



# Single Audit Report

For the Fiscal Year Ended June 30, 2016



Commonwealth of Pennsylvania

Tom Wolf, Governor



**Commonwealth of Pennsylvania**  
**Single Audit Report**  
**For the Fiscal Year Ended June 30, 2016**



*Tom Wolf, Governor*

Prepared By:

*Randy C. Albright, Secretary*  
**Office of the Budget**

*Brenda Warburton*  
*Chief Financial Officer*

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

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**Commonwealth of Pennsylvania  
Single Audit Report  
For the Fiscal Year Ended June 30, 2016**

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COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

RANDY ALBRIGHT  
SECRETARY  
GOVERNOR'S OFFICE OF THE BUDGET

March 17, 2017

To the United States Department of Health and Human Services:

We are pleased to submit the Commonwealth of Pennsylvania's Single Audit Report for the fiscal year ended June 30, 2016. 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, 2016 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 \$28.8 billion of federal expenditures by the Commonwealth during the fiscal year ended June 30, 2016. Most of the \$28.8 billion in federal expenditures occurred in nine state agencies, as follows:

AGENCY NAME	<b>FEDERAL EXPENDITURES</b> <u>(in thousands)</u>
Human Services	\$20,577,342
Labor & Industry	2,893,474
Education	2,022,288
Transportation	1,928,415
Health	417,159
Military & Veterans Affairs	124,072
Aging	121,970
Community & Economic Development	118,853
Agriculture	104,370
Subtotal	<u>\$28,307,943</u>
Other Agencies (27)	475,897
Grand Total	<u>\$28,783,840</u>

For purposes of the Commonwealth's single audit, a Type A federal program is any program with federal expenditures of at least \$43.2 million. Of the \$28.8 billion expended, 95 percent, or \$27.5 billion, represents expenditures under federal programs audited as major programs. The Summary of Auditors' Results lists the Commonwealth's 25 major federal programs for the fiscal year ended June 30, 2016.

*FINDINGS AND RECOMMENDATIONS - CURRENT YEAR*

The accompanying report for the fiscal year ended June 30, 2016 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 60 findings are described from single audits between the years ended June 30, 2014 through June 30, 2015.

*INDEPENDENT AUDIT*

The Commonwealth's June 30, 2016 single audit and basic financial statement audit were performed jointly by the Department of the Auditor General and the independent public accounting firm of CliftonLarsonAllen LLP. The audits were performed pursuant to the authority vested in the Auditor General and the Governor under Section 402 of the Fiscal Code of 1929, and in the Governor under Section 701 of the Administrative Code of 1929.

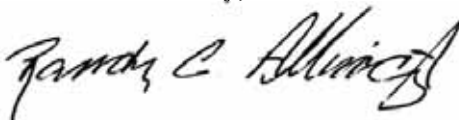
*REPORTS OF OTHER INDEPENDENT AUDITORS*

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

**ACKNOWLEDGMENTS**

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

Sincerely,



Randy C. Albright  
Secretary of the Budget

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# Independent Auditors' Reports



Commonwealth of Pennsylvania



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



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**INDEPENDENT AUDITORS' REPORT**

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

We have jointly audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2016, 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 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
<b>Government-Wide</b>						
Business-type Activities	7%	20%	23%	2%	17%	1%
Component Units	0%	0%	18%	43%	82%	57%
<b>Fund statements</b>						
Enterprise Funds	7%	20%	23%	2%	17%	1%
Fiduciary Funds	1%	1%	0%	0%	90%	90%
<b>Discretely Presented Component Units</b>	0%	0%	18%	43%	82%	57%

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, the Philadelphia Regional Port Authority and the Pennsylvania e-Health Partnership 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, 2016, 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 S). 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 18-41, the schedules of funding progress and employer contributions, schedules of pension amounts – Commonwealth's proportionate share of the net pension liability, and Commonwealth's

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

schedule of contributions and the budgetary comparison schedules on pages 174-181, 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, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, 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 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 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, 2016



Baltimore, Maryland  
December 12, 2016



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



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

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

We have jointly audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2016, 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, 2016. 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. 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, the Philadelphia Regional Port Authority and the Pennsylvania e-Health Partnership 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.

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

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 were not 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 2016-001 through 2016-005 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**

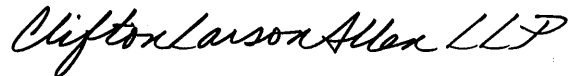
The Commonwealth's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Commonwealth's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no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

#### **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, 2016



Baltimore, Maryland  
December 12, 2016



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



**CliftonLarsonAllen**

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

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

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

We have jointly audited the Commonwealth of Pennsylvania's (Commonwealth) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2016. 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 \$8.6 billion in federal awards and \$32 billion of federal loan guarantees that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2016. 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commonwealth's compliance.

***Basis for Adverse Opinion on the Major Federal Program Identified in the Following Table***

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

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program</b>	<b>Compliance Requirement</b>
Department of Community and Economic Development	2016-010	14.228	Community Development Block Grants – State's Program	Subrecipient Monitoring
Various	2016-028	14.228	Community Development Block Grants – State's Program	Subrecipient Monitoring

Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to the Community Development Block Grants – State's Program.

***Adverse Opinion on the Major Federal Program Identified Above***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the Commonwealth did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grants – State's Program for the year ended June 30, 2016.



***Basis for Qualified Opinion on the 22 Major Federal Programs Identified in the Following Table***

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

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
Department of Community and Economic Development	2016-011	93.568	Low-Income Home Energy Assistance	Subrecipient Monitoring
Department of Education	2016-012	10.558	Child and Adult Care Food Program	Activities Allowed or Unallowed, Allowable Costs, Eligibility, Subrecipient Monitoring
Department of Human Services	2016-016	10.551 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster	Special Tests and Provisions related to EBT Card Security
		93.558	Temporary Assistance for Needy Families	
Department of Human Services	2016-017	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring
		93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
Department of Human Services	2016-020	93.575 93.596	CCDF Cluster	Special Tests and Provisions related to Health and Safety Requirements
Department of Human Services	2016-022	93.667	Social Services Block Grant	Cash Management, Subrecipient Monitoring
Department of Labor and Industry	2016-025	17.258 17.259 17.278	WIA/WIOA Cluster	Subrecipient Monitoring
Department of Labor and Industry	2016-026	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Eligibility, Special Tests and Provisions related to Completion of Individualized Plans for Employment

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
Various	2016-028	10.553 10.555 10.556 10.559	Child Nutrition Cluster	Subrecipient Monitoring
		10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	
		10.558	Child and Adult Care Food Program	
		17.258 17.259 17.278	WIA/WIOA Cluster	
		20.205 20.219 23.003	Highway Planning and Construction Cluster	
		66.458	Capitalization Grants for Clean Water State Revolving Funds	
		84.010	Title I Grants to Local Educational Agencies	
		84.027 84.173	Special Education Cluster	
		84.367	Improving Teacher Quality State Grants	
		93.044 93.045 93.053	Aging Cluster	
		93.558	Temporary Assistance for Needy Families	
		93.563	Child Support Enforcement	
		93.568	Low-Income Home Energy Assistance	
		93.575 93.596	CCDF Cluster	

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
	2016-028 (continued)	93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
		93.667	Social Services Block Grant	
		93.767	Children’s Health Insurance Program	
		93.775 93.777 93.778	Medicaid Cluster	
		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 22 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, 2016.

***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, 2016.

***Other Matters***

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

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
Office of the Budget – Office of Comptroller Operations	2016-007	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Cash Management
Office of the Budget – Office of Comptroller Operations	2016-008	93.775 93.777 93.778	Medicaid Cluster	Reporting
Department of Education	2016-013	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions related to Identifying Schools and LEAs Needing Improvement, Special Tests and Provisions related to the Annual Report Card, High School Graduation Rate
Department of Health	2016-014	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Special Tests and Provisions related to Compliance Investigations of High- Risk Vendors
Department of Human Services	2016-015	10.551 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
		93.558	Temporary Assistance for Needy Families	
		93.563	Child Support Enforcement	
		93.658	Foster Care – Title IV-E	
		93.667	Social Services Block Grant	
		93.775 93.777 93.778	Medicaid Cluster	
Department of Human Services	2016-018	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
Department of Human Services	2016-019	93.558	Temporary Assistance for Needy Families	Reporting
Department of Human Services	2016-021	93.575 93.596	CCDF Cluster	Special Tests and Provisions related to Fraud Detection and Repayment
Department of Human Services	2016-022	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management, Subrecipient Monitoring
Department of Human Services	2016-023	93.775 93.777 93.778	Medicaid Cluster	Activities Allowed or Unallowed, Allowable Costs, Eligibility
Various	2016-027	10.553 10.555 10.556 10.559	Child Nutrition Cluster	Subrecipient Monitoring
		10.558	Child and Adult Care Food Program	
		20.205 20.219 23.003	Highway Planning and Construction Cluster	
		84.010	Title I Grants to Local Educational Agencies	
		84.367	Improving Teacher Quality State Grants	
		93.044 93.045 93.053	Aging Cluster	
		93.558	Temporary Assistance for Needy Families	
		93.568	Low-Income Home Energy Assistance	
		93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
		93.667	Social Services Block Grant	

State Administering Agency	Finding Number	CFDA Number	Federal Program/Cluster	Compliance Requirement
	2016-027 (continued)	93.775 93.777 93.778	Medicaid Cluster	
		93.959	Block Grants for Prevention and Treatment of Substance Abuse	

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 were not identified. However, as discussed below, we identified 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 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 2016-010, 2016-011, 2016-012, 2016-013, 2016-016, 2016-017, 2016-020, 2016-022, 2016-025, 2016-026, 2016-027, and 2016-028 to be material weaknesses.

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

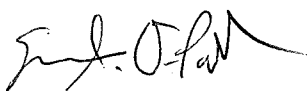
A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important 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 2016-006, 2016-007, 2016-008, 2016-009, 2016-014, 2016-015, 2016-018, 2016-019, 2016-021, 2016-022, 2016-023, and 2016-024 to be significant deficiencies.

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

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

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

We have jointly audited the financial statements, issued under separate cover, of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth as of and for the year ended June 30, 2016, 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, 2016, 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 17, 2017



Baltimore, Maryland  
March 17, 2017

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# Schedule of Expenditures of Federal Awards



Commonwealth of Pennsylvania

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>U.S. Department of Agriculture</b>				
	<i>SNAP Cluster:</i>			
10.551	Supplemental Nutrition Assistance Program		2,726,399	
10.561	State Admin Matching Grants for Supp Nutrition Assist Prgm		<u>196,223</u>	36,016
	<i>Total SNAP Cluster</i>			2,922,622
	<i>Child Nutrition Cluster:</i>			
10.553	School Breakfast Program		112,067	111,863
10.555	National School Lunch Program (Cash Assistance)	372,522		372,167
10.555	National School Lunch Program (Food Commodities)	<u>51,426</u>		51,426
	<i>Total National School Lunch Program</i>		423,948	
10.556	Special Milk Program for Children		318	318
10.559	Summer Food Service Program for Children (Cash Assistance)	16,306		15,712
10.559	Summer Food Service Program for Children (Food Commodities)	<u>173</u>		173
	<i>Total Summer Food Service Program for Children</i>		<u>16,479</u>	
	<i>Total Child Nutrition Cluster</i>			552,812
	<i>Food Distribution Cluster:</i>			
10.565	Commodity Supplemental Food Program (Cash Assistance)	2,578		2,576
10.565	Commodity Supplemental Food Program (Food Commodities)	<u>9,185</u>		9,185
	<i>Total Commodity Supplemental Food Program</i>		11,763	
10.568	Emergency Food Assistance Program (Administrative Costs)		2,390	1,313
10.569	Emergency Food Assistance Program (Food Commodities)		<u>27,652</u>	27,652
	<i>Total Food Distribution Cluster</i>			41,805
10.025	Plant and Animal Disease, Pest Control, and Animal Care		2,458	315
10.162	Inspection Grading and Standardization		39	
10.163	Market Protection and Promotion		115	
10.170	Specialty Crop Block Grant Program - Farm Bill		1,145	898
10.171	Organic Certification Cost Share Programs		312	
10.304	Homeland Security - Agricultural		52	
10.435	State Medication Grants		17	
10.458	Crop Insurance Education in Targeted States		684	340
10.547	Professional Standards for School Nutrition Employees		3	
10.557	Special Supp Nutrition Prgm for Women, Infants, and Children		186,930	46,434

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
10.558	Child and Adult Care Food Program (Cash Assistance)	117,025		115,910
10.558	Child and Adult Care Food Program (Food Commodities)	70		70
	Total Child and Adult Care Food Program		117,095	
10.560	State Administrative Expenses for Child Nutrition		7,270	
10.572	WIC Farmers' Market Nutrition Program (FMNP)		1,698	230
10.574	Team Nutrition Grants		108	
10.576	Senior Farmers Market Nutrition Program		1,796	
10.578	WIC Grants to States (WGS)		162	18
10.579	Child Nutrition Discretionary Grants Limited Availability		654	375
10.582	Fresh Fruit and Vegetable Program		4,267	4,266
10.664	Cooperative Forestry Assistance		2,162	546
10.665	Schools and Roads - Grants to States		2,533	2,533
10.676	Forest Legacy Program		1	
10.678	Forest Stewardship Program		19	
10.680	Forest Health Protection		426	
10.681	Wood Education and Resource Center (WERC)		6	
10.903	Soil Survey		6	
10.912	Environmental Quality Incentives Program		309	279
10.913	Farm and Ranch Lands Protection Program		117	
10.926	Chesapeake Bay Watershed Program		1	1
<b>Total - U.S. Department of Agriculture</b>			<b>\$3,847,624</b>	<b>\$800,616</b>
<b>U.S. Department of Commerce</b>				
11.307	Economic Adjustment Assistance		5	
11.407	Interjurisdictional Fisheries Act of 1986		15	
11.419	Coastal Zone Management Administration Awards		1,749	705
11.474	Atlantic Coastal Fisheries Cooperative Management Act		86	
11.549	State and Local Implementation Grant Program		1,111	
11.558	ARRA - State Broadband Data and Development Grant Program		2	
<b>Total - U.S. Department of Commerce</b>			<b>\$2,968</b>	<b>\$705</b>
<b>U.S. Department of Defense</b>				
12.112	Payments to States in Lieu of Real Estate Taxes		376	376
12.400	Military Construction, National Guard		692	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
12.401	National Guard Military Operations and Maintenance Projects	54,118	
12.614	Community Econ Adj Assist For Adv Planning & Econ Divers.	1,031	696
<b>Total - U.S. Department of Defense</b>		<b>\$56,217</b>	<b>\$1,072</b>
<b>U.S. Department of Housing and Urban Development</b>			
14.228	Community Development Block Grants/State's Program	33,529	30,806
14.231	Emergency Solutions Grant Program	5,513	5,193
14.235	Supportive Housing Program	45	
14.239	Home Investment Partnerships Program	10,996	9,062
14.241	Housing Opportunities for Persons with AIDS	2,122	2,120
14.267	Continuum of Care Program	511	
14.269	Hurricane Sandy CDBG Disaster Recovery Grants	18	
14.401	Fair Housing Assistance Program - State and Local	291	
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	213	195
<b>Total - U.S. Department of Housing and Urban Development</b>		<b>\$53,238</b>	<b>\$47,376</b>
<b>U.S. Department of the Interior</b>			
<i>Fish and Wildlife Cluster:</i>			
15.605	Sport Fish Restoration Program	7,960	
15.611	Wildlife Restoration and Basic Hunter Education	25,000	
<i>Total Fish and Wildlife Cluster</i>			32,960
15.250	Regulation of Surface Coal Mining	11,926	5
15.252	Abandoned Mine Land Reclamation (AMLR) Program	36,965	370
15.433	Flood Control Act Lands	22	22
15.438	National Forest Acquired Lands	14	14
15.608	Fish and Wildlife Management Assistance	16	
15.615	Cooperative Endangered Species Conservation Fund	166	
15.616	Clean Vessel Act	5	
15.622	Sportfishing and Boating Safety Act	69	
15.634	State Wildlife Grants	2,419	
15.657	Endangered Species Conservation - Recovery Implement Funds	58	
15.662	Great Lakes Restoration	1,313	
15.808	U.S. Geological Survey - Research and Data Collection	71	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
15.810	National Cooperative Geologic Mapping Program	108	
15.814	National Geological & Geophysical Data Preservation Program	20	
15.904	Historic Preservation Fund Grants-In-Aid	1,162	90
15.916	Outdoor Recreation - Acquisition, Development and Planning	2,589	2,582
15.926	American Battlefield Protection	31	
15.928	Civil War Battlefield Land Acquisition Grants	883	883
15.930	Chesapeake Bay Gateways Network	15	
15.957	HPF Grants to Provide Disaster Relief for Hurricane Sandy	255	97
<b>Total - U.S. Department of the Interior</b>		<b>\$91,067</b>	<b>\$4,063</b>
<b>U.S. Department of Justice</b>			
16.004	Law Enforcement Asst - Narcotics & Dangerous Drugs Training	913	
16.017	Sexual Assault Services Formula Program	411	411
16.523	Juvenile Accountability Block Grants	122	96
16.540	Juvenile Justice & Delinquency Prevention - Alloc to States	1,370	1,035
16.550	State Justice Statistics Prgm for Statistic Analysis Centers	99	
16.560	Natl Inst of Justice Research, Eval and Devel Project Grants	43	
16.575	Crime Victim Assistance	23,220	22,138
16.576	Crime Victim Compensation	3,573	
16.588	Violence Against Women Formula Grants	4,408	4,011
16.593	Residential Substance Abuse Treatment for State Prisoners	94	
16.606	State Criminal Alien Assistance Program	1,600	
16.609	Project Safe Neighborhoods	96	96
16.610	Regional Information Sharing Systems	5,030	
16.727	Enforcing Underage Drinking Laws Program	25	
16.734	Special Data Collections and Statistical Studies	16	
16.735	PREA: Demonstration Projects to Establish "Zero Tolerance"	138	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	9,472	7,121
16.741	DNA Backlog Reduction Program	1,108	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	121	78
16.750	Support for Adam Walsh Act Implementation Grant Program	287	117
16.751	Edward Byrne Memorial Competitive Grant Program	676	222
Passed Through:	The Council of State Governments (Agreement Number 15-SA-161-2210)		
16.751	Edward Byrne Memorial Competitive Grant Program	187	58
	Total Edward Byrne Memorial Competitive Grant Program	863	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant Prgm		(12)	(12)
16.816	John R. Justice Prosecutors and Defenders Incentive Act		77	
16.827	Justice Reinvestment Initiative		2	
16.922	Equitable Sharing Program		3,773	
<b>Total - U.S. Department of Justice</b>			<b>\$56,849</b>	<b>\$35,371</b>
<b>U.S. Department of Labor</b>				
<i>Employment Service Cluster:</i>				
17.207	Employment Service/Wagner-Peyser Funded Activities	26,394		
17.801	Disabled Veterans' Outreach Program (DVOP)	3,749		
17.804	Local Veterans' Employment Representative Program	2,013		
<i>Total Employment Service Cluster</i>			32,156	
<i>WIA/WIOA Cluster:</i>				
17.258	WIA/WIOA Adult Program	23,030		22,589
17.259	WIA/WIOA Youth Activities	31,344		29,059
17.278	WIA/WIOA Dislocated Worker Formula Grants	34,344		28,976
<i>Total WIA/WIOA Cluster</i>			88,718	
17.002	Labor Force Statistics		2,226	
17.005	Compensation and Working Conditions		229	
17.225	Unemployment Insurance		2,469,305	244
17.235	Senior Community Service Employment Program		4,054	4,054
17.245	Trade Adjustment Assistance		21,414	12,787
17.260	WIA Dislocated Workers		(5)	(2)
17.267	Incentive Grants - WIA Section 503		948	818
17.268	H-1B Job Training Grants		(7)	(7)
17.271	Work Opportunity Tax Credit Program (WOTC)		659	
17.273	Temporary Labor Certification for Foreign Workers		745	
17.277	WIOA Natl Dislocated Worker Grants / WIA Natl Emergency Grants		3,839	3,682
17.281	WIOA Dislocated Worker Natl Reserve Tech Assist & Train		322	
17.282	Trade Adj Assistance Community College & Career Training		736	
17.283	Workforce Innovation Fund		16	10
17.600	Mine Health and Safety Grants		494	
<b>Total - U.S. Department of Labor</b>			<b>\$2,625,849</b>	<b>\$102,210</b>

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>U.S. Department of Transportation</b>				
<i>Highway Planning and Construction Cluster:</i>				
20.205	Highway Planning and Construction		1,771,051	193,734
20.219	Recreational Trails Program		1,506	1,259
23.003	Appalachian Development Highway System		77,107	
	<i>Total Highway Planning and Construction Cluster</i>		<u>1,849,664</u>	
<i>Federal Transit Cluster:</i>				
20.500	Federal Transit - Capital Investment Grants		2,812	1,285
20.507	Federal Transit - Formula Grants		884	39
	<i>Total Federal Transit Cluster</i>		<u>3,696</u>	
<i>Transit Services Programs Cluster:</i>				
20.513	Enhanced Mobility of Seniors & Individuals with Disabilities		13,939	13,939
20.516	Job Access and Reverse Commute Program		1,390	1,390
20.521	New Freedom Program		221	221
	<i>Total Transit Services Programs Cluster</i>		<u>15,550</u>	
<i>Highway Safety Cluster:</i>				
20.600	State and Community Highway Safety		12,595	5,108
20.612	Incentive Grant Program to Increase Motorcyclist Safety		207	
20.616	National Priority Safety Programs		5,632	4,659
	<i>Total Highway Safety Cluster</i>		<u>18,434</u>	
20.106	Airport Improvement Program		6,835	6,440
20.200	Highway Research and Development Program		370	
20.218	National Motor Carrier Safety		7,277	
20.232	Commercial Driver's License Program Improvement Grant		548	
20.319	ARRA - High-Speed Rail and Intercity Passenger Rail Service		32,860	32,372
20.505	Metro Trans Planning & State & Non-Metro Planning & Research		5,339	
20.509	Formula Grants for Rural Areas		14,391	13,462
20.520	Paul S. Sarbanes Transit in the Parks		55	55
20.523	Capital Assistance Program for Reducing Energy Consumption		800	800
20.614	Nat Highway Traffic Safety Admin Discretionary Safety Grants		269	
20.700	Pipeline Safety Program State Base Grant		1,782	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
20.703	Interagency Hazardous Materials Training and Planning Grants	512	392
20.720	State Damage Prevention Program Grants	100	
20.933	National Infrastructure Investments	14,421	14,421
<b>Total - U.S. Department of Transportation</b>		<b>\$1,972,903</b>	<b>\$289,576</b>
<b>U.S. Department of the Treasury</b>			
21.000	Treasury Equitable Sharing Program	96	
<b>Total - U.S. Department of the Treasury</b>		<b>\$96</b>	<b>\$0</b>
<b>Appalachian Regional Commission</b>			
23.001	Appalachian Regional Development	5	
23.002	Appalachian Area Development	2,357	2,132
<b>Total - Appalachian Regional Commission</b>		<b>\$2,362</b>	<b>\$2,132</b>
<b>Equal Employment Opportunity Commission</b>			
30.001	Employment Discrimination Title VII of the Civil Rights Act	788	
30.002	Employment Discrimination - State and Local Agency Contracts	53	
<b>Total - Equal Employment Opportunity Commission</b>		<b>\$841</b>	<b>\$0</b>
<b>General Services Administration</b>			
39.003	Donation of Federal Surplus Personal Property	3,058	3,058
<b>Total - General Services Administration</b>		<b>\$3,058</b>	<b>\$3,058</b>
<b>National Foundation on the Arts and Humanities</b>			
45.025	Promotion of the Arts - Partnership Agreements	947	36
45.301	Museums for America	40	
45.310	Grants to States	5,561	3,827
<b>Total - National Foundation on the Arts and Humanities</b>		<b>\$6,548</b>	<b>\$3,863</b>



# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>Small Business Administration</b>			
59.061	State Trade and Export Promotion Pilot Grant Program	435	
<b>Total - Small Business Administration</b>		<b>\$435</b>	<b>\$0</b>
<b>U.S. Department of Veterans Affairs</b>			
64.005	Grants to States for Construction of State Home Facilities	1,202	
64.010	Veterans Nursing Home Care	166	
64.014	Veterans State Domiciliary Care	4,812	
64.015	Veterans State Nursing Home Care	42,571	
<b>Total - U.S. Department of Veterans Affairs</b>		<b>\$48,751</b>	<b>\$0</b>
<b>Environmental Protection Agency</b>			
66.001	Air Pollution Control Program Support	4,835	
66.032	State Indoor Radon Grants	336	72
66.034	Surveys, Studies & Activities Relating to the Clean Air Act	784	36
66.202	Congressionally Mandated Projects	97	
66.419	Water Pollution Control State and Interstate Program Support	5,979	
66.432	State Public Water System Supervision	3,881	
66.454	Water Quality Management Planning	448	
66.458	Capitalization Grants for Clean Water State Revolving Funds	55,255	55,255
66.460	Nonpoint Source Implementation Grants	4,366	3,373
66.461	Regional Wetland Program Development Grants	417	
66.466	Chesapeake Bay Program	5,439	3,585
66.468	Capitalization Grants for Drinking Water State Revolving Funds	25,477	16,401
66.469	Great Lakes Program	302	
66.605	Performance Partnership Grants	514	
66.608	Environmental Information Exchange Network Grant Program	127	
66.707	TSCA Title IV State Lead Grants Certification	55	
66.708	Pollution Prevention Grants Program	64	64
66.714	Regional Agricultural IPM Grants	8	
66.801	Hazardous Waste Management State Program Support	4,428	
66.802	Superfund State Site-Specific Cooperative Agreements	25	
66.804	Underground Storage Tank Prevention and Compliance Program	855	
66.805	Leaking Underground Storage Tank Trust Fund Program	1,571	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
66.817	State and Tribal Response Program Grants		428	
<b>Total - Environmental Protection Agency</b>			<b>\$115,691</b>	<b>\$78,786</b>
<b>U.S. Department of Energy</b>				
81.041	State Energy Program		1,353	
81.042	Weatherization Assistance for Low-Income Persons		8,980	8,118
81.138	State Heating Oil & Propane Program		4	
<b>Total - U.S. Department of Energy</b>			<b>\$10,337</b>	<b>\$8,118</b>
<b>U.S. Department of Education</b>				
<i>Special Education Cluster (IDEA):</i>				
84.027	Special Education - Grants to States	439,793		427,713
84.173	Special Education - Preschool Grants	12,181		11,502
<i>Total Special Education Cluster (IDEA)</i>			451,974	
<i>Student Financial Assistance Programs Cluster:</i>				
84.007	Federal Supplemental Educational Opportunity Grants	26		
84.033	Federal Work-Study Program	16		
84.063	Federal Pell Grant Program	2,842		
84.268	Federal Direct Student Loans	2,573		
<i>Total Student Financial Assistance Programs Cluster</i>			5,457	
84.002	Adult Education - Basic Grants to States		17,156	16,472
84.010	Title I Grants to Local Educational Agencies		533,335	528,386
84.011	Migrant Education - State Grant Program		6,782	6,192
84.013	Title I Program for Neglected & Delinquent Children & Youth		971	846
84.042	TRIO - Student Support Services		215	
84.048	Career and Technical Education - Basic Grants to States		40,500	38,255
84.126	Rehabilitation Services - Vocational Rehab Grants to States		122,903	
84.144	Migrant Education - Coordination Program		85	85
84.177	Rehab Serv - Indep Living Services for Older Blind Indiv		1,386	
84.181	Special Education - Grants for Infants and Families		19,577	17,454
84.184	Safe and Drug-Free Schools & Communities - National Programs		248	
84.187	Supp Employment Serv for Indiv with Significant Disabilities		768	
84.191	Adult Education National Leadership Activities		14	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
84.196	Education for Homeless Children and Youth	2,406	2,200
84.265	Rehab Training - State Voc Rehab Unit In-Service Training	302	
84.287	Twenty-First Century Community Learning Centers	40,600	38,349
84.323	Special Education - State Personnel Development	1,392	
84.330	Advanced Placement Program	791	699
84.358	Rural Education	1,597	1,597
84.365	English Language Acquisition State Grants	15,318	14,251
84.366	Mathematics and Science Partnerships	4,388	4,388
84.367	Improving Teacher Quality State Grants	95,532	92,033
84.369	Grants for State Assessments and Related Activities	11,031	
84.371	Striving Readers	32,134	30,556
84.372	Statewide Longitudinal Data Systems	83	
84.377	School Improvement Grants	15,751	14,407
84.384	ARRA - Statewide Data Systems	639	
84.412	Race to the Top - Early Learning Challenge	13,505	8,183
84.413	Race to the Top	9,397	5,050
<b>Total - U.S. Department of Education</b>		<b>\$1,446,237</b>	<b>\$1,258,618</b>
<b>Elections Assistance Commission</b>			
90.401	Help America Vote Act Requirements Payments	1,555	
<b>Total - Elections Assistance Commission</b>		<b>\$1,555</b>	<b>\$0</b>
<b>U.S. Department of Health and Human Services</b>			
<i>Aging Cluster:</i>			
93.044	Special Programs for the Aging - Title III, Part B	21,058	19,792
93.045	Special Programs for the Aging - Title III, Part C	22,078	21,887
93.053	Nutrition Services Incentive Program	5,304	5,304
<i>Total Aging Cluster</i>		48,440	
<i>CCDF Cluster:</i>			
93.575	Child Care and Development Block Grant	256,335	241,167
93.596	Child Care Mandatory and Matching Funds of the CCDF	111,755	111,396
<i>Total CCDF Cluster</i>		368,090	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name		Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
	<i>Medicaid Cluster:</i>			
93.775	State Medicaid Fraud Control Units	5,163		
93.777	State Survey and Cert of Health Care Providers and Suppliers	20,246		
93.778	Medical Assistance Program	15,803,468		1,013,882
	<i>Total Medicaid Cluster</i>		15,828,877	
93.041	Special Programs for the Aging - Title VII, Chapter 3		200	200
93.042	Special Programs for the Aging - Title VII, Chapter 2		606	603
93.043	Special Programs for the Aging - Title III, Part D		911	911
93.048	Special Programs for the Aging - Title IV and Title II		188	
93.052	National Family Caregiver Support, Title III, Part E		6,388	6,388
93.069	Public Health Emergency Preparedness		18,415	4,250
93.070	Environmental Public Health and Emergency Response		1,570	176
93.071	Medicare Enrollment Assistance Program		770	770
93.074	Hospital & Public Health Preparedness Aligned Coop Agreement		824	165
93.079	Cooperative Agreements to Promote Adolescent Health		328	84
93.090	Guardianship Assistance		13,163	12,065
93.092	Affordable Care Act Personal Responsibility Education Prgm		1,086	912
93.094	Well-Integrated Screening & Eval for Women Across the Nation		582	210
93.103	Food and Drug Administration - Research		1,183	
93.104	Community Mental Health Services for Children with SED		534	534
93.110	Maternal and Child Health Federal Consolidated Programs		51	
93.116	Project Grants and Coop Agreements for Tuberculosis Control		783	30
93.127	Emergency Medical Services for Children		120	
93.130	Primary Care Offices Coordination and Dev Coop Agreements		209	
93.136	Injury Prevention & Control Research & State & Comm Prgms		1,526	931
93.150	Projects for Asst in Transition from Homelessness (PATH)		2,365	2,271
93.234	Traumatic Brain Injury State Demonstration Grant Program		303	299
93.235	Affordable Care Act Abstinence Education Program		572	569
93.236	Grants to States to Support Oral Health Workforce Activities		192	189
93.240	State Capacity Building		375	
93.243	Substance Abuse and Mental Health Services - Projects		10,176	9,566
93.251	Universal Newborn Hearing Screening		264	183
93.268	Immunization Cooperative Agreements (Cash Assistance)	8,390		3,234
93.268	Immunization Cooperative Agreements (Vaccines)	85,017		
	<i>Total Immunization Cooperative Agreements</i>		93,407	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
93.270	Adult Viral Hepatitis Prevention and Control	166	
93.283	Centers for Disease Control & Prevention - Investigations	2,145	712
93.292	National Public Health Improvement Initiative	28	
93.305	National State Based Tobacco Control Programs	1,043	10
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	595	
93.324	State Health Insurance Assistance Program	1,828	1,783
93.336	Behavioral Risk Factor Surveillance System	114	
93.369	ACL Independent Living State Grants	661	365
93.448	Food Safety and Security Monitoring Project	79	
93.505	Affordable Care Act Maternal, Infant, Childhood Home Visit	13,086	12,883
93.511	Affordable Care Act Grants for Health Insur Premium Review	250	
93.521	Affordable Care Act - Building Epi, Lab, & Health Info Sys.	549	
93.556	Promoting Safe and Stable Families	9,883	9,852
93.558	Temporary Assistance for Needy Families	462,456	169,563
93.563	Child Support Enforcement	158,120	132,232
93.566	Refugee and Entrant Assistance - State Administered Programs	13,694	4,760
93.568	Low-Income Home Energy Assistance	207,137	29,743
93.569	Community Services Block Grant	27,047	26,222
93.576	Refugee and Entrant Assistance - Discretionary Grants	1,004	805
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	1,218	1,218
93.590	Community-Based Child Abuse Prevention Grants	866	866
93.597	Grants to States for Access and Visitation Programs	317	317
93.599	Chafee Education and Training Vouchers Program (ETV)	1,510	1,510
93.600	Head Start	8,206	8,206
93.602	Assets for Independence Demonstration Program	(73)	(73)
93.609	Affordable Care Act - Medicaid Adult Quality Grants	1	
93.617	Voting Access for Individuals with Disabilities - Gov Grants	134	25
93.624	ACA - State Innovation Models - Design & Testing Assistance	2,462	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	3,425	2,381
93.643	Children's Justice Grants to States	523	523
93.645	Stephanie Tubbs Jones Child Welfare Services Program	9,299	8,353
93.658	Foster Care - Title IV-E	148,684	144,929
93.659	Adoption Assistance	106,460	100,151
93.667	Social Services Block Grant	95,870	79,283
93.669	Child Abuse and Neglect State Grants	627	133
93.671	Family Violence Prevention and Services	3,081	3,081

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2016

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
93.674	Chafee Foster Care Independence Program	4,733	4,733
93.733	Strengthen Public Health Immunization Infrastructure	523	173
93.735	State Health Approaches for Ensuring Quitline Capacity	359	85
93.745	BRFSS Prevention & Public Health Funds	106	
93.752	Cancer Prev & Control Programs Financed in Part by PPHF	2,263	1,536
93.757	State Public Health Actions Financed in Part by PPHF	507	175
93.758	PHHS Block Grant Funded Solely with PPHF	6,662	4,021
93.767	Children's Health Insurance Program	385,316	263,301
93.779	CMS Research, Demonstrations and Evaluations	(23)	(23)
93.791	Money Follows the Person Rebalancing Demonstration	17,841	
93.815	Domestic Ebola Supplement to the ELC for Infectious Diseases	48	
93.817	HPP Ebola Preparedness and Response Activities	2,730	2,506
93.829	Sec 223 Demo Programs to Improve Community MHS	608	557
93.889	National Bioterrorism Hospital Preparedness Program	8,500	6,643
93.917	HIV Care Formula Grants	23,602	8,720
93.940	HIV Prevention Activities - Health Department Based	5,343	928
93.944	HIV/AIDS Surveillance	1,083	
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,194	453
93.946	Coop Agreements to Support Safe Motherhood and Infant Health	185	
93.958	Block Grants for Community Mental Health Services	18,403	17,949
93.959	Block Grants for Prevention and Treatment of Substance Abuse	54,539	45,592
93.977	Preventive Health Serv Sexually Trans Diseases Control Grant	2,243	694
93.994	Maternal and Child Health Services Block Grant to the States	22,040	13,311
<b>Total - U.S. Department of Health and Human Services</b>		<b>\$18,243,798</b>	<b>\$2,569,155</b>
<b>Corporation for National and Community Service</b>			
94.003	State Commissions	231	5
94.006	AmeriCorps	9,212	9,212
<b>Total - Corporation for National and Community Service</b>		<b>\$9,443</b>	<b>\$9,217</b>
<b>Executive Office of the President</b>			
95.001	High Intensity Drug Trafficking Areas Program	3,257	
<b>Total - Executive Office of the President</b>		<b>\$3,257</b>	<b>\$0</b>

**COMMONWEALTH OF PENNSYLVANIA**

**Schedule of Expenditures of Federal Awards - June 30, 2016**

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>Social Security Administration</b>			
96.001	Social Security - Disability Insurance	117,073	
<b>Total - Social Security Administration</b>		<b>\$117,073</b>	<b>\$0</b>
<b>U.S. Department of Homeland Security</b>			
97.008	Non-Profit Security Program	476	476
97.012	Boating Safety Financial Assistance	2,401	
97.023	Community Assistance Program State Support Services Element	274	
97.029	Flood Mitigation Assistance	1,409	1,397
97.036	Disaster Grants - Public Assist (Presidentially Declared)	8,575	6,825
97.039	Hazard Mitigation Grant	6,316	4,613
97.041	National Dam Safety Program	157	
97.042	Emergency Management Performance Grants	12,221	5,272
97.043	State Fire Training Systems Grants	16	
97.044	Assistance to Firefighters Grant	139	
97.045	Cooperating Technical Partners	100	
97.047	Pre-Disaster Mitigation	822	768
97.052	Emergency Operations Centers	1,000	
97.067	Homeland Security Grant Program	33,329	27,080
97.091	Homeland Security Biowatch Program	375	
97.092	Repetitive Flood Claims	23	
97.107	National Incident Management System (NIMS)	3	
97.110	Severe Repetitive Loss Program	7	(1)
<b>Total - U.S. Department of Homeland Security</b>		<b>\$67,643</b>	<b>\$46,430</b>
<b>GRAND TOTAL</b>		<b>\$28,783,840</b>	<b>\$5,260,366</b>

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Notes to the Schedule of Expenditures of Federal Awards - June 30, 2016***

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

The Commonwealth of Pennsylvania (the Commonwealth) includes expenditures in its schedule of expenditures of federal awards (SEFA) for all federal programs administered by the same funds, agencies, boards, commissions, and component units included in the Commonwealth's financial reporting entity used for its basic financial statements. However, the State System of Higher Education (SSHE), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Pennsylvania Housing Finance Agency (PHFA), the Pennsylvania Convention Center Authority (PCCA), the Philadelphia Shipyard Development Corporation (PSDC), which are discretely presented component units, and the Philadelphia Regional Port Authority (PRPA), which is a blended component unit, elect to have their own single audits (when required) and their expenditures of federal awards are therefore excluded from the Commonwealth's SEFA. These six component units are required to submit their own single audit reports to the Federal Audit Clearinghouse. The PCCA, the PRPA and the PSDC are not required to submit a single audit for the year ended June 30, 2016, 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, 2016.

Expenditures reported under CFDA #10.555, National School Lunch Program, CFDA #10.558, Child and Adult Care Food Program, CFDA #10.559, Summer Food Service Program, CFDA #10.565, Commodity Supplemental Food Program, and CFDA #10.569, Emergency Food Assistance Program, include the value of food commodity distributions calculated using the U.S. Department of Agriculture, Food and Nutrition Service, commodity price list in effect as of November 17, 2014.

Expenditures reported under CFDA #12.400, Military Construction, National Guard, represent reimbursement payments made to the Department of General Services (DGS) for construction expenditures related to the Department of Military and Veterans Affairs federal construction projects that are facilitated by DGS.

Subrecipient expenditures reported under CFDA #14.228, Community Development Block Grants, CFDA #14.231, Emergency Solutions Grants 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 #20.219, Recreational Trails Program, CFDA #20.505, Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research, CFDA #20.933, National Infrastructure Investments, CFDA #23.002, Appalachian Area Development, and CFDA #23.003, Appalachian Development Highway System are presented on the basis that expenditures are reported to the U.S. Department of Transportation. Accordingly, certain expenditures are recorded when paid and certain other expenditures are recorded when the federal obligation is determined.

Amounts reported as expenditures for CFDA #39.003, Donation of Federal Surplus Personal Property, represent the General Services Administration's average fair market value percentage of 23.68 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.

The following item indicates costs reported under CFDA #93.658, Foster Care - Title IV-E, which were disallowed by the U.S. Department of Health and Human Services (HHS), as the result of a HHS Office of Inspector General multi-phased Foster Care audit of the period October 1, 1997 to September 30, 2002:



# COMMONWEALTH OF PENNSYLVANIA

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## *Notes to the Schedule of Expenditures of Federal Awards - June 30, 2016*

As directed by HHS, Pennsylvania agreed to make payments for the total disallowed costs (\$93,600,227) in ten quarterly installments pursuant to 45 CFR 201.66. The final payments were made during the fiscal year ended June 30, 2016. Based on the agreement terms, installment payments were made through the adjustment of quarterly grants, as provided by 45 CFR 201.66(b)(4). Repayments were made through the submission of a Title IV-E Programs Quarterly Financial Report (Form CB-496) beginning with the report for the quarter ending September 30, 2013. The amounts were disallowed due to claims that included services not provided, ineligible children, and ineligible or unlicensed providers. Although these decreasing adjustments reduced the current year grant expenditures and award by \$18,720,043, the reported expenditures for this CFDA program are shown at the gross amount for the June 30, 2016 SEFA.

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.

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, 2016. 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	\$2,290,291
Federal UC Benefits	49,888
Federal Admin.	129,126
Total Expenditures	<u>\$2,469,305</u>

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# Schedule of Findings and Questioned Costs



Commonwealth of Pennsylvania

# COMMONWEALTH OF PENNSYLVANIA

## Summary of Auditors' Results - June 30, 2016

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### Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?                        yes                      X  no  
Significant deficiency(ies) identified?             X  yes                        none reported  
Noncompliance material to financial statements noted?                        yes                      X  no

### Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?                      X  yes                        no  
Significant deficiency(ies) identified?             X  yes                        none reported

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

Adverse opinion for the following major program:

Community Development Block Grants – State's Program (CFDA #14.228)

Qualified for noncompliance in the following major programs:

Supplemental Nutrition Assistance Program (SNAP) Cluster (CFDA #10.551 and #10.561)  
Child Nutrition Cluster (CFDA #10.553, #10.555, #10.556, and #10.559)  
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA #10.557)  
Child and Adult Care Food Program (CFDA #10.558)  
Workforce Investment Act/Workforce Innovation and Opportunity Act (WIA/WIOA) Cluster (CFDA #17.258, #17.259, and #17.278)  
Highway Planning and Construction Cluster (CFDA #20.205, #20.219, and #23.003)  
Capitalization Grants for Clean Water State Revolving Funds (CFDA #66.458)  
Title I Grants to Local Educational Agencies (CFDA #84.010)  
Special Education Cluster (IDEA) (CFDA #84.027 and #84.173)  
Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA #84.126)  
Improving Teacher Quality State Grants (CFDA #84.367)  
Aging Cluster (CFDA #93.044, #93.045, and #93.053)  
Temporary Assistance for Needy Families (CFDA #93.558)  
Child Support Enforcement (CFDA #93.563)  
Low-Income Home Energy Assistance (CFDA #93.568)  
Child Care and Development Fund (CCDF) Cluster (CFDA #93.575 and #93.596)

# COMMONWEALTH OF PENNSYLVANIA

## Summary of Auditors' Results - June 30, 2016

Foster Care – Title IV-E (CFDA #93.658)  
 Adoption Assistance (CFDA #93.659)  
 Social Services Block Grant (CFDA #93.667)  
 Children's Health Insurance Program (CFDA #93.767)  
 Medicaid Cluster (CFDA #93.775, #93.777, and #93.778)  
 Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)

Unmodified for the following major programs:

Unemployment Insurance (CFDA #17.225)  
 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 Programs:**

CFDA Number(s)	Name of Federal Program or Cluster	Federal Expenditures (000s)
10.551 and 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster	\$ 2,922,622
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	552,812
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	186,930
10.558	Child and Adult Care Food Program	117,095
14.228	Community Development Block Grants – State's Program	33,529
17.225	Unemployment Insurance	2,469,305
17.258, 17.259, and 17.278	Workforce Investment Act/Workforce Innovation and Opportunity Act (WIA/WIOA) Cluster	88,718
20.205, 20.219, and 23.003	Highway Planning and Construction Cluster	1,849,664
66.458	Capitalization Grants for Clean Water State Revolving Funds	55,255
84.010	Title I Grants to Local Educational Agencies	533,335
84.027 and 84.173	Special Education Cluster (IDEA)	451,974
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	122,903
84.367	Improving Teacher Quality State Grants	95,532
93.044, 93.045, and 93.053	Aging Cluster	48,440
93.558	Temporary Assistance for Needy Families	462,456
93.563	Child Support Enforcement	158,120
93.568	Low-Income Home Energy Assistance	207,137
93.575 and 93.596	Child Care and Development Fund (CCDF) Cluster	368,090
93.658	Foster Care – Title IV-E	148,684
93.659	Adoption Assistance	106,460
93.667	Social Services Block Grant	95,870
93.767	Children's Health Insurance Program	385,316
93.775, 93.777, and 93.778	Medicaid Cluster	15,828,877

**COMMONWEALTH OF PENNSYLVANIA**

***Summary of Auditors' Results - June 30, 2016***

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93.959	Block Grants for Prevention and Treatment of Substance Abuse	54,539
96.001	Social Security – Disability Insurance	<u>117,073</u>
	Total Federal Expenditures – Major Programs	<u><u>\$27,460,736</u></u>

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

\$43,176

Auditee qualified as low-risk auditee?

    yes

  X  no

# COMMONWEALTH OF PENNSYLVANIA

## *Index to Basic Financial Statement Findings - June 30, 2016*

<b>Finding No.</b>	<b>Finding Title</b>	<b>Impacted State Agency</b>	<b>Finding Page</b>	<b>CAP Page</b>
2016-001*	General Computer Controls in the Pennsylvania Department of Treasury Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2015-001)	Treasury	46	154
2016-002*	Elevated Access Privilege Monitoring Controls Within SAP Need Improvement	OA	48	154
2016-003*	Internal Control Weaknesses Related to One-Time Vendor Payments Posted Into the SAP System and Inappropriate Role Assignments (A Similar Condition Was Noted in Prior Year Finding 2015-003)	OB – OCO	49	154
2016-004*	Vendor Management Controls in Various Commonwealth Agencies Need Improvement	OB/OA	52	155
2016-005*	General Computer Controls In Various Commonwealth Agencies Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2015-005)	Various	56	158

\* - Significant Deficiency  
CAP - Corrective Action Plan

# **COMMONWEALTH OF PENNSYLVANIA**

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## **Basic Financial Statement Findings - June 30, 2016**

### **Finding 2016 – 001:**

#### **Department of Treasury**

#### **General Computer Controls in the Pennsylvania Department of Treasury Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2015-001)**

#### **Type of Finding: Significant Deficiency**

**Condition:** Our review of general computer controls at the Department of Treasury (Treasury) during the fiscal year ended June 30, 2016 disclosed three internal control deficiencies. The general computer controls deficiencies include:

1. There is no regularly scheduled or documented review of activities and functions executed by the shared administrative accounts that exist with direct access to the OnBase Oracle database. These accounts are used for updates to the OnBase application and database.
2. A periodic access review of users' access and associated application permission was not performed for either OnBase or PeopleSoft.
3. The password settings for the OnBase application and the Bureau of Unemployment Compensation Disbursements (BUCD) domain do not comply with Treasury password policies. The password is not set to expire (60 days per policy) and does not enable complexity (policy requires combination of upper case, lower case, number, and special characters).

**Criteria:** A well-designed system of internal controls related to application access and security suggests that sound general computer controls be established and functioning to reduce the risk that agency operations are out of compliance with management's objectives or requirements.

**Cause:** An upgrade to OnBase was performed during the audit period that could have corrected some of the deficiencies. Due to limited resources to implement controls, certain application configurations and procedures were overlooked.

**Effect:** Inappropriate and/or unintentional changes to application functionality or transactional data can result from the information technology control deficiencies.

**Recommendation:** We recommend that Treasury management:

- Implement a process to log and monitor the use of the shared administrative Oracle database accounts for authorized activity.
- Implement a process to periodically review user access and associated application permissions.
- Implement password configurations in compliance with policy.

**Agency Response:** Treasury agrees that strong controls are very important to the integrity of payment processing. Our staff has made a concerted effort to take the necessary steps to alleviate any internal control weaknesses brought to our attention.

Individual accounts have been established for each user in place of using the "shared administrative" account. All activity within the individual accounts and the unused "shared account" is being reviewed by a supervisor on a scheduled basis. This change was completed after June 30, 2016.



# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 001: (continued)**

It is Treasury's procedure to review access to all systems for any Commonwealth employee when we are notified of a hiring, termination, transfer, or reclassification change. BUCD has just completed a full review of all UC, SWIF, and Treasury UCD staff in August 2016. Treasury IT performed a similar review in July 2016 in coordination with the Office of the Budget. Additionally, an even more thorough review of user's access is currently being covered as part of Treasury's Green Book Initiative. Treasury agrees to continue to perform and document at least annual reviews of system access going forward.

BUCD's office network gateway to the internet and CoPanet was changed from L&I's to Treasury's on December 20, 2016. As a part of Treasury's network, BUCD will comply with Treasury's strong password policy.

**Auditors' Conclusion:** We concur with the Department of Treasury's efforts to mitigate and enhance the IT general computer controls. We will review corrective action in the subsequent audit.

**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, 2016**

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### **Finding 2016 – 002:**

#### **Office of Administration**

##### **Elevated Access Privilege Monitoring Controls Within SAP Need Improvement**

###### **Type of Finding: Significant Deficiency**

**Condition:** A standard or procedure regarding the use and monitoring of elevated access privilege rights (firefighter process) in SAP has not been established to document expectations and requirements. During our review, we noted inconsistencies in the performance of the firefighter log reviews by operating groups within Office of Administration, Bureau of Integrated Enterprise Systems (OA-IES), including:

1. Occasional absence of the performance of such reviews;
2. Absence of documentation of procedures performed;
3. Frequency of review(s) performed;
4. Review was limited to appropriateness of initiation of the firefighter accounts, but did not include a review of transactions performed and executed.

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

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

**Cause:** While OA-IES has made significant changes and improvements to implement the SAP Governance Risk and Compliance (GRC) firefighter process(es), more restricted use of these accounts appears to be needed. Further, there is currently a lack of formal structure and procedures regarding the logging and monitoring (and related evidence) associated with this process.

**Effect:** The absence of appropriately restricted access for firefighter accounts increases the risk of unauthorized configuration changes or transactions. Further, the lack of performing detailed reviews of the firefighter process and transactions increases the risk that inappropriate usage of the accounts could occur, or transactions could be performed and go undetected.

**Recommendation:** We recommend OA-IES develop formal procedures and/or standards to document detailed requirements for monitoring the firefighter process, including: frequency, detail, and documentation that should be evidenced during the individual reviews. Additionally, OA-IES should assess the access granted to the firefighter accounts to restrict them to only those needed to perform the intended purpose of the account.

**Agency Response:** OA-IES accepts this finding.

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

# COMMONWEALTH OF PENNSYLVANIA

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## Basic Financial Statement Findings - June 30, 2016

### Finding 2016 – 003:

#### Office of the Budget

#### Internal Control Weaknesses Related to One-Time Vendor Payments Posted Into the SAP System and Inappropriate Role Assignments (A Similar Condition Was Noted in Prior Year Finding 2015-003)

#### Type of Finding: Significant Deficiency

**Condition:** The Office of Comptroller Operations (OCO) has not performed a recent periodic analysis of one-time vendor payments as required by Management Directive 310.28, “Use of One-Time Vendor Records in SAP”.

1. SAP functionality is not configured to match manually-entered one-time vendor payments and payments received through automated interfaces to an established vendor in the SAP Vendor Master Database. As a result, numerous payments are made via the one-time vendor process to payees that may already be established vendors. This process provides limited ability to validate the total payments made to each vendor and to validate that the payment was remitted to the vendor according to their instructions (account, address, contact person, etc.).
2. SAP is not configured to query employee records to determine whether a one-time vendor payment (interfaced or non-interfaced) is being made to a Commonwealth employee. During the audit period, management did not have a monitoring process in place to analyze whether payments made to employees were appropriate.
3. OCO supervisors have the ability to both enter and approve a one-time vendor invoice. Although OCO policy prohibits employees from approving payments for invoices they have entered, SAP is not configured to require additional approval.

**Criteria:** Limiting and restricting the use and access to one-time vendor accounts and proactive monitoring of one-time vendor account activity are vital to protecting the Commonwealth from potential improper payments. Management Directive 310.28, “Use of One-Time Vendor Records in SAP” defines appropriate payment types, refunds of expenditures and the processes that should be followed when using the SAP one-time vendor functionality. These procedures should be used to monitor the weaknesses defined above.

**Cause:** OCO acknowledges that they did not recently perform a periodic analysis of one-time vendor payments because they contend that most of the one-time vendor account payments are from legacy agency systems that send large volumes of payment data to SAP for processing.

**Effect:** Overuse and inappropriate use of the one-time vendor functionality of SAP (and lack of or untimely monitoring of its use) can result in duplicate payments to valid vendors, intentional or unintentional overpayment to vendors, improper and undocumented payments to Commonwealth employees, inaccurate tax reporting, payments to individuals misrepresenting themselves as a vendor providing alternate payment instructions (account, address, payee), and other fraudulent activity.

**Recommendation:** We recommend that OCO formalize and report to interested parties the results of the periodic one-time vendor analysis required by Management Directive 310.28. The reporting should include analysis of the following:

- One-time vendor use for existing vendors;
- One-time vendor use for Commonwealth employees;
- Instances where an OCO supervisor approved an invoice entered by the same individual;
- Recommendations on mitigating or compensating controls related to discrepancies noted in their analysis (such as migrating certain vendors to the Central Vendor Management Unit (CVMU), reduction of OCO access, and escalation of review of employee payments or anomalies).

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 003: (continued)**

#### **Office of the Budget – Office of Comptroller Operations Response:**

#### **Bureau of Accounting and Financial Management (BAFM) Response:**

In 2016, the Bureau of Quality Assurance (BQA) began performing a periodic analysis of one-time vendor invoices. The analysis was limited to invoices manually entered in SAP and did not include invoices interfaced into SAP. The analysis for the time period January 1, 2016 through November 30, 2016 reviewed 19,287 invoices totaling \$102.8 million. The results are as follows:

- 710 invoices totaling \$4.7 million were to existing SAP vendors
- 242 invoices totaling \$220 thousand were to active employees
- 262 invoices totaling \$873 thousand were to inactive employees

Until additional interfaces that are currently using one-time vendors are converted to use SAP vendors, BAFM does not believe an analysis of the interfaced invoices will reveal any significant changes from the last analysis performed on the time period July 1, 2009 to April 30, 2010. The July 1, 2009 to April 30, 2010 analysis identified that approximately 61% of the interface postings to the one-time vendor record had SAP vendor records established.

Pursuant to the 2009-2010 analysis, BAFM staff initiated efforts with several agencies to change interfaces that use the one-time vendor record, to instead use SAP vendor records as the means of making payments. This effort is time consuming, difficult, and requires the expenditure of considerable resources.

