016 – 9/30/2018)

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Period of Performance

Condition: The Department of Drug and Alcohol Programs (DDAP) operates the Block Grants for Prevention and Treatment of Substance Abuse (SABG) program. Our audit of the SABG program included procedures to evaluate compliance with period of performance requirements for the federal fiscal year 2017 SABG grant award that closed during the fiscal year ended June 30, 2019 audit period.

Our procedures disclosed that expenditures totaling \$12,049 were charged to the 2017 SABG grant after the grant period closed on September 30, 2018. DDAP did not provide evidence of authorization from the United States Department of Health and Human Services to allow charges subsequent to the end of the period of performance. The expenses charged to the grant for services that occurred after the grant period closed included:

- Telecommunication expenses totaling \$3,725 incurred in October 2018;
- Telecommunication and fleet card expenses totaling \$3,637 incurred in October and November 2018; and
- Telecommunication and fleet card expenses totaling \$4,687 incurred in November and December 2018.

SABG expenditures reported on the Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2019 totaled \$49.8 million.

Criteria: 2 CFR Section 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 Section 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 Federal award that were authorized by the Federal awarding agency or pass-through entity.

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, 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:

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 005: (continued)

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

Cause: DDAP personnel did not have adequate procedures in place to ensure costs incurred were within the period of performance and did not verify that service dates were within the period of performance prior to submitting invoices for payment.

Effect: Expenditures were improperly charged to the federal fiscal year 2017 grant subsequent to the period of performance without authorization by the federal awarding agency, resulting in noncompliance and questioned costs.

Recommendation: We recommend that DDAP personnel implement procedures to ensure that costs are incurred and charged within the proper period of performance or to obtain prior federal authorization for any costs charged outside the period of performance.

Agency Response: The Department of Drug and Alcohol Programs agrees with the concern indicated by the Auditor General regarding expenditures being improperly charged to the federal fiscal year 2017 SABG grant subsequent to the period of performance. Telecommunication and fleet card billings are direct charges against the grant; therefore, invoices are not received at the department to manually process for payment. The reconciliation of the block grant occurs when the department is preparing the SABG reports for the Substance Abuse and Mental Health Services Administration, typically a year after the grant ends. It was during this reconciliation that the improperly charged expenditures were discovered and adjustments were in process to correct the error. Expenditure adjustments have since been completed to correct this error. The department continues to develop and implement procedures to address auditing issues related to funds received by the Department of Drug and Alcohol Programs. The department understands the necessity to establish and implement procedures to ensure costs are incurred and charged within the proper period of performance. Going forward, the department will reconcile the block grant on a monthly basis to ensure costs incurred are within the period of performance.

Questioned Costs: Known questioned costs for CFDA #93.959 of \$12,049 were identified, which represent the amount of transactions incurred and charged to the federal grant subsequent to the end 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Department of Education

Finding 2019 – 006:

CFDA #84.010 – Title I Grants to Local Educational Agencies

A Significant Deficiency and Noncompliance Exist Over the Pennsylvania Department of Education’s Reporting of the Annual State Per Pupil Expenditure Amount

Federal Grant Number(s) and Year(s): S010A180038 (7/01/2018 – 12/30/2020), S010A170038 (7/01/2017 – 12/30/2019), S010A160038 (7/01/2016 – 12/30/2018)

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Reporting

Condition: Under the Title I Grants to Local Educational Agencies (Title I) program which is authorized under the Elementary and Secondary Education Act (ESEA), as amended by the Every Student Succeeds Act, and administered by the Pennsylvania Department of Education (PDE), PDE is required to annually submit its average state per pupil expenditure (SPPE) amount to the National Center for Education Statistics. The United States Department of Education (USDE) uses this SPPE data to make allocations under several ESEA programs, including the Title I program.

The SPPE data reported by PDE on the National Public Education Finance Survey (NPEFS) comprises PDE’s annual current expenditures for free public education, less certain designated exclusions, divided by the state’s average daily attendance (ADA). ADA generally represents the aggregate number of days of attendance of all students during a school year divided by the number of days that school is in session during the school year and is reported by Local Educational Agencies (LEAs) to PDE via PDE’s Pennsylvania Information Management System (PIMS) which is maintained by an outside vendor.

During the fiscal year ended June 30, 2019, PDE obtained the 2017-2018 school year ADA data from PIMS, and this ADA data was used to calculate PDE’s SPPE amount which was reported on the 2018 NPEFS in August 2019. The underlying expenditures used in the SPPE calculation appeared to be accurately reported by PDE. However, PDE has a manual compensating control requiring that the ADA be reported on the Accuracy Certification Statement (ACS) which is to be submitted to PDE with each LEA’s upload of PIMS child accounting data and certified for accuracy by each LEA’s chief administrator. We selected a sample of 40 LEAs’ ADA data as reported by PDE in the SPPE calculation and compared it to the LEAs’ ACS forms, noting that for 2 of the 40 LEAs, the ADA reported by PDE did not agree to the ADA reported by the LEAs on the ACS forms as follows:

Item Number	ADA Reported by PDE	ADA Reported by the LEAs on the ACS	Overstatement
1	4142.754	4126.776	15.978
2	5482.271	5212.881	269.390

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 006: (continued)

Criteria: The Uniform Guidance Compliance Supplement, Department of Education (ED) Cross-Cutting Section, Part L, Reporting, applicable to the Title I program, states:

Each year, an SEA [State Educational Agency] must submit its average State per pupil expenditure (SPPE) data to the National Center for Education Statistics. These SPPE data are used by ED to make allocations under several ESEA programs, including Title I, Part A...

20 USC § 7801 states:

(1) *Average daily attendance*

(A) *In general*

Except as provided otherwise by State law or this paragraph, the term “average daily attendance” means –

- (i) *The aggregate number of days of attendance of all students during a school year; divided by*
- (ii) *The number of days school is in session during that year.*

(2) *Average per pupil expenditure*

The term “average per-pupil expenditure” means, in the case of a State or of the United States –

(A) *Without regard to the source of funds –*

- (i) *The aggregate current expenditures, during the third fiscal year preceding the fiscal year for which the determination is made (or, if satisfactory data for that year are not available, during the most recent preceding fiscal year for which satisfactory data are available) of all local educational agencies in the State or, in the case of the United States, for all States...; plus*
- (ii) *Any direct current expenditures by the State for the operations of those agencies; divided by*

- (B) *The aggregate number of children in average daily attendance to whom those agencies provided free public education during that preceding year.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, 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: PDE personnel indicated the differences were due to PDE reporting revised ADA data which was submitted by the LEAs without the corresponding revised ACS. PDE’s manual compensating control to ensure the accuracy of the ADA was not operating effectively. When the LEAs submitted revised ADA data, they did not submit the revised ACS to certify the accuracy of the revised ADA as instructed. PDE does not have adequate procedures to identify individual LEA’s ADA revisions prior to use in the SPPE calculation and to follow up with the LEAs to enforce the submission of the corresponding revised ACS.

Effect: Since the ADA data used in the SPPE was not properly certified as accurate, PDE may have reported an incorrect SPPE amount to the federal government which could result in an inaccurate allocation of federal funds to PDE.

Recommendation: PDE should check the accuracy of the LEAs’ ADA which did not agree to the ACS and make any necessary corrections. PDE management should ensure that manual compensating controls are adequately designed and operating effectively to make certain that the ADA data used in the calculation of the SPPE amount on the NPEFS is accurate and supported by the ACS. PDE should implement procedures to identify any ADA revisions made by LEAs prior to use in the SPPE calculation and require the LEAs to submit the revised ACS which supports the revised ADA.

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Finding 2019 – 006: (continued)

Agency Response: While PDE agrees that two out of the forty ACS the auditors examined did not match the data file containing the ADA data, it does not believe that constitutes a “significant deficiency”. First, the lack of a matching ACS does not mean that the ADA data are incorrect. PDE maintains several other manual compensating controls that ensure it receives accurate data from the LEAs. These procedures include verifying the end-of-year attendance and membership data used to calculate ADA by:

- Annually reviewing the accuracy of the data submitted by LEAs that pose the greatest risk for having data errors.
- Tracking potential errors and resolving them with the LEAs.
- Providing manuals, checklists and validation reports to help LEAs identify inaccuracies in the data before it is submitted.

Therefore, the ACS is not the only control limiting the risk that data could be incorrect. PDE had previously taken corrective action to address the LEAs’ failure to provide an ACS when they submit data through PIMS. Specifically, PDE had revised both its PIMS Override Request and Data Maintenance Request forms, which LEAs must complete to upload new or revised child accounting data after the initial submission window closes, to include the explicit statement that LEAs must also submit a revised ACS. Even though USDE approved the adequacy of these controls in its August 2016 program determination letter, PDE will also institute one additional procedure. This step will enable it to determine which LEAs have not submitted a revised ACS when revised attendance or membership data has been uploaded in PIMS. This new manual compensating control will enable PDE to compare one set of ADA with a newer set to determine if data for any LEAs changed. Then PDE will cross-reference that comparison with the ACS received from each LEA to determine if a new report is required and will contact an LEA accordingly.

As stated in 2016, if at any time PDE is provided with a mechanism for forcing LEAs to submit the ACS form, or is given the authority to levy a penalty against those LEAs that fail to comply, PDE will use those powers with fidelity.

Auditors’ Conclusion: Our testing disclosed that two LEAs’ ADA out of a sample of 40 items tested did not agree to the LEAs’ ACS, which represents an error rate of five percent applied to a population of over 600 LEAs’ ADA. There was no verifiable documentation that the ADA data PDE used in the SPPE ADA calculation was accurate for the two items in question, and PDE did not provide any additional information or documentation which would mitigate this finding. The finding remains as stated. We will evaluate any corrective action in the subsequent audit.

Questioned Costs: None – no direct effect on program expenditures.

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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Department of Human Services

Finding 2019 – 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 2018-007)

Federal Grant Number(s) and Year(s): 191PA405S2514 (10/01/2018 – 9/30/2019), 1801PATANF (10/01/2017 – 9/30/2018), 1901PATANF (10/01/2018 – 9/30/2019)

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, 2019 totaled \$2.5 billion. Total benefit expenditures for TANF for the fiscal year ended June 30, 2019 totaled \$166.1 million.

Eleven of the 87 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 ten of the eleven CAO and district locations selected for testing. These exceptions included the following:

- 1) An employee had dual-access to the Electronic Payment Processing and Information Control (EPPIC) System. The employee was a card pinner and card maker for three business days (1 location).
- 2) EBT Cards were created during non-business hours (2 district offices).
- 3) Failure to perform the following:
 - Destroy used printer ribbon on the same day as new printer ribbon installation (1 district office);
 - Maintain adequate segregation of duties when completing the Ribbon Log. The ribbon installer/destroyer and the witness were the same person on the Ribbon Log (1 district office and 2 locations);
 - Maintain adequate segregation of duties when completing the Weekly Log in the EBT Card Tracking Database. The same employee returned the EBT cards and approved the Weekly Log (2 district offices and 2 locations);
 - Retain EBT card paper logs for four years (1 district office);
 - Retain EPPIC EBT Systems Application forms (paper and/or electronic copies) (1 location);
 - Create written internal procedures for EBT Security for over the counter card mailings (1 district office and 1 location);
 - Locate shipping manifest to support the EBT Shipments Verification Log (1 district office and 2 locations);
 - Designate a manager or supervisor to the Alternate EBT Coordinator role (1 location);
 - Completion of all required fields on the EPPIC EBT Systems Application forms for four employees (1 location);
 - Maintain adequate segregation of duties when completing the EBT Shipments Verification Log. The Project Office does not require a witness of manual adjustments made to the EBT Card Inventory (all district offices and locations tested);
 - Timely completion and submission of the EPPIC EBT Systems Application forms to the Office of Income Maintenance EBT Security (1 district office);

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Finding 2019 – 007: (continued)

- Proper completion of the exception type entry field in the Daily Log (1 location);
- Maintain adequate security of card making and pinning devices (3 locations);
- Maintain adequate security of EBT card inventory (2 locations);
- Maintain adequate security of printer ribbon (1 location);
- Maintain adequate security of EBT paper logs (2 locations); and
- Maintain adequate security of EPPIC EBT Systems Application forms (1 location).

Criteria: The State is required to maintain adequate security over, and documentation/records for, EBT cards to prevent theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use (7 CFR Section 274.8(b)(3)).

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:

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

45 CFR Section 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*, 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 the Department of Human Services (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.

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Finding 2019 – 007: (continued)

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.

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Department of Human Services

Finding 2019 – 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 2018-008)

Federal Grant Number(s) and Year(s): 1801PATANF (10/01/2017 – 9/30/2018), 1901PATANF (10/01/2018 – 9/30/2019)

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Subrecipient Monitoring

Condition: During the fiscal year ended June 30, 2019, the Department of Human Services (DHS) paid \$70.8 million in Temporary Assistance for Needy Families (TANF) funding to subrecipients within the New Directions, Cash Grants, and Alternatives to Abortion appropriations (or 13.8 percent) out of total federal TANF expenditures of \$513.1 million reported on the June 30, 2019 Schedule of Expenditures of Federal Awards.

Our testing of DHS's during-the-award monitoring of subrecipients for the fiscal year ended June 30, 2019 disclosed that DHS performed on-site monitoring for all 12 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 12 subrecipients were not adequate as they did not include a review or monitoring of subrecipient financial records, which would provide an assessment of a subrecipient's compliance with applicable federal regulations. Although DHS's monitoring procedures include reviewing subrecipient completed questionnaires for selected subrecipients that had 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 12 subrecipients tested above, we followed up on one subrecipient identified in the prior year finding as not being on-site monitored by DHS when the risk assessment warranted on-site monitoring. Our follow-up on DHS's monitoring of this subrecipient during the current audit period disclosed that DHS personnel did not prepare a risk assessment or conduct any on-site monitoring of this subrecipient. Since no risk assessment or 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 \$1.5 million of TANF funds during the fiscal year ended June 30, 2019.

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.

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Finding 2019 – 008: (continued)

(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*, 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 due to staffing issues.

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

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.

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Department of Human Services

Finding 2019 – 009:

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 2018-010)

Federal Grant Number(s) and Year(s): 1801PATANF (10/01/2017 – 9/30/2018), 1901PATANF (10/01/2018 – 9/30/2019), 1801PAFOST (10/01/2017 – 9/30/2018), 1901PAFOST (10/01/2018 – 9/30/2019), 1801PAADPT (10/01/2017 – 9/30/2018), 1901PAADPT (10/01/2018 – 9/30/2019)

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:

- Four of the 13 on-site inspections of the 13 CCYAs tested were either not reviewed and approved timely, or not reviewed and approved at all, by a supervisor and a regional director. One of the inspections was approved 292 days after the expiration of the prior license, and the other three inspections were not reviewed and approved by a supervisor and a regional director.

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. 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, 2019 were \$201.5 million, or 90.2 percent of total Foster Care expenditures of \$223.4 million reported on the June 30, 2019 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, 2019 were \$89.4 million, or 71.9 percent of total Adoption Assistance expenditures of \$124.3 million reported on the June 30, 2019 SEFA. TANF Child Welfare program payments made by DHS to its 67 CCYA subrecipients during the fiscal year ended June 30, 2019 were \$49.7 million, or 9.7 percent of total TANF expenditures of \$513.1 million reported on the June 30, 2019 SEFA.

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Finding 2019 – 009: (continued)

Criteria: 45 CFR Section 75.352, applicable to TANF, Foster Care, and Adoption Assistance 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*, 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 for prior year Finding 2018 – 010, DHS started tracking the timeliness of the annual on-site licensing inspections to ensure that inspections were timely completed, reviewed, and approved. However, as noted above, the on-site inspections were not reviewed and approved by a supervisor or regional director prior to the expiration of the prior license.

DHS personnel indicated that the four on-site inspections were not timely reviewed and approved by a supervisor or a regional director due to on-going discussions between the applicable CCYAs and DHS, as well as oversight by DHS regarding the completion of the on-site inspections.

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, CCYAs could be operating in noncompliance with federal regulations without timely detection and correction by DHS management.

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Finding 2019 – 009: (continued)

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.

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.

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Department of Human Services

Finding 2019 – 010:

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 2018-011)

Federal Grant Number(s) and Year(s): 1801PASOSR (10/01/2017 – 9/30/2018), 1901PASOSR (10/01/2018 – 9/30/2019), 2B08TI010044-18 (10/01/2017 – 9/30/2018), 3B08TI010044-19 (10/01/2018 – 9/30/2020)

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 SSBG Mental Health, Homeless Services, Child Welfare, Domestic Violence, Rape Crisis, Legal Services, and Family Planning subrecipients to ensure that SSBG awards are used in compliance with laws and regulations, which include allowable costs, period of performance, and other requirements. The inadequately monitored subrecipients received \$40.8 million (or approximately 45 percent) of total SSBG program expenditures of \$91.4 million on the Schedule of Expenditures of Federal Awards (SEFA). In addition, we determined that the 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, 2019. Total SABG expenditures on the current SEFA were \$49.8 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 \$38.6 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, 2019.

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:

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Finding 2019 – 010: (continued)

- (1) *Reviewing financial and performance 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...*

(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 §75.425 (Audit services).*

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 in Commonwealth Agencies*, 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 management indicated that risk assessment and monitoring documents were created for use during on-site monitoring of SSBG and SABG subrecipients. However, due to staffing issues, on-site monitoring was not performed for all SSBG and SABG subrecipients.

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. Without 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.

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Finding 2019 – 010: (continued)

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 United States 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 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Department of Labor and Industry

Finding 2019 – 011:

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 2018-014)

Federal Grant Number(s) and Year(s): H126A170056 (10/01/2016 – 9/30/2017), H126A180056 (10/01/2017 – 9/30/2018), H126A190056 (10/01/2018 – 9/30/2019)

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 10 participants in the RS-VR program for benefits totaling \$27,347 of the \$56.2 million charged to the program during the fiscal year ended June 30, 2019. Our review of the 10 OVR client case files disclosed the following:

- For 2 of the 10 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 eligibility determinations were completed 80 and 83 days, respectively, after the eligibility determination period expired.
- For 2 of the 9 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 18 and 76 days, respectively, after the 90 day IPE completion deadline expired.

Criteria: The United States Department of Education’s Regulation 34 CFR Section 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

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Finding 2019 – 011: (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*, 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 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.

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Department of Labor and Industry

Finding 2019 – 012:

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 (A Similar Condition Was Noted in Prior Year Finding 2018-015)

Federal Grant Number(s) and Year(s): H126A190056 (10/01/2018 – 9/30/2019)

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, 2019 audit period.

- Per review of supporting invoice service dates, 21 of the 40 expenditures tested that were charged in the first month of the federal fiscal year 2019 RS-VR grant were incurred prior to the allowable period of performance. These expenditures included mileage reimbursements and other general charges totaling \$208,756. Total expenditures posted to the federal fiscal year 2019 RS-VR grant in the first month of the allowable period of performance were \$7,300,632.

Management was unable to provide authorization from the federal awarding agency for allowance of the expenditures occurring outside of the period of performance.

Criteria: 2 CFR Section 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 Section 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*, 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 012: (continued)

Cause: Office of Vocational Rehabilitation (OVR), Pennsylvania Department of Labor and Industry, personnel did not check service dates prior to submitting invoices for payment which were charged to the federal fiscal year 2019 grant. 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. OVR personnel did not have adequate procedures in place to ensure that only costs incurred during the allowable period of performance were charged to the federal fiscal year 2019 RS-VR grant.

Effect: Expenditures outside of the allowable period of performance were incorrectly charged to the federal fiscal year 2019 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: OVR agrees with the finding.

Questioned Costs: Known questioned costs for CFDA #84.126 of \$208,756 were determined, which represent the amount of transactions incurred and charged to the federal grant outside the allowable 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Department of Labor and Industry

Finding 2019 – 013:

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

Significant Deficiency and Noncompliance Related to the Department of Labor and Industry’s Preparation and Submission of the Semi-Annual SF-425 Report

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

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Reporting

Condition: The Office of Vocational Rehabilitation (OVR), Pennsylvania Department of Labor and Industry, is required to submit an SF-425, *Federal Financial Report*, for the Rehabilitation Services – Vocational Rehabilitation Grants to States (RS-VR) program to the United States Department of Education (USDE) on a semi-annual basis. The SF-425 report includes data related to the federal share of expenditures to date, the federal share of unliquidated obligations, the federal program income earned, the program income expended and unexpended, indirect charges to the grant, as well as other general information that is necessary to ensure compliance with program requirements.

During the fiscal year ended June 30, 2019, we selected all four of the submitted semi-annual SF-425 reports for testing. As part of the report testing, we used the other general information to determine if the agency was in compliance with the 15 percent Pre-Employment Transition Services (PETS) earmarking requirement. Our procedures disclosed that the PETS amount reported on the final report for the 2017 RS-VR grant was understated by \$141,674. The amount reported was \$19,592,771, when actual PETS expenditure general ledger support reported an amount of \$19,734,445. Although the SF-425 report was subjected to a documented supervisory review and approval, the understatement remained undetected by Commonwealth management until notification by the auditor.

Criteria: 2 CFR Section 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).

USDE’s Office of Special Education and Rehabilitative Services Policy Directive RSA-PD-15-05, states:

The Office of Management and Budget (OMB) requires that grantees use the SF-425 to report financial data for grant awards. RSA uses the SF-425 data to monitor the financial status of the VR program and to assess grantee compliance with the fiscal requirements contained in the Rehabilitation Act of 1973 (Rehabilitation Act).

34 CFR Section 361.40, Reports; Evaluation standards and performance indicators, states:

(a) *Reports. (1) The vocational rehabilitation services portion of the Unified or Combined State Plan must assure that the designated State agency will submit reports, including reports required under sections 13, 14, and 101(a)(10) of the Act –*

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 013: (continued)

(i) *In the form and level of detail and at the time required by the Secretary regarding applicants for and eligible individuals receiving services, including students receiving pre-employment transition services in accordance with section 361.48(a); and*

(ii) *In a manner that provides a complete count (other than the information obtained through sampling consistent with section 101(a)(10)(E) of the Act) of the applicants and eligible individuals to –*

(A) *Permit the greatest possible cross-classification of data; and*

(B) *Protect the confidentiality of the identity of each individual.*

(2) *The designated State agency must comply with any requirements necessary to ensure the accuracy and verification of those reports.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, 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 a proper review of the report was not completed in a timely manner. The error occurred due to incorrect information being pulled for the report.

Effect: Since the report preparation and the supervisory review and approval process were not adequate, the PETS expenditures were understated on the SF-425 final report submitted to USDE. OVR was not in compliance with federal regulations.

Recommendation: OVR should ensure their written procedures for the review, approval, and submission of the SF-425 reports are improved and fully implemented. The procedures should have sufficient detail to ensure the SF-425 reports are prepared accurately and in accordance with federal regulations. In addition, OVR should correct the error and submit a revised SF-425 report to USDE.

Agency Response: OVR 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.