Several hurdles BAFM has encountered in pursuing its efforts to convert the interfaces include:

- Cost
- Involvement and cooperation of outside vendors (third party administrators)
- Involvement and cooperation of agencies
- Matching and cleansing of vendor data
- Development of functionality that permits outside contractors access to vendor data in the SAP system

However, OCO staff has managed the process of successfully converting one interface from one-time vendor to SAP vendor records during the fiscal year ended June 30, 2013 and another one during the fiscal year ended June 30, 2014. OCO staff is actively working on converting two other interfaces where agencies have shown support in overcoming conversion hurdles. This is an ongoing initiative and OCO intends to continue to work with agencies to convert from using one-time vendor records to SAP vendor records as time and budgets permit.

BAFM will work with other OCO bureaus to consider implementing the third and fourth bullet points of the recommendation for manually entered one-time vendor invoices.

#### **Bureau of Payable Services (BPS) Response:**

1. BPS agrees with this item. On October 9, 2016, an SAP substitution rule was configured to match One Time Vendor invoices against the SAP Vendor Master. If a match occurs based on Taxpayer Identification Number (TIN), the invoice will block for payment with a payment block equal to 'O' (One Time Vendor match). Bureau of Payable Services staff use the 'O' block to identify instances where an SAP Vendor potentially could be used instead of the One Time Vendor record. For manually processed invoices via workflow, the invoices are rejected back to the Agency for reprocessing with the SAP Vendor Master. For interfaces, the SAP Vendor Master information is provided to the Agency for those systems that have the ability to send SAP vendor data. The agency can use this information to update their system for future invoice payments.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 003: (continued)**

2. BPS agrees with this item. The SAP substitution rule mentioned in the item one response also applies to employees that have an SAP Vendor Number established in the system. Additionally, the Bureau of Quality Assurance (BQA) began a periodic review of one time vendors that identifies one time vendor invoices posted matching employee records. Furthermore, all invoice payments are audited and only approved if appropriate. These steps ensure only proper payments are being made, including those that are also Commonwealth employees.
3. BPS agrees with this item.

**Auditors' Conclusion:** Management should continue its efforts to review and monitor the use of one-time vendor payments and to reduce the use of these payment types.

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

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 004:**

#### **Office of the Budget Office of Administration**

#### **Vendor Management Controls in Various Commonwealth Agencies Need Improvement**

#### **Type of Finding: Significant Deficiency**

**Condition:** Comprehensive communication and guidance directing the Commonwealth and individual agencies on their responsibilities and expectations in managing vendor relationships is not fully established and not being followed consistently. While standard language for vendor contracts as it relates to security and confidentiality has been developed, a process has not been established for existing contracts to assess conformance to and deviation from the standard language. Commonwealth policies do not address specific procedures regarding the assessment of vendor reporting requirements during contract processes, nor do policies establish formal requirements for monitoring of vendor service and performance standards and conformance to defined reporting expectations. Lastly, procedures for the monitoring (and follow-up) of any necessary vendor remediation or mitigation plans for exceptions or deviations from performance and reporting requirements are not consistently applied. These control deficiencies include, but are not limited to, the following:

1. Service Organization Control (SOC) or similar reports not consistently obtained for applicable vendor services;
2. SOC reports not provided with periods of coverage usable by the agency or financial auditors;
3. SOC reports with noted qualifications not followed up on a timely basis;
4. SOC reports provided not including tests of operating effectiveness or appropriate control objectives; and
5. Lack of contracts or insufficient contract language to document vendor services performed.

**Criteria:** A well-designed system of internal controls should incorporate sound and consistent vendor management controls. These 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. Further, Management Directive 325.12, "Standards for Internal Controls in Commonwealth Agencies", effective July 1, 2015, section 6(b), (6) requires agencies to "obtain independent reports for all service organizations that support agency processes to confirm the operating effectiveness of the service organization controls." SOC reports should be prepared under AICPA Statements on Standards for Attestation Engagements (SSAE) No. 16 (or AT-C Section 320, effective for reports dated on or after May 1, 2017). Proper assessment of vendors should include determinations of their classification as a service organization, and a determination on the reporting requirements necessary to assess the vendor's internal controls relative to Commonwealth financial reporting/compliance (e.g. SOC reports or similar).

**Cause:** During times of transition or conversion in services or applications/systems, there appear to be breakdowns in the focus on consistent and applied vendor reporting expectations and metrics. Further, some inconsistencies exist between various departments and agencies regarding policies and procedures for the use of contract language and reporting standards for various situations and circumstances.

**Effect:** Management may have no recourse when contract language is missing or incomplete for services performed. Further, 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.

# COMMONWEALTH OF PENNSYLVANIA

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## Basic Financial Statement Findings - June 30, 2016

### Finding 2016 – 004: (continued)

**Recommendation:** We recommend the Commonwealth evaluate and update its vendor management policies and procedures. The evaluation and update should include, at a minimum:

- concurrence on the definition of a service organization;
- a process and guidance to ensure that service organizations supporting commonwealth agency processes are operating under effective controls and within the expectations of the contracting agency;
- a review and evaluation of Management Directive 325.12 regarding the criteria for when a SOC report is necessary;
- guidance on the type of SOC report applicable to the system/application (or similar report, or access to conclusions regarding vendor control effectiveness), including the appropriate period(s) of coverage and whether tests of operating effectiveness are required;
- procedures for ensuring report and performance results are communicated to all affected agencies, especially when the report(s) includes control objective exceptions, testing deviations, or a qualified opinion;
- guidance regarding when contracts versus less formal agreements are required; and
- procedures to ensure agreements contain clear language regarding the scope of work, service level agreements, and standard audit, security, and confidentiality clauses.

**Agency Response:** We agree that consolidating all of the proposed Service Organization Control (SOC) report-based findings into one Vendor Management Controls finding moving forward will enable a more consistent and effective enterprise response to identified concerns.

We agree that it is prudent to periodically review and evaluate the applicability of policies and procedures. In this instance, Management Directive 325.12 section 6(b), (6) as cited in the criteria is an example of a policy that needs to be evaluated and revised to incorporate reasonable actions the Commonwealth can practically implement. Office of the Budget (OB), Office of Comptroller Operations will work with staff in OB, Office of Administration (OA) and Department of General Services to identify opportunities to enhance/revise Commonwealth policies addressing the definition of service organizations and the responsibilities for monitoring controls at Commonwealth contracted vendor service organizations. As stated in the details of the agency response below, a literal interpretation of this finding that concludes an independent SOC report must be obtained for every service organization in which the Commonwealth has contractual relationships, is not feasible or cost effective. Our follow-up work will focus on developing policies that will help agencies define what a service organization is, and illustrate the various options that are available for them to ensure that service organizations that support Commonwealth agency processes are operating under effective controls, while continuing to consider the cost and benefit of these options.

With respect to the enumerated conditions listed in the finding:

1. Service Organization Control (SOC) or similar reports not consistently obtained for applicable vendor services.

OA disagrees with the finding. OA maintains that sufficient justification has been provided for why an audit was not conducted for the contract and time period cited by the auditors.

2. SOC reports not provided with periods of coverage usable by the agency or financial auditors.

The finding is acknowledged, however, we are uncertain what SOC reports were obtained for review. DOR has 2016 SOC 1, SOC 2 and Bridge letters in its possession for the contract cited by the auditors.

3. SOC reports with noted qualifications not followed up on a timely basis.

The finding is acknowledged, however, it is believed that this finding relates to prior year or current year findings which the affected agencies maintain have been remediated to the extent practical.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 004: (continued)**

4. SOC reports provided not including tests of operating effectiveness.

The finding is acknowledged, however, PDE maintains that the cited contractor does not constitute a service organization supporting a covered operational process of the Commonwealth to which the referenced requirement applies, and the cited contract predates the relevant Management Directive. In the event a contrary conclusion is reached the cited contract will be amended to require future such reports.

5. Lack of contracts or insufficient contract language to document vendor services being performed.

The finding is acknowledged, however, the affected agencies maintain that sufficient written agreements are in place with the cited contractors and the contractors' respective scopes of work (SOWs) may be misunderstood. Recent and subsequent contract renewals contain fuller SOWs and incorporate standard Commonwealth terms and conditions, including audit, security, and confidentiality clauses, as well as industry standard compliance and SOC reporting provisions as appropriate.

Further detail and Corrective Action Plans (as appropriate) consistent with our position stated above will be provided in response to the final audit findings.

**Auditors' Conclusion:** We appreciate management's efforts in working closely with us to address this complex and enterprise-wide issue, and we will continue discussions to offer further details about this finding. We think it is important to note this finding not only addresses SOC report issues, but also other relevant report and contract issues regarding internal controls outsourced to service organizations (providers). As such, management's intentions to "... help agencies define what a service organization is ..." will be instrumental in developing corrective action for the control deficiencies noted in this finding. The definition should include clear and concise criteria that complies with the AICPA standard. For those vendors that meet the agreed-upon definition of a service organization, SOC reports should at least be considered.

We recognize that SOC reports may not be feasible or cost-effective in all situations, but management should consider SOC reports as a viable option when the Commonwealth has outsourced the internal controls over an application/system that processes material transactions and/or contributes to material balances on the financial statements. SOC reports should also be considered when security or confidentiality is outsourced that is relevant to compliance with applicable laws and regulations. Other report types will need to be discussed for relevance and appropriateness on a case-by-case basis.

With respect to the enumerated conditions listed in the finding:

1. The management response refers to only one vendor. We provided two other examples of not receiving SOC reports that were not addressed in the response.
2. We provided two other examples for this condition in the detail supporting this finding and will reiterate those examples to management.
3. We learned during our audit procedures that SOC reports were not always circulated to personnel responsible for the applicable controls.
4. This condition will be appropriately addressed when management communicates guidance on the definition of a service organization (provider).
5. We will review recent contracts and contract renewals in the subsequent audit.



# ***COMMONWEALTH OF PENNSYLVANIA***

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 004: (continued)**

With the ever-changing Commonwealth information technology environment and the reliance on vendors for outsourced applications/systems (and the internal controls over these applications/systems), we are encouraged by management's agreement for the need for improvement in applicable policies and procedures.

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

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 005:**

#### **Office of Administration Various Agencies**

#### **General Computer Controls in Various Commonwealth Agencies Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2015-005)**

#### **Type of Finding: Significant Deficiency**

**Condition:** We reviewed general computer controls at various Commonwealth agencies for the fiscal year ended June 30, 2016. Our reviews disclosed internal control deficiencies in individual Commonwealth agencies. The deficiencies that need to be addressed by Commonwealth management are included below:

#### **Pennsylvania Lottery (Lottery)**

1. Two employees promote code into production using a shared user account and there are insufficient procedures to monitor activities performed using this shared user account.

#### **Department of Labor and Industry (L&I)**

1. There is no formally documented system development life cycle policy as required by Information Technology Policy (ITP) – APP012, “Systems Development Life Cycle Policy”, to outline requirements for planning, designing, developing, testing, approving, and implementing new applications and upgrades to existing applications, including vendor-developed software.
2. There are no policies or procedures for granting powerful user attributes (SPECIAL, OPERATIONS or AUDITOR) in the mainframe environment. Specifically, eight users have been granted all powerful user attributes (SPECIAL, OPERATIONS and AUDITOR), 34 users have AUDITOR access, and 29 users have OPERATIONS access without written justification.
3. Periodic access reviews to determine the appropriateness of all users with privileged access have not been implemented in the UCMS client/server environment.

#### **State Workers’ Insurance Fund (SWIF)**

1. There is no formally documented system development life cycle policy as required by ITP – APP012, to outline requirements for planning, designing, developing, testing, approving, and implementing new applications and upgrades to existing applications, including vendor-developed software.
2. There are no formal reconciliation policies in place to ensure that data migrates successfully and accurately when new or upgraded software applications are implemented.
3. Administrators log in to an OnBase (document management system) service account with a shared password to access a production server.
4. Password requirements for Freedom Financial (general ledger and financial reporting software) and Iworks (investment portfolio software) did not fully comply with one or more of the requirements of the ITP – SEC007, “Minimum Standards for User IDs and Passwords” specifically regarding inadequate settings for minimum length, password complexity, password expiration, and user lockout after multiple failed login attempts.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 005: (continued)**

#### **Department of Transportation (PennDOT)**

1. Management partially remediated a prior year weakness regarding the use of a shared administrative user ID and password. Corrective action was implemented in September 2015 when vendor technicians were provided their own CWOPA IDs and passwords. However, these same vendor technicians continue to share an administrator user ID and password to access the OPEX hardware used to scan check images. The administrator account access allows technicians to delete scanned images that are sent to the Transaction Management System (TMS) application for processing and deposit.
2. Periodic access reviews to determine the appropriateness of all users with privileged or administrative access were not performed during the audit period for the TMS client/server environment.
3. Both Engineering and Construction Management System (ECMS) application users tested did not have their user IDs deleted timely after their employment was terminated. One user was not deleted for approximately five months after termination, and the other user was not deleted until approximately two months after termination.
4. The Commonwealth's SAP Governance, Risk and Compliance (GRC) annual review to identify, report, remediate, and mitigate segregation of duty risks within the SAP environment revealed 159 total risks in PennDOT during the audit period. Although progress has been made, the procedures to comply with Management Directive 205.37, "Role Assignment, Security, and Internal Control Maintenance" to monitor role conflicts were not completed by the end of the audit period. These procedures include: periodically reassessing the state of segregation of duties, monitoring of waiver effectiveness, and evaluating changes to user role profiles to validate that new segregation of duties conflicts are not introduced.

#### **Department of Health (DOH)**

1. The periodic access review does not determine the appropriateness of active users and their associated rights.

#### **Department of Education (PDE)**

1. As noted in prior years, PDE has contracted with an outside vendor for the Pennsylvania Information Management System (PIMS) application, which collects student data from Local Educational Agencies (LEAs) as the basis for state and federal subsidies. While the software and the database reside on Commonwealth servers, the vendor provides the software, performs the software updates, and performs Extract Transform Load (ETL) transactions to update/maintain the database. PDE granted a developer access to production to promote code in September 2015. Further, current PDE policy does not prohibit PDE from granting developers access to the production environment, as required by ITP – APP012.
2. During the audit period, PDE provided the PIMS vendor with unmonitored access to its servers for periods of seven or thirty days. Further, PDE does not perform a review of vendor actions in the system.
3. A segregation of duties weakness existed during the audit period in the Consolidated Financial Reporting System and the Financial Accounting Information (FAI) application because five PDE developers had administrator access to a PDE server. Their access gave them the ability to potentially promote programs into production. Management remediated the weakness after the audit period by revoking the developers' administrator access in August 2016.

#### **Department of Revenue (DOR)**

1. A lack of segregation of duties exists because developers (including contractors) can promote program changes to production in the client server environment, certain applications in the mainframe environment, and the servers at the imaging facility, in violation of ITP-APP012.

# COMMONWEALTH OF PENNSYLVANIA

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## Basic Financial Statement Findings - June 30, 2016

### Finding 2016 – 005: (continued)

2. Certain developers have administrative/privileged access in the client server environment (ability to add /delete users or change data directly) in Electronic Tax Information and Data Exchange System (E-Tides tax filing system). Developers at the imaging facility have privileged access in the production environment (ability to promote changes and change data in production) in three of the applications residing there. Numerous non-administrative personnel have inappropriate administrative access (ability to add/delete users, change user roles, and promote changes into production) in various applications in the client server environment and the imaging facility.
3. A lack of segregation of duties exists because developers can change the operations schedule and promote programs in certain client server applications.
4. DOR policy requires periodic access reviews of administrative users at least once per year. During the current audit period, periodic access reviews of administrative access were not conducted in compliance with DOR policy.

**Criteria:** A well designed system of internal controls dictates that sound general computer controls (which include adequate segregation of duties, access controls to programs and data, and program change controls) be established and functioning to best ensure that overall agency operations are conducted as closely as possible in accordance with management’s intent. Management Directives (MDs) and Information Technology Policies (ITPs) are a source of guidance and criteria for designing and managing well-controlled IT environments. Specific MDs and ITPs were referenced in several conditions noted in this finding, and management should refer to these documents for detailed criteria.

**Cause:** Management 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. Regarding the lack of periodic access reviews, there is no overall commonwealth policy requiring a periodic access review of privileged users.

**Effect:** Management has not performed access reviews in certain agencies for all significant applications. The remaining risk associated with not reviewing user access for all significant applications is that segregation of duties conflicts are not analyzed for some applications; existing employees who change roles may retain excessive access; and contractors may retain excessive access, as non-employees are not automatically de-provisioned. If general computer controls are not improved in the various agencies, computer and other agency operations may not be conducted in accordance with management’s intent.

As previously noted in the condition section of this finding, management is not following certain ITPs that relate to effective internal computer controls. Specifically, by not following ITP – SEC007, “Minimum Standards for User IDs and Passwords”, the risk exists that unauthorized access can occur and not be detected. Further, by not following ITP – APP012, “Systems Development Life Cycle Policy”, applications may be implemented without appropriate segregation of duties and without a structured approach to project management, which contributes to project delays and overruns.

**Recommendation:** We recommend that Commonwealth management continue to resolve the various general computer control deficiencies noted above. Commonwealth management should ensure that controls are in place as identified in the MDs and ITPs to maintain a well-controlled IT environment. Management continues to progress in resolving general IT control deficiencies. We recommend that management focus their efforts in addressing the remaining general control deficiencies, including: administrative access not commensurate with job responsibilities, segregation of duties weaknesses between development and production responsibilities, password configuration and periodic access reviews.

# **COMMONWEALTH OF PENNSYLVANIA**

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## **Basic Financial Statement Findings - June 30, 2016**

### **Finding 2016 – 005: (continued)**

#### **Lottery Response:**

1. Lottery agrees with the finding.

#### **L&I Response:**

1. Finding is acknowledged. L&I is finalizing an SDLC plan and policy. The drafts have been discussed by management and we expect to have both published in Q2 2017.
2. Finding is acknowledged. L&I is in the process of updating outdated policies and creating new policies to bring the agency into compliance with NSIT standards. We have drafted an overarching access control policy that is being reviewed by technical staff. Additionally, in November 2016, L&I published an Access Control Policy for Non-Commonwealth Users. Finally, L&I OIT underwent a reorganization in July 2016. Staff have been assigned roles for auditing our activities and access controls. We are building processes and procedures to complete these audits. L&I OIT plans to begin internal audits in 2017.
3. Finding is acknowledged. L&I OIT underwent a reorganization in July 2016. Staff have been assigned roles for auditing our activities and access controls. We are building processes and procedures to complete these audits. L&I OIT plans to begin internal audits in 2017.

#### **SWIF Response:**

1. Finding is acknowledged. L&I is finalizing an SDLC plan and policy. The drafts have been discussed by management and we expect to have both published in Q2 2017. *[Auditors' note: As a business unit of L&I, SWIF is waiting for L&I to develop enterprise-level policy in this area]*
2. Finding is acknowledged. A RFP is currently being drafted to modernize the SWIF systems. The modernization of the SWIF systems will include a data migration, which will include formal reconciliation processes as requirements of the RFP and associated project.
3. Finding is acknowledged. Replacement of the OnBase product with a product that meets all requirements is part of the pending SWIF modernization RFP. Also, with the implementation of OnBase, Version 15, Users logging on to the Admin/OIT or Admin/SWIF administrator accounts must now utilize their CWOPA user credentials to gain administrative access.
4. Finding is acknowledged. L&I procured and deployed QuickBooks Enterprise Silver to replace Freedom Financial during the 2015-2016 audit year. The Freedom Financial system is expected to be decommissioned in January 2017. QuickBooks does not normally, but has been configured to require a password. The password must be a minimum of 7 characters containing uppercase, lowercase and numeric. After 4 tries a user is locked out of his account and must contact an administrator to reset. This partially complies with OA-ITPSEC007. The length is 1 character too short and the complexity is not restrictive enough only requiring alpha-numeric characters. However, the lockout exceeds the ITP. L&I has filed a COPPAR to document this: 2016ITBW0665 - SWIF-QuickBooks Enterprise.

#### **PennDOT Response:**

1. PennDOT is in agreement with the facts of the finding.
2. PennDOT is in agreement with the facts of the finding.
3. PennDOT is in agreement with the facts of the finding.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 005: (continued)**

4. PennDOT is in agreement with the facts of the finding.

#### **DOH Response:**

1. DOH agrees with the finding.

#### **PDE Response:**

1. PDE disagrees with Finding #2016-005, PDE-1. This Finding is substantially the same as Finding #2015-005 PDE-1, which documented partial mitigation in September 2015. PDE has fully documented the policy and procedures as recommended by the auditors. The Corrective Action Plan had been completed and PDE has received the USHHS Program Determination Letter indicating that the corrective action would sufficiently address the audit finding.
2. PDE disagrees with Finding #2016-005, PDE-2. The restriction of vendor access by granting accounts with time restriction was accepted as mitigation for similar Finding #2014-006, PDE-3. Definition of “unmonitored” is unclear, as auditors are aware that at least some vendor maintenance and ETL work is done outside of normal work hours, when impact on users is minimal. Further, PDE, Division of Data Quality does review installed system updates and bug fixes as they are completed by the vendor.
3. PDE remediated Finding #2016-005, PDE-3 in August 2016 as indicated in the Finding.

#### **DOR Response:**

1. DOR agrees with the finding.
2. DOR agrees with the finding.
3. DOR agrees with the finding.
4. DOR agrees with the finding.

**Auditors’ Conclusion:** We are mindful that the number of deficiencies noted in this finding has decreased significantly from the previous audit, and we are encouraged that management continues to develop corrective action for the remaining deficiencies.

Regarding PDE’s disagreement to Condition #1, our current year review of PDE’s documented policy and procedures for the restriction of vendor staff access noted inadequate language to comply with ITP-APP012 in order to maintain a segregation of duties between development and production. Further, although PDE indicated that the vendor employee in question does not have development responsibilities, he has development capability as well as the ability to deploy code to production. Finally, regarding the USHHS Program Determination Letter that the corrective action would sufficiently address the audit finding, we note that USHHS indicated the corrective action would address the finding “if properly implemented”.

Regarding PDE’s disagreement to Condition #2, our current-year review of PDE’s documented policy and procedures and our test work related to the restriction of vendor staff access noted that PDE now provides vendor access to PIMS servers for thirty-day periods, instead of the planned seven-day period communicated as policy in September 2015.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Basic Financial Statement Findings - June 30, 2016***

### **Finding 2016 – 005: (continued)**

In addition, although the PDE, Division of Data Quality, indicated they review installed system updates and bug fixes when and as notified by the vendor, PDE cannot determine if unauthorized changes were made to the PIMS servers without reviewing system-generated logs of all vendor activity.

We will review corrective action in the subsequent audit.

**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, 2016

Finding No.	CFDA No.	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2016-006 *	10.553 10.555 10.556 10.559	Child Nutrition Cluster	Deficiencies in Information Technology Controls Over the Pennsylvania Department of Agriculture's PaMeals Application	N/A	None	AGRI	68	164
2016-007 *	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Noncompliance and a Significant Deficiency Exist With the Cash Management Improvement Act of 1990 (CMIA) (A Similar Condition Was Noted in Prior Year Finding 2015-038)	NC	Unknown	OB – OCO	70	165
2016-008 *	93.775 93.777 93.778	Medicaid Cluster	Noncompliance and a Control Deficiency Exist Over the Preparation and Submission of the Quarterly CMS-64 Report	NC	None	OB – OCO	72	165
2016-009 *	14.228	Community Development Block Grants – State's Program	Deficiencies in Information Technology Controls Over the Pennsylvania Department of Community and Economic Development's Electronic Single Application System	N/A	None	DCED	74	165
2016-010 **	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 2015-007)	MNC	ND	DCED	76	166
2016-011 **	93.568	Low-Income Home Energy Assistance	The Department of Community and Economic Development Did Not Perform Adequate Monitoring of Subrecipients	MNC	ND	DCED	79	166
2016-012 **	10.558	Child and Adult Care Food Program	Material Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement	MNC	ND	PDE	83	167

\* - Significant Deficiency

\*\* - Material Weakness

ND - The amount of questioned costs cannot be determined

MNC - Material Noncompliance

NC - Noncompliance

N/A - Not Applicable

CAP - Corrective Action Plan



# COMMONWEALTH OF PENNSYLVANIA

## Index to Federal Award Findings and Questioned Costs - June 30, 2016

Finding No.	CFDA No.	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2016-013 **	84.010	Title I Grants to Local Educational Agencies	A Material Weakness and Noncompliance Exist Over the Pennsylvania Department of Education's Consolidated State Performance Report, Annual Report Card, and Reporting of the Annual High School Graduation Rate (A Similar Condition Was Noted in Prior Year Finding 2015-012)	NC	None	PDE	86	168
2016-014 *	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Noncompliance and Internal Control Weakness Related to Compliance Investigations of High-Risk Vendors (A Similar Condition Was Noted in Prior Year Finding 2015-015)	NC	ND	DOH	94	169
2016-015 *	10.551 10.561 93.558 93.563 93.658 93.667 93.775 93.777 93.778	Supplemental Nutrition Assistance Program (SNAP) Cluster Temporary Assistance for Needy Families Child Support Enforcement Foster Care – Title IV-E Social Services Block Grant Medicaid Cluster	The Department of Human Services Did Not Maintain Adequate Documentation for the Inputs Utilized in the Computation of the Public Assistance Cost Allocation	NC	ND	DHS	96	169
2016-016 **	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 2015-017)	MNC	ND	DHS	98	170

\* - Significant Deficiency

\*\* - Material Weakness

ND - The amount of questioned costs cannot be determined

MNC - Material Noncompliance

NC - Noncompliance

N/A - Not Applicable

CAP - Corrective Action Plan

# COMMONWEALTH OF PENNSYLVANIA

## Index to Federal Award Findings and Questioned Costs - June 30, 2016

Finding No.	CFDA No.	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2016-017 **	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 2015-020)	MNC	ND	DHS	100	170
	93.658	Foster Care – Title IV-E						
	93.659	Adoption Assistance						
2016-018 *	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 2015-019)	NC	ND	DHS	103	171
2016-019 *	93.558	Temporary Assistance for Needy Families	A Significant Deficiency and Noncompliance Exist in Reporting on the Temporary Assistance for Needy Families ACF-199 Data Report (A Similar Condition Was Noted in Prior Year Finding 2015-018)	NC	None	DHS	105	172
2016-020 **	93.575	Child Care and Development Fund (CCDF) Cluster	Material Noncompliance and Material Weakness Over Health and Safety Requirements (A Similar Condition Was Noted in Prior Year Finding 2015-022)	MNC	ND	DHS	107	172
	93.596							
2016-021 *	93.575 93.596	Child Care and Development Fund (CCDF) Cluster	Significant Deficiency and Noncompliance Over Fraud Detection and Repayment	NC	ND	DHS	109	173

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

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

# COMMONWEALTH OF PENNSYLVANIA

## Index to Federal Award Findings and Questioned Costs - June 30, 2016

Finding No.	CFDA No.	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
<b>2016-022</b> ** SSBG * SABG	93.667 93.959	Social Services Block Grant Block Grants for Prevention and Treatment of Substance Abuse	Noncompliance and Weaknesses Exist in the Department of Human Services' Program Monitoring of the Social Services Block Grant and the Block Grants for Prevention and Treatment of Substance Abuse Subgrantees (A Similar Condition Was Noted in Prior Year Finding 2015-023)	MNC-SSBG NC-SABG	ND	DHS	111	173
<b>2016-023</b> *	93.775 93.777 93.778	Medicaid Cluster	Lack of Eligibility Documentation Results in Noncompliance and Internal Control Weaknesses (A Similar Condition Was Noted in Prior Year Finding 2015-024)	NC	\$4,577	DHS	115	174
<b>2016-024</b> *	17.258 17.259 17.278 84.126	Workforce Investment Act/Workforce Innovation and Opportunity Act (WIA/WIOA) Cluster Rehabilitation Services – Vocational Rehabilitation Grants to States	Deficiencies in Information Technology Controls at the Department of Labor and Industry (A Similar Condition Was Noted in Prior Year Finding 2015-026)	N/A	None	L&I	118	175
<b>2016-025</b> **	17.258 17.259 17.278	Workforce Investment Act/Workforce Innovation and Opportunity Act (WIA/WIOA) Cluster	Material Noncompliance and a Material Weakness Exist Over Subrecipient Monitoring (A Similar Condition Was Noted in Prior Year Finding 2015-027)	MNC	ND	L&I	120	175
<b>2016-026</b> **	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 2015-028)	MNC	None	L&I	122	176

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

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

# COMMONWEALTH OF PENNSYLVANIA

## Index to Federal Award Findings and Questioned Costs - June 30, 2016

Finding No.	CFDA No.	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2016-027 **	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 2015-036)	NC	ND	Various	124	176
2016-028 **	Various	Various CFDA Numbers – See Finding	Material Noncompliance and a Material Weakness Exist in the Commonwealth’s Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2015-037)	MNC	ND	Various	131	179

\* - Significant Deficiency

\*\* - Material Weakness

ND - The amount of questioned costs cannot be determined

MNC - Material Noncompliance

NC - Noncompliance

N/A - Not Applicable

CAP - Corrective Action Plan

# COMMONWEALTH OF PENNSYLVANIA

## Matrix of Findings by Federal Agency - June 30, 2016

<b>Finding</b>	<b>USDA</b>	<b>HUD</b>	<b>DOL</b>	<b>DOT</b>	<b>EPA</b>	<b>ED</b>	<b>HHS</b>
<b>Prefix</b>	<b>10</b>	<b>14</b>	<b>17</b>	<b>20</b>	<b>66</b>	<b>84</b>	<b>93</b>
2016-006	X						
2016-007	X						
2016-008							X
2016-009		X					
2016-010		X					
2016-011							X
2016-012	X						
2016-013						X	
2016-014	X						
2016-015	X						X
2016-016	X						X
2016-017							X
2016-018							X
2016-019							X
2016-020							X
2016-021							X
2016-022							X
2016-023							X
2016-024			X			X	
2016-025			X				
2016-026						X	
2016-027	X			X		X	X
2016-028	X	X	X	X	X	X	X

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Department of Agriculture**

#### **Finding 2016 – 006:**

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

#### **Deficiencies in Information Technology Controls Over the Pennsylvania Department of Agriculture’s PaMeals Application**

**Federal Grant Number(s) and Year(s):** 2015 – 1PA300305 (10/1/2014 – 9/30/2015), 2016 – 1PA300305 (10/1/2015 – 9/30/2016)

**Type of Finding:** Significant Deficiency

**Compliance Requirement:** Other

**Condition:** The Department of Agriculture’s Bureau of Food Distribution (BFD) utilizes the PaMeals application as an inventory and distribution tracking system for donated food for the Child Nutrition Cluster. We performed certain procedures to review information technology (IT) general controls for the significant applications identified for this cluster and noted the following IT control weaknesses over the PaMeals application:

1. There are no written systems and programming standards established and maintained to outline requirements for changes to application software, system patching, configuration changes, deployment of changes to production, and/or emergency changes.
2. There is no documented evidence of BFD’s management authorization to initiate application changes, test the changes, or approval to move change(s) to the production environment.
3. A segregation of duties conflict exists as two individuals who develop program changes also deploy the code to the production servers.