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Office of Administration – Office for Information Technology

Finding 2019 – 014:

CFDA #10.553, 10.555, 10.556, and 10.559 – Child Nutrition Cluster
CFDA #10.558 – Child and Adult Care Food Program
CFDA #10.565, 10.568, and 10.569 – Food Distribution Cluster
CFDA #14.228 – Community Development Block Grants – State’s Program
CFDA #16.575 – Crime Victim Assistance
CFDA #20.205 and 20.219 – 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 2018-017)

Federal Grant Number(s) and Year(s): 2019-1PA300305 (10/01/2018 – 9/30/2019), 2018-1PA300305 (10/01/2017 – 9/30/2018), 181PA825Y800 (10/01/2017 – 9/30/2018), 191PA825Y8005 (10/01/2018 – 9/30/2019), 181PA825Y8105 (10/01/2017 – 9/30/2018), 191PA825Y8105 (10/01/2018 – 9/30/2019), B-08-DN-42-0001 (12/29/2008 until expensed), B-12-DT-42-0001 (9/03/2011 until expensed), B-13-DC-42-0001 (1/01/2013 – 12/31/2020), B-14-DC-42-0001 (1/01/2014 – 9/30/2021), B-15-DC-42-0001 (1/02/2015 – 9/30/2022), B-16-DC-42-0001 (1/02/2016 – 9/30/2023), B-17-DC-42-0001 (1/02/2017 – 9/30/2024), B-18-DC-42-0001 (1/01/2018 – 9/30/2025), 2015-VA-GX-0037 (10/01/2014 – 9/30/2018), 2016-VA-GX-0048 (10/01/2015 – 9/30/2019), 2017-VA-GX-0069 (10/01/2016 – 9/30/2020), 2018-VA-GX-0068 (10/01/2017 – 9/30/2021), N78000 (7/01/2018 – 6/30/2019), S010A160038 (7/01/2016 – 12/30/2018), S010A170038 (7/01/2017 – 12/30/2019), S010A180038 (7/01/2018 – 12/30/2020), H027A170093 (9/01/2017 – 9/30/2019), H027A180093 (9/01/2018 – 9/30/2019), H027A190093 (7/01/2018 – 9/30/2020), H173A170090 (7/01/2017 – 9/30/2019), H173A180090 (7/01/2018 – 9/30/2020), S367A180051 (7/01/2018 – 9/30/2020), S367A160051 (7/01/2016 – 12/30/2018), S367A170051 (7/01/2017 – 12/30/2019), S367B160033 (7/01/2016 – 12/30/2018)

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 Single Audit Finding 2018 – 017. 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 were granted administrative access with the ability to promote code to production.
2. There were large numbers of users with administrative access to production servers where computer applications supporting major programs resided. There was no documented monitoring of the use of elevated access.
3. In one application, access for several users with administrative rights was not revoked timely after the users separated employment.

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

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Finding 2019 – 014: (continued)

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 2019 – 001, which was reported for the Commonwealth for the fiscal year ended June 30, 2019, disclosed IT general control deficiencies in applications supporting the following major programs: Child Nutrition Cluster, Child and Adult Care Food Program, Highway Planning and Construction Cluster, 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*, 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:
 - *11.04 Management designs the entity's information system and the use of information technology... Additionally, information technology may enhance internal control over security and confidentiality of information by appropriately restricting access.*
 - *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, appropriate monitoring, 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: In 2017 most Commonwealth IT services were consolidated into six delivery centers within OA-OIT. Management within certain delivery centers has addressed some of the general computer control deficiencies noted in prior years. However, due to system limitations, upgrade needs, or limited staffing, some of the deficiencies persist. Further, movement of agency applications to virtual servers at a shared location caused an increase in the number of users with administrative access to certain applications. No solutions have been implemented, such as a privileged user management system, to perform documented monitoring of the use of the privileged accounts. However, OA-OIT plans to implement an automated process to remove inactive accounts which they believe may reduce the number of administrators on the servers. As for timely removal of users, the control system designed to notify system administrators of user terminations or transfers did not operate effectively in that administrative rights to the local server were not removed. Finally, system administrators did not perform periodic access reviews of privileged users which would have identified the users who no longer required access to the servers due to separation or transfer.

Effect: The deficiencies noted above in IT general controls could result in unauthorized changes to the software and noncompliance with federal laws and regulations. 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. Further, large numbers of accounts with administrative

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 014: (continued)

access whose use is not monitored increases the risk that accounts could be misused, either intentionally or unintentionally by authorized users, or by unauthorized external entities that have compromised the accounts. Finally, 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 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, where possible, 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;
- Monitoring of the use of privileged accounts and/or implementing privileged access management systems to control the use of privileged/administrative accounts and facilitate logging and monitoring of their use;
- Implementing the planned system to remove access from inactive accounts;
- 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
- Instituting policies requiring periodic access reviews of all privileged users to ensure all user accounts are appropriate and current.

Agency Response: OA-OIT 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Office of the Budget – Office of Comptroller Operations

Finding 2019 – 015:

CFDA #93.658 – Foster Care – Title IV-E

CFDA #93.659 – Adoption Assistance

Control Weaknesses and Noncompliance Exist in Foster Care and Adoption Assistance Related to Period of Performance Requirements

Federal Grant Number(s) and Year(s): 1801PAFOST (10/01/2017 – 9/30/2018), 1801PAADPT (10/01/2017 – 9/30/2018)

**Type of Finding: Significant Deficiency, Noncompliance for Foster Care
Material Weakness, Material Noncompliance for Adoption Assistance**

Compliance Requirement: Period of Performance

Condition: The Department of Human Services operates the Foster Care program and the Adoption Assistance program which are funded by the United States Department of Health and Human Services. Our audit of the Foster Care program and the Adoption Assistance program included procedures to evaluate compliance with period of performance requirements for both programs' federal fiscal year 2018 grant awards that closed during the fiscal year ended June 30, 2019.

Our procedures disclosed that expenditures totaling \$4.4 million and \$20.3 million were charged to the 2018 Foster Care and Adoption Assistance grants, respectively, after the grant periods closed on September 30, 2018. While we historically note minor adjustments to the expenditures to adjust estimated cost allocated expenditures to actual during October, expenditures were charged to the 2018 grants through May 31, 2019, or for eight months after the end of the grant period of September 30, 2018.

Foster Care and Adoption Assistance expenditures reported on the Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2019 totaled \$223.4 million and \$124.3 million, respectively.

Criteria: 45 CFR Section 75.303(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).

45 CFR Section 75.309, 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 §75.461 Publication and printing costs) and any costs incurred before the HHS awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, 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:

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 015: (continued)

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

Cause: The Commonwealth’s Office of Comptroller Operations (OCO) personnel indicated that they did not close the internal order numbers on the SAP accounting system at the end of the grant period for the 2018 grants. As a result, expenditures continued to be charged to the 2018 grants after the end of the grant period.

Effect: The OCO’s internal control procedures were not operating effectively to ensure expenditures charged were within the period of performance. As a result, \$4.4 million of Foster Care expenditures and \$20.3 million of Adoption Assistance expenditures were improperly charged to the respective programs’ 2018 grants after the end of the grant period.

Recommendation: We recommend that the OCO strengthen procedures to ensure that expenditures are incurred and charged to the correct grants within the proper period of performance.

Agency Response: OCO 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Office of the Budget – Office of Comptroller Operations

Finding 2019 – 016:

CFDA #93.658 – Foster Care – Title IV-E

CFDA #93.659 – Adoption Assistance

Control Weaknesses and Noncompliance Exist Over the Preparation and Submission of the Quarterly CB-496 Reports

Federal Grant Number(s) and Year(s): 1801PAFOST (10/01/2017 – 9/30/2018), 1801PAADPT (10/01/2017 – 9/30/2018)

**Type of Finding: Significant Deficiency, Noncompliance for Foster Care
Material Weakness, Material Noncompliance for Adoption Assistance**

Compliance Requirement: Reporting

Condition: The Pennsylvania Department of Human Services (DHS) is required to submit the *Title IV-E Programs Quarterly Financial Report* (CB-496 Report) to the United States Department of Health and Human Services (HHS). Part 1 of the CB-496 Report includes expenditures and estimates, with Foster Care expenditures and estimates reported in Section A, and Adoption Assistance expenditures and estimates reported in Section B. Part 2 of the CB-496 Report includes prior quarter expenditure adjustments for both programs, and Part 3 includes Demonstration Project expenditures applicable to Foster Care only, since there are no demonstration projects within the Adoption Assistance program.

During the fiscal year ended June 30, 2019 audit period, we selected and tested two of the four quarterly CB-496 Reports for the Foster Care and Adoption Assistance programs, and we reconciled all four quarterly reports for each program to the respective Schedule of Expenditures of Federal Awards (SEFA) amounts. Our procedures disclosed that the CB-496 Report expenditures for both Foster Care and Adoption Assistance were understated for the period ended June 30, 2019 as follows:

Program	Total Expenditures per the Quarterly CB-496 Reports	Expenditures per the SEFA	Amount of Understatement
Foster Care	\$220,445,981	\$223,386,987	\$2,941,006
Adoption Assistance	\$102,101,395	\$124,301,144	\$22,199,749

In addition, within Part 3 of the CB-496 Report for Foster Care, we noted that cumulative Demonstration Project expenditures were improperly reported as of June 30, 2019 as follows:

Line Item Description	Cumulative Expenditures Reported	Cumulative Expenditures Incurred per SAP	Amount of Overstatement/(Understatement)
Line 18a Column E – FMAP Rate - Currently Reported and Currently Funded Demonstration Operation Costs	\$433,006,722	\$432,110,090	\$896,632
Line 18b Column E – 50% FFP Rate - Currently Reported and Currently Funded Demonstration Operation Costs	\$522,307,487	\$526,050,421	(\$3,742,934)

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 016: (continued)

Although the CB-496 Reports were subjected to a documented supervisory review and approval, the misstatements identified above were not detected prior to the submission of the quarterly reports to HHS. This indicates that the preparation and the supervisory review and approval processes were not adequate.

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.

45 CFR Section 201.5(a), Grant requirements, states:

(3) The State agency must also submit a quarterly statement of expenditures for each of the public assistance programs under the Act.

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*, 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.

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 they did not close the internal order numbers on the SAP accounting system at the end of the grant period for the 2018 Foster Care and Adoption Assistance grants. As a result, expenditures continued to be charged to the 2018 grants after the end of the grant period. When OCO personnel prepared the CB-496 Reports, the internal order numbers for the 2018 grants were not included within the expenditure calculations.

OCO personnel indicated that the variances noted within the cumulative Demonstration Project expenditures for Foster Care were due to a calculation error.

Effect: Since the CB-496 Report preparation and the supervisory review and approval processes were not adequate, the expenditure amounts were materially misstated on the CB-496 Reports for the fiscal year ended June 30, 2019. In addition, DHS was not in compliance with federal reporting regulations.

Recommendation: OCO personnel should strengthen their existing procedures for the preparation, review, and approval of the CB-496 Reports to ensure expenditures are properly calculated and reported to HHS. In addition, OCO should consider submitting revised CB-496 Reports to HHS to reflect the actual expenditures incurred during the fiscal year ended June 30, 2019.

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 016: (continued)

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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Pennsylvania Commission on Crime and Delinquency

Finding 2019 – 017:

CFDA #16.575 – Crime Victim Assistance

A Significant Deficiency and Noncompliance Exist in the Pennsylvania Commission on Crime and Delinquency’s Procedures Related to Period of Performance Requirements

Federal Grant Number(s) and Year(s): 2015-VA-GX-0037 (10/01/2014 – 9/30/2018)

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Period of Performance

Condition: During our audit of the Crime Victim Assistance (CVA) program funded by the United States Department of Justice, we evaluated and tested the Pennsylvania Commission on Crime and Delinquency’s (PCCD) internal control and compliance with period of performance requirements for the grant award that closed during the fiscal year ended June 30, 2019.

Our procedures disclosed that expenditures totaling \$2,500 for peer review services rendered by two subcontractors as part of the grant application review process in October 2018 were erroneously charged to the CVA grant after the grant period closed on September 30, 2018. Our review of the invoices supporting the \$2,500 disclosed an additional \$225 which was charged to the grant and lacked adequate documentation to support the period of performance.

CVA expenditures reported on the Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2019 totaled \$56.6 million.

Criteria: 2 CFR Section 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 Section 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 Federal award that were authorized by the Federal awarding agency or pass-through entity.

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 017: (continued)

Cause: PCCD personnel did not have adequate procedures in place to ensure that costs incurred were within the period of performance and did not verify that service dates were within the period of performance prior to submitting invoices for payment.

Effect: Expenditures were improperly charged to the federal grant for services incurred subsequent to the period of performance without authorization by the federal awarding agency, resulting in noncompliance and questioned costs.

Recommendation: We recommend that PCCD personnel implement procedures to ensure that costs are incurred and charged within the proper period of performance or to obtain prior federal authorization for any costs charged outside the period of performance.