**Criteria:** Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. Green Book Principle 11 – Design Activities for the Information System, states in part:

*11.12 ...Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error.*

*11.15 ...Management designs control activities over changes to technology. This may involve requiring authorization of change requests; reviewing the changes, approvals, and testing results; and designing protocols to determine whether changes are made properly....*

*11.16 ...Control activities for the development, maintenance, and change of application software prevent unauthorized programs or modifications to existing programs.*

General control activities over technology are integral to the overall internal control structure of the Commonwealth. A well-designed system of internal controls dictates that IT general controls be established and functioning to ensure that federal programs are administered in accordance with management’s intent.

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2016*

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### **Finding 2016 – 006: (continued)**

Additionally, the Commonwealth’s Information Technology Policy (ITP) – APP012, “Systems Development Life Cycle Policy,” requires agencies to incorporate a separation of duties to maintain continuity and integrity throughout the execution of the procedures and processes associated with the Systems Development Life Cycle (SDLC) framework and affiliated software development projects. Careful consideration should be given to establishing access controls granting permissions to Commonwealth employees and/or outside contractors performing multiple roles within the various environments (i.e., development, production, system integration, testing, staging, etc.) to add, modify, delete, and migrate application code, data sets, and/or make configuration changes to systems in these environments.

**Cause:** The PaMeals change management process is performed by a contractor. The contractor provided auditors with a high-level SDLC document but indicated that procedures for changes to the PaMeals application followed an informal and undocumented process. New change requests are sent by BFD personnel directly to the contractor; no management approval is documented before the contractor begins work. Although BFD management represented that changes are tested and approved by BFD program personnel before deployment to production, there are no documented policies and procedures that require testing and management approval. The contractor could not provide documentation to evidence authorization of changes to the PaMeals application, testing of the changes, or final approval to move changes to the production environment. Additionally, the contractor indicated that development of code and deployment of code to production were performed by the same individual during the audit period due to staffing limitations.

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

**Recommendation:** We recommend that BFD management:

1. Develop and formally document written systems and programming standards to outline requirements for changes to application software, system patching, configuration changes, and/or emergency changes for the PaMeals system.
2. Require and maintain documentation of management’s authorization to initiate program code development, testing of changes, and final approval of each PaMeals change before deployment to the production environment.
3. Implement controls to eliminate potential segregation of duties conflicts. If preventive controls restricting programmers from both developing and deploying code are not feasible, BFD management should consider implementing compensating detective controls, such as documented reviews of server logs by BFD personnel, to ensure that no program changes are deployed to production outside of the normal process. Also, the procedures currently used for deploying code to production should be formally documented.

**Agency Response:** The Pennsylvania Department of Agriculture acknowledges that there is a need to improve vendor management and governance of the PaMeals application used to administer hunger and nutrition assistance programs of the Bureau of Food Distribution. The audit identified several areas in which work already has been underway at the Department level to improve overall compliance with Management Directive 325.12. The Department agrees with this recommendation for PaMeals and its other applications, particularly with regard to the use of compensating controls in the face of limited staffing in the Bureau of Food Distribution and the IT Services Office. One of the benefits of OA OIT’s streamlining efforts hopefully will be the ability to leverage IT expertise of other agencies to assist with occasional needs, such as taking application enhancements from staging to production status.

**Questioned Costs:** None

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

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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

#### **Finding 2016 – 007:**

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

**Noncompliance and a Significant Deficiency Exist With the Cash Management Improvement Act of 1990 (CMIA) (A Similar Condition Was Noted in Prior Year Finding 2015-038)**

**Federal Grant Number(s) and Year(s): 16161PA705W1006 (10/01/2015 – 9/30/2016), 15151PA705W1006 (10/01/2014 – 9/30/2015)**

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

**Compliance Requirement: Cash Management**

**Condition:** The Commonwealth of Pennsylvania (Commonwealth) has entered into an agreement with the U.S. Treasury Department in order to comply with the provisions of the Cash Management Improvement Act of 1990 (CMIA). In order to fulfill the requirements contained in the Treasury-State Agreement (TSA), the Commonwealth has developed policies and procedures contained in the Comptroller Operations' Directive #540.1 and has developed the CMIA Grant Drawdown System (GDS) which calculates and provides recommended drawdown amounts for most federal programs using the Average Daily Clearance (ADC) method.

Section 6.2.4 of the TSA contains a paragraph specific to CFDA #10.557 which states that payments are to be received in accordance with the Modified Zero Balance Account (ZBA) – Next Day Payment method. However, in Exhibit II of the TSA, the Payments to Local Agencies category of expenditures is lumped together with the Benefit Payments for the related federal revenues to be received by this same method. In our current year audit of the CFDA #10.557 program, we noted that Payments to Local Agencies are a separate and different type of payment and should not be subject to the Modified ZBA – Next Day Payment method. The Commonwealth's calculation of ADC patterns implemented in the TSA for the fiscal year ended June 30, 2013 indicated that the ADC for CFDA #10.557 was nine days. Considering the fact that this calculation of nine days lumped Benefit Payments, Payments to Local Agencies, and Direct Payroll together, this indicates that the Payments to Local Agencies have a longer ADC than the Modified ZBA – Next Day Payment method and should in fact be accounted for, and the related drawdowns be requested separately from the Benefit Payments.

**Criteria:** 31 CFR Section 205.20 provides the following regarding clearance patterns:

*States use clearance patterns to project when funds are paid out, given a known dollar amount and a known date of disbursement. A State must ensure that clearance patterns meet the following standards:*

- a. A clearance pattern must be auditable.*
- b. A clearance pattern must accurately represent the flow of Federal funds under the Federal assistance programs to which it is applied.*
- c. A clearance pattern must include seasonal or other periodic variations in clearance activity.*



# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Finding 2016 – 007: (continued)

31 CFR Section 205.15 states the following pertaining to state interest liabilities:

(a) *General rule. State interest liability may accrue if Federal funds are received by a State prior to the day the State pays out the funds for Federal assistance program purposes. State interest liability accrues from the day Federal funds are credited to a State account to the day the State pays out the Federal funds for Federal assistance program purposes.*

The Commonwealth's TSA, in effect until June 30, 2016, with the U.S. Treasury Department, Section 8.6 related to State Interest Liabilities states:

8.6.1 *The State shall be liable for interest on Federal funds from the date Federal funds are credited to a State account until the date those funds are paid out for program purposes.*

8.6.2 *The State shall use the following method to calculate State interest liabilities on Federal funds:*

8.6.2.1 *Measuring Time Funds Are Held*

*To determine the total time Federal funds are held, the State shall measure the time between the date Federal funds are received and credited to a State's account and the date those funds are debited from the State's account.*

**Cause:** The Commonwealth's Office of Comptroller Operations (OCO) believes that Section 6.3.2 of the TSA, which states that the CFDA #10.557 Special Supplemental Nutrition Program for Women, Infants and Children benefit payments/payments to local agencies components will be funded using the technique identified and described under Modified ZBA – Next Day Payment (CFDA #10.557), overrides the issue we state in our Condition.

**Effect:** As a result of the weaknesses noted, the Commonwealth is not in compliance with the CMIA regulations related to the procedures for clearance pattern requirements and the interest calculation in the CMIA Annual Report as stated in 31 CFR Part 205.

**Recommendation:** We recommend that OCO change the GDS drawdown of federal funds related to the Payments to Local Agencies under CFDA #10.557 to be drawn down in accordance with the calculated ADC pattern of nine days. OCO should calculate additional CMIA interest due to the U.S. Treasury and repay the amount calculated or pursue appropriate settlement.

**OCO Response:** The OCO disagrees with the auditor's condition which indicates that the payments to local agencies should in fact be accounted for, and the related drawdowns be requested separately from the Benefit Payments under CFDA #10.557. Section 6.3.2 of the TSA specifically states that the CFDA #10.557 Supplemental Nutrition Program for Women, Infants and Children benefit payment/payments to local agencies components will be funded using the technique identified as and described under Modified ZBA – Next Day Payment (CFDA #10.557). As part of the approved TSA, the U.S. Department of the Treasury has accepted and mutually agreed upon this funding technique for the benefit payment/payments to local agencies component of the Special Supplemental Nutrition Program for Women, Infants and Children, CFDA #10.557.

**Auditors' Conclusion:** With regard to the inconsistency with the clearance pattern, management provided no additional information or documentation from federal officials to support the removal of the condition from the finding.

Questioned Costs: Unknown

**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, 2016

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

#### Finding 2016 – 008:

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

#### Noncompliance and a Control Deficiency Exist Over the Preparation and Submission of the Quarterly CMS-64 Report

**Federal Grant Number(s) and Year(s):** 05-1605PA5MAP (10/01/2015 – 9/30/2016), 05-1605PA5ADM (10/01/2015 – 9/30/2016), 05-1505PA5MAP (10/01/2014 – 9/30/2015), 05-1505PA5ADM (10/01/2014 – 9/30/2015)

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

#### Compliance Requirement: Reporting

**Condition:** The Pennsylvania Department of Human Services (DHS) is required to submit the CMS-64, *Quarterly Statement of Expenditures for the Medical Assistance Program* (CMS-64 Report), on a quarterly basis to the United States Department of Health and Human Services (HHS). The CMS-64 Report includes data related to the Medicaid Cluster expenditures, recoveries, and other items that reduce expenditures for the quarter and prior period expenditures, including donations, taxes, fees, and assessments. During the fiscal year ended June 30, 2016, we selected two out of four quarterly CMS-64 Reports for testing. The CMS-64 Report submitted for the quarter ended June 30, 2016 included an assessments amount reported on the Summary Total of Receipts from Form CMS 64.11, Line 5, which did not agree to the Commonwealth’s general ledger (SAP) as follows:

Assessments amount per the CMS-64 Report	\$645,977,075
Assessments amount per SAP	\$599,311,344
CMS-64 Report Overstatement	\$46,665,731

Although the CMS-64 Report was subjected to a documented supervisory review and approval, the existence of the overstated assessments amount indicates that the preparation and the supervisory review and approval processes were not adequate, and a control deficiency exists over the preparation and submission of the CMS-64 Report.

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

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

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

42 CFR Section 431.16, Reports, states:

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

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

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

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

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### Finding 2016 – 008: (continued)

42 CFR Section 433.74, Reporting requirements, states:

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

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

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

**Cause:** The Commonwealth's Office of Comptroller Operations (OCO) personnel indicated that the supporting spreadsheet was not saved properly, so they inadvertently entered the previous (March 31, 2016) quarter's assessments amount on the quarter ending June 30, 2016 CMS-64 Report. OCO personnel stated there is a supervisory review and approval process in place, but due to time constraints for some quarters, the review focuses on the reported expenditures instead of the assessments and other receipts. Also, OCO personnel did not maintain detailed, written report preparation procedures.

**Effect:** Since the preparation and the supervisory review and approval processes were not adequate to ensure the accuracy of assessments and other receipts, the CMS-64 Report was misstated for the quarter ended June 30, 2016. DHS is not in compliance with federal regulations, and a control deficiency exists. If not corrected, inaccurate reporting could result in future grant awards being reduced.

**Recommendation:** OCO should ensure that the preparation and supervisory review and approval processes for the CMS-64 Report are improved and include all required information including assessments and other receipts. OCO should ensure their written procedures for the preparation, review, approval, and submission of the CMS-64 Report are sufficiently detailed to ensure the CMS-64 Report is prepared accurately in accordance with federal regulations. Finally, OCO should ensure the CMS-64 assessments amount is corrected and the revised information is submitted to HHS.

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

As the finding states, there were inaccuracies in the reported assessment amounts. The assessments collected are reported on the CMS-64 for informational purposes and have no impact on the federal expenditures reported for the quarter.

**Questioned Costs:** None

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

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Department of Community and Economic Development**

#### **Finding 2016 – 009:**

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

#### **Deficiencies in Information Technology Controls Over the Pennsylvania Department of Community and Economic Development’s Electronic Single Application System**

**Federal Grant Number(s) and Year(s):** B-08-DC-42-0001 (1/01/2008 – 9/30/2015), B-09-DC-42-0001 (1/01/2009 – 9/30/2016), B-10-DC-42-0001 (1/01/2010 – 9/30/2017), B-11-DC-42-0001 (1/01/2011 – 9/30/2018), B-12-DC-42-0001 (1/1/2012 – 9/30/2019), B-13-DC-42-0001 (01/01/2013 – 9/30/2020), B-13-DS-42-0001 (6/01/2015 – 9/30/2017), B-14-DC-42-0001 (1/1/2014 – 9/30/2018), B-15-DC-42-0001 (1/1/2015 – 9/30/2019)

**Type of Finding:** Significant Deficiency

**Compliance Requirement:** Other

**Condition:** The Department of Community and Economic Development (DCED) utilizes the Electronic Single Application (ESA) system to maintain and track all of DCED’s grant, loan, and bond applications, including grantee applications for the Community Development Block Grants – State’s Program (CDBG). Additionally, federal reports are provided to the United States Department of Housing and Urban Development (HUD) through the Federal Electronic Tracking System (FETS), a module within ESA. We performed certain procedures to review information technology (IT) general controls for this program and noted the following IT general control weaknesses over the ESA system:

1. There are no written systems and programming standards established and maintained to outline requirements for changes to application software, system patching, configuration changes, deployment of changes to production, and/or emergency changes.
2. There is no documented evidence of management authorization to initiate application changes, test the changes, or approval to move change(s) to the production environment.
3. A potential segregation of duties conflict exists because three individuals have the ability to both develop and deploy code to production.

**Criteria:** Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. Green Book Principle 11 – Design Activities for the Information System, states in part:

*11.12 ...Management designs control activities over access to protect an entity from inappropriate access and unauthorized use of the system. These control activities support appropriate segregation of duties. By preventing unauthorized use of and changes to the system, data and program integrity are protected from malicious intent (e.g., someone breaking into the technology to commit fraud, vandalism, or terrorism) or error.*

*11.15 ...Management designs control activities over changes to technology. This may involve requiring authorization of change requests; reviewing the changes, approvals, and testing results; and designing protocols to determine whether changes are made properly....*

*11.16 ...Control activities for the development, maintenance, and change of application software prevent unauthorized programs or modifications to existing programs.*

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 009: (continued)**

General control activities over technology are integral to the overall internal control structure of the Commonwealth. A well-designed system of internal controls dictates that IT general controls be established and functioning to ensure that federal programs are administered in accordance with management’s intent.

Additionally, the Commonwealth’s Information Technology Policy (ITP) – APP012, “Systems Development Life Cycle Policy,” requires agencies to incorporate a separation of duties to maintain continuity and integrity throughout the execution of the procedures and processes associated with the Systems Development Life Cycle (SDLC) framework and affiliated software development projects. Careful consideration should be given to establishing access controls granting permissions to Commonwealth employees and/or outside contractors performing multiple roles within the various environments (i.e., development, production, system integration, testing, staging, etc.) to add, modify, delete, and migrate application code, data sets, and/or make configuration changes to systems in these environments.

**Cause:** Due to the small size (three individuals) of the DCED information technology staff, DCED’s change management procedures have been informal and not formally documented. While management represented that changes are tested and approved prior to implementation to production, no documentation is maintained. Of the three individuals with access to the ESA application, the first normally develops the code, the second promotes the changes into production, and the third functions as a backup for the other two. DCED is in the process of migrating their change management process to an upgraded version of Microsoft Team Foundation Server and will consider options to segregate duties as part of that migration. If this is not feasible, they will implement compensating controls that include reviewing logs and documenting that review.

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

**Recommendation:** We recommend that DCED management:

1. Develop and formally document formal written systems and programming standards to outline requirements for changes to application software, system patching, configuration changes, and/or emergency changes for the ESA system.
2. Require and maintain documentation of management’s authorization to initiate program code development, testing of changes, and final approval of each ESA change before deployment to the production environment.
3. Implement controls to eliminate potential segregation of duties conflicts. If preventive controls restricting programmers from both developing and deploying code are not feasible, management should consider implementing compensating detective controls, such as documented reviews of server logs, to ensure that no program changes are deployed to production outside of the normal process. Also, the procedures currently used for developing and deploying code to production should be formally documented.

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

**Questioned Costs:** None

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

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Department of Community and Economic Development**

#### **Finding 2016 – 010:**

##### **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 2015-007)**

**Federal Grant Number(s) and Year(s): B-08-DC-42-0001 (1/01/2008 – 9/30/2015), B-09-DC-42-0001 (1/01/2009 – 9/30/2016), B-10-DC-42-0001 (1/01/2010 – 9/30/2017), B-11-DC-42-0001 (1/01/2011 – 9/30/2018), B-12-DC-42-0001 (1/1/2012 – 9/30/2019), B-13-DC-42-0001 (1/01/2013 – 9/30/2020), B-13-DS-42-0001 (6/01/2015 – 9/30/2017), B-14-DC-42-0001 (1/1/2014 – 9/30/2018), B-15-DC-42-0001 (1/1/2015 – 9/30/2019)**

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

**Compliance Requirement: Subrecipient Monitoring**

**Condition:** During the fiscal year ended June 30, 2016, the Department of Community and Economic Development (DCED) reported subrecipient expenditures for the U.S. Department of Housing and Urban Development (HUD), Community Development Block Grants (CDBG) – State’s Program (including the Neighborhood Stabilization Program (NSP)) of \$30,800,855, which represented approximately 92 percent of total CDBG cluster expenditures. Based on our examination of the DCED Monitoring Schedule, there were 44 on-site visits scheduled for calendar year 2015. Of the scheduled on-site monitoring visits during the audit period, there were 6 visits to subrecipients which included a review of 17 contracts spanning contract years 2010 – 2013.

DCED is required to maintain internal controls that ensure subrecipient grant funds are utilized within the established contract period. The grant managers monitor the subrecipient contracts and the progress of projects through review of expenditure reports, written and verbal communication, and desk and site visits. In accordance with Fiscal Directive 2014-04, the Financial Management Center (FMC) 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
- Expenditures incurred within the first 3 years of the grant.

DCED continues to be behind in monitoring all of its subrecipients in accordance with its monitoring schedule. The table below highlights the number of awarded subrecipients by grant year and the outstanding monitoring activities that have not been conducted as of June 30, 2016.

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## Federal Award Findings and Questioned Costs - June 30, 2016

### Finding 2016 – 010: (continued)

Grant Year	Total Subrecipients	Subrecipient Desk Reviews/On-Site Visits Outstanding
2009*	146	18
2010	145	89
2011*	149	96
2012**	142	127
2013	139	132

\* Includes NSP 1 and NSP 3 contracts

\*\* Includes Disaster Recovery contracts

There were no 2015 grant funds expended during the fiscal year ended June 30, 2016.

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

We reviewed the subrecipients listed below 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	3	3	3	3
Remaining Subrecipients	107	13	N/A	9	13

In addition, on a sample basis, documentation and controls that support the CDBG invoices submitted by the subrecipients are reviewed. For the Neighborhood Stabilization Programs (NSP), as part of during-the-award monitoring, NSP invoices and supporting documentation are reviewed and approved by grant managers prior to payment.

During the year ended June 30, 2016, we selected a sample of 40 requests for reimbursement submitted from various subrecipients during the fiscal year and noted that invoices for two subrecipients were not reviewed.

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

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

**Cause:** DCED management indicated that the DCED personnel workload has increased significantly since 2009 as a result of grant awards received under new federal stimulus programs, including ARRA, and activities related to disaster assistance for those affected by Hurricane Irene and Tropical Storm Lee. The additional federal awards greatly expanded the number of subrecipient applications that DCED personnel needed to review and required

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## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 010: (continued)**

additional training of applicants by DCED in order for these applicants to understand the new programs' requirements. In addition, the program has experienced personnel vacancies. As a result, there was little or no time left for DCED personnel to conduct monitoring of the regular program activities.

**Effect:** DCED did not adequately perform during-the-award monitoring of the CDBG and NSP subrecipients to ensure the subrecipients administer the federal awards in compliance with laws, regulations, and the provisions of contracts and/or grant agreements.

A material number of subrecipients expended individually less than the threshold that requires a Single Audit be conducted during the fiscal year ended June 30, 2016, and as a result would not have been required to submit a Single Audit report to the Commonwealth during the fiscal year ended June 30, 2016. 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 ensures 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 ensures the results of all monitoring visits are communicated to the subrecipients in a timely manner, and that DCED performs follow-up procedures to ensure appropriate corrective action is implemented by the subrecipients.

**Agency Response:** DCED agrees with the finding. For the period of June 5, 2015 – June 30, 2016 DCED was under contract with an outside consultant to perform the review of 219 Community Development Block Grant contracts covering the period of 2001 – 2008. Additionally, the consultant monitored 28 Neighborhood Stabilization Program contracts issued between 2009 and 2011. During the audit period, DCED was able to review and communicate the results of those reviews to 134 subrecipients.

**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, 2016***

### **Department of Community and Economic Development**

#### **Finding 2016 – 011:**

#### **CFDA #93.568 – Low-Income Home Energy Assistance**

#### **The Department of Community and Economic Development Did Not Perform Adequate Monitoring of Subrecipients**

**Federal Grant Number(s) and Year(s):** G16B1PALIEA (10/01/2015 – 9/30/2017), G15B1PALIEA (10/01/2014 – 9/30/2016), G14B1PALIEA (10/01/2013 – 9/30/2015)

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

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** The Department of Community and Economic Development (DCED) administers the Weatherization Assistance Program (Weatherization) using grant funding from the U.S. Department of Energy (DOE) and a transfer of up to 15 percent of the Commonwealth’s annual federal grant received for the Low-Income Home Energy Assistance Program (LIHEAP), administered through the Department of Human Services (DHS). During the fiscal year ended June 30, 2016, DCED expended \$30,112,118 of LIHEAP funds for the Weatherization program. Of this amount, \$29,517,494 was paid to 37 DCED Weatherization subrecipients (local agencies) to provide weatherization services to eligible Pennsylvania (PA) residents. According to the DHS LIHEAP State Plan, the LIHEAP funds transferred for the Weatherization program are subject to the monitoring requirements contained in the DCED Weatherization State Plan, which DCED prepares each year in accordance with DOE regulations.

DCED’s monitoring activities of the Weatherization program consist of full agency reviews and fiscal monitoring reviews of the 37 local agencies plus client file reviews and site inspections of five percent (347) of the total houses (6,924) weatherized during the fiscal year ended June 30, 2016.

Our review of DCED’s monitoring activities and discussions with DCED management found inadequate subrecipient monitoring conducted during the fiscal year ended June 30, 2016, as noted below. DCED monitors did not complete:

- All 37 full agency reviews;
- 32 of 37 fiscal monitoring reviews;
- 306 of 347 client file reviews; and
- 308 of 347 site inspections.

**Criteria:** As part of administering the Weatherization program, DCED must have adequate controls to ensure compliance with federal requirements, state plans, applicable policy and procedures, and weatherization standards.

2 CFR Section 200.331 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.*

The U.S. DOE Weatherization Program Notice 16-4 states: “The Grantee must conduct comprehensive monitoring of each Subgrantee at least once a year...”, and also, “...complete reviews of at least 5 percent of each Subgrantee’s completed weatherized units....”

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 011: (continued)**

DCED's PA Weatherization Assistance Program Monitoring Guidelines and Procedures (Guidelines and Procedures) indicate that DOE requires a full agency review of each local agency during the program year. The full agency reviews include, but are not limited to: a review to determine that costs charged to the program are allowable and appropriate and that inventory control is managed; a review of the agency's procurement process; a determination of agency compliance with its management plan and contract; and the identification of risks for fraud and abuse. Also, in Guidelines and Procedures, the current fiscal monitoring plan is to complete approximately 60 percent of the agencies via desk reviews and the remaining 40 percent via on-site monitoring. According to DCED's Weatherization State Plan, fiscal monitoring is completed once per fiscal year.

In accordance with DCED requirements in the PA On-File Information (Master File) 2016 Section V.8.3, "At least 5 percent...of the completed units statewide will be site inspected by the state monitors and 5 percent of client files will be reviewed for required documentation." The on-site monitoring inspections are of houses weatherized during the fiscal year, and the client file reviews are of required documentation that supports the clients' eligibility and the costs associated with the clients' projects.

**Cause:** DCED management stated that the Commonwealth's six-month budget impasse (July through December 2015) prevented it from completing its local agency monitoring approach. In October, the Governor imposed a hiring freeze and travel ban, restricting DCED from filling two Weatherization program monitoring positions and preventing its current staff from incurring any travel expenses. Thus, DCED's Weatherization monitors only completed a minimal number of monitoring visits during the impasse. Additionally, DCED management noted that DOE issued new monitoring guidelines in December 2015, and DCED focused its monitoring efforts throughout the remainder of the fiscal year on training its monitors and assisting local agency personnel in implementing the new monitoring guidelines.

**Effect:** Without the timely completion of adequate Weatherization program subrecipient monitoring, DCED cannot ensure compliance with program requirements, confirm that local agencies are performing satisfactory work, ensure the efficient use of program resources, and minimize the risk for fraud and abuse. Completing its monitoring activities timely is essential for DCED to determine whether the local agencies are complying with federal regulations and spending grant funds appropriately.

**Recommendation:** We recommend that DCED ensure that all planned monitoring activities are completed timely with all required monitoring documentation maintained. In addition, we recommend that program personnel contact the federal oversight agency when a travel ban is issued for the Commonwealth and inform them that they will not be able to comply with federal grant requirements.

### **Agency Response:**

### **Fiscal Monitoring Response**

DCED is in receipt of audit finding 2016 – 011 for the Low Income Energy Assistance Program (LIHEAP) and disagrees with the auditor's assertion that 32 of 37 agencies that received LIHEAP funding were inadequately monitored. DCED feels the use of the word inadequate is not an accurate representation of the auditor's conclusion with respect to the fiscal monitoring performed. There is no indication in the finding that the procedures used by the Compliance Monitoring Division of the Financial Management Center were insufficient or inadequate. The criteria used by the auditor suggests that the concern is with timeliness, not an inadequate process. In addition, DCED has concerns with the auditor's interpretation of the timeframe for which reports should be issued. DCED does not feel the criteria above applies to the LIHEAP funding for the following reasons:

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 011: (continued)**

- The contract date for the LIHEAP program is October 1, 2015 through September 30, 2016. If DCED were to apply the auditor’s assertion that a monitoring report must be issued annually and those reports must be released by the end of the contract date, then DCED would argue that for the LIHEAP program the deadline for release would be September 30. The timeframe for DOE would be June 30. DCED should not be applying DOE’s contract end date.
- DCED’s fiscal monitoring is always delayed until the spring due to limited expenditures being available for testing. Depending on when the agencies receive their contracts for the LIHEAP and DOE programs dictates when we can start our monitoring. DCED likes large universes to test, so we get a true picture of how the agency is expending the funds and have a better chance to identify concerns.
- The paragraph used by the auditor from DCED’s portion of the LIHEAP state plan reads as follows:

“As such, the State Plan establishes the number of homes to be weatherized within the limits of available resources, the specific energy conservation measures to be undertaken, eligibility requirements, projected energy savings, program implementation strategies and other program requirements.”

This paragraph outlines what requirements will be established by DCED for its subrecipients to adhere to when they are weatherizing a home or administering the LIHEAP grant. This paragraph does not define DCED’s monitoring responsibilities. The Department of Health and Human Services monitored DHS and DCED May 23, 2016 through May 26, 2016, and there was no indication to DCED during their review that program or fiscal monitoring was inadequate. In addition, DHS has accepted DCED’s portion of the state plan for years and has not questioned monitoring of the DCED portion of the program.

DCED feels that it has adequately monitored its portion of the LIHEAP program in accordance with the LIHEAP State Plan. DCED would strongly recommend that if the auditor feels those agreed to procedures are inadequate, then it should be discussed with DHS to require a stronger plan from DCED with respect to our monitoring of the LIHEAP program.

### **Program Monitoring Response**

The expectation for program monitoring that is stated in the second paragraph under the condition includes inaccurate numbers which then led to the inaccurate conclusion that inadequate program monitoring occurred. The condition states that 6,924 homes were weatherized in 2015-16. This number is not the data that was given to the AG staff in an email dated October 21, 2016.

### **Crisis Interface Units**

- The number of units in which Crisis Interface services were performed (heating emergencies only) was 6708 as of June 30, 2016, and since the funds for Crisis can be expended and closed out by September 30, 2016, the final total was 6717.
- There are no set standards for a percentage expectation of the monitoring of these Crisis units. However, for the year 2015-16, the DCED monitoring staff did visit 61 sites to inspect the furnace work that was done for heating emergencies. These were logged and noted in files, but not prepared as full reports. In addition, there was extensive desk monitoring conducted of the Crisis units via the HES system to assure that work was performed by agencies and reported accordingly.

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2016*

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### **Finding 2016 – 011: (continued)**

#### **Standard Weatherization Units with LIHEAP funds**

- The number of units weatherized with LIHEAP funds was 216 as of June 30, 2016, and since the funds can be expended until September 30, 2016, the total was 563 and the majority of the standard Weatherization work was completed between July and September.
- Twenty-eight of these units were on-site monitored by June 30, 2016. Since travel was restricted during the budget impasse during most of the 2015-16 year, our monitoring team has continued throughout this year to more fully monitor additional LIHEAP standard Weatherization Units.
- Please note also that the reference to 5 percent of the total as a requirement for monitoring is only of DOE units. In the LIHEAP State Plan it states that all technical conditions of the DOE Weatherization State Plan apply to the actual Weatherization work, but does not state anywhere that it applies to the percentage of units required for LIHEAP monitoring. We follow the 5 percent as a guide, but for LIHEAP this has never been specified as a requirement.

#### **Other Notes**

- The report also includes assertions about the DOE funding, although this monitoring focus is only on LIHEAP funds, and therefore we contend should not be included in the “expected” number of monitored units within this report.
- The report states that the budget impasse, hiring freeze, and travel ban prevented staff from performing on-site required monitoring. There was quite a bit of information shared with the AG staff regarding the shifts and changes that were being made in the program due to increased national requirements which caused a change in the monitoring methods from “full agency monitoring” to risk assessment based monitoring and Quality Control Inspections. These changes were occurring at the same time as the budget impasse; therefore our staff time was spent in conducting as much desk monitoring and oversight as possible in addition to establishing new practices, policies, and in the case of the DCED monitors, requiring them to learn a new Quality Control inspection process after they earned their certifications.

For these reasons, we believe the conclusions drawn are inaccurate and not based on all the programmatic facts that were presented to the AG staff during their reviews.

**Auditors’ Conclusion:** We disagree with DCED’s response to the finding. The LIHEAP state plan indicates that Weatherization Program requirements outlined in the Weatherization state plan “...apply to the LIHEAP portion of the Weatherization Assistance Program.” These requirements include the subrecipient monitoring requirements for the Weatherization Program as identified in the finding criteria. Based on the results of our audit, DCED failed to comply with the subrecipient monitoring requirements outlined in its state plan by not completing the minimum monitoring as outlined in the finding condition. Consequently, we concur that the finding is not taking issue with the design of DCED’s monitoring procedures; the issue is that the monitoring was not completed during the Weatherization program year.

With respect to the inaccurate numbers cited in DCED’s response, the 6,924 units included all units weatherized using LIHEAP funds, to include standard LIHEAP units and crisis (LIHEAP) units, and was provided to the auditors by DCED during the audit. We recommend DCED contact the U.S. Department of Health and Human Services for clarification regarding the applicable requirements to follow for the use of the LIHEAP funds in the Weatherization Program, including subrecipient monitoring requirements.

**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, 2016***

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### **Department of Education**

#### **Finding 2016 – 012:**

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

#### **Material Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement**

**Federal Grant Number(s) and Year(s):** 2015 – 1PA300305 (10/1/2014 – 9/30/2015), 2016 – 1PA300305 (10/1/2015 – 9/30/2016)

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

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

**Condition:** The Pennsylvania Department of Education (PDE), Division of Food and Nutrition, Bureau of Budget and Fiscal Management, administers the operations of the Child and Adult Care Food Program (CACFP). During the fiscal year ended June 30, 2016, subrecipient expenditures accounted for \$115.9 million or approximately 99 percent of total federal program expenditures of \$117 million. As part of our testing of subrecipient expenditures, we selected 40 items to test PDE's procedures to process subrecipient agreements and claims for meal and administrative cost reimbursement.

One of 40 test items disclosed a claim reimbursement to a day care home sponsor that showed the average daily attendance (ADA) exceeded total enrollment. Upon further inquiry, PDE provided a separate report showing total enrollment for the day care home sponsor to be 120 at 17 different homes; however, the claim for reimbursement from the home sponsor reported that the ADA was 187 at 14 different homes. We found that PDE does not have procedures in place to ensure that the ADA does not exceed total enrollment for claim reimbursements to day care home sponsors.

In addition, the testing of 40 claim reimbursements disclosed two instances in which the claim reimbursements were submitted through PDE's Program Electronic Application and Reimbursement System (PEARS) by an individual without a PEARS authorization form on file.

We also found two of 40 subrecipient agreements tested that were not signed and dated by PDE until after we requested to review the agreements. These two agreements appear to have been put into effect by PDE before the agreements were officially signed and approved. PDE officials indicated that one agreement was missing from their files, and a copy had to be obtained from the subrecipient in order to provide a copy to us.

In addition, eight of the 40 subrecipient agreements tested had only the month listed as the original effective date of the agreement. This was changed for six agreements to include the day and year after we requested to review the agreements in January 2017. We were able to distinguish this change because the person making the change placed their initials and date next to the change. The two remaining agreements were not corrected by PDE to include the day and year.

**Criteria:** Regarding claims processing, 7 CFR 226.7 states in part:

*(k) Each State agency shall establish procedures for institutions to properly submit claims for reimbursement. Such procedures must include State agency edit checks, including but not limited to ensuring that payments are made only for approved meal types and that the number of meals for which reimbursement is provided does not exceed the product of the total enrollment times operating days times approved meal types.*

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 012: (continued)**

Regarding program agreements, 7 CFR 226 states in part:

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

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

Regarding food service payments to sponsoring organizations for day care homes, 7 CFR 226.13 states in part:

*(a) Payments shall be made only to sponsoring organizations operating under an agreement with the State agency for the meal types specified in the agreement served to enrolled nonresident children and eligible enrolled children of day care home providers, at approved day care homes.*

**Cause:** PDE officials acknowledged the lack of internal control procedures to ensure that the ADA does not exceed total enrollment when processing claim reimbursements for day care home sponsors. PDE management indicated that PDE has initiated the process to implement an edit check in the PEARS system to perform this comparison, but no evidence was provided to substantiate this. No explanation was provided as to how an unauthorized user was able to submit a claim reimbursement in PEARS. PDE indicated that the user was deactivated, and an authorization form was requested as a result of our inquiry.

PDE management provided no explanation for the missing approval dates and signatures on the subrecipient agreements and correction of the effective dates. No further explanation or documentation was provided by PDE to show that the one subrecipient for which PDE did not have an agreement on file was actually approved for participation in the CACFP program.

**Effect:** Inaccurate ADA reported on claims for reimbursement to day care home sponsors could result in overstated or inaccurate meal reimbursements and unallowable costs. Also, PDE has limited assurance of the accuracy of claim reimbursements when the claim is submitted by an unauthorized individual or an individual that does not have a PEARS authorization form on file.

Having a properly signed, dated agreement on file is required in order to participate in the CACFP program. Absent a properly approved agreement, the two subrecipients noted in the finding condition may have received unallowable meal reimbursements from the CACFP program.

**Recommendation:** PDE should review the claim reimbursement in question and determine if the claim reimbursement is accurate considering that the ADA of 187 exceeded the total enrollment of 120. PDE should immediately implement controls to compare ADA to total enrollment for all day care home sponsor claim reimbursements.

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

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

### **Agency Response:**

- PDE, Division of Food and Nutrition (DFN), agrees that a business rule checking enrollment with average daily attendance or something similar is necessary.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 012: (continued)**

- PDE, DFN, agrees that two PEARS User Authorization Forms were missing. The users were immediately inactivated upon discovery and the sponsors were contacted to obtain new forms.
- PDE, DFN, agrees that two sponsor agreements were signed after they were considered effective in PEARS; the first, DFN had the agreement but had not signed the agreement and the second, DFN was missing the agreement but obtained a copy of the agreement upon discovering it was missing.
- PDE, DFN, disagrees with the portion of the finding pertaining to the effective date on the sponsor agreement. It was verbally explained to the auditor that the actual day of an effective date is irrelevant because the agreement is actually considered effective the first day of the month, regardless if the agreement was signed the beginning of the month or end of the month (with the understanding that the sponsor has all documentation to support their claims during that time period). Program staff did enter an actual date (month/day/year) after the fact. However, staff initialed and dated this additional information which is proper protocol. Regardless, the month is what is most relevant.

**Auditors' Conclusion:** PDE agrees with our finding with the exception of the need to have the actual day noted in the effective date of the agreement. PDE personnel indicated that the effective date is always the beginning of the month indicated regardless of the day; however, no evidence to support that this assertion was part of PDE's policy and procedures was provided. In addition, the agreement states "effective date" not "effective month." As a result, the finding remains as stated.

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

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

# ***COMMONWEALTH OF PENNSYLVANIA***

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Department of Education**

#### **Finding 2016 – 013:**

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

**A Material Weakness and Noncompliance Exist Over the Pennsylvania Department of Education’s Consolidated State Performance Report, Annual Report Card, and Reporting of the Annual High School Graduation Rate (A Similar Condition Was Noted in Prior Year Finding 2015-012)**

**Federal Grant Number(s) and Year(s):** S010A120038 (7/01/2012 – 12/30/2015), S010A130038 (7/01/2013 – 12/30/2015), S010A140038 (7/01/2014 – 12/30/2016), S010A150038 (7/01/2015 – 12/30/2017)

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

**Compliance Requirement:** Special Tests and Provisions related to Identifying Schools and LEAs Needing Improvement, Special Tests and Provisions related to the Annual Report Card, High School Graduation Rate

**Condition:** The Title I Grants to Local Educational Agencies (LEAs) program (Title I) is enacted under the Elementary and Secondary Education Act (ESEA), as amended, and by the No Child Left Behind (NCLB) federal legislation of 2002, as amended. Under ESEA and NCLB, Title I services are linked to state-determined performance standards. The U.S. Department of Education (USDE) approved a flexibility waiver for the Pennsylvania Department of Education (PDE) for the current audit period. This waiver permitted PDE to implement an alternate method of assessing Title I LEAs in order to report to USDE and the public which schools PDE has identified as reward, priority, and focus based on the results of assessment examinations administered to students.

PDE must prepare and report information including the classification of individual Title I schools and summaries of the classifications at the state and LEA (school district) levels to USDE on the Consolidated State Performance Report (CSPR) and to the public via the annual State Required Federal Reporting Measures (RFRM), formerly known as the Annual Report Card.

Although PDE has contracted with a vendor to design the assessments (Pennsylvania System of School Assessment (PSSA), Pennsylvania Alternate System of Assessment (PASA), and Keystone Exams) and to provide the assessment data to PDE, federal regulations make PDE responsible for collecting, compiling, and determining the accuracy of information about the number and names of schools classified as reward, priority, and focus, and for reporting this information on the CSPR and the RFRM. While the majority of the information comes directly from the vendor, other reporting information comes from PDE’s Pennsylvania Information Management System (PIMS) application for which another vendor provides the software, performs the software updates, and updates/maintains the database.

To determine the accuracy of the CSPR and the RFRM, we selected 20 information fields from the CSPR and 20 information fields from the RFRM, out of more than a thousand fields of data reported for the 2014-15 school year during the fiscal year ended June 30, 2016. For each item selected, we requested detailed source documentation from PDE in order to substantiate the number or percentage reported in the data field. Based on our testing, the following deficiency was noted:

- PDE did not report required prior year (2013-14 school year) assessment data on the RFRM at the state, school district, and school levels for the Mathematics and English Language Arts PSSA (grades 3 through 8), the Algebra and Literature Keystone Exams (grade 11), and the Mathematics and Reading PASA (grades 3 through 8 and 11), nor did PDE document on the RFRM an adequate explanation for the missing data.



# ***COMMONWEALTH OF PENNSYLVANIA***

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 013: (continued)**

PDE uses a vendor as part of its data collection, compilation, and reporting process. PDE management represented that manual review and supervisory approval procedures were performed by PDE personnel to ensure the accuracy of the vendor data and the PIMS data reported in the CSPR and the RFRM related to the PSSA and Keystone Exams.

Therefore, we selected and tested 16 individual review procedures related to PSSA and Keystone Exams. Based on our testing, the following deficiencies were noted:

- PDE personnel represented that no review procedures were performed for the PASA data for all grades (3 through 8 and 11).
- PDE personnel represented that a review of grades 5 and 6 PSSA data was performed but could not provide written evidence that the review was performed.
- Our testing disclosed that for five of 16 review procedures tested, PDE could not provide evidence of a supervisory review (Algebra Keystone – Winter, Literature Keystone, Biology Keystone, Algebra Keystone, and PSSA grades 7 and 8 – all subjects).
- Our testing disclosed that for four of 16 review procedures tested, PDE could not provide evidence that the reviews were performed prior to the report publication date (2015 RFRM Data Verification Form – school level review and 2015 RFRM Data Verification Form – state level review).

The documentation provided to support the information contained in the 40 fields selected from the CSPR and the RFRM combined was supplied by the outside testing vendor and/or PDE's PIMS system. Although we were able to recalculate the data reported, we noted information technology control deficiencies related to the PIMS system, the PIMS vendor, and the outside testing vendor as follows:

- Basic Financial Statement Finding 2016-005, which was reported for the Commonwealth for the fiscal year ended June 30, 2016, disclosed a lack of segregation of duties and deficiencies over the PIMS vendor's logical access into the system.
- The PIMS vendor provided a Service Organization Controls (SOC) report that did not include tests of operating effectiveness of information technology general controls, so we could not determine whether controls at the vendor would compensate for the lack of controls over the vendor at PDE. Also, there was insufficient contract language to document vendor services being performed. PDE's contract with the PIMS vendor only included software maintenance provisions, and the statement of work did not describe the vendor's role in performing Extract Transform Load (ETL) transactions used to map PIMS data for federal reports filed with USDE.
- The vendor who compiles the student testing data for PDE has not received a SOC report issued under the American Institute of Certified Public Accountants (AICPA) Statement on Standards for Attestation Engagements No. 16, *Reporting on Controls at a Service Organization*. As in the prior year, when the SOC report was requested during the audit, PDE responded that the vendor continues to engage an external auditor to perform a Federal Information Security Management Act (FISMA) assessment to determine compliance with information security standards using criteria from the National Institute of Standards and Technology (NIST) Special Publication 800-53, revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*. PDE provided an unsigned and undated executive summary of the current year report and also a status update of corrective action plans from the prior year report which

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 013: (continued)**

indicated that a number of configuration and vulnerability issues had been remediated. However, the current year executive summary included new findings and recommendations related to deficiencies in system and organizational documentation, system architecture, and internal threats. Without a copy of the report, we cannot determine whether the vendor had proper controls over the student testing data and cannot assess the risks associated with the deficiencies noted in the summary document.

Since there was insufficient documented evidence of the performance of the manual validation controls listed above, it does not appear that PDE has sufficiently implemented its manual compensating controls to ensure the accuracy of the outside testing vendor's data and the PIMS data. PDE is relying on systems that are not adequately controlled to report data in the CSPR and the RFRM. Therefore, errors in the underlying testing vendor's data and the PIMS data could be made and remain undetected when reported in the CSPR and the RFRM.

In addition, in order to improve high school accountability, the USDE established a uniform measure of the high school graduation rate that is comparable between states and reported annually. PDE reported the 2013-14 school year graduation rate data for public high schools in Pennsylvania at the school, LEA, and state levels using the 4-year adjusted cohort rate in conjunction with the 2014-15 school year State RFRM which was submitted to the USDE during the fiscal year ended June 30, 2016. This data generally represents the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for the graduating class. This data is required to be reported in the aggregate and also must be disaggregated by subgroups (for example, gender, ethnic group, etc.) resulting in thousands of fields of data reported at the school level, the LEA level, and the state level.

During the fiscal year ended June 30, 2016, PDE calculated the high school graduation rate data based on the LEAs' student data acquired from PDE's PIMS. We selected a sample of 40 data fields, which included school district level and individual school level high school graduation rate percentages for various subgroups. We were able to recalculate PDE's reported percentages using the PIMS data provided by PDE. However, our analysis of the overall state level high school graduation rate data disclosed the following deficiencies:

- The data file which contained the 4-year adjusted cohort for the 2013-14 school year graduating class included 1,122 duplicate students out of 142,017 students, which resulted in an overstatement of the actual total of 140,895 students.
- An additional analysis which only extracted graduates from the 4-year adjusted cohort data file disclosed the inclusion of 597 duplicate graduates out of 121,357 students who graduated in four years with a regular high school diploma, which resulted in an overstatement of the actual total of 120,760 graduates.
- The exclusion of the duplicate records and recalculation of the overall state level high school graduation rate percentage for the school year 2013-14 state cohort resulted in a rate of 85.71 percent, instead of the 85.45 percent reported by PDE, which was an understatement of 0.26 percent.
- PDE did not have adequate manual controls in place to ensure the high school graduation rate data was accurately reported in compliance with federal regulations.

**Criteria:** The OMB Compliance Supplement for the Title I program, Part N, Identifying Schools and LEAs Needing Improvement, states:

*States that have received ESEA flexibility for the 2015-2016 school year. The SEA must identify and report on at least three categories of schools: (1) reward schools; (2) priority schools; and (3) focus schools.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Finding 2016 – 013: (continued)

Title I, Sections 1111(h)(1) and (4) of ESEA, state:

*(h) Reports.*

*(1) Annual State Report Card.*

*(A) In General. Not later than the beginning of the 2002-2003 school year, unless the State has received a 1-year extension pursuant to subsection (c)(1), a State that receives assistance under this part shall prepare and disseminate an annual State report card.*

*(C) Required Information. The State shall include in its annual State report card—*

- (i) information, in the aggregate, on student achievement at each proficiency level on the State academic assessments described in subsection (b)(3) (disaggregated by race, ethnicity, gender, disability status, migrant status, English proficiency, and status as economically disadvantaged...*
- (iv) the most recent 2-year trend in student achievement in each subject area, and for each grade level, for which assessments under this section are required;*
- (vii) the professional qualifications of teachers in the State, the percentage of such teachers teaching with emergency or provisional credentials, . . .*

*(4) Annual State Report to the Secretary. Each State educational agency receiving assistance under this part shall report annually to the Secretary, and make widely available within the State—*

*(A) beginning with school year 2002-2003, information on the State's progress in developing and implementing the academic assessments described in subsection (b)(3);*

The OMB Compliance Supplement for the Title I program, Part N, Annual Report Card, High School Graduation Rate, states:

*An SEA and its LEAs must report graduation rate data for all public high schools at the school, LEA, and State levels using the 4-year adjusted cohort rate under 34 CFR section 200.19(b)(1)(i)-(iv)).*

*In a State that has received ESEA flexibility for the 2015-2016 school year that includes a waiver from making AYP determinations, the SEA and its LEAs must continue to calculate and report on the 4-year adjusted cohort graduation rate.*

34 CFR Section 200.19 (b) regarding High Schools states:

*(1) Graduation rate. Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:*

*(i)(A) A State must calculate a "four-year adjusted cohort graduation rate," defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class.*

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 013: (continued)**

#### *(4) Reporting.*

*(i) In accordance with the deadlines in paragraph (b)(4)(ii) of this section, a State and its LEAs must report under section 1111(h) of the Act (annual report cards) graduation rate at the school, LEA, and State levels in the aggregate and disaggregated by each subgroup described in § 200.13(b)(7)(ii).*

In addition, a well-designed system of internal controls dictates that information technology general controls be adequately designed and operating effectively to ensure that federal programs are administered in accordance with management's intent. In addition, the AICPA's Statement on Standards for Attestation Engagements (SSAE) No. 16, *Reporting on Controls at a Service Organization*, AT Section 801, provides guidance on obtaining assurance that information technology controls outsourced to vendors are adequately designed and operating effectively.

**Cause:** PDE personnel indicated that PDE management decided not to report the 2013-14 RFRM data since the 2014-15 assessments were aligned to PA Core Standards and were not comparable to the 2013-14 assessments, leading to misconceptions about student achievement. However, PDE did not include an adequate explanation on the RFRM to support the exclusion of the 2013-14 data, nor could PDE provide written evidence that USDE approved this exclusion.

PDE personnel stated that the PASA data review procedure was eliminated since this review has never dramatically changed the data, and PDE time and resources were used for more valuable reviews.

PDE personnel indicated the documentation for the review of the grades 5 and 6 PSSA data could not be located, nor could evidence be located to confirm that the RFRM school and state level reviews were performed prior to the RFRM publication date.

PDE personnel indicated the lack of evidence of supervisory review was due to the retirement of the responsible employee.

PDE uses PIMS data which has inadequate information technology general controls, and PDE also relies upon the outside testing vendor for the administration and compilation of student assessment data and classification of Title I schools as reward, priority, and focus. PDE's manual review procedures over the CSPR and RFRM compilation process were not all adequately documented or performed timely. PDE personnel stated this was due to limited resources and turnover among PDE staff combined with a short turnaround time between PDE's receipt of the vendor's data and the vendor's completion of the data for publication.

PDE personnel stated that the duplicate students were due to the attribution of individual students to more than one school that remained at the time of PDE's reporting even after the LEAs reviewed the data and reattributed students. PDE personnel represented that additional procedures were implemented subsequent to the reporting of the 2013-14 data to eliminate the reporting of duplicates and to improve the accuracy of the student data reported.

Regarding the lack of a SOC report for the testing vendor, PDE continues to pursue an appropriate report. In the prior year audit, PDE provided a Request for Proposal document dated April 15, 2015, which required the testing vendor to obtain a SOC Report performed in accordance with AICPA SSAE No. 16. However, a SOC report was not provided to the auditors in response to our request in the current year audit.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 013: (continued)**

**Effect:** There were empty data fields within the RFRM which were not adequately explained, and there was an understatement of the high school graduation rate. The CSPR and the RFRM, including the high school graduation rate, are required to provide information on state activities and outcomes of ESEA programs in accordance with NCLB standards. Since PDE did not fully execute its manual compensating controls to ensure the accuracy of the data from PIMS and the testing vendor, PDE cannot rely on the accuracy of the data, and PDE cannot ensure the accuracy of the CSPR or the RFRM, including the high school graduation rate. Accordingly, the reports may be inappropriately used by USDE or the public to measure the ESEA programs' success in accordance with the NCLB.

Since PDE did not provide an independent report to confirm the operating effectiveness of the controls at the vendor who compiles the student testing data, or assurance that current control deficiencies at the vendor were corrected, we cannot be assured that controls over the student testing data were designed and operating effectively at the vendor. Inadequate computer controls at the vendor increase the importance of the manual compensating controls referred to above.

**Recommendation:** PDE management should take the necessary action to resolve the various general information technology control deficiencies in the PIMS system. PDE management should also ensure that manual compensating controls are adequately designed and operating effectively to ensure the proper and accurate reporting of PSSA, PASA, Keystone Exam, and high school graduation rate data on the CSPR and/or the RFRM. Reasonable documentation should be retained as evidence that manual review procedures to ensure the accuracy of the reports have been completed on a timely basis. Adequate explanations should be included on the RFRM to justify leaving data fields empty. Attribution problems should be remediated in order to prevent duplicate student counts in the high school graduation rate data.

PDE should obtain a Service Organization Controls report for the testing vendor performed in accordance with AICPA attestation standards to ensure that the student testing data is secure and processed in accordance with PDE's intent. This report should be provided to the auditors as audit evidence when requested.