Agency Response: During the period of review, PCCD initiated a pilot project that involved the selection and utilization of paid grant reviewers in order to enhance the overall level of qualification and expertise involved in the review of competitively submitted grant applications. As part of the pilot project, controls were established that involved multiple levels of review of reviewer submitted invoices to verify that charges were appropriate and in compliance with established agreements. In determining the grant award to be used to reimburse for these costs, an assessment of the period of activity was conducted, and funding was coded to utilize the funding that would be expiring the soonest. The period that reviewers were involved exceeded the timeframe that was anticipated, and a portion of two of the twenty-two reviewers' time was mistakenly attributed to the expired grant award. We concur that \$2,500 was attributed after the established period of performance, and the necessary adjustments have been made to the procedure and will be made to the final federal fiscal report based on lessons learned from this initial effort.

Additionally, we agree that there was an invoice submitted that included a calculation error that resulted in a payment being made that did not reconcile. We are further reviewing whether there was eligible time spent by the reviewer that was included on the invoice but did not include a request for reimbursement. If it is determined that an overpayment of approximately \$225 was made, a reimbursement will be sought.

In conclusion, PCCD agrees with the facts associated with the finding that \$2,725 of the \$56.6 million in expenditures under this grant program are to be rectified.

Questioned Costs: Known questioned costs for CFDA #16.575 of \$2,725 were determined, which represent \$2,500 of transactions incurred and charged subsequent to the period of performance and \$225 for which the period of performance could not 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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Federal Award Findings and Questioned Costs - June 30, 2019

Pennsylvania Commission on Crime and Delinquency

Finding 2019 – 018:

CFDA #16.575 – Crime Victim Assistance

Material Weakness and Material Noncompliance Exist in the Pennsylvania Commission on Crime and Delinquency Monitoring of Crime Victim Assistance Program Subrecipients

Federal Grant Number(s) and Year(s): 2015-VA-GX-0037 (10/01/2014 – 9/30/2018), 2016-VA-GX-0048 (10/01/2015 – 9/30/2019), 2017-VA-GX-0069 (10/01/2016 – 9/30/2020), 2018-VA-GX-0068 (10/01/2017 – 9/30/2021)

Type of Finding: Material Weakness, Material Noncompliance

Compliance Requirement: Subrecipient Monitoring

Condition: During the fiscal year ended June 30, 2019, the Pennsylvania Commission on Crime and Delinquency (PCCD) paid \$53.4 million in Crime Victim Assistance (CVA) program funding to subrecipients, which represented over 94 percent of the total federal CVA expenditures of \$56.6 million reported on the Schedule of Expenditures of Federal Awards. United States Department of Justice (USDOJ) regulations require PCCD to conduct on-site monitoring at least once every two years on all subrecipients that receive federal funding for providing crime victim services. PCCD's monitoring procedures specify tracking subrecipients that received federal funds on a calendar year basis and require on-site monitoring of subrecipients at least once every two years.

Our audit identified 142 subrecipients which received federal funding during the two years ending December 31, 2018, but PCCD did not conduct the required on-site monitoring at least once during this period for 23 of these subrecipients.

We tested a sample of 20 subrecipients out of the remaining 119 subrecipients which were monitored in order to evaluate the adequacy of the on-site monitoring procedures performed by PCCD. Our testing disclosed that for all 20 subrecipients selected, PCCD did not issue the on-site reports to the subrecipients within eight weeks as required by PCCD's internal monitoring procedures. The 20 monitoring reports were issued from 97 to 578 days after the date of on-site visit, with an average of 357 days after the date of the on-site visit. Further, PCCD's supervisory review and approval of the 20 subrecipient monitoring reports did not occur until after the on-site inspection reports were sent to the subrecipients.

Criteria: 28 CFR Section 94.106, Monitoring Requirements, states:

(a) Monitoring plan. Unless the Director grants a waiver, SAAs [State Administering Agencies] shall develop and implement a monitoring plan in accordance with the requirements of this section and 2 CFR 200.331. The monitoring plan must include a risk assessment plan.

(b) Monitoring frequency. SAAs shall conduct regular desk monitoring of all sub-recipients. In addition, SAAs shall conduct on-site monitoring of all sub-recipients at least once every two years during the award period, unless a different frequency based on risk assessment is set out in the monitoring plan.

(c) Recordkeeping. SAAs shall maintain a copy of site visit results and other documents related to compliance.

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:

COMMONWEALTH OF PENNSYLVANIA

Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 018: (continued)

- (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*, 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: PCCD management indicated they have experienced a substantial increase in federal funding for the CVA program over the past several years which required more on-site visits. In addition, the revised federal monitoring guidelines issued in July 2016 changed the requirement for on-site visits from every four years to every two years.

Effect: PCCD did not comply with federal regulations, and CVA subrecipients could be operating in noncompliance with federal regulations without timely detection and correction.

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, 2018, 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, 2019. Therefore, these subrecipients were only subject to on-site monitoring by the program.

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

Recommendation: PCCD should strengthen its procedures to ensure on-site monitoring of all CVA subrecipients is performed at least once every two years. PCCD should conduct the supervisory review and approval of the monitoring reports prior to issuance to subrecipients, and report issuance should occur within eight weeks after the on-site visit to allow subrecipients to implement corrective action more timely.

Agency Response: PCCD acknowledges the finding during the audit period, however, PCCD has taken corrective action based on: (1) The USDOJ has approved our risk-based monitoring plan for the CVA program beginning January 1, 2020, which only requires that high-risk subrecipients be monitored every two years and lower risk subrecipients less frequently; and (2) PCCD has hired complement dedicated to the CVA program and monitoring tasks in response to the substantial increase in CVA funding and monitoring requirement changes that happened in 2016, which increased the requirement to monitor subrecipients from every four years to every two years.

Auditors' Conclusion: The agency response from PCCD indicated acknowledgement of the finding. No new information was provided which would mitigate the finding. The finding remains as stated. We will evaluate any corrective action in the subsequent audit.

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, 2019

Various Agencies

Finding 2019 – 019:

CFDA #20.205 and 20.219 – Highway Planning and Construction Cluster

CFDA #84.287 – Twenty-First Century Community Learning Centers

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 #93.959 – 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 2018-020)

Federal Grant Number(s) and Year(s): N78000 (7/01/2018 – 6/30/2019), S287C180038 (7/01/2018 – 12/30/2020), S287C170038 (7/01/2017 – 12/30/2019), S287C160038 (7/01/2016 – 12/30/2018), S287C140038 (7/01/2014 – 12/30/2016), 1901PATANF (10/01/2018 – 9/30/2019), 1801PATANF (10/01/2017 – 9/30/2018), 1901PAFOST (10/01/2018 – 9/30/2019), 1801PAFOST (10/01/2017 – 9/30/2018), 1901PADPT (10/01/2018 – 9/30/2019), 1801PAADPT (10/01/2017 – 9/30/2018), 1901PASOSR (10/01/2018 – 9/30/2019), 1801PASOSR (10/01/2017 – 9/30/2018), 3B08TI010044-19 (10/01/2018 – 9/30/2020), 2B08TI010044-18 (10/01/2017 – 9/30/2019), 2B08TI010044-17 (10/01/2016 – 9/30/2018)

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, 2019. 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, 2019****Finding 2019 – 019: (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
HPC Cluster	\$186,545	-	-	No	No	-
Twenty-First Century	\$45,249	-	-	-	-	-
TANF – Child Welfare	\$49,682	No	No	No	-	No (1)
TANF – PDE Teen Parenting	\$14,266	-	-	-	-	No
Foster Care – Counties	\$201,522	No	No	No	-	No (1)
Foster Care – Non-Profit Contract	\$11,850	No	No	No	-	No
Adoption Assistance – Counties	\$80,405	No	No	No	-	No (1)
SSBG – Homeless Services	\$4,183	-	-	-	-	No
SSBG – Domestic Violence	\$5,972	-	-	-	-	No
SSBG – Family Planning	\$2,013	-	-	-	-	No
SSBG – Rape Crisis	\$1,719	-	-	-	-	No
SSBG – Legal Services	\$4,546	-	-	-	-	No
SABG – DHS	\$1,983	-	-	-	-	No

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 019: (continued)

Program	Federal Award Identification Number	Name of Federal Awarding Agency	CFDA Number	CFDA Title
HPC Cluster	-	-	No	No
Twenty-First Century	No (2)	-	-	-
TANF – Child Welfare	No	No	-	-
TANF – PDE Teen Parenting	-	-	-	-
Foster Care – Counties	No	No	-	-
Foster Care – Non-Profit Contract	No	No	No	No
Adoption Assistance – Counties	No	No	-	-
SSBG – Homeless Services	-	-	-	-
SSBG – Domestic Violence	-	-	-	-
SSBG – Family Planning	-	-	-	-
SSBG – Rape Crisis	-	-	-	-
SSBG – Legal Services	-	-	-	-
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) Although an evaluation of subrecipient risk was conducted, the only risk factor used in the evaluation was the error rate detected for the county subrecipients. The evaluation is deemed inadequate since there was no written evidence that the risk assessment considered other risk factors, such as the risk factors identified in 2 CFR Section 200.331.

(2) The incorrect federal award identification number was included in the subrecipient’s award documents for three out of 17 subrecipients tested.

COMMONWEALTH OF PENNSYLVANIA

Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 019: (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*, 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 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 019: (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 adequately document their evaluation of each subrecipient's risk of noncompliance as cited in 2 CFR Section 200.331 for purposes of determining the appropriate subrecipient monitoring related to the subaward.

PennDOT Response:

PennDOT agrees with the finding.

PDE Response:

PDE agrees with the finding.

DHS 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, 2019

Various Agencies

Finding 2019 – 020:

CFDA #20.205 and 20.219 – Highway Planning and Construction Cluster
CFDA #66.458 – Capitalization Grants for Clean Water State Revolving Funds
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

A Material Weakness and Material Noncompliance Exist in the Commonwealth’s Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2018-021)

Federal Grant Number(s) and Year(s): N78000 (7/01/2018 – 6/30/2019), CS-420001-18 (7/01/2018 – 6/30/2025), 1901PATANF (10/01/2018 – 9/30/2019), 1801PATANF (10/01/2017 – 9/30/2018), 1901PACSES (10/01/2018 – 9/30/2019), 1804PACSES (10/01/2017 – 9/30/2018), G1901PACCDF (10/01/2018 – 9/30/2019), G1801PACCDF (10/01/2017 – 9/30/2018), 1901PAFOST (10/01/2018 – 9/30/2019), 1801PAFOST (10/01/2017 – 9/30/2018), 1901PAADPT (10/01/2018 – 9/30/2019), 1801PAADPT (10/01/2017 – 9/30/2018), 1901PASOSR (10/01/2018 – 9/30/2019), 1801PASOSR (10/01/2017 – 9/30/2018), 1905PA5021 (10/01/2018 – 9/30/2020), 1805PA5021 (10/01/2017 – 9/30/2019), 1905PA5MAP (10/01/2018 – 9/30/2019), 1805PA5MAP (10/01/2017 – 9/30/2018), 3B08TI010044-19 (10/01/2018 – 9/30/2020), 2B08TI010044-18 (10/01/2017 – 9/30/2019), 2B08TI010044-17 (10/01/2016 – 9/30/2018)

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 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 Section 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, 2019 audit of the Commonwealth’s process for review and resolution of subrecipient Single Audits included an evaluation of the Commonwealth’s fiscal year ended June 30, 2018 subrecipient audit universe for audits due for submission to the FAC during the fiscal year ended June 30, 2019. We also evaluated the Commonwealth’s review of 106 subrecipient audit reports with findings in major programs/clusters which were identified on the Commonwealth agencies’ tracking lists as submitted to the FAC during the fiscal year ended June 30, 2019, and required management decisions by Commonwealth agencies.