**Agency Response:** PDE has responded to each of the bullets listed in this finding as follows:

#### Item #1

PDE disagrees with this portion of the finding. The 2013-2014 data is available on the ESEAFedreport.com website (the RFRM webpage) in the 2013-2014 RFRM Report for this timeframe. Under www.ed.gov per the ESEA section 1111(h) (1) (C) (i), State Education Agencies are required to publish the most recent year's data in the RFRM. USDE approved PDE's ESEA Flexibility Waiver which allowed PDE to adopt PA Core Standards. The PA Core Standards were used to create new ELA and Math assessments and establish new baselines. Consequently, comparisons to prior year performance became statistically invalid. Therefore, exclusion of the 2013-2014 data in the RFRM cited in this finding not only met the requirements of PDE's ESEA Flexibility Waiver, but were it to be included, would have led to false interpretations of the data. PDE also supplied a detailed explanation in the FAQs Section of this document.

#### Item #2

PDE disagrees with this comment as part of the finding. Based upon last year's audit review and the subsequent finding, PDE increased the review procedures used in evaluating and verifying data (i.e. verification of data for specific subjects, grades, and subgroups at the individual school level for a random set of schools) which also includes the PASA data.

#### Item #3

PDE agrees with this aspect of the finding. PDE will be more vigilant in obtaining signatures of completion of the review processes.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

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### Finding 2016 – 013: (continued)

#### Item #4

PDE agrees and disagrees in part with this aspect of the finding. PDE did provide evidence that the reviews were performed prior to the publication date. However, it was the supervisory signature that was obtained after the publication date. PDE will be more vigilant in following its procedures to ensure that the data verification sheets are completed and signed by all parties prior to the publication of the RFRM.

#### Item #5

*Finding PDE-1, PIMS Vendor Access:* This finding is being addressed through the GAAP IT Audit Finding Resolution Process.

*Finding PDE-2, PIMS Access, Vendor Action Review:* This finding is being addressed through the GAAP IT Audit Finding Resolution Process.

*Finding PDE-3, Segregation of Duties:* Per the finding text, “Management remediated the weakness after the audit period”; no further corrective action is planned.

#### Item #6

PDE requested the SOC Report from the PIMS vendor at the current reporting level based on the direction provided at that time. This guidance has apparently changed since PDE requested this information. PDE will request the correct level of SOC reporting from the PIMS vendor based on this year’s recommendation. PDE will also work with the PIMS vendor to establish formal maintenance contract language that will specify roles and responsibilities of the vendor, including ETL transactions.

#### Item #7

PDE agrees with this portion of the finding. PDE expects to receive the SOC2 Report no later than March 31, 2017 as noted in the Quarterly Status Report of Corrective Action. PDE will then review the SOC Report with the vendor in order to confirm controls and address any deficiencies or risk factors.

#### Item #8

PDE agrees with this portion of the finding. However, the file accurately reflects what was reported by LEAs. The number of duplicates has been decreasing; evidence that PDE is improving processes and procedures. PDE implemented documented reporting duplication removal procedures using enrollment data that allows for the selection of a single current record in the event a student has a record in multiple LEAs. The new procedures were implemented with 2015-2016 data.

#### Item #9

PDE agrees with this portion of the finding. However, the data accurately reflects what was reported by LEAs. PDE implemented documented procedures beginning with 2015-2016 data utilizing the enrollment data. This allows for the selection of a single current record in reporting.

#### Item #10

PDE agrees with this portion of the finding. At the time of this data collection, PDE was unable to choose a single record from reported records when multiple LEAs claimed a student. PDE implemented documented procedures starting with 2015-2016 data.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 013: (continued)**

Item #11

PDE disagrees with the conclusion that manual controls were inadequate. While there were some duplicate records resulting in a one-quarter of one percent understatement of the state cohort graduation rate, this was not the result of inadequate controls. It was the result of insufficient information available to select a single record when multiple LEAs claimed a single student. Beginning with 2015-2016 data, PDE implemented changes in processes and procedures utilizing enrollment data. These changes allow for the selection of a single current record. It is not possible to apply this methodology retroactively because enrollment records were not mandated.

**Auditors' Conclusion:** PDE agrees with certain conditions in the finding as noted in the agency response above.

Regarding PDE's response related to the missing prior year data, the ESEA Flexibility Waiver did not state that prior year data was not required to be reported, nor did PDE provide any evidence that USDE authorized the exclusion of this required data from the 2014-15 RFRM.

Regarding PDE's response related to the review procedures, the effectiveness of the review procedures, including the supervisory review, is dependent on the quality and the timing of the procedures. Good internal controls dictate that the review process, including the supervisory review, should be completed prior to the reporting of the CSPR and the RFRM data in order to ensure that the reported data is accurate. Documentation should be retained by PDE as evidence that the review procedures were completed.

Regarding PDE's response related to the PIMS vendor and the student testing vendor, significant discussion has recently ensued with respect to the definition of a service provider according to Management Directive 325.12 and the relevance/requirement of SOC reports. PDE should consult with the Office of the Budget and/or the Office of Administration to determine the appropriate course of action for monitoring controls at the vendors, including the applicable type(s) of SOC report(s).

Regarding PDE's response related to inadequate manual controls over the high school graduation rate data, information technology controls over the vendor who compiles the student testing data and the PIMS vendor have not been confirmed to be operating effectively, so PDE needs to ensure that sufficient manual compensating controls are adequately designed and operating effectively to ensure the proper reporting of data on the CSPR and the RFRM.

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.**

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Department of Health

#### Finding 2016 – 014:

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

#### Noncompliance and Internal Control Weakness Related to Compliance Investigations of High-Risk Vendors (A Similar Condition Was Noted in Prior Year Finding 2015-015)

Federal Grant Number(s) and Year(s): 15151PA705W1006 (10/01/2014 – 9/30/2015), 16161PA705W1006 (10/1/2015 – 9/30/2016)

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Special Tests and Provisions related to Compliance Investigations of High-Risk Vendors

**Condition:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) food instrument and cash-value voucher (FI) expenditures totaled \$187 million for the fiscal year ended June 30, 2016. These funds are distributed to vendors which redeem the FI checks from WIC participants. The Department of Health (DOH) conducts compliance buys on a minimum of five percent of the authorized vendors each year. A compliance buy is a covert, on-site investigation in which a representative of the program poses as a WIC participant, redeems one or more food instruments, and does not reveal during the visit that he or she is a program representative. The investigator may intentionally attempt to purchase unauthorized food items to ensure the cashier identifies the unauthorized items and prevents the purchase of them in accordance with regulations. If a compliance buy discloses vendor violations, DOH will establish a claim against the vendor or impose other sanctions mandated by program regulations. We performed two walkthroughs of the 197 total vendors with compliance buys performed by DOH during the fiscal year ended June 30, 2016.

DOH provided completed investigation reports for the two vendors selected to perform walkthroughs over the compliance buy prepared by the primary investigator. DOH management stated all compliance buys were reviewed by a supervisor prior to the results being sent to the vendor; however, for both compliance buy reports tested there was no documented evidence of the supervisory review being performed.

**Criteria:** Regarding Food delivery systems, 7 CFR Section 246.12 states:

*(j)(4)(i) The State agency must conduct compliance investigations of a minimum of five percent of the number of vendors authorized by the State agency as of October 1 each fiscal year.*

*(k)(2) When the State agency determines the vendor has committed a vendor violation that affects the payment to the vendor, the State agency must delay payment or establish a claim. Such vendor violations may be detected through compliance investigations, food instrument or cash-value voucher reviews, or other reviews or investigations of a vendor's operations. The State agency may delay payment or establish a claim in the amount of the full purchase price of each food instrument or cash-value voucher that contained the vendor overcharge or other error.*

Further, adequate internal controls over compliance investigations would include a documented supervisory level of review and approval which would detect and correct errors in the investigation process.

**Cause:** DOH management stated that a DOH investigator conducts the compliance buys and compiles the report, then the results of the compliance buys are forwarded to the Program Integrity Unit, and finally the state agency program representative signs and sends the results letter to the vendor. DOH management stated the investigation reports and results letters were reviewed by a supervisor; however, the review was not documented.



# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 014: (continued)**

**Effect:** Without adequate controls related to compliance buys, errors could occur in the investigation process and not be detected, resulting in vendor violations not being adequately addressed and overcharges being unclaimed.

**Recommendation:** DOH should ensure that supervisory review and approval of compliance buys is adequate to detect and correct errors and is properly documented.

**Agency Response:** DOH is in agreement with the facts of this finding.

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

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Department of Human Services

#### Finding 2016 – 015:

**CFDA #10.551 and 10.561 – Supplemental Nutrition Assistance Program (SNAP) Cluster**  
**CFDA #93.558 – Temporary Assistance for Needy Families**  
**CFDA #93.563 – Child Support Enforcement**  
**CFDA #93.658 – Foster Care – Title IV-E**  
**CFDA #93.667 – Social Services Block Grant**  
**CFDA #93.775, 93.777, and 93.778 – Medicaid Cluster**

**The Department of Human Services Did Not Maintain Adequate Documentation for the Inputs Utilized in the Computation of the Public Assistance Cost Allocation**

**Federal Grant Number(s) and Year(s):** 15151PA405S2514 (10/1/2014 – 9/30/2015), 16161PA405S2514 (10/1/2015 – 9/30/2016), 1502PATANF (10/01/2014 – 9/30/2015), 1601PATANF (10/01/2015 – 9/30/2016), 1504PACSES (10/01/2014 – 9/30/2015), 1604PACSES (10/01/2015 – 9/30/2016), 1501PAFOST (10/01/2014 – 9/30/2015), 1601PAFOST (10/01/2015 – 9/30/2016), 1501PASOSR (10/01/2014 – 9/30/2015), 1601PASOSR (10/01/2015 – 9/30/2016), 05-1605PA5MAP (10/01/2015 – 9/30/2016), 05-1605PA5ADM (10/01/2015 – 9/30/2016), 05-1505PA5MAP (10/01/2014 – 9/30/2015), 05-1505PA5ADM (10/01/2014 – 9/30/2015)

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

**Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles**

**Condition:** During the fiscal year ended June 30, 2016, we evaluated the Department of Human Services' (DHS) Random Moment Study (RMS) process which is utilized for the calculation in the Public Assistance Cost Allocation Plan (PACAP). Monthly random moment studies are conducted to assess which programs should be charged based on employee effort by sampling selected employees. The results of these studies are then used in the computation of the RMS percentages that are used to allocate costs to the federal programs. From our sample of 25 random moment studies conducted by DHS employees, we noted three exceptions.

These exceptions included the following:

- The activity recorded and included in the RMS calculation was not supported by the Activity Study Form that was prepared at the time of the interview for one case.
- The Activity Study Form lacked evidence of approval by the interviewer in one case.
- The original form was unable to be located in one case.

**Criteria:** DHS must submit and maintain an approved PACAP in accordance with requirements contained in 45 CFR section 95.507(b)(4), *Plan Requirements*, which state the plan shall contain the procedures used to identify, measure, and allocate all costs to each benefiting program and activity. The PACAP is a narrative document that describes the policies and procedures used to identify, measure, and allocate costs to each of the programs operated by the State Public Assistance Agency. The PACAP for the department includes the methodology for sampling the activities of the County Assistance Offices (CAO) to equitably attribute costs to the federal programs. The methodology utilizes a random moment study process whereby a random sample of employees are selected and an interview is conducted by a DHS employee to determine what activity and program the employee is currently performing. After the interview, the interviewer must then sign and date the RMS form and return it to DHS. The results of these RMS forms are then aggregated to allocate costs to the program.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 015: (continued)**

**Cause:** DHS indicated personnel workload and high turnover increased during the fiscal year which caused the errors to go undetected. In addition, the forms are no longer reviewed and stored at a central location but rather at the CAO locations, which contributed to the errors going undetected in the review process.

**Effect:** The RMS calculation was based on information that was not properly supported and reviewed by management which could cause an improper amount to be allocated to a federal program.

**Recommendation:** We recommend that DHS review its documentation and review procedures to ensure support is obtained and maintained for its RMS allocations.

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

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

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

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Department of Human Services**

#### **Finding 2016 – 016:**

#### **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 2015-017)**

**Federal Grant Number(s) and Year(s): 16161PA405S2514 (10/1/2015 – 9/30/2016), 1502PATANF (10/1/2014 – 9/30/2015), 1601PATANF (10/1/2015 – 9/30/2016)**

**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 year ended June 30, 2016 totaled over \$2.7 billion. Total benefit expenditures for TANF for the year ended June 30, 2016 totaled over \$240.1 million.

Twelve of the 92 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 six of the twelve CAO and district locations selected for testing. These exceptions included the following:

- Failure to properly complete the EBT Card Reconciliation Log (2 locations);
- Failure to timely remove pinner from CAO listing after CAO submitted change in Xerox EPPIC EBT System responsibilities form (1 district);
- Failure to allow a one-time waiver for the replacement of a lost or stolen card (1 district);
- Failure to maintain all appropriate shipment documentation (1 location);
- Failure to provide evidence for additions and removals made in Xerox EPPIC EBT System (2 district offices);
- Failure to maintain four years of records for the required EBT logs (1 district);
- CAO list of personnel authorized to create EBT cards or grant PIN numbers differed from DHS's master list (1 district office);
- Failure to ensure ending card inventory accuracy on the EBT Daily log (1 location).

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2016*

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### **Finding 2016 – 016: (continued)**

**Criteria:** Federal Regulation 7 CFR Section 274.12 related to EBT systems provides:

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

*(1) Authorizing household benefits.*

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

*(x) Inventorying and securing accountable documents;*

In addition, 7 CFR Part 274 also states the following regarding EBT Security:

*The State is required to maintain adequate security over, and documentation/records for, EBT cards (7 CFR section 274.12(h)(3)), to prevent their: theft, embezzlement, loss, damage, destruction, unauthorized transfer, negotiation, or use (7 CFR sections 274.7(b) and 274.11(c)).*

45 CFR Section 92.20 (b)(3) applicable to TANF states:

*Internal control. Effective internal control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.*

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

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

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

**Agency Response:** DHS agrees with 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, 2016***

### **Department of Human Services**

#### **Finding 2016 – 017:**

**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 2015-020)**

**Federal Grant Number(s) and Year(s): 1601PATANF (10/1/2015 – 9/30/2016), 1502PATANF (10/1/2014 – 9/30/2015), 1601PAFOST (10/1/2015 – 9/30/2016), 1501PAFOST (10/1/2014 – 9/30/2015), 1601PAADPT (10/1/2015 – 9/30/2016), 1501PAADPT (10/1/2014 – 9/30/2015)**

**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. If the on-site inspection finds the entity is in substantial, but not complete compliance, DHS will issue a provisional license not to exceed 6 months, during which the corrective action should take place. Another on-site inspection must be performed by DHS prior to the expiration of the 6 month provisional license.

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:

- The on-site inspections of 7 of the 13 CCYAs tested were not reviewed and approved by a supervisor and a regional director timely. Six of the 13 CCYAs tested had inspections that were reviewed and approved, but not until after the expiration of the prior license. The inspections for these six CCYAs were approved between 10 to 175 days beyond the expiration of the prior license. One of the 13 CCYAs' inspections tested was not reviewed and approved as of the date of our audit procedures, and the inspection did not include a plan of correction with a CCYA representative signature. This CCYA received a provisional license more than 60 days after the expiration of the prior year license.
- Two of the 6 CCYAs that were reviewed and approved untimely also received provisional licenses from DHS OCYF during the fiscal year ended June 30, 2016. Our audit disclosed the untimely review and approval of the inspections led to gaps in licensing during periods of operation. The unlicensed period for one CCYA was from January 25, 2016 to April 6, 2016, and for the second CCYA from November 16, 2015 to March 13, 2016 and from May 15, 2016 to June 21, 2016.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Finding 2016 – 017: (continued)

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

Foster Care program payments made by DHS to its 67 CCYA subrecipients during the fiscal year ended June 30, 2016 were \$136.1 million, or 91.5 percent of total Foster Care expenditures of \$148.7 million reported on the June 30, 2016 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, 2016 were \$77.5 million, or 72.8 percent of total Adoption Assistance expenditures of \$106.5 million reported on the June 30, 2016 SEFA. TANF Child Welfare program payments made by DHS to its 67 CCYA subrecipients during the fiscal year ended June 30, 2016 were \$47.8 million, or 10.3 percent of total TANF expenditures of \$462.5 million reported on the June 30, 2016 SEFA.

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

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

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

*(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.*

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

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

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

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

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

Further, PA Code Title 55, Chapter 20, Section 20.54(a) states:

*(a) A provisional certificate of compliance is issued if the facility or agency is in substantial, but not complete, compliance with applicable statutes, ordinances, and regulations.*

*(b) A provisional certificate of compliance is issued for a specified length of time, not to exceed 6 months.*

**Cause:** DHS restructured the on-site inspection process to assure timely completion and approval of the on-site inspections before expiration of the prior year's license. However, DHS personnel did not fully implement the changes for our current audit period.

DHS personnel did not explain why the one on-site inspection was not reviewed and approved by a supervisor or regional director, or why the inspection did not include a plan of correction with a CCYA representative signature.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 017: (continued)**

Regarding the issuance of a provisional license after the expiration of the prior license and the gaps in licensing periods, DHS personnel indicated that they were in the process of reviewing the plan of correction for the CCYAs and could not issue a license until a decision was made on the plan of correction.

DHS believes that its monitoring procedures currently in place 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 and issue a certificate of compliance before the expiration of the prior license allowed the CCYAs to operate without a proper license for an extended period of time. Also, since DHS did not determine if CCYAs were monitoring their subrecipients or contractors, CCYAs could be operating in noncompliance with federal regulations without timely detection and correction by DHS management.

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

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

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

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



# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Department of Human Services**

#### **Finding 2016 – 018:**

#### **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 2015-019)**

**Federal Grant Number(s) and Year(s): 1402PATANF (10/1/2013 – 9/30/2014), 1502PATANF (10/1/2014 – 9/30/2015), 1601PATANF (10/1/2015 – 9/30/2016)**

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

**Compliance Requirement: Subrecipient Monitoring**

**Condition:** During the fiscal year ended June 30, 2016 the Department of Human Services (DHS) paid \$80.3 million in Temporary Assistance for Needy Families (TANF) funding to subrecipients within the New Directions, Cash Grants, and Alternatives to Abortion appropriations (or 17.4 percent) out of total federal TANF expenditures of \$462.5 million reported on the June 30, 2016 Schedule of Expenditures of Federal Awards (SEFA).

Our testing of DHS's during-the-award monitoring of 17 subrecipients for the fiscal year ended June 30, 2016 disclosed that DHS performed on-site monitoring of 15 subrecipients and limited off-site procedures for the remaining two subrecipients tested. The on-site monitoring that was performed consisted of reviews of program operations including design, data entry accuracy and timeliness, case management analysis, program payment performance goals, and included review of a sample of TANF recipient case files to ensure that the recipients' TANF activities were documented and accurately entered in the Commonwealth Workforce Development System (CWDS). However, the DHS monitoring procedures for the 17 subrecipients tested did not include review or monitoring of subrecipient financial records, which would provide a timely assessment of a subrecipient's compliance with applicable federal regulations. Although DHS implemented an additional procedure during the audit period to review subrecipient completed questionnaires for selected subrecipients which included questions related to financial matters, this assessment did not include review of 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 the procedures at its subrecipients to track and monitor Single Audits or follow up on any related findings.

Also, an audit report issued on April 25, 2016 by DHS, Bureau of Financial Operations, of a TANF subrecipient covering the period July 1, 2012 to June 30, 2015, disclosed the following findings: service providers of the subrecipient inappropriately billed costs resulting in \$485,660 of questioned costs, and the subrecipient had internal control deficiencies related to service provider billings and inappropriately charged fees to its service providers. Since the subrecipient administered several grants and the audit did not detail the amount of costs questioned by grant, we could not determine the amount of questioned costs attributable to TANF. Since no monitoring of this subrecipient occurred during the audit period, the same weaknesses and noncompliance resulting in questioned costs may have been present for the current audit period. This subrecipient received approximately \$1 million of TANF funds during the fiscal year ended June 30, 2016. The deficiencies identified in the audit report existed and went undetected because there were inadequate during-the-award monitoring procedures in place to effectively monitor TANF subrecipients.

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2016*

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### **Finding 2016 – 018: (continued)**

**Criteria:** 45 CFR Section 75.352 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.*

**Cause:** DHS personnel believe that current during-the-award monitoring procedures of subrecipients are adequate and Single Audits received for subrecipients include testing of the books and records at the subrecipient level sufficient to ensure that the subrecipients are in compliance with federal regulations. However, reliance on Single Audits of subrecipients is not an adequate substitute for during-the-award monitoring. Single Audits, if performed, are only done after-the-fact, on an annual basis, and the TANF program may not require an audit each year for every subrecipient.

**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. Also, DHS should ensure that TANF funds subgranted by DHS subrecipients are properly monitored for compliance with applicable federal regulations, including ensuring that all required Single Audits were obtained by all DHS subrecipients. Further, DHS should resolve the deficiencies identified in the DHS audit report and should ensure all future audit and monitoring findings are addressed on a timely basis.

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

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

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Department of Human Services

#### Finding 2016 – 019:

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

**A Significant Deficiency and Noncompliance Exist in Reporting on the Temporary Assistance for Needy Families ACF-199 Data Report (A Similar Condition Was Noted in Prior Year Finding 2015-018)**

**Federal Grant Number(s) and Year(s): 1502PATANF (10/01/2014 – 9/30/2015)**

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

**Compliance Requirement: Reporting**

**Condition:** Within the Temporary Assistance for Needy Families (TANF) program, the Department of Human Services (DHS) is required to submit the TANF Data Report, or Form ACF-199, on a quarterly basis. The ACF-199 Report provides the U.S. Department of Health and Human Services (HHS) with various types of data on Pennsylvania’s TANF participants including family type, work participation status, subsidized and unsubsidized employment activity, job search and job readiness activities, etc. Each quarter, DHS electronically submits a file to HHS that contains the aforementioned data. This file consisted of three stratified random monthly samples of 250-300 cases (one for each month in the quarter) for submission to HHS. After the end of the federal fiscal year (FFY) on September 30, DHS had until March 31 of the following year to submit a final TANF Data Report with any changes noted during its review of the monthly sample of case data submitted to HHS.

In order to determine whether the data on the file submitted to HHS was complete and accurate, we obtained the final file submitted to HHS to meet the March 31, 2016 cut-off date for the submission of complete and accurate data for the FFY ended September 2015. We selected a sample of 60 out of the 3,134 total cases in the data file, and traced the key line items to support documentation in the participant’s case file. Our testing disclosed reporting errors relating to the amount of weekly employment hours reported on the ACF-199 for four of the 60 cases, or 6.7 percent, as follows:

- Four of the 34 cases that contained work activity reported unsubsidized weekly employment hours that were not properly calculated as follows:

<u>Case</u>	<u>Month Tested</u>	<u>Hours Reported On ACF-199</u>	<u>Hours Worked Per Documentation</u>	<u>Difference</u>
A - Adult #2	March 2015	74	57	17
B - Adult #1	June 2015	53	46	7
C - Adult #1	May 2015	58	37	21
D - Adult #2	November 2014	52	48	4

None of the above errors would affect the work participation status as the number of hours worked per documentation still met the minimum number of hours per week established under TANF.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

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### Finding 2016 – 019: (continued)

**Criteria:** Section 411(a)(1) of the Social Security Act states, in part:

(A) *CONTENTS OF REPORT—Each eligible State shall collect on a monthly basis, and report to the Secretary on a quarterly basis, the following disaggregated case record information on the families receiving assistance under the State program funded under this part:*

(xi) *If the adults participated in, and the number of hours per week of participation in, the following activities:*

(III) *Unsubsidized employment*

Federal Instructions for the TANF Data Report ACF-199, Adult Work Participation Activities, states in part:

*Guidance: The State must document all hours of participation in an activity; however, if a State is reporting projected hours of actual employment in accordance with § 261.60(c), it need only document the hours on which it bases the projection.*

*To calculate the average number of hours per week of participation in a work activity, add the number of hours of participation across all weeks in the month and divide by the number of weeks in the month. Round the result to the nearest whole number.*

**Cause:** The discrepancies in work hours reported for cases A, B, and D were the result of clerical errors made in the calculation of overtime hours. The discrepancy in work hours reported for case C was the result of clerical errors made in the calculation of hours related to two different jobs the adult worked during the period. In each case the errors were not detected by DHS review.

**Effect:** DHS did not comply with TANF reporting requirements which resulted in incorrect work hours being reported to HHS on the ACF-199 TANF Data Report. The incorrect reporting of ACF-199 data could result in the DHS's future funding being incorrectly modified, if future errors affect the work participation status.

**Recommendation:** DHS should strengthen its existing procedures over its review of the monthly sample of cases to ensure that all reported work activities are properly calculated and reported in accordance with TANF ACF-199 reporting requirements. Also, DHS should review and evaluate its procedures and controls to accumulate, review, and report its TANF information on the ACF-199 Report and make the necessary revisions to ensure that future information reported is accurate.

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

**Questioned Costs:** None

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Department of Human Services

#### Finding 2016 – 020:

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

**Material Noncompliance and Material Weakness Over Health and Safety Requirements (A Similar Condition Was Noted in Prior Year Finding 2015-022)**

**Federal Grant Number(s) and Year(s): G1401PACCDF (10/1/2013 – 9/30/2016), G1501PACCDF (10/1/2014 – 9/30/2017), G1601PACCDF (10/1/2015 – 9/30/2018)**

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

**Compliance Requirement: Special Tests and Provisions related to Health and Safety Requirements**

**Condition:** The Department of Human Services' (DHS) regulations for operating a child care facility require a legal entity to obtain a valid certificate of compliance in order to operate at a specific location. The certificate of compliance is required to be issued by DHS prior to commencement of operations. For child care centers and group child care homes, a certificate of compliance is issued for a period not to exceed 12 months from the date of issue, and an authorized agent of DHS will conduct an on-site inspection of the facility or agency at least once every 12 months.

Our prior audit disclosed significant deficiencies in DHS's internal controls designed to provide timely on-site inspections of child care providers and to issue child care certificates to ensure an entity is maintaining the proper health and safety requirements. During the current audit period, inspections for 16 of the 60 child care providers tested (51 child care centers, 6 group homes and 3 family child care homes), were not completed within 12 months of the completion of the prior on-site inspection. Ten of the 16 were not inspected prior to the expiration of the certificate of compliance.

**Criteria:** Lead agencies must verify that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers. The following are the federal regulations at 45 CFR Section 98.41 which document these requirements:

*(a) Although the Act specifically states it does not require the establishment of any new or additional requirements if existing requirements comply with the requirements of the statute, each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements designed to protect the health and safety of children that are applicable to child care providers of services for which assistance is provided under this part. Such requirements shall include:*

- (1) The prevention and control of infectious diseases (including immunizations).*
- (2) Building and physical premises safety; and*
- (3) Minimum health and safety training appropriate to the provider setting.*

*(b) Lead Agencies may not set health and safety standards and requirements under paragraph (a) of this section that are inconsistent with the parental choice safeguards in §98.30(f).*

*(c) The requirements in paragraph (a) of this section shall apply to all providers of child care services for which assistance is provided under this part, within the area served by the Lead Agency, except the relatives specified in paragraph (e) of this section.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

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### Finding 2016 – 020: (continued)

(d) Each Lead Agency shall certify that procedures are in effect to ensure that child care providers of services for which assistance is provided under this part, within the area served by the Lead Agency, comply with all applicable State, local, or tribal health and safety requirements described in paragraph (a) of this section.

(e) For the purposes of this section, the term “child care providers” does not include grandparents, great grandparents, siblings (if such providers live in a separate residence), aunts, or uncles, pursuant to §98.2.

The Pennsylvania Code (55 Pa. Code, Chapter 3270 for Child Care Centers and Chapter 3280 for Group Child Care Homes), provides the following regulations for operating a child care facility:

§ 3270.11 and § 3280.11. Application for and issuance of a certificate of compliance.