COMMONWEALTH OF PENNSYLVANIA

Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 020: (continued)

Our testing disclosed the following audit exceptions regarding the Commonwealth agencies' review of subrecipient audit reports:

- Department of Drug and Alcohol Programs (DDAP): The time period for making a management decision on findings ranged from approximately 8.7 months to 29.5 months after the FAC acceptance date for three out of six subrecipient audit reports with findings. There was also a delay in the completion of the SEFA reconciliation for one of the three subrecipient audit reports.
- Department of Human Services (DHS): The time period for making a management decision on findings ranged from approximately 7.6 months to 16.1 months after the FAC acceptance date for 22 out of the 26 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. In addition, our review disclosed that eight subrecipient audit reports with findings for which DHS was the lead agency were submitted late to the FAC, with FAC acceptance dates ranging from approximately one month to 10.8 months after the nine month Single Audit due date.
- Pennsylvania Infrastructure Investment Authority (PENNVEST): Our review disclosed that material unaudited dollars in the amount of \$3,831,514 existed for the Clean Water State Revolving Funds program, since one out of 13 required subrecipient audit reports for equivalency loans in the fiscal year ended June 30, 2018 subrecipient audit universe had not been submitted to the FAC as of our January 2020 test date, over 16 months after the September 30, 2018 Single Audit due date.
- Department of Transportation (PennDOT): The time period for making a management decision on findings ranged from approximately 6.1 months to 9.1 months after the FAC acceptance date for 13 out of the 20 subrecipient audit reports with findings. In addition, our review disclosed that five subrecipient audit reports with findings for which PennDOT was the lead agency were submitted late to the FAC, with FAC acceptance dates ranging from approximately three weeks to 3.6 months after the nine month Single Audit due date.

As a follow-up to the prior year finding, we noted that the Commonwealth subgranted federal funds totaling \$255,926,922 to the City of Philadelphia during the fiscal year ended June 30, 2018, for which a Single Audit was not submitted to the FAC until December 10, 2019, over 8.4 months after the March 31, 2019 due date. Our testing disclosed that DHS's and DDAP's subgrants to the City of Philadelphia were material for six of the 21 major programs/clusters with material subgranted funds.

Our follow-up on the prior year finding also disclosed that the Commonwealth subgranted federal funds totaling \$30,305,441 to Bucks County during the fiscal year ended December 31, 2017. The audit was not submitted to the FAC until March 14, 2019, which was 5.5 months after the September 30, 2018 due date.

DHS was the lead agency for the City of Philadelphia and Bucks County audits.

Criteria: 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 020: (continued)

(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.

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).

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 020: (continued)

(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.*
- (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*, 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. PennDOT personnel indicated a misunderstanding existed with respect to the FAC acceptance date being the start of the six month period for making management decisions.

Regarding late and outstanding audit report submissions, the Commonwealth agencies did 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.

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Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 020: (continued)

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 misspending 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.

Finally, additional federal pass-through funds may be unaudited in the future without timely and effective remedial action from Commonwealth agencies to enforce compliance.

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 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.

DDAP Response:

DDAP agrees with the finding.

DHS Response:

DHS agrees with the finding.

PENNVEST Response:

PENNVEST recognizes that material unaudited dollars in the amount of \$3,831,514 existed for the Clean Water State Revolving Funds program for 2018. McKeesport Municipal Authority was purchased by Pennsylvania American Water on or about December 18, 2017, but the Single Audit was not yet due at the time of the sale. The PENNVEST SEFA coordinator began to request the Single Audit filing on or about October 11, 2018 and followed up each month with the City of McKeesport. PENNVEST did not impose remedial action in this case because the City of McKeesport, on behalf of Pennsylvania American Water, continued to provide updates each month. It should also be noted that PENNVEST reviewed the itemized, final payment request prior to releasing the final payment in the amount \$3,831,514 as well as the final inspection produced by the PA Department of Environmental Protection, which indicated that the construction was complete according to approved plans and specifications. This was an extraordinary circumstance due to the timing of the sale of the entity. PENNVEST will review its policies and procedures to ensure that a contact is in place when an entity is purchased prior to a Single Audit being filed.

PennDOT Response:

PennDOT agrees with the finding.

COMMONWEALTH OF PENNSYLVANIA

Federal Award Findings and Questioned Costs - June 30, 2019

Finding 2019 – 020: (continued)

Auditors' Conclusion: The agency responses from DDAP, DHS, and PennDOT indicated agreement with the finding, and the PENNVEST response acknowledged the finding. No new information was provided which would mitigate the finding. The finding remains as stated. We will evaluate any corrective action in the subsequent audit.

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.

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, 2019

Finding State Agency/Finding Title/Comments

FINDINGS FOR THE YEAR ENDED JUNE 30, 2018:

(Please see Corrective Action Plan Schedule for planned corrective actions for any current year repeat findings.)

FINANCIAL STATEMENT FINDINGS

STATEWIDE (SW)

2018-001 General Computer Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-001)

OA implemented a release management/deployment tool. Application developers do not promote code to production. OA created user roles/profiles for mainframe users and has migrated all mainframe RACFIDs into one or more roles. Roles will be restricted to prevent development staff from promoting code.

2018-002 Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-002)

OA is establishing a policy and procedures to gather, track and ensure SOC reports are collected, on file, and current for all current and future systems where SOC reports can be required. Policy & procedures are being worked on in coordination with Office of the Budget & Legal. Currently under review. Anticipated completion is June 30, 2020.

FEDERAL PROGRAM FINDINGS

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT (DCED)

2018-003 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)

Financial management center staff continued 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. The Center for Community Development has completed its sub-recipient monitoring per the 2018-2019 monitoring schedule.

DEPARTMENT OF EDUCATION (PDE)

2018-004 Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement (A Similar Condition Was Noted in Prior Year Finding 2017-008)

Corrective action was taken.

COMMONWEALTH OF PENNSYLVANIA

Summary Schedule of Prior Audit Findings - June 30, 2019

Finding State Agency/Finding Title/Comments

DEPARTMENT OF EDUCATION (PDE) (Continued)

2018-005 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)

Corrective action was taken.

2018-006 A Material Weakness and Noncompliance Exist in the Pennsylvania Department of Education's Subrecipient Allocation Process

Corrective action was taken.

DEPARTMENT OF HUMAN SERVICES (DHS)

2018-007 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)

Bureau of Operations Staff Development completed the PowerPoint slides on physical card security, exceptions, reconciliation procedures, and a review of common errors and used them as a standalone training tool to immediately address the concerns in the audit finding. While Staff Development initially planned to convert this 18-slide training into an LSO version, it determined that it would be more effective to incorporate it into the existing EBT Card Database Security training. As a result, the planned completion date has been moved back.

Staff Development will be integrating the 18 slides into the existing 62-slide presentation in a logical flow and to match formatting. This is expected to be completed by the end of August 2019. Once that is completed, the expanded training must be re-recorded in its entirety. Re-recording is expected to be complete by late September 2019.

Finally, the LSO training will be posted by early December, and first used beginning in December 2019 as part of the mandatory annual compliance training for personnel involved in issuing EBT cards.

2018-008 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)

TANF - New Directions, Cash Grants - DHS has developed measures that will be used by DHS staff to collect and evaluate financial information of subrecipients. DHS is continuing to work to identify staff to perform this monitoring. TANF - Alternatives to Abortion – Office of Social Programs conducted their subrecipient monitoring during the year ended June 30, 2018, based on its risk assessment. The risk assessment for the year ending June 30, 2019 is in process.

2018-009 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)

Corrective action was taken.

COMMONWEALTH OF PENNSYLVANIA

Summary Schedule of Prior Audit Findings - June 30, 2019

Finding State Agency/Finding Title/Comments

DEPARTMENT OF HUMAN SERVICES (DHS) (Continued)

- 2018-010 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)

OCYF is striving to ensure annual inspections occur within 365 days of the previous inspection. However, critical events may interfere with completion of the paperwork. Staff who conduct the annual inspections are also responsible for conducting investigations of suspected child abuse, fatalities and near fatalities. OCYF has started tracking the timeframes toward assuring timely completion of the entire licensing process.

- 2018-011 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)

OA-SSBG: A subrecipient risk assessment has been conducted for fiscal year 2018-2019. Subrecipients receiving a "high risk" designation are prioritized for desk reviews of supporting documentation or on-site monitoring visits. A desk review of Lackawanna County and the Lackawanna/Susquehanna Behavioral Health and Intellectual Disabilities program have been completed. Since only two desk reviews were performed, we expect this finding will be repeated in the June 30, 2019 audit. CAP completion is anticipated by December 31, 2019. The monitoring procedures have been streamlined to an extent and the results of the streamlining will be evaluated on an on-going basis to determine if changes are needed. As it relates to cash management, the DHS is exploring the feasibility of other payment options than those currently in place. OPD-SSBG: Grant Programs under the Office of Policy and Development (OPD) [formerly 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. Since the monitoring responsibility has changed offices and staff, there has been a delay in the risk assessments. Risk assessments for FY 18-19 have been completed by OPD. Risk assessments for FY 19-20 are in process. Monitoring will prioritize subrecipients receiving a "high risk" designation and/or those who have not had monitoring in the past year. Monitoring for FY 19-20 will occur in the Spring 2020.

DEPARTMENT OF LABOR AND INDUSTRY (L&I)

- 2018-012 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)

Corrective action was taken.

- 2018-013 Significant Deficiency and Noncompliance Exist Over Subrecipient Monitoring

Corrective action was taken.

COMMONWEALTH OF PENNSYLVANIA

Summary Schedule of Prior Audit Findings - June 30, 2019

Finding State Agency/Finding Title/Comments

DEPARTMENT OF LABOR AND INDUSTRY (L&I) (Continued)

- 2018-014 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)

EPR Compliance Reports - Report 247 (Eligibility Compliance) and Report 248 (IPE Compliance) are being reviewed and used by staff as they prepare to use them during the EPR cycle beginning 7/1/19. We are still receiving feedback from users and will assess any change in performance levels during the quarter beginning 7/1/19. Electronic Signature (remote capability) - This initiative was part of the system release in June 2019. We are receiving feedback and will address any needed changes, as well as expanding the remote signature offering to other forms within the system.

A team from the RSA will be on-site and we will discuss all audit findings and subsequent CAPs in an effort to solicit feedback/guidance from RSA with the goal of ensuring closure of our findings in the very near future.

- 2018-015 A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry's Procedures Related to Period of Performance Requirements

System Changes - As part of the system release in August 2019, we are incorporating business rules into the system to ensure that service authorizations dated either prior to or immediately after October 1st are funded with the correct FFY funding stream. The system enhancements and business rules should be ready for system testing in late July.

Custom Adhoc Report - We are also working on a report to complement the changes being made within the system. The report will assess service authorizations made prior to October 1st that have yet to be settled and paid.

DEPARTMENT OF TRANSPORTATION (PennDOT)

- 2018-016 Significant Deficiency and Noncompliance Related to Supporting Documentation of Conflict of Interest Statements for Procurement of Consultant Agreements

Corrective action was taken.

OFFICE OF ADMINISTRATION, OFFICE FOR INFORMATION TECHNOLOGY (OA-OIT)

- 2018-017 Information Technology General Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2017-004)

Secondary accounts were not created because this approach does not address the "excessive number of users with administrative rights". An IT management solution (solution) is being identified. Software licenses were purchased to test the solution in the staging environment. It was determined it only works for servers located within the cloud environment and not on-premise servers located within the Commonwealth's data center. The software company was asked to provide a proposed timetable for the ability to use this solution within the Commonwealth's data center. Anticipated completion is June 30, 2020.

- 2018-018 Deficiencies in Information Technology General Controls (A Similar Condition Was Noted in Prior Year Finding 2017-003)

Corrective action was taken.

COMMONWEALTH OF PENNSYLVANIA

Summary Schedule of Prior Audit Findings - June 30, 2019

Finding State Agency/Finding Title/Comments

OFFICE OF THE BUDGET, OFFICE OF COMPTROLLER OPERATIONS (OB-OCO)

2018-019 Material Noncompliance and a Material Weakness Exist Over the Preparation and Submission of the Quarterly CMS-64 Report

Corrective action was taken.

STATEWIDE (SW)

2018-020 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 2017-020)

Aging and PDE have taken corrective action on the issues indicated for the programs listed in the finding.

DHS TANF has completed subrecipient risk assessments. ODP-ICF/ID: ODP sent budget and rate letters to ICF/ID providers on August 9, 2018 that included all the required Federal Award information. A Monitoring Plan for Private ICF/ID providers has been drafted and is awaiting final approval by ODP Executive Staff. After approval, a risk assessment will be performed on all ICF/ID providers. High risk providers will be chosen, and monitoring visits will be scheduled. CAP completion is anticipated by September 30, 2019. OA-SSBG: A subrecipient risk assessment has been conducted for FY 18-19. A desk review of Lackawanna County and the Lackawanna/Susquehanna Behavioral Health and Intellectual Disabilities program have been completed. As it relates to the identification of federal award information, specific to Child Welfare (CW), OA-BFO communicated the federal SSBG requirements to the county CW programs with the notification of the county's FY 18-19 fourth quarter payment. SABG: Philadelphia is the only county that receives SABG funds through OIM for housing services. The money is passed-through DHS-OIM from DOH. OA-BFO will include the monitoring of the SABG funds in their review of Philadelphia. OCYF-Foster Care and Adoption Assistance: The fiscal year 19-20 allocation letters will be issued shortly, and the federal award information will be shared by December 31, 2019. OCYF has a risk assessment process in place for Title IV-E and TANF awards, based on the number of eligible cases per county. OPD-SSBG/TANF: Grant Programs under the Office of Policy and Development (OPD) have received federal restrictions and requirements provided under the OMB UG 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. Since the monitoring responsibility has changed offices and staff, there has been a delay in the risk assessments. Risk assessments for FY 18-19 have been completed by OPD. Risk assessments for FY 19-20 are in process. Monitoring will prioritize subrecipients receiving a "high risk" designation and/or those who have not had monitoring in the past year. Monitoring for FY 19-20 will occur in the Spring 2020.

PennDOT has addressed the award ID issue in certain contracts and continues to make strides towards updating all applicable agreement templates. The updates are in progress and PennDOT anticipates meeting the objectives by December 31, 2020. PennDOT continues to maintain oversight of its subrecipients monthly and contacts those that have not submitted expected audit reports. PennDOT will continue to tweak and streamline the oversight process as needed.

COMMONWEALTH OF PENNSYLVANIA

Summary Schedule of Prior Audit Findings - June 30, 2019

Finding State Agency/Finding Title/Comments

STATEWIDE (SW) (Continued)

2018-021 Material Noncompliance and a Material Weakness Exist in the Commonwealth's Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2017-021)

PDE has taken corrective action.

DDAP's Division of Budget and Grants Management have been working with a limited staff. However, additional grant funding has made it possible for DDAP to hire additional staff. Training will occur for the appropriate individuals. CAP is on track for anticipated completion date.

DHS anticipates that their backlog will be eliminated before June 30, 2020. DHS is continuing to explore ways to further streamline the Single Audit review process. We have also had additional meetings with the Bureau of Audits in Comptroller Operations to discuss ways of streamlining the 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. We continue to have discussions within DHS regarding this consideration. DHS is continuing 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.

PennDOT implemented recording new subrecipients on the appropriate tab, assigning a tracking number on the spreadsheet with a status of "Open" for each subrecipient, downloading and storing the subrecipient folder from the Bureau of Audits on PennDOT's collaborative directory on the shared drive, and reviewing and processing of the reports with a follow-up for missing information. The duration for processing is narrowing closer to the three-month goal internal time frame.

PENNVEST maintains a comprehensive tracking list that contains all equivalency projects that have disbursed any funds during the audit period. All of those projects will now be reviewed and reconciled in hopes to eliminate the possibility of omitting projects where PENNVEST was not aware they were the lead agency or responsible for the required follow-up.

FINDINGS FOR THE YEAR ENDED JUNE 30, 2017:

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)

Refer to finding 2018-001 for the status of this issue.

2017-002 Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2016-004)

Refer to finding 2018-002 for the status of this issue.

COMMONWEALTH OF PENNSYLVANIA

Summary Schedule of Prior Audit Findings - June 30, 2019

Finding State Agency/Finding Title/Comments

FEDERAL PROGRAM FINDINGS

DEPARTMENT OF AGING

2017-003 Deficiencies in Information Technology Controls Over the Pennsylvania Department of Aging's Financial Reporting Requirements System

Refer to finding 2018-018 for the status of this issue.

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)

Refer to finding 2018-017 for the status of this issue.

DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT (DCED)

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)

Refer to finding 2018-003 for the status of this issue.

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)

Refer to finding 2018-004 for the status of this issue.

2017-009 Material Noncompliance and a Material Weakness Exist in Pennsylvania Department of Education Monitoring of Child and Adult Care Food Program Subrecipients

Refer to finding 2018-005 for the status of this issue.

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)

Refer to finding 2018-007 for the status of this issue.

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)

Refer to finding 2018-010 for the status of this issue.

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)

Refer to finding 2018-008 for the status of this issue.

COMMONWEALTH OF PENNSYLVANIA

Summary Schedule of Prior Audit Findings - June 30, 2019

Finding State Agency/Finding Title/Comments

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

Refer to finding 2018-009 for the status of this issue.

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)

Refer to finding 2018-011 for the status of this issue.

DEPARTMENT OF LABOR AND INDUSTRY (L&I)

2017-018 Department of Labor and Industry Did Not Comply With Unemployment Insurance Program Integrity Requirements

Refer to finding 2018-012 for the status of this issue.

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)

Refer to finding 2018-014 for the status of this issue.

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)

Refer to finding 2018-020 for the status of this issue.

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)

Refer to finding 2018-021 for the status of this issue.

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Management's Corrective Action Plans



Commonwealth of Pennsylvania



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

JEN SWAILS
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Corrective Action Plans - June 30, 2019

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-001	OA-OIT	<p>Nicole M. Ryan, Cross Agency Dir. for App. Delivery</p> <p>Frank Morrow, Program Mgr., Enterprise Info Security Office</p> <p>Kevin Mace, Comp. Service Delivery Mgr.</p>	<p>Information Technology General Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2018-001)</p> <p>1. OA-OIT believes the accounts and access in question are currently documented and assigned to the appropriate staff.</p> <p>2. OA-OIT EISO has implemented special accounts to use as temporary stop gap until an Enterprise Privileged Identification Management system can be procured and implemented.</p> <p>3. OA-OIT is in the process of implementing automated controls that will automatically notify the account holders' supervisor after a set number of days and will then revoke the account access after a set number of days from that notification if no action taken.</p>	<p>Completed</p> <p>12/31/2020</p> <p>06/30/2020</p>
2019-002	OA-OIT	<p>Jennifer Fullerton, OSAM</p>	<p>Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2018-002)</p> <p>OA-OIT is in the process of implementing policy, processes, procedures and training in addition to updating contract conditions to ensure vendor responsibilities. There will be better management to ensure SOC reports are received timely and have a documented review of the controls contained in the reports.</p>	<p>06/30/2020</p>

COMMONWEALTH OF PENNSYLVANIA

Corrective Action Plans - June 30, 2019

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-003	OA-OIT	Patti Chapman, Director, IES	<p>Elevated Access Privilege Monitoring Controls Within the Integrated Enterprise System Need Improvement</p> <p>This finding was isolated to one specific area. There have been automation changes and organizational changes that will ensure management oversight. OA has offered to demonstrate the new process for the auditors.</p>	03/31/2020
2019-004	DCED	Kathy Possinger, Director, Center for Community and Housing Development	<p>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 2018-003)</p> <p>During the year under review DCED continued to implement the multi-year monitoring approach developed in its subrecipient monitoring plan update in July 2017. The framework addresses on-site and remote oversight of grantee compliance in all areas of program delivery, environmental review, labor standards, fair housing and equal opportunity and financial management.</p> <p>DCED successfully completed the monitoring of 175 contracts, including 63 on-site visits during the audit period.</p> <p>DCED has also developed and implemented a new tracking tool to log and track submission of MAPR reports and staff review of submissions.</p> <p>Per the corrective action identified in 2018, DCED continues to prioritize completion of the outstanding pre-2014 CDBG entitlement contracts, with specific attention to the 46 grantees whose CDBG entitlement contracts are now being administered by their respective county.</p> <p>In 2019-2020, DCED will complete on-site monitoring of 34 grantees per the monitoring schedule.</p> <p>Additionally, DCED will complete 20 remote environmental review monitorings, 20 labor standards monitorings and 20 fair housing and equal opportunity monitorings.</p>	06/30/2020
2019-005	DDAP	Tia J. Roebuck, Director, Division of	<p>A Significant Deficiency and Noncompliance Exist in the Department of Drug and Alcohol Programs Related to Period of Performance Requirements</p> <p>DDAP is in the process of developing and implementing procedures surrounding the reconciliation of the Substance Abuse Block Grant (SABG). Generally, the SABG reconciliation occurs when the Department is preparing the SABG reports for the Substance Abuse and Mental Health Services</p>	07/01/2020

COMMONWEALTH OF PENNSYLVANIA

Corrective Action Plans - June 30, 2019

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-005 (cont'd)		Budget and Grants Management	Administration (SAMHSA), typically a year after the grant ends. Moving forward, DDAP will be working to reconcile the block grant on a monthly basis. By performing a monthly reconciliation, the Department will be able to ensure costs are incurred within the proper period of performance and/or complete any necessary adjustments to correct costs inadvertently incurred outside of the period of performance. In addition, the Department will work with other agencies to ensure that any direct costs are applied to the applicable grant performance period.	
2019-006	PDE	Benjamin Hanft, Division Chief, Division of Subsidy Administration	<p>A Significant Deficiency and Noncompliance Exist Over the Pennsylvania Department of Education’s Reporting of the Annual State Per Pupil Expenditure Amount</p> <p>PDE does not believe that this finding constitutes a “significant deficiency.” Although USDE approved the adequacy of existing controls in its August 2016 program determination letter, PDE will also institute an additional procedure. The added step will enable PDE to determine which LEAs have not submitted a revised ACS form when revised attendance or membership data have been uploaded into the system. This new manual compensating control will enable PDE to compare one set of ADA with a newer set to determine if data for any LEAs changed. PDE will then cross-reference that comparison with the ACS received from each LEA to determine if a new report is required and will contact the LEA accordingly.</p> <p>As stated in 2016, if at any time PDE is provided with a mechanism for forcing LEAs to submit a revised ACS form, or is given the authority to levy a penalty against those LEAs that fail to comply, PDE will use those powers with fidelity.</p>	06/30/2021
2019-007	DHS	Jeanette Coulston, Income Maintenance Program Representative	<p>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 2018-007)</p> <p>The EBT Project Officer makes quarterly updates to the manual. The EBT Project Officer will send updates directly to the Executive Directors and the EBT Coordinators to ensure dissemination of information reaches staff timely.</p> <p>The Division of Corrective Action (DCA) continue to monitor EBT security including the following:</p> <ul style="list-style-type: none"> • Correct count procedures of cards • Secure storage of card and card machines • Interviewing EBT coordinators • Interviewing EBT card makers • Conduct audits both announced and unannounced 	03/31/2020

COMMONWEALTH OF PENNSYLVANIA

Corrective Action Plans - June 30, 2019

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-007 (cont'd)			<p>Staff Development completed new EBT Security training module and it was provided to LSO on 11/26/19. The training was available to staff on 12/2/19. Training will be completed each year.</p> <p>A section will be added to the Director of Operations end of the week report, detailing where the EBT manual can be found on the OIM home page. Card printer and card maker responsibilities can be found in the manual.</p> <p>A link to the manual was provided to the CAO showing Executive Director responsibilities concerning ensuring staff members have a single role when issuing EBT cards. No staff member should have dual access to the PIN Select Device and the card creation process.</p>	
2019-008	DHS	<p>Michael Varleta, Dir., Div. of Mgmt. & Budget, OIM</p> <p>Joel O'Donnell, Dir., Bur. of Program Support, OIM</p> <p>Cassie Hourlland, Grants and Policy Specialist, OPD</p>	<p>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 2018-008)</p> <p><u>New Directions</u> The Office of Income Maintenance (OIM) will be updating agency monitoring personnel checklists in FY 2019-20 to include testing various financial controls of select grantees based on their risk assessment scores.</p> <p>The updates to the checklist began on March 1, 2020 and should be completed by March 31, 2020.</p> <p><u>Alternatives to Abortion</u> The Office of Policy Development (OPD) completed the risk assessment for FY 18-19 in August 2019. The risk assessment identified the Alternatives to Abortion program as one of the grantees who would receive an on-site monitoring visit in FY 19-20. OPD plans on scheduling the subrecipient on-site monitoring visit for the third quarter of the fiscal year. This monitoring will be completed by May 2020.</p>	<p>06/30/2020</p> <p>05/31/2020</p>