(a) A legal entity shall obtain a valid certificate of compliance to operate at a specific location. The certificate of compliance will be issued by the Department to a legal entity prior to commencement of operation at a specified location.

(d) A certificate of compliance is issued in the manner described in Chapter 20, for a period not to exceed 12 months from the date of issue.

(e) A facility will be inspected at least once every 12 months by an agent of the Department.

Effective December 28, 2015, with the passage of Act 92, family child care homes were also required to be certified, and as such, any new applications required an initial inspection. Any family child care homes already licensed at the time Act 92 was passed are required to apply for a certificate of compliance at the time that their certificate of registration expired. Prior to Act 92, a family child care home was required to obtain a certificate of registration which was issued for a period not to exceed 24 months from the date of issue, and on-site inspections occurred on a random basis.

**Cause:** The Office of Child Development and Early Learning (OCDEL) had experienced personnel vacancies which made it difficult to conduct timely on-site inspections.

**Effect:** OCDEL did not perform timely on-site inspections to ensure that child care providers are maintaining health and safety standards. As a result, there is a risk that the state is paying child care providers that have health or safety violations and a risk that health and safety violations could exist at child care providers and not be addressed because inspections are not completed on time.

**Recommendation:** We recommend that OCDEL ensure that all on-site inspections for child care centers and group child care homes are performed and reviewed by management on a timely basis.

**Agency Response:** OCDEL agrees with the finding that 16 facilities were not inspected at least once in a 12 month period and 10 facilities were not inspected prior to the date of the license expiration.

**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, 2016***

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### **Department of Human Services**

#### **Finding 2016 – 021:**

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

#### **Significant Deficiency and Noncompliance Over Fraud Detection and Repayment**

**Federal Grant Number(s) and Year(s):** G1401PACCDF (10/1/2013 – 9/30/2016), G1501PACCDF (10/1/2014 – 9/30/2017), G1601PACCDF (10/1/2015 – 9/30/2018)

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

#### **Compliance Requirement: Special Tests and Provisions related to Fraud Detection and Repayment**

**Condition:** The Department of Human Services' (DHS) regulations for subsidized child care eligibility include provisions for referring cases to the Pennsylvania Office of Inspector General (OIG) when fraud or intentional payment violations are suspected, provisions for recovery of overpayments, and provisions for disqualifications. The Office of Child Development and Early Learning (OCDEL) has passed down the requirement to report suspected fraud to the Child Care Information Service (CCIS) Centers, which are to report suspicions and allegations of client fraud to the OIG. Each CCIS is required to maintain a log of cases referred to the OIG. The log is subject to review by OCDEL either on demand or during the annual on-site monitoring.

The OIG issues to OCDEL a monthly list of persons who have been disqualified. OCDEL enters the disqualification into the Pennsylvania's Enterprise to Link Information for Children Across Networks (PELICAN) system, thereby preventing the parent or caretaker from receiving child care subsidy payments in Pennsylvania during the disqualification period, and notifies OIG that the disqualification has been entered. OCDEL also notifies the CCIS of the disqualification. OCDEL may randomly check disqualifications entered into the system if they occur during a month that has been selected for monitoring.

As part of our testing of whether the lead agency (OCDEL) is following procedures to identify and report fraud and to recover payments, we obtained a list of cases adjudicated in the period July 1, 2015 through June 30, 2016 for which the parent or caretaker was subject to disqualification from participating in the child care program. We tested a sample of eight disqualifications to determine whether the disqualifications were appropriately applied. In one case we found that although the disqualification was entered in PELICAN with a stated disqualification period of six months, the ending date of the disqualification entered into PELICAN was only five months after the start date instead of six months as required.

**Criteria:** Lead agencies are responsible for recovering child care payments that are the result of fraud. The following are the federal regulations at 45 CFR Section 98.60 which document these requirements:

*(i) Lead Agencies shall recover child care payments that are the result of fraud. These payments shall be recovered from the party responsible for committing the fraud.*

The Pennsylvania Code (55 Pa. Code, Chapter 3041 on Subsidized Child Care Eligibility) includes the following provisions:

*§ 3041.182 Eligibility agency responsibilities regarding overpayment.*

*(b) The eligibility agency shall pursue possible overpayments in active and closed cases, including those that were voluntarily closed.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

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### Finding 2016 – 021: (continued)

§ 3041.189 Disqualifications.

(a) *The parent or caretaker is disqualified from participating in the subsidized child care program if one of the following applies:*

(1) *A Federal or State court finds the parent or caretaker guilty of fraud in applying for or receiving subsidized child care.*

(2) *A hearing officer determines that the parent or caretaker committed fraud pursuant to the procedures and standards in Chapter 275 (relating to appeal and fair hearing and administrative disqualification hearings).*

(3) *The parent or caretaker signs a disqualification consent agreement as part of a court's deterred adjudication process.*

(4) *The parent or caretaker agrees to be disqualified by signing an administrative disqualification hearing waiver.*

(b) *Upon disqualification under subsection (a), a parent or caretaker and eligible children in the parent's or caretaker's family shall be prohibited from participation in the subsidized child care program:*

(1) *For 6 months from the date of the first conviction, hearing decision or determination.*

(2) *For 12 months from the second conviction, hearing decision or determination.*

(3) *Permanently from the date of the third conviction, hearing decision or determination.*

**Cause:** OCDEL's controls over entering disqualifications into PELICAN are not adequately designed and operating effectively to ensure compliance with regulations prohibiting the participation of disqualified parents and caretakers in CCDF.

**Effect:** Because of control weaknesses over the entry of disqualifications into PELICAN, there is a risk that an ineligible parent/caretaker could receive subsidized childcare during a disqualification period.

**Recommendation:** We recommend that OCDEL strengthen its controls over the entry of disqualifications into PELICAN.

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

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

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



# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Department of Human Services**

#### **Finding 2016 – 022:**

##### **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 Subgrantees (A Similar Condition Was Noted in Prior Year Finding 2015-023)**

**Federal Grant Number(s) and Year(s):** 1601PASOSR (10/01/2015 – 9/30/2016), 1501PASOSR (10/01/2014 – 9/30/2015), TI010044-16 (10/01/2015 – 9/30/2016), TI010044-15 (10/01/2014 – 9/30/2015)

**Type of Finding:** Material Weakness and Material Noncompliance for SSBG  
Significant Deficiency and 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) subgrantees revealed that, other than Subsidized Child Day Care Program and Intellectual Disabilities subgrantees, DHS did not adequately monitor SSBG subgrantees 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 subgrantees received \$40.8 million (or approximately 43 percent) of total SSBG program expenditures of \$95.9 million on the current Schedule of Expenditures of Federal Awards (SEFA). During our current audit period, DHS personnel stated they began piloting subgrantee monitoring, in which they performed one on-site review and one desk review. However, as of September 2016, DHS did not issue any monitoring reports for the two subgrantees. In addition, we determined that the same Homeless Services program subgrantees 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, 2016. Total SABG expenditures on the current SEFA were \$54.5 million.

Furthermore, for the compliance requirement related to cash management, we noted that DHS advanced funds to SSBG subgrantees in five of nine program areas, representing \$39.1 million (or approximately 41 percent) of SSBG program expenditures, without adequately monitoring the reasonableness of the subgrantee cash balances. In particular, for the Legal Services components of the SSBG program, DHS advanced funds to subgrantees on a monthly basis. For program areas related to Mental Health, Intellectual Disabilities, Homeless Services, and Child Welfare, DHS advanced funds to subgrantees 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 subgrantee cash balances. Our inquiries with applicable DHS program administrators disclosed that DHS did not adequately monitor the five program areas’ subgrantees for cash management compliance either at the time of payment or at any other time during the fiscal year ended June 30, 2016.

Also, an audit report issued on April 18, 2016 by DHS’s Bureau of Financial Operations for an SSBG subrecipient covering the period July 1, 2013 to June 30, 2015 disclosed findings that the subrecipient charged expenditures that were not permitted by the grant agreement resulting in \$680,564 of questioned costs, had internal control deficiencies related to grant management and accounting, and submitted inaccurate cash needs requests and expenditure reports to DHS. However, as of October 18, 2016, six months after issuance of the audit report, DHS’s Office of Social Programs had not developed a corrective action plan or resolved the \$680,564 of questioned costs noted in the audit. Since the subrecipient administered several grants, and the audit did not detail the amount of costs questioned by grant, we could not determine the amount of questioned costs attributable to SSBG. Since no corrective action, monitoring, or auditing of the fiscal

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2016*

### **Finding 2016 – 022: (continued)**

year ended June 30, 2016 funding of \$5.7 million to this subrecipient has occurred, the same weaknesses and noncompliance resulting in questioned costs may be present for our current audit period. The above deficiencies existed and went undetected because there were not adequate during-the-award monitoring procedures in place to effectively monitor SSBG subrecipients.

Further, 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 200.352 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 from the pass-through entity...*

In addition, the OMB Compliance Supplement Part 3.1, Section M, Subrecipient Monitoring, states:

*A pass-through entity is responsible for:*

*During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.*

Cash advances by a state to secondary recipients shall conform substantially to the same standards of timing and amount which apply to the state.

45 CFR Section 92.37, Subgrants, states:

- (a) States. States shall follow state law and procedures when awarding and administering subgrants (whether on a cost reimbursement or fixed amount basis) of financial assistance to local and Indian tribal governments. States shall:*
  - (4) Conform any advances of grant funds to subgrantees substantially to the same standards of timing and amount that apply to cash advances by Federal agencies.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Finding 2016 – 022: (continued)

45 CFR Section 75.305 (b)(1) 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.*

**Cause:** DHS management stated a new County Human Services Planning and Monitoring Unit was formed and indicated that a risk assessment and monitoring documents were created for use during on-site monitoring related to SSBG and SABG subgrantees. However, during the fiscal year ending June 30, 2016, DHS was only able to pilot the new monitoring procedures on two subgrantees as noted in the finding condition above.

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 subgrantees 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 is administratively feasible and that controls exist in each of the program areas. With no on-site program monitoring visits by funding agency officials, we consider DHS's limited in-house reviews of subgrantee status reports or other documents to be insufficient to detect potential subrecipient noncompliance, including excess cash violations. DHS does not adjust payments to the subgrantees based on in-house reviews.

**Effect:** Since DHS does not adequately perform during-the-award monitoring of subgrantees, including the monitoring of subgrantee cash on hand, subgrantees 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 subgrantees 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 subgrantees with other program funding received by the same subgrantees when the new monitoring division is established. Further, DHS should develop and implement corrective action and resolve the questioned costs related to its April 18, 2016 audit of an SSBG subrecipient. DHS should also ensure all future audit and monitoring findings are addressed on a timely basis.

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

**Agency Response:** The Department of Human Services (DHS) agrees with the audit finding. The DHS expends Social Services Block Grant (SSBG) funds through several program offices, and directly on certain contracts. The DHS has a dedicated monitoring position within the Office of Administration, Bureau of Financial Operations (BFO), County Human Services Planning and Monitoring Unit (Unit). This position has the benefit of centralized monitoring and evaluation through both on-site monitoring visits and the review of supporting documentation (desk reviews). The Unit is responsible for SSBG and HSBG monitoring to ensure fiscal and programmatic compliance of subrecipients with established federal and state regulations and policies.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 022: (continued)**

Counties are chosen for monitoring in accordance with a risk assessment based on the SSBG total allocations to each county and the presence of program findings noted in each county's single audit report. Counties with higher allocations and audit findings are considered to be high risk and therefore will be monitored first.

The Unit ensures that costs are assigned and tracked in compliance with federal requirements and that SSBG funding is used only for authorized purposes and in compliance with federal cost principles and the subrecipients' contracts in the fiscal year being monitored. A comprehensive monitoring tool was developed to monitor such core areas as Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Period of Availability of Funds, Suspension and Debarment, Reporting, Subrecipient Monitoring, Special Tests and Provisions, and Conflicts of Interest. In addition, general areas related to compliance with Federal laws, Eligibility, Personnel, Civil Rights Laws, and the Health Insurance Portability and Accountability Act (HIPAA) will be monitored.

As noted in the finding, the Unit conducted one on-site monitoring review and one desk review during fiscal year 2015-2016. The final report for the on-site monitoring was issued on November 1, 2016 and the report for the desk review was issued as draft on December 12, 2016 and is expected to be issued as final in January 2017.

A second desk review of SSBG funding is in process and an exit conference will be scheduled when monitoring is complete. Monitoring will continue during fiscal year 2016-2017.

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, 2016

### Department of Human Services

#### Finding 2016 – 023:

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

#### Lack of Eligibility Documentation Results in Noncompliance and Internal Control Weaknesses (A Similar Condition Was Noted in Prior Year Finding 2015-024)

Federal Grant Number(s) and Year(s): 05-1605PA5MAP (10/01/2015 – 9/30/2016), 1505PA5MAP (10/01/2014 – 9/30/2015)

Type of Finding: Significant Deficiency, Noncompliance

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs, Eligibility

**Condition:** The objective of the Medicaid Cluster at the Department of Human Services (DHS) is to provide payments for medical assistance to eligible low-income individuals. During the fiscal year ended June 30, 2016, \$15 billion of the \$15.83 billion expenditures reported on the Schedule of Expenditures of Federal Awards were for medical assistance to individuals.

We selected a sample of 60 payments to medical assistance providers on behalf of individuals totaling \$10,087 (federal share) of the \$15 billion charged to the Medicaid Cluster during the fiscal year ended June 30, 2016. We performed procedures to determine whether the individuals were eligible under the Medicaid Cluster at the time the services were rendered. Our review disclosed the following for two out of the 60 payments, totaling \$184 in federal share benefit payments:

- For one individual, additional payments of \$4,577 were unallowable since they were made for services rendered on behalf of the individual after he moved out of state and was no longer eligible for the Medicaid Cluster.
- A second individual was deceased as of January 9, 2016, but his eligibility status remained active in DHS's Electronic Client Information System (eCIS) until it was closed effective November 20, 2016.

**Criteria:** 42 CFR 435.914, Case documentation, states in part:

(a) *The agency must include in each applicant's case record facts to support the agency's decision on his application.*

42 CFR 453.916, Periodic renewal of Medicaid eligibility, states in part:

(a) *Renewal of individuals whose Medicaid eligibility is based on modified adjusted gross income methods (MAGI).*

- (1) *Except as provided in paragraph (d) of this section, the eligibility of Medicaid beneficiaries whose financial eligibility is determined using MAGI-based income must be renewed once every 12 months, and no more frequently than once every 12 months.*

(b) *Redetermination of individuals whose Medicaid eligibility is determined on a basis other than modified adjusted gross income. The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under §435.604(j) of this part, for circumstances that may change, at least every 12 months.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Finding 2016 – 023: (continued)

(d) Agency action on information about changes.

- (1) Consistent with the requirements of §435.952 of this part, the agency must promptly redetermine eligibility between regular renewals of eligibility described in paragraphs (b) and (c) of this section whenever it receives information about a change in a beneficiary's circumstances that may affect eligibility.
- (2) If the agency has information about anticipated changes in a beneficiary's circumstances that may affect his or her eligibility, it must redetermine eligibility at the appropriate time based on such changes.

DHS's Medical Assistance Eligibility Supplemental Handbook Section 910.1, General Policy, states in part:

*The Department of Human Services (DHS) is responsible by law to identify overpayments and recover overpayments from individuals.*

**Cause:** DHS management did not have adequate procedures in place to promptly record changes in client eligibility in eCIS and prevent payments on behalf of ineligible clients. The first individual reported his permanent move out of state effective December 23, 2014 to DHS, rendering the client ineligible for medical assistance in Pennsylvania. DHS management stated that the payments in question, which covered dates of service from April 1, 2015 through November 30, 2015, related to monthly capitation for the managed care plan for the client's child, and were erroneously paid because the client's eligibility status was not closed timely in eCIS by the county assistance office personnel. DHS's system is designed to make payments as long as the client appears eligible in eCIS.

The second client was deceased on January 9, 2016, and a match against the Social Security death master file was identified and disposed of by DHS personnel on April 1, 2016, erroneously maintaining the client's eligible status until it was closed effective November 20, 2016.

**Effect:** Since DHS management does not have adequate procedures in place to promptly record client eligibility changes in eCIS, medical assistance may be paid on behalf of individuals who are no longer eligible. Since there was no documented evidence to support the allowability of the payments made on behalf of the first individual after his eligibility ended, the payments of \$4,577 are considered questioned costs.

**Recommendation:** We recommend that DHS management ensure policies and procedures are in place to ensure that all changes to eligibility status are promptly recorded in eCIS in order to prevent unallowable payments from being made on behalf of clients who are no longer eligible for medical assistance. DHS should also ensure adequate documentation is obtained which supports the allowability of payments and is retained in the individual's case record. Finally, DHS should ensure that unallowable federal payments made on behalf of individuals who were no longer eligible to receive medical assistance are recovered.

**Agency Response:** DHS agrees with the two cases cited in this finding.

For the case of the individual that moved out of state, DHS works to ensure actions are taken on cases timely and accurately according to established federal and state policy. In this case, it appears that worker error caused the case to remain open. Other budgets associated with the individual were closed when the individual's move was reported; however, the Medicaid budget was not closed. An overpayment will be processed as part of the resolution to this error.

For the individual who died and the Medicaid budget remained open beyond the timelines allowed by policy following the receipt of the match against the Social Security death master file (Exchange 8), DHS has established procedures to promptly record and act on eligibility changes in eCIS. When the County Assistance Office (CAO) receives an Exchange 8 hit indicating the individual is deceased, the CAO has 45 days to act on the hit. The Exchange 8 information is considered verified upon receipt for Medicaid-only cases, meaning that the CAO does not need to seek additional

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 023: (continued)**

verification. The CAO is required to enter the date of death in the system and close the individual's budget. For the individual who was deceased on January 9, 2016, an Exchange 8 hit was posted for the CAO review on April 4, 2016. The CAO reviewed and disposed of the hit on April 8, 2016 with the disposition "C-Budget closed". However, the CAO failed to close the budget. Based on this information, it appears that worker error caused the case to remain open.

Questioned Costs: Known questioned costs for CFDA #93.778 were \$4,577.

**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, 2016

### Department of Labor and Industry

#### Finding 2016 – 024:

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

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

#### Deficiencies in Information Technology Controls at the Department of Labor and Industry (A Similar Condition Was Noted in Prior Year Finding 2015-026)

**Federal Grant Number(s) and Year(s):** H126A150056 (10/1/2014 – 9/30/2015), H126A160056 (10/1/2015 – 9/30/2016), AA- 24115-13-55 (7/1/2013 – 6/30/2016), AA-25376-14-55 (7/1/2014 – 6/30/2017), AA-26802-15-55 (7/1/2015 – 6/30/2018)

**Type of Finding:** Significant Deficiency

**Compliance Requirement:** Other

**Condition:** We performed certain procedures to review information technology (IT) general controls for the significant applications identified for these programs, and noted the following deficiencies in the Commonwealth Workforce Development System (CWDS):

Department of Labor and Industry (L&I) utilizes CWDS to manage the Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster and the Rehabilitation Services – Vocational Rehabilitation program. In the prior audit, we found a lack of segregation of duties between application development and deployment of changes into production. Specifically, five individuals in question had administrative rights in Team Foundation Server (TFS), a change management tool, and also had administrative rights to the production environment.

During the audit in April 2016, L&I management created separate roles in TFS that provided the development team with read-only access to the production environment. However, due to staffing limitations during the deployment of the code to production, L&I management temporarily provided developers full access to the production environment. Although the system logged the deployment activity, management did not review the logs to ensure that only authorized changes were deployed to production. Further, the procedures for deployment to production are informal and not documented.

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

*11.16 ...Control activities for the development, maintenance, and change of application software prevent unauthorized programs or modifications to existing programs.*

General control activities over technology are integral to the overall internal control structure of the Commonwealth. A well-designed system of internal controls dictates that sound general computer controls be established and functioning to best ensure that federal programs are administered in accordance with management's intent.



# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 024: (continued)**

Additionally, the Commonwealth’s Information Technology Policy (ITP) – APP012, “Systems Development Life Cycle Policy,” requires agencies to incorporate a separation of duties to maintain continuity and integrity throughout the execution of the procedures and processes associated with the Systems Development Life Cycle (SDLC) framework and affiliated software development projects. Careful consideration should be given to: establishing access controls granting permissions to Commonwealth employees and/or outside contractors performing multiple roles within the various environments (i.e., development, production, system integration, testing, staging, etc.) to add, modify, delete, and migrate application code, data sets, and/or make configuration changes to systems in these environments.

**Cause:** Although L&I implemented corrective action in April 2016 by creating separate roles to eliminate the segregation of duties conflicts, L&I temporarily provided developers full access to the production environment during deployment of code to production. L&I management stated that this access was needed due to staffing limitations.

**Effect:** The deficiencies noted above in IT general controls could result in inappropriate system access and unauthorized changes to the software.

**Recommendation:** We recommend that management personnel adhere to their previous corrective action plan by revoking developer access to the production environment. If such restrictions are not feasible, management should implement compensating detective controls, such as documented reviews of server logs, to ensure that no program changes are deployed to production outside of the normal process. Also, the procedures currently used for deploying code to production should be formally documented.

**Agency Response:** Finding is acknowledged.

We are continuing to work towards implementing TFS in such a way so as to ensure separation of duties, and other good security engineering principles. In the meantime we will document procedures to grant and remove access to the Active Directory (AD) groups during a deployment window, track activities and report on those activities.

Our SDLC document is in draft form and is currently being reviewed for regulatory compliance and feasibility with the various lines of business within L&I. The draft includes multiple security checks beginning early in the SDLC. Additionally, the draft includes specific language from NIST Special Publication 800-64.

Questioned Costs: None

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

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### Department of Labor and Industry

#### Finding 2016 – 025:

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

#### Material Noncompliance and a Material Weakness Exist Over Subrecipient Monitoring (A Similar Condition Was Noted in Prior Year Finding 2015-027)

**Federal Grant Number(s) and Year(s):** AA-22958-13-55 (7/1/2013 – 6/30/2016), AA-24115-14-55 (7/1/2014 – 6/30/2017), AA-25376-15-55 (7/1/2015 – 6/30/2018)

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

#### Compliance Requirement: Subrecipient Monitoring

**Condition:** The Bureau of Workforce Development Administration (BWDA) Oversight Services within the Department of Labor and Industry (L&I) performs annual subrecipient monitoring of the 22 Local Workforce Investment Boards (LWIB). Following the monitoring, a narrative report is prepared by BWDA which outlines any findings or concerns. For each finding noted, the LWIB must submit a corrective action plan that BWDA staff subsequently review to determine if the findings are adequately resolved. Once resolved, BWDA notifies the LWIB in writing. During the fiscal year ended June 30, 2016, Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster (WIA/WIOA) subrecipient expenditures totaled \$80.6 million, or 91 percent of total program expenditures of \$88.7 million.

Beginning with program year (PY) 2013 for LWIB monitoring, L&I began conducting desk reviews in some instances instead of the traditional on-site monitoring as required by federal regulations. L&I management stated the new method was discussed with the U.S. Department of Labor (USDOL); however, L&I could not provide evidence of USDOL's approval of the desk review process. L&I performed desk reviews instead of on-site reviews for 16 out of 22 LWIBs monitored for PY 2014.

In addition, we tested four desk review monitoring reports out of the 22 LWIB PY 2014 monitoring reports. We found that the report for one out of four desk reviews tested was not issued on a timely basis. The monitoring performed by L&I for the Montgomery County LWIB was completed on March 19, 2015, but the monitoring report was not issued until June 10, 2016, or nearly 15 months later.

**Criteria:** Regarding subrecipient monitoring, 20 CFR §667.410 states:

*(b) State roles and responsibilities for grants under WIA sections 127 and 132.*

*(1) The Governor is responsible for the development of the State monitoring system. The Governor must be able to demonstrate, through a monitoring plan or otherwise, that the State monitoring system meets the requirements of paragraph (b)(2) of this section.*

*(2) The State monitoring system must:*

*(i) Provide for annual on-site monitoring reviews of local areas' compliance with DOL uniform administrative requirements, as required by WIA section 184(a)(4);*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Finding 2016 – 025: (continued)

(ii) *Ensure that established policies to achieve program quality and outcomes meet the objectives of the Act and the WIA regulations, including policies relating to: the provision of services by One-Stop Centers; eligible providers of training services; and eligible providers of youth activities;*

(iii) *Enable the Governor to determine if subrecipients and contractors have demonstrated substantial compliance with WIA requirements; and*

(iv) *Enable the Governor to determine whether a local plan will be disapproved for failure to make acceptable progress in addressing deficiencies, as required in WIA section 118(d)(1).*

(v) *Enable the Governor to ensure compliance with the nondiscrimination and equal opportunity requirements of WIA section 188 and 29 CFR part 37. Requirements for these aspects of the monitoring system are set forth in 29 CFR 37.54(d)(2)(ii).*

(3) *The State must conduct an annual on-site monitoring review of each local area's compliance with DOL uniform administrative requirements, including the appropriate administrative requirements for subrecipients and the applicable cost principles indicated at § 667.200 for all entities receiving WIA title I funds.*

**Cause:** L&I management stated that all on-site visits to LWIBs for PY 2014 were cancelled as of September 2015 due to a travel ban instituted by the Commonwealth from the first week of September 2015 through early February 2016 which resulted from the state budget impasse. Management decided to replace these canceled on-site visits with desk reviews. Management's decision to perform required monitoring of some LWIBs by desk review began in PY 2013 as reported in our prior year audit finding.

**Effect:** By not performing on-site visits to all LWIBs and/or not timely completing some subrecipient monitoring, L&I has limited assurance that LWIBs operated the WIA program in accordance with federal regulations. Any delay in completing annual monitoring can also impact the timeliness of subsequent monitoring cycles and corrective action.

**Recommendation:** We recommend L&I perform annual on-site monitoring of all LWIBs as required per federal regulations and issue monitoring reports in a timely manner. In addition, we recommend that program personnel contact the federal oversight agency when a travel ban is issued by the Commonwealth and inform the agency they will not be able to comply with federal grant requirements.

**Agency Response:** While L&I does not contest the finding, the following ought to be noted. (1) L&I, BWDA, did communicate with USDOL regarding the state's budget impasse and travel ban. It should be noted that BWDA did provide the auditor communication from USDOL, that they, USDOL, would not be monitoring the Commonwealth for compliance with WIOA under program years 2014 and 2015, specifically, section 184 subsection (4) monitoring, which requires annual on-site monitoring. (2) In lieu of on-site monitoring, BWDA did conduct desk reviews thereby providing reasonable assurance that local areas operated in accordance with federal regulations. (3) Further, the auditor sampled 40 subrecipient invoices totaling over \$890,000 and reported no instances of noncompliance with uniform administrative requirements.

**Auditors' Conclusion:** WIOA compliance for PY 2014-2015 was not monitored by USDOL because WIOA was published on August 19, 2016, and was not effective until subsequent to our audit period. Regulations in place for PY 2014-2015 were still from the Workforce Investment Act (WIA) which required annual on-site monitoring of the LWIBs. L&I management did not provide any evidence that the desk review process was approved by USDOL prior to conducting the desk reviews. In addition, although desk reviews may provide some assurance that LWIBs operated in accordance with federal regulations, L&I was required to perform annual on-site visits under WIA. Therefore, our finding and recommendations remain as previously stated.