COMMONWEALTH OF PENNSYLVANIA

Corrective Action Plans - June 30, 2019

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-009	DHS	Tia Petrovitz, Fiscal Management Specialist 4	<p>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 2018-010)</p> <p>The OCYF Regional Director is currently meeting with the Regional Offices involved to address and correct the situation. The OCYF Regional Offices would be adhering to the DHS policy when a licensing inspection summary will be written within 15 business days of the last day of the inspection, the counties will have 10 calendar days to respond to our plan of correction (POC). That POC needs to be reviewed by the regional office within 10 business days for compliance. The licensing inspection summary will be sent to Harrisburg for processing. The OCYF Regional Director staff will be doing periodic checks on a quarterly basis to verify the documentation is submitted timely.</p> <p>Concerning the monitoring of subrecipients, OCYF is working on a strategy to strengthen controls to ensure CCYAs are monitoring their subrecipients and contractors. Updated policies and procedures will be identified by June 30, 2020; and implemented in July 2020.</p>	07/31/2020
2019-010	DHS	Kelly Leighty, Director, Division of Financial Policy and Operations	<p>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 2018-011)</p> <p>The DHS expends Social Services Block Grant (SSBG) funds through several program offices, and directly on certain contracts.</p> <p>Office of Administration (OA): 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>A subrecipient risk assessment has been conducted for fiscal year 2019-2020. The first review for the year began in October 2019.</p> <p>The monitoring procedures have been streamlined to an extent and the results of the streamlining will be evaluated on an on-going basis to determine if changes are needed.</p> <p>As it relates to cash management, given the relatively small amounts of money involved and the number of counties affected, DHS has determined that it is not economically feasible to change the payment</p>	06/30/2020

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-010 (cont'd)		Cassie Hourlland, Grants & Policy Specialist, OPD	methodology at this time. Office of Policy Development (OPD): Risk assessments have been completed for fiscal year 2019-2020 for the grant programs managed. Monitoring will occur in the 3rd quarter of the fiscal year.	May 2020
2019-011	L&I	Stan Swaintek, Acting Director, Bureau of Blindness and Visual Services Stephanie Perry, Acting Director, Bureau of Vocational Rehabilitation Services	<p>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 2018-014)</p> <p>All offices will receive a statewide Status 02 and Status 10 Accountability plan (Standard Operating Procedure [SOP]) that they will begin to follow upon release.</p> <ol style="list-style-type: none"> 1. Stephanie Perry and Stan Swaintek will write and implement the SOP by COB March 2020. 2. As part of the SOP, monthly Status 02 and Status 10 reports will be sent out by CO to each District Office management team by a central office designated individual. Reports will be saved in the T-Drive for reference and will be stored for no more than 2 years. 3. Offices will have until 7/1/2020 to implement the SOP and to address compliance of any outstanding cases related to 02 or 10. 4. Effective 7/1/2020 offices will be monitored for ongoing compliance of the Accountability Plan and for statistical compliance for all Status 02 and Status 10 cases by OVR Central Office (Compliance Officer). <ol style="list-style-type: none"> a. The Compliance Officer will document all offices standing and submit a report to the OVR Executive Director and Executive Leadership Team on compliance performance with these cases. <ol style="list-style-type: none"> i. Monitoring will occur by quarter. ii. If by the end of each quarter an office is not compliant with their Status 02 or Status 10 the District Manager will receive a Memorandum of Instruction (MOI), as well as, technical assistance from their supervisor (Bureau Director/Regional Manager, etc.) and the compliance specialist(s) that will result in the development of a CAP for their office to address the compliance issues with the standards as outlined in the SOP/Back to Basics, etc. 	July 2020

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-011 (cont'd)			<ul style="list-style-type: none"> iii. If a Manager receives two consecutive MOI's related to the Status 02 or Status 10, they will receive an interim EPR with a needs improvement in the work results section. <ul style="list-style-type: none"> 1. Other sections' ratings will be up to the manager's supervisor per existing protocols/expectations. iv. If compliance is reached prior to the end of the interim EPR quarter, the interim EPR will be removed from the record and will not be held against the manager at their annual EPR unless there are other areas of improvement documented and necessary per their supervisor/reviewing officer discretion. <ul style="list-style-type: none"> 1. Bureau Directors or their designee will have discretion regarding the issuance of MOIs or Interim EPRs if extenuating circumstances warrant it (ex: excessive vacancies, staff on Performance Improvement Plans, etc.) b. District Managers will be informed of this new requirement at the March 2020 Executive Director meeting, which will allow 3 months for offices to work on compliance issues, train staff, or otherwise address the situation prior to the ongoing and regular monitoring that will take effect on 7/1/2020. <p>5. Offices will continue to refer to OVR Back to Basics or other resources for additional information.</p>	
2019-012	L&I	<p>Ryan Hyde, Director Central Operations</p> <p>Nichole Nedinsky, Division Chief, Financial Management & Administrative Services</p> <p>Nat Raney, Systems and</p>	<p>A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry's Procedures Related to Period of Performance Requirements (A Similar Condition Was Noted in Prior Year Finding 2018-015)</p> <p>Due to the timing of the receipt of the initial period of performance audit finding, OVR had administered the start of 10/1/2018 the same as the year prior, resulting in some of the continued issues. OVR has endeavored to make significant changes to how we administer funds in the system, how services are coded to the correct period of performance and has made multiple communications to staff to address issues associated to the period of performance requirements. OVR continues to evaluate the internal controls associated with period of performance requirements and we are looking for additional ways to ensure that staff are adhering to the requirements and that the system is updated to prevent period of performance violations when possible.</p> <p>The following outlines, at a high level, what has already been done and additional actions that are being planned associated with period of performance changes within the program:</p> <p>OVR implemented updated fiscal procedures on 7/1/2019 that added information about period of performance. As part of the updated fiscal procedures, a separate period of performance guidance</p>	10/01/2020

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-012 (cont'd)		Evaluation Supervisor	<p>document (also dated 7/1/2019) was issued to explain to staff the issues associated with period of performance. Both documents can be provided upon request. A training was held related to the changes associated with period of performance and end of year fiscal management was presented to OVR supervisors and managers on 8/28/2019. A document was made available that summarized the changes to the fiscal procedures, etc. An overview was also provided to OVR fiscal assistants on 9/19/2019.</p> <p>In the fall of 2019, OVR changed the way it disbursed funds through the system to limit the issues associated with period of performance. Fall college costs were estimated and reserved out of funds that were ending and authorized prior to the start of the new FFY, with the intent that the majority of all fall college/training costs would be purchased using FFY funds that were ending on 9/30/2019. New funds were then held until 10/1/2019 for all additional services and a several day moratorium that started on 9/20/2019 was implemented. During this moratorium, all POs were reviewed and either maintained, reduced, or canceled. The unused funds in the system were swept to create a clear delineation between the end and start of the two FFY in the two systems used. This was implemented at the end of the FFY to allow offices to clear up their outstanding balances and plan for the usage of the new funds that would be awarded following 10/1/2019. A series of communications also began on 8/28/2019, providing instructions for the end of the year and included information on period of performance. An additional series of communications went out on 1/23/2020 providing additional instructions on fiscal processing, etc., including information on period of performance. Additional communications will be provided to all OVR staff through the remainder of the existing FFY to help ensure that offices are monitoring open commitments and processing items accordingly. In January and February of 2020 offices were asked to review all open commitments prior to 10/1/2019 that remained open and to maintain, reduce, or cancel them as appropriate.</p> <p>Several changes were also made to the case management system to update business rules and internal controls related to period of performance issues. The updated business rules were input prior to 10/1/2019 to better track and ensure that the system is applying the correct financial coding to invoices based on the obligation FFY. Additional internal controls are scheduled to be implemented in the system before June 2020. OVR continues to reevaluate the rules associated to period of performance and we have had several conversations with RSA regarding how to best implement additional internal controls around these requirements. OVR anticipates issuing new guidance in April 2020 related to period of performance and is reviewing the existing business rules to determine if additional actions are necessary prior to the end of the current FFY. OVR will continue to manage the disbursement of new funds in a similar manner to fall 2019 to ensure that services are not authorized prior to the start of the new FFY using the new grant.</p> <p>Additional changes were also made to how invoices and coding have been applied outside of the system</p>	

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-012 (cont'd)			for things like rent, utilities, etc. Those practices will be maintained moving forward to ensure better compliance with the period of performance rules. The internal orders associated with the new federal funds will not be opened by the Comptroller to receive expenditures prior to the receipt of the grant award notice or October 1 st (whichever is later) in order to ensure no expenditures will be charged to the grant before the period of performance starts. If circumstances do not allow for changes within the system, written guidelines and procedures are being put into place to ensure processes are not compromised if there is a change in staff.	
2019-013	L&I	Nichole Nedinsky, Division Chief, Financial Management & Administrative Services	<p>Significant Deficiency and Noncompliance Related to the Department of Labor and Industry's Preparation and Submission of the Semi-Annual SF-425 Report</p> <p>The SF-425 review process will be detailed in instructions that require a multi-level review in both the Comptroller's office as well as within the program office to ensure that all information is reported correctly on the report. A checklist was created that includes all internal order numbers that were in use for the specific grant and indicates which portion of the grant the expenditures are to be reported under. The instructions will provide details as to where the information contained within the report can be located within SAP reports.</p> <p>A revised SF-425 report will be submitted to by the end of April 2020 to correct all misstatements.</p>	04/30/2020
2019-014	OA-OIT	<p>Dustin Rhoads, CIO, Public Safety Delivery Center</p> <p>Frank Morrow, Program Manager, EISO</p> <p>Kevin Mace, Computer Service Delivery Manager</p>	<p>Information Technology General Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2018-017)</p> <ol style="list-style-type: none"> 1. Remove write access from developers and have database administrators be the only staff with write access to databases. Developers can retain read access for troubleshooting and debugging. 2. OA-OIT EISO has implemented special accounts to use as a temporary stop gap until a system solution can be procured and implemented. 3. OA-OIT is in the process of implementing automated controls that will automatically notify the account holders' supervisor after a set number of days and will then revoke the account access after a set number of days from that notification if no action taken. 	<p>12/31/2020</p> <p>12/31/2020</p> <p>06/30/2020</p>

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-015	OB-OCO	Tammy S. Miller, Administrative Officer 4	<p>Control Weaknesses and Noncompliance Exist in Foster Care and Adoption Assistance Related to Period of Performance Requirements</p> <p>1. The amounts that were posted in Foster Care (FC) Federal Fiscal Year (FFY) 18 and Adoption Assistance (AA) FFY18 after the close of the FFY i.e., September 30, 2018 have been transferred to FC FFY19 and AA FFY19 through SAP adjustments. The FFY18 FC and AA internal orders (IOs) were closed upon completion of SAP adjustments.</p> <p>2. OCO has created a FFY checklist that includes a step to close the prior FFY IOs and open the new FFY IOs effective on close of business September 30th. In the future, the checklist and manager review will serve as the controls to ensure the FC and AA IOs are closed in SAP immediately after the close of FFY. This will prevent expenditure postings in the new FFY using prior FFY IOs, except for cost allocations and any other adjusting entries that are necessary to accurately complete federal financial reporting.</p> <p>3. As a further validation step, the OCO Department of Human Services General Accounting team is maintaining a federal financial report tracking schedule. This tracking sheet contains all the grants, reporting frequency, reporting system, and due dates. The tracking sheet is routinely monitored by the manager to ensure timely submission of reports. Upon submission of the final federal financial report to the manager, staff will inform the manager via email that all IOs have been closed. The manager will review and certify the final report.</p>	<p>Completed</p> <p>Completed</p> <p>10/31/2020</p>
2019-016	OB-OCO	Tammy S. Miller, Administrative Officer 4	<p>Control Weaknesses and Noncompliance Exist Over the Preparation and Submission of the Quarterly CB-496 Reports</p> <p>1. The amounts that were posted in Foster Care (FC) Federal Fiscal Year (FFY) 18 and Adoption Assistance (AA) FFY18 after the close of the FFY i.e., September 30, 2018 have been transferred to FC FFY19 and AA FFY19 through SAP adjustments. The FFY18 FC and AA internal orders (IOs) were closed upon completion of SAP adjustments.</p> <p>2. OCO has created a FFY checklist that includes a step to close the prior FFY IOs and open the new FFY IOs effective on close of business September 30th. In the future, the checklist and manager review will serve as the controls to ensure the FC and AA IOs are closed in SAP immediately after the close of FFY. This will prevent expenditure postings in the new FFY using prior FFY IOs, except for cost allocations and any other adjusting entries that are necessary to accurately complete federal financial reporting.</p>	<p>Completed</p> <p>Completed</p>

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-016 (cont'd)			<p>3. As a further validation step, the OCO Department of Human Services General Accounting team is maintaining a federal financial report tracking schedule. This tracking sheet contains all the grants, reporting frequency, reporting system, and due dates. The tracking sheet is routinely monitored by the manager to ensure timely submission of reports. Upon submission of the final federal financial report to the manager, staff will inform the manager via email that all IOs have been closed. The manager will review and certify the final report.</p> <p>4. The difference between the CB-496 and actual expenses will be reported in the next quarterly report submission. Prior reports can only be corrected within 90 days after submission.</p> <p>5. OCO has created a reconciliation report to keep track of any differences between the actual expense for the period and the amounts reported on the CB-496 report. In the future, the reconciliation report and manager review will serve as the controls to ensure the FC and AA expenses are correctly reported. This will prevent reporting an overstatement or understatement of expenditures in the CB-496 report.</p>	<p>10/31/2020</p> <p>04/30/2020</p> <p>Completed</p>
2019-017	PCCD	<p>Derin Myers, Dir., OFMA</p> <p>Elizabeth Romero, Mgr., Fin. Admin.</p>	<p>A Significant Deficiency and Noncompliance Exist in the Pennsylvania Commission on Crime and Delinquency's Procedures Related to Period of Performance Requirements</p> <p>Internal operating procedures have been revised to include additional verification that the period of performance and the lapse date of the federal award have been cross-referenced to ensure that federal grants are charged correctly. The procedure includes a multi-person review and documentation of the result confirming eligibility of the expenditures.</p>	Completed
2019-018	PCCD	<p>Kathleen Buckley, Director, Office of Victim Services</p> <p>Jeffrey Blystone, Deputy</p>	<p>Material Weakness and Material Noncompliance Exist in the Pennsylvania Commission on Crime and Delinquency Monitoring of Crime Victim Assistance Program Subrecipients</p> <p>1. As part of the Victims of Crime Act (VOCA) Federal Guidelines of 2016, State Administering Agencies (SAA) of VOCA funding must conduct on-site monitoring of all subrecipients at least every two years, unless a different frequency, based on a risk assessment, is set out in a monitoring plan. PCCD submitted a risk-based monitoring plan to the federal Office of Victims of Crime in 2018 which was subsequently approved in 2019 and is being implemented with the 2020 monitoring schedule. The approved monitoring plan is based on a scored risk assessment that determines the appropriate financial and programmatic monitoring, including the frequency of on-site visits. The results of risk-based monitoring plan will help guide PCCD to make the appropriate financial and programmatic monitoring schedules for each organization. The results of the scored risk assessment will determine the agency's</p>	Completed

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-018 (cont'd)		Director, Office of Victim Services	<p>risk level of either high, medium or low risk.</p> <ul style="list-style-type: none"> • Newly funded and high-risk agencies will have an on-site monitoring visit every 2 years. • Medium-risk agencies will have an on-site monitoring visit every 3 years. • Low-risk agencies will have an on-site monitoring visit every 4 years. <p>2. PCCD has increased staffing to specifically address the increased monitoring workload that resulted from the quadrupling of VOCA funds. This increase in staff has enabled PCCD to address the increased volume of work by allowing for a more reasonable assignment of duties to staff members, including the number of on-site monitoring visits that each staff member will need to conduct annually.</p> <p>3. All existing staff within the Office of Victim Services (OVS) will receive updated training on monitoring activities in 2020, to include the PCCD policy on monitoring deadlines. Newly hired staff will receive training on monitoring within three (3) months of hire.</p>	<p>Completed</p> <p>06/01/2020</p>
2019-019	PennDOT	<p>Allen Melley, Civil Engineer Manager, Bureau of Project Delivery, Highway Administration</p> <p>P. Oliver Kerwin, Deputy Chief Counsel</p> <p>Michael H. Kline, Senior Counsel, Office of Chief Counsel</p>	<p>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 2018-020)</p> <p>PennDOT is working on updating its reimbursement agreements. PennDOT and PennDOT's Office of Chief Counsel (OCC) will work to ensure that the federally funded templates currently in the agreement system (system) and those to be uploaded include: the CDFA 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"> 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, 2020. 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. 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. 3. Completed templates will be uploaded into the agreement testing system following completion of the template updates. It is anticipated that testing would be completed on or before November 30, 2020. 4. After testing, the updated templates will be loaded into the system for use by PennDOT personnel. 	<p>12/31/2020</p>

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-019 (cont'd)			<p>5. Certain completed reimbursement agreement templates, updated to include the required federal award information, have already been uploaded into the system. These include transportation alternatives set-aside and bridge inventory and inspection agreements. Because of detailed effort involved in updating a template in the system—the templates cannot simply be modified to incorporate the required federal award information not currently included—updating other templates is dependent on making substantive revisions to those templates. Those substantive revisions are currently underway but will require approval from various stakeholders before proceeding to completion.</p> <p>6. Efforts are also underway, with the assistance of PennDOT IT personnel, to implement modifications to the system itself that will streamline making template changes in the future.</p> <p>On or before December 31, 2020, PennDOT will require the use of the system by users utilizing the templates that are covered by PennDOT Publication 740.</p> <p>Besides uploading many of PennDOT’s reimbursement agreements into the system, the following actions will be taken:</p> <ol style="list-style-type: none"> 1. OCC attorneys who assist in the drafting and reviewing of reimbursement agreements (including paper versions executed outside of the system) will be made aware of the federal requirements and will make sure agreements they draft or review have the required information. 2. PennDOT persons who are responsible for reimbursement agreements (including paper agreements executed outside of the system) will be made aware of the federal requirements and will make sure agreements they draft or review have the required information. 	
	PDE	<p>Maribel Martinez, Fiscal Mgmt. Specialist 1</p> <p>Andrew Hansrote, Fiscal Technician</p>	<p>Twenty-First Century: PDE will maintain the correct award identification number documents on hand when processing grants to avoid using incorrect numbers. PDE will pre proof documents before sending out final contracts.</p> <p>TANF – PDE Teen Parenting: The risk assessments were completed for all grantees for the July 1, 2019 through June 30, 2020 period on June 5, 2019. Going forward, the risk assessments will be completed before each program year.</p>	<p>Completed</p> <p>Completed</p>

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
<p>2019-019 (cont'd)</p>	<p>DHS</p>	<p>Kelly Leighty, Director, Division of Financial Policy and Operations</p>	<p>OA-SSBG: The SSBG-Homeless and SABG will be added to the risk assessment tool. 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. The monitoring of the SABG funds is included in the OA-BFO review of Philadelphia, but it was not documented.</p>	<p>03/31/2020</p>
		<p>Cassie Hourlland, Grants and Policy Specialist, OPD</p>	<p>OPD-SSBG: Grant Programs under the Office of Policy and Development (OPD) are provided federal restrictions and requirements under the Office of Management and Budget’s Uniform Guidance once per year. Procedures for the evaluation of subrecipient risk were implemented in October 2017. Risk assessments for FY 19-20 were completed in August 2019. Monitoring will prioritize subrecipients receiving a “high risk” designation and/or those who have not had monitoring in the past year. Monitoring for FY 19-20 will occur in the Spring 2020. Monitoring visits are currently being scheduled with grantees.</p>	<p>06/30/2020</p>
		<p>Tia Petrovitz, Fiscal Management Specialist 4</p>	<p>OCYF-Foster Care and Adoption Assistance: The fiscal year 19-20 allocation letters were issued August 8, 2019. Federal award information will be shared by March 31, 2020. OCYF has a risk assessment process in place for Title IV-E and TANF awards. During the quality assurance reviews, which occur twice a year at a minimum, OCYF reviews a sample of Title IV-E eligible foster care cases, Title IV-E ineligible foster care cases, Title IV-E eligible adoption assistance cases, and TANF eligible cases. Depending on the number of eligibility and claiming errors identified during the review, OCYF schedules more frequent visits as the risk of repeated and continued errors in these CCYAs is higher. Inaccurate eligibility determinations lead to inaccurate federal claiming so basing the review schedule on a CCYA’s eligibility review outcomes allows OCYF to target those CCYAs where inaccurate claiming is a higher risk.</p>	<p>03/31/2020</p>
<p>2019-020</p>	<p>DDAP</p>	<p>Tia J. Roebuck, Director, Division of Budget and Grants Management</p>	<p>A Material Weakness and Material Noncompliance Exist in the Commonwealth’s Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2018-021)</p> <p>DDAP continues to face personnel challenges which makes processing the backlog of audits extremely difficult. In addition, current staff have limited knowledge of performing these auditing functions. The Department is working with the Department of Human Services (DHS) Shared Services to develop and implement procedures to streamline the process as well as address auditing issues related to funds distributed by DDAP. The Department will continue to work with the DHS Shared Services to assist staff with instruction on the completion of these auditing tasks. DDAP 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.</p>	<p>12/31/2020</p>

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2019-020 (cont'd)	DHS	David Bryan, Manager, Audit Resolution Section	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 are continuing to have meetings with OB-BOA to discuss ways of streamlining the process further.	06/30/2020
		Alexander Matolyak, Director, Division of Audit and Review	Regarding enforcement of the subrecipients' submission deadlines, we will continue to monitor the 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. 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. We continue to have conversations with the City of Philadelphia and their independent auditors. Their goal is still to submit the June 30, 2019 single audit timely.	
	PENNVEST	Heather Brookmyer, Loan Servicing Officer, SEFA Coordinator	PENNVEST reviewed and revised its policies and procedures to ensure that a contact is in place when a subrecipient is purchased by a third party, prior to a single audit being filed.	
	PennDOT	David Maynard, Administrative Officer 1 Kathryn Tartaglia, Administrative Officer 2	PennDOT implemented changes in the audit report resolution process after the last auditor testing period that went into effect the end of 2019. Additional changes PennDOT plans on completing: 1. Adding a column for the Federal Audit Clearinghouse (FAC) date to the Subrecipient Case File Database. 2. Sending out an acknowledgement and reminder letter for current and future subrecipients who provide a single audit report past their deadline.	03/31/2020

Appendix



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APPENDIX - Legend of Abbreviations - June 30, 2019

The following legend presents descriptions of abbreviations that appear throughout the report:

<u>ABBREVIATION</u>	<u>DESCRIPTION</u>
AA	Adoption Assistance
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
CVA	Crime Victim Assistance
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
DMVA	Department of Military and Veterans Affairs
DOD	United States Department of Defense
DOE	United States Department of Energy
DOH	Department of Health

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Legend of Abbreviations (Continued) - June 30, 2019

<u>ABBREVIATION</u>	<u>DESCRIPTION</u>
DOI	United States Department of Interior
DOJ	United States Department of Justice
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
FAC	Federal Audit Clearinghouse
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
IESO	Integrated Enterprise Systems Office
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

COMMONWEALTH OF PENNSYLVANIA

Legend of Abbreviations (Continued) - June 30, 2019

<u>ABBREVIATION</u>	<u>DESCRIPTION</u>
OMB	Office of Management and Budget
OVR	Office of Vocational Rehabilitation
PCCD	Pennsylvania Commission on Crime and Delinquency
PDA	Pennsylvania Department of Aging
PDE	Pennsylvania Department of Education
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
USDOJ	United States Department of Justice
USDOL	United States Department of Labor
WIA	Workforce Investment Act
WIC	Women, Infants, and Children
WIOA	Workforce Innovation and Opportunity Act