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

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Department of Labor and Industry

#### Finding 2016 – 026:

#### 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 2015-028)**

**Federal Grant Number(s) and Year(s):** H126A160056 (10/01/2015 – 9/30/2016), H126A150056 (10/01/2014 – 9/30/2015)

**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 40 payments to vendors and the Commonwealth’s Hiram G. Andrews Center for the benefit of OVR clients totaling \$131,985 (federal portion only) of the \$52,147,722 charged to the RS-VR program during the fiscal year ended June 30, 2016. Our review of the 40 OVR client case files disclosed the following:

- For 13 of the 40 clients tested for whom RS-VR program payments were made, OVR personnel did not make the eligibility determinations within 60 days after the RS-VR program application date or by the agreed upon extension date as required by federal regulations. The untimely eligibility determinations were completed between 3 and 144 days after the eligibility determination period expired. Our testing did not disclose any costs being incurred for ineligible clients.
- For 9 of the 40 clients tested for whom RS-VR payments were made, OVR personnel did not complete an IPE within 90 days after the RS-VR eligibility was determined as required by federal regulations. Seven IPEs that were not completed timely were completed 7 and 577 days after the IPE deadline, and two IPEs were not completed as of the date of our audit procedures.

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

*Section 361.41 Processing referrals and applications.*

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

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

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

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2016*

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### **Finding 2016 – 026: (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.*

**Cause:** OVR personnel indicated that the untimely eligibility determinations and IPE completions were due to administrative errors 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, 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:** L&I agrees with the finding.

**Questioned Costs:** None

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Finding 2016 – 027:

CFDA #10.553, 10.555, 10.556, and 10.559 – Child Nutrition Cluster  
CFDA #10.558 – Child and Adult Care Food Program  
CFDA #20.205, 20.219, and 23.003 – Highway Planning and Construction Cluster  
CFDA #84.010 – Title I Grants to Local Educational Agencies  
CFDA #84.367 – Improving Teacher Quality State Grants  
CFDA #93.044, 93.045, and 93.053 – Aging Cluster  
CFDA #93.558 – Temporary Assistance for Needy Families  
CFDA #93.568 – Low-Income Home Energy Assistance  
CFDA #93.658 – Foster Care – Title IV-E  
CFDA #93.659 – Adoption Assistance  
CFDA #93.667 – Social Services Block Grant  
CFDA #93.775, 93.777, and 93.778 – Medicaid Cluster  
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 2015-036)

Federal Grant Number(s) and Year(s): 2016-1PA300305 (10/1/2015 – 9/30/2016), 2015-1PA300305 (10/1/2014 – 9/30/2015), 2016-1PA300305 (10/1/2015 – 9/30/2016), 2015-1PA300305 (10/1/2014 – 9/30/2015), N78000 (7/01/2015 – 6/30/2016), S010A150038 (7/01/2015 – 12/30/2017), S367A150051 (7/01/2015 – 12/30/2017), S367B150033 (7/01/2015 – 12/30/2017), 15AAPAT3SS (10/01/2014 – 9/30/2015), 15AAPAT3CM (10/01/2014 – 9/30/2015), 15AAPAT3HD (10/01/2014 – 9/30/2015), 15AAPANSIP (10/01/2014 – 9/30/2015), 16AAPAT3SS (10/01/2015 – 9/30/2016), 16AAPAT3CM (10/01/2015 – 9/30/2016), 16AAPAT3HD (10/01/2015 – 9/30/2016), 16AAPANSIP (10/01/2015 – 9/30/2016), 1601PATANF (10/01/2015 – 9/30/2016), 1502PATANF (10/01/2014 – 9/30/2015), G15B1PALIEA (10/01/2014 – 9/30/2016), G16B1PALIEA (10/01/2015 – 9/30/2017), 1601PAFOST (10/01/2015 – 9/30/2016), 1501PAFOST (10/01/2014 – 09/30/2015), 1601PAADPT (10/01/2015 – 9/30/2016), 1501PAADPT (10/01/2014 – 9/30/2015), 1601PASOSR (10/01/2015 – 9/30/2016), 1501PASOSR (10/01/2014 – 9/30/2015), TI1010044-16 (10/01/2015 – 9/30/2016), TI1010044-15 (10/01/2014 – 9/30/2015), 1605PA5MAP (10/01/2015 – 9/30/2016)

Type of Finding: Material Weakness, Noncompliance

Compliance Requirement: Subrecipient Monitoring

**Condition:** The Uniform Guidance (UG) in 2 CFR section 200 applies to the major programs listed above for the fiscal year ended June 30, 2016. 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, while no instances were noted in our testing, 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 (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, 2016**

**Finding 2016 – 027: (continued)**

Program	Amount Passed to Subrecipients (in thousands)	Federal Award Date	Subaward Period of Performance Start and End Dates	Contact Information for Awarding Official	Terms and Conditions Concerning Closeout	Evaluation of Subrecipient Risk
Child Nutrition Cluster	\$551,659	No	-	-	-	-
Child and Adult Care Food Program	\$115,910	No	-	-	-	-
HPC Cluster	\$194,993	-	-	No	No	No
Title I	\$528,386	-	-	-	-	No*
Improving Teacher	\$92,033	-	-	-	-	No*
Aging Cluster	\$46,983	-	-	-	-	No
TANF – New Directions	\$80,310	No	-	No	-	No*****
TANF – Child Welfare	\$47,783	No	No	No	-	No*****
LIHEAP	\$29,742	-	-	-	-	No
Foster Care – Counties	\$136,101	No	No	No	-	No*****
Foster Care – Non-Profit Contract	\$8,360	No	No	No	-	No
Adoption Assistance – Counties	\$74,494	No	No	No	-	No*
Adoption Assistance – SWAN Contract	\$22,657	No	No	No	-	No
SSBG – Child Welfare	\$12,021	No	No	No	-	No##
SSBG – Mental Health	\$10,366	-	-	-	-	No##
SSBG – Intellectual Disabilities	\$7,451	-	-	-	-	No##
SSBG – Homeless Services	\$4,183	No	-	-	-	No##
SSBG – Domestic Violence	\$5,677	No	No	No	-	No##
SSBG – Family Planning	\$1,800	No	No	No	-	No##
SSBG – Rape Crisis	\$1,721	No	No	No	-	No##
SSBG – Legal Services	\$5,049	No	No	No	-	No##
SABG – DHS	\$1,983	No	-	-	-	No##
Medicaid Cluster	\$1,013,882	No	No	No	No	No

**COMMONWEALTH OF PENNSYLVANIA**

***Federal Award Findings and Questioned Costs - June 30, 2016***

**Finding 2016 – 027: (continued)**

Program	Federal Award Identification Number	Name of Federal Awarding Agency	CFDA Number	CFDA Title	Amount of Federal Funds Obligated
Child Nutrition Cluster	No	-	-	-	-
Child and Adult Care Food Program	No	-	No	-	-
HPC Cluster	-	-	No***	No***	-
Title I	No**	-	-	-	-
Improving Teacher	No**	-	-	-	-
Aging Cluster	-	-	-	-	-
TANF – New Directions	No#	No#	-	-	-
TANF – Child Welfare	No	No	-	-	-
LIHEAP	-	-	-	-	-
Foster Care – Counties	No	No	No	-	-
Foster Care – Non-Profit Contract	No	No	No	No	-
Adoption Assistance – Counties	No	No	No	-	-
Adoption Assistance – SWAN Contract	No	No	No	No	-
SSBG – Child Welfare	No	-	-	-	-
SSBG – Mental Health	-	-	-	-	-
SSBG – Intellectual Disabilities	-	-	-	-	-
SSBG – Homeless Services	-	-	-	-	-
SSBG – Domestic Violence	No	No	-	-	-
SSBG – Family Planning	No	No	-	-	-
SSBG – Rape Crisis	No	No	-	-	-
SSBG – Legal Services	No	No	No	No	-
SABG – DHS	-	-	-	-	-
Medicaid Cluster	No	-	No	No	No



# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 027: (continued)**

(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.)

\* - Although an evaluation of subrecipient risk was conducted, it was inadequate since the only factor used in the evaluation of subrecipient risk was error rates detected in prior monitoring of subrecipients. Factors such as the results of prior audits, changes in personnel, changes in systems, and the extent and results of any federal awarding agency monitoring were not considered.

\*\* - The incorrect federal award identification number was included in the subrecipients' award documents for all 40 subrecipients tested.

\*\*\* - PennDOT personnel are working on placing most of their Reimbursement Agreements in the Reimbursement Agreement System (RAS). There are currently seven standard templates available in the RAS. Work is progressing on adding additional templates into the RAS. Four of the 33 items tested were templates not in the RAS which did not include this information.

\*\*\*\* - The only factor used in the evaluation of subrecipient risk was error rates detected in prior monitoring at county subrecipients.

\*\*\*\*\* - While DHS listed the factors to be used in the evaluation of subrecipient risk in a November 9, 2016 e-mail, DHS did not provide documentation that an evaluation was performed on each individual subrecipient prior to performing during-the-award monitoring procedures on its subrecipients. Further, DHS provided no evidence that the level of during-the-award monitoring of these subrecipients was adjusted or changed due to the risk profile of a subrecipient, nor did DHS document the risk level of each subrecipient.

# - One of 22 contracts tested did not include the federal award identification number or the name of the federal awarding agency.

## - While DHS developed procedures for the evaluation of subrecipient risk, they were not implemented during the fiscal year ended June 30, 2016.

**Criteria:** The OMB Compliance Supplement, Part 3.2, Section M, related to Subrecipient Monitoring by pass-through entities, states:

*A pass-through entity (PTE) must:*

*Identify the Award and Applicable Requirements – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g. financial, performance, and special reports) (2 CFR section 200.331(a)(3)).*

*Evaluate Risk – Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:*

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2016*

### **Finding 2016 – 027: (continued)**

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 2 CFR part 200, subpart F, 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).*

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;*

*(vi) Amount of Federal Funds Obligated by this action;*

*(vii) Total Amount of Federal Funds Obligated to the subrecipient;*

*(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.*

The Standards for Internal Control in the Federal Government – Green Book, issued by the Comptroller General of the United States, dated September 2014, 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:** PDE personnel stated that the incorrect federal award identification number resulted from a limitation in PDE's eGrants system.

Department of Aging personnel stated that a travel ban resulting from the budget impasse precluded the completion of the fiscal reviews of subrecipients, which Aging personnel determined was necessary to provide a consistent comparison of subrecipient operations and the evaluation of the subrecipients' risk of noncompliance.

In general, the state agencies do not have a system in place to timely identify new federal requirements and implement policies and procedures to ensure compliance.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

---

### **Finding 2016 – 027: (continued)**

**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.

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 evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward.

### **PDE Response:**

PDE, Division of Food and Nutrition, has contacted USDA and is awaiting their guidance regarding compliance with Uniform Guidance, 2 CFR Section 200, as stated in this finding.

PDE, Division of Federal Programs (DFP), is aware of the incorrect CFDA number in the eGrants System. The eGrants System has been modified to include further editing capabilities in the CFDA number fields. DFP will be able to edit CFDA numbers on grant agreements and notification letters without issue for the 2017-18 program year.

DFP disagrees with the second portion of the finding associated with the state educational agency’s (SEA) responsibility to identify and monitor based on risk. DFP did monitor based on financial risk and previous monitoring findings. The 2 CFR Section 200.331(b) indicates that pass-through entities must 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 which “may” include factors such as changes in personnel, financial systems, etc. The CFR does not state the SEA “must” use these factors. During the 2016-17 program year, the eGrants System was updated to allow for information related to turnover at LEAs and changes in systems to be collected and used for risk purposes that help determine monitoring cycles.

### **PennDOT Response:**

PennDOT agrees with the finding and recommendations.

### **Aging Response:**

PDA agrees with the finding.

### **DHS Response:**

DHS agrees with the finding.

**Auditors’ Conclusion:** The agency responses from PennDOT, Aging, and DHS indicate agreement with the finding.

The response from PDE’s Division of Food and Nutrition did not indicate agreement or disagreement with the finding. We will evaluate any corrective action in the subsequent audit period.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 027: (continued)**

The response from PDE's Division of Federal Programs (DFP) indicates that the eGrants system is being updated for the subsequent audit period to permit the editing of CFDA numbers and to gather information related to changes in personnel and changes in systems. It should be noted that the federal grant award number for the Title I and Improving Teacher Quality programs, not the CFDA number, was in error. We will evaluate any corrective action in the subsequent audit period.

DFP states that the evaluation of each subrecipient's risk of noncompliance took into consideration the results of previous program monitoring findings. However, there was no indication that DFP's subrecipient risk assessment took into consideration whether or not the subrecipients received Single Audits, and if so, whether the subaward was audited as a major program, and the results of subrecipient audits including audit findings. There was no evidence of DFP's consideration of the extent and results of any USDE monitoring of any subrecipients which received direct awards from USDE. This is significant since a separate finding (2016 – 028) in this Single Audit report cites a material weakness and material noncompliance with subrecipient monitoring requirements related to subrecipient Single Audits at PDE and other Commonwealth agencies. DFP's evaluation of each subrecipient's risk of noncompliance with federal regulations should consider the impact on the subaward of any subrecipient Single Audit findings or the lack of a subrecipient Single Audit, and the effect of any USDE subrecipient monitoring findings. This would enable DFP to obtain a more comprehensive understanding of the risk of noncompliance related to each subrecipient, in order to conduct the appropriate subrecipient monitoring.

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, 2016***

### **Finding 2016 – 028:**

- CFDA #10.553, 10.555, 10.556, and 10.559 – Child Nutrition Cluster**
- CFDA #10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children**
- CFDA #10.558 – Child and Adult Care Food Program**
- CFDA #14.228 – Community Development Block Grants – State’s Program**
- CFDA #17.258, 17.259, and 17.278 – Workforce Investment Act/Workforce Innovation and Opportunity Act (WIA/WIOA) Cluster**
- CFDA #20.205, 20.219, and 23.003 – Highway Planning and Construction Cluster**
- CFDA #66.458 – Capitalization Grants for Clean Water State Revolving Funds**
- CFDA #84.010 – Title I Grants to Local Educational Agencies**
- CFDA #84.027 and 84.173 – Special Education Cluster (IDEA)**
- CFDA #84.367 – Improving Teacher Quality State Grants**
- CFDA #93.044, 93.045, and 93.053 – Aging Cluster**
- CFDA #93.558 – Temporary Assistance for Needy Families**
- CFDA #93.563 – Child Support Enforcement**
- CFDA #93.568 – Low-Income Home Energy Assistance**
- CFDA #93.575 and 93.596 – Child Care and Development Fund (CCDF) Cluster**
- CFDA #93.658 – Foster Care – Title IV-E**
- CFDA #93.659 – Adoption Assistance**
- CFDA #93.667 – Social Services Block Grant**
- CFDA #93.767 – Children’s Health Insurance Program**
- CFDA #93.775, 93.777, and 93.778 – Medicaid Cluster**
- CFDA #93.959 – Block Grants for Prevention and Treatment of Substance Abuse**

**Material Noncompliance and a Material Weakness Exist in the Commonwealth’s Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2015-037)**

**Federal Grant Number(s) and Year(s): 15151PA705W1006 (10/01/2014 – 9/30/2015), 16161PA705W1006 (10/01/2015 – 9/30/2016), 2015-1PA300305 (10/01/2014 – 9/30/2015), 2016-1PA300305 (10/01/2015 – 9/30/2016), B-08-DC-42-0001 (1/01/2008 – 9/30/2015), B-09-DC-42-0001 (1/01/2009 – 9/30/2016), B-10-DC-42-0001 (1/01/2010 – 9/30/2017), B-11-DC-42-0001 (01/01/2011 – 9/30/2018), B-12-DN-42-0001 (1/01/2012 – 9/30/2019), B-12-DT-42-0001 (9/01/2011 – 9/30/2018), B-13-DC-42-0001 (1/01/2013 – 9/30/2020), B-14-DC-42-0001 (1/01/2014 – 9/30/2018), B-15-DC-42-0001 (01/01/2015 – 9/30/2019), CS-420001-15 (7/01/2015 – 9/30/2018), S010A120038 (7/01/2012 – 12/30/2015), S010A130038 (7/01/2013 – 12/30/2015), S010A140038 (7/01/2014 – 12/30/2016), S010A150038 (7/01/2015 – 12/30/2017), S367B130033 (7/01/2013 – 12/30/2015), S367A130051 (7/01/2013 – 12/30/2015), S367B140033 (7/01/2014 – 12/30/2016), S367B150033 (7/01/2015 – 12/30/2017), S367A140051 (7/01/2014 – 12/30/2016), S367A150051 (7/01/2015 – 12/30/2017), 1502PATANF (10/01/2014 – 9/30/2015), 1601PATANF (10/01/2015 – 9/30/2016), 1504PACSES (10/01/2014 – 9/30/2015), 1604PACSES (10/01/2015 – 9/30/2016), G-14B1PALIEA (10/01/2013 – 9/30/2015), G-15B1PALIEA (10/01/2014 – 9/30/2016), G-16B1PALIEA (10/01/2015 – 9/30/2017), 1501PAFOST (10/01/2014 – 9/30/2015), 1601PAFOST (10/01/2015 – 9/30/2016), 1501PAADPT (10/01/2014 – 9/30/2015), 1601PAADPT (10/01/2015 – 9/30/2016), 1501PASOSR (10/01/2014 – 9/30/2015), 1601PASOSR (10/01/2015 – 9/30/2016), 05-1405PA5021 (10/01/2013 – 9/30/2015), 05-1505PA1081 (10/01/2014 – 9/30/2016), 05-1605PA5021 (10/01/2015 – 9/30/2017), TI010044-14 (10/01/2013 – 9/30/2015), TI010044-15 (10/01/2014 – 9/30/2016), TI010044-16 (10/01/2015 – 9/30/2017), AA-26802-15-55 (7/01/2015 – 6/30/2018), AA-24115-13-55 (7/01/2013 – 6/30/2016), AA-25376-14-55 (7/01/2014 – 6/30/2017), N78000 (7/01/2015 – 6/30/2016), H173A140090 (7/01/2014 – 9/30/2015), H027A140093 (7/01/2014 – 9/30/2015),**

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 028: (continued)**

**H027A150093 (7/01/2015 – 9/30/2016), 15AAPANSIP (10/01/2014 – 9/30/2015), 15AAPAT3SS (10/01/2014 – 9/30/2015), 15AAPAT3CM (10/01/2014 – 9/30/2015), 15AAPAT3HD (10/01/2014 – 9/30/2015), 16AAPANSIP (10/01/2015 – 9/30/2016), 16AAPAT3SS (10/01/2015 – 9/30/2016), 16AAPAT3CM (10/01/2015 – 9/30/2016), 16AAPAT3HD (10/01/2015 – 9/30/2016), G1401PACCDF (10/01/2013 – 9/30/2016), G1501PACCDF (10/01/2014 – 9/30/2017), G1601PACCDF (10/01/2015 – 9/30/2018), 1505PA5MAP (10/01/2014 – 9/30/2015), 1605PA5MAP (10/01/2015 – 9/30/2016)**

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

**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 Commonwealth receives all subrecipient Single Audit reports through Office of the Budget's Bureau of Audits (OB-BOA) which ensures the reports meet technical standards through a centralized desk review process. Once they are deemed acceptable by OB-BOA, the reports are transmitted to the various funding agencies in the Commonwealth, and each agency in the Commonwealth's resolution system must make a management decision on each finding within six months of receipt by the Commonwealth to ensure corrective action is taken by the subrecipient. The agency is 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 Commonwealth 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 testing of this two-stage process disclosed that although management decisions were made and the underlying records were adjusted when addressing related findings, we found the following audit exceptions regarding untimely reviews of audit reports:

OB-BOA and Agencies: The overall time period for processing subrecipient audit reports with findings, from the date OB-BOA received the report until the various funding agencies made management decisions on audit findings and ensured subrecipients took corrective action, was in excess of the six month time frame required by federal regulations. Based on detailed testing of 40 subrecipient audit reports with findings at a sample of three different funding agencies: Department of Education (PDE), Department of Transportation (PennDOT), and Department of Human Services (DHS), we noted that 30 out of 40 audit reports were untimely processed and resolved between approximately 6.3 months to over 20.8 months after originally received by OB-BOA.

The following exceptions relate to agency processing time only:

- Department of Education (PDE): The time period for making a management decision on findings was approximately 6.8 months to over 18 months for 13 out of the 75 subrecipient audit reports with findings. There was also a delay in the completion of SEFA reconciliations.
- Department of Transportation (PennDOT): The time period for making management decisions on findings ranged from approximately 6.7 months to 9.2 months for 17 out of the 21 subrecipient audit reports with findings. There was also a delay in the completion of SEFA reconciliations.
- Department of Human Services (DHS): The time period for making management decisions on findings ranged from approximately 6.8 months to over 17.3 months for 55 out of the 65 subrecipient audit reports with findings. DHS did not perform procedures to ensure the subrecipient SEFAs were accurate so that major programs were properly determined and subject to audit.
- Department of Health (DOH): The time period for making a management decision on findings was approximately 6.3 months to 8.3 months for four out of the nine subrecipient audit reports with findings. There was also a delay in the completion of the SEFA reconciliations.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2016

### Finding 2016 – 028: (continued)

As part of our audit of OB-BOA's statewide subrecipient Single Audit monitoring system, we evaluated the significance of subrecipient expenditures recorded on OB-BOA's subrecipient universe in the prior fiscal year (the fiscal year ended June 30, 2015) for which the required audits were not received during the current year (the fiscal year ended June 30, 2016) for each of the 21 major programs or clusters with material subgranted funds. These subrecipient Single Audits were subject to OMB Circular A-133 requirements.

Our testwork disclosed that nine of the 21 major programs/clusters had immaterial expenditures for which audits were not received, representing immaterial noncompliance with OMB Circular A-133. However, material noncompliance was identified for an additional six of the 21 major programs, since the Commonwealth did not receive required Single Audits for the City of Philadelphia and Bucks County as of our January 2017 test date. The Commonwealth subgranted federal funds totaling \$251,238,048 to the City of Philadelphia during the fiscal year ended June 30, 2015, for which a Single Audit was due March 31, 2016, and \$29,180,259 to Bucks County during the fiscal year ended December 31, 2014, for which a Single Audit was due September 30, 2015. The Commonwealth also subgranted federal funds totaling \$23,406,453 to Bucks County during the fiscal year ended December 31, 2015, for which a Single Audit was due September 30, 2016. Audits were not received for the fiscal year ended June 30, 2015 expenditures for six out of the 21 major programs/clusters with material noncompliance as shown in the table below.

CFDA #	Program Name	Total Subgranted Funds Per OB-BOA Universe	Total Subgranted to Entities Which Did Not Submit Audits*	Number of Unaudited Subrecipients
93.558	Temporary Assistance for Needy Families	\$177,667,356	\$37,654,655	2
93.563	Child Support Enforcement	\$131,467,711	\$26,384,477	2
93.658	Foster Care – Title IV-E	\$148,211,734	\$49,922,950	2
93.659	Adoption Assistance	\$103,175,897	\$31,894,456	2
93.667	Social Services Block Grant	\$80,048,296	\$21,286,767	3
93.959	Block Grants for Prevention and Treatment of Substance Abuse	\$43,766,603	\$10,254,824	2

\* Total subgranted to entities without audits only includes entities which met the dollar threshold for which a Single Audit was required.

**Criteria:** The Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 require state and local governments to adhere to provisions of OMB Circular A-133.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

### **Finding 2016 – 028: (continued)**

OMB Circular A-133, Section 400, states the following:

- (d) *Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:*
- (2) *Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.*
  - (3) *Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.*
  - (4) *Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.*
  - (5) *Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.*
  - (6) *Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records.*

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.

OMB Circular A-133, Section 320, Report Submission, states the following:

- (a) General. *The audit shall be completed and ... submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.*

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.*



# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 028: (continued)**

**Cause:** The common reason provided by Commonwealth management for untimely audit resolution in the various agencies, the late submission of subrecipient audit reports, and untimely 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. In general, the Commonwealth agencies do not appear to be taking any additional action other than sending dunning letters to the delinquent subrecipients, which has not provided enough of a penalty to elicit compliance with the federal rules.

OB-BOA personnel stated that they believed they fulfilled their responsibilities regarding the City of Philadelphia and Bucks County by sending dunning letters to the unaudited subrecipients and by transmitting the unaudited subrecipients' information to the lead agency, DHS, for follow up and remedial action. Regarding the City of Philadelphia, DHS personnel stated that they were contacted in April 2016 by the organization responsible for conducting the subrecipient audit and provided evidence of communication with them. DHS personnel indicated they were in contact with Bucks County's independent auditors, but the fiscal year ended December 31, 2014 audit was delayed due to the fiscal year ended December 31, 2013 Bucks County Single Audit requiring revision due to SEFA omissions. DHS should have implemented its remedial action, including withholding funds, earlier in the process.

**Effect:** Since the Commonwealth did not make the required management decisions within six months of receipt 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.

With respect to 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.

Since the Commonwealth did not obtain and review the required Single Audit reports, material federal funds in the major programs listed above were not audited timely, resulting in noncompliance with OMB Circular A-133. In addition, a weakness exists since DHS did not implement remedial action timely. Untimely remedial action resulted in the disbursement of approximately \$133 million in federal funds to City of Philadelphia subsequent to the audit due date of March 31, 2016, and the disbursement of \$34 million in federal funds to Bucks County subsequent to the audit due date of September 30, 2015. Additional material dollars may be unaudited in the future without timely and effective remedial action from DHS to enforce compliance.

**Recommendation:** We recommend that the above weaknesses that cause untimely subrecipient Single Audit resolution, including untimely review of the SEFA or lack of alternate procedures, late audit report submissions, and untimely finding resolutions, be corrected to ensure compliance with federal audit resolution requirements and to better ensure more timely subrecipient compliance with program requirements.

We also recommend that OB-BOA continue its effort to follow up on outstanding subrecipient audits on a timely basis, including providing timely notification to the respective lead agency regarding outstanding audits. DHS, as lead agency, should implement its remedial action plan on a timely basis, including withholding funding from subrecipients which do not comply with audit submission requirements.

### **OB-BOA Response:**

OB-BOA concurs with the finding. OB-BOA pledges that it will continue its effort to follow up on outstanding subrecipient audits on a timely basis, including providing timely notification to the respective lead agency regarding outstanding audits. As stated in the finding, OB-BOA believes it fulfilled its responsibilities regarding the City of Philadelphia and Bucks County by sending dunning letters to the unaudited subrecipients and by transmitting the unaudited subrecipients' information to the lead agency.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2016***

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### **Finding 2016 – 028: (continued)**

#### **PDE Response:**

The PDE Audit Section continues to implement corrective action by addressing the Subrecipient Single Audit Reports in a timely manner.

#### **PennDOT Response:**

PennDOT agrees with the finding and recommendations.

#### **DHS Response:**

DHS agrees with this finding.

#### **DOH Response:**

DOH disagrees with the DOH-specific condition cited in this finding; specifically with the following statement:

“The time period for making a management decision on findings was approximately 6.3 months to 8.3 months for four out of the nine subrecipient audit reports with findings.”

When the auditors inquired with DOH regarding the four subrecipient audit reports in question, DOH replied that DHS, not DOH, was the lead agency for the crosscutting finding in one of the four cited reports and therefore DOH considered that report as a “No Findings” report for its purposes. This was noted on the subrecipient single audit tracking report that DOH had supplied to the auditors.

DOH also disagrees with the statement that “There was also a delay in the completion of the SEFA reconciliations.” Only one of the four subrecipients audit reports identified by the auditors experienced a significant delay in the reconciliation of its SEFA. This delay was the result of DOH working with the subrecipient over a period of several months to account for discrepancies between their reported expenditures and the expenditures shown on their SEFA. The report in question here is also the same report discussed above that was really a “No Findings” report for DOH.

DOH agrees with the finding in regards to the other three subrecipient single audit reports cited in the finding.

DOH will prepare a Corrective Action Plan upon issuance of the final finding.

**Auditors’ Conclusion:** The agency responses from OB-BOA, PDE, PennDOT, and DHS indicate agreement with the finding.

**DOH:** DOH agreed with the finding condition related to three subrecipients’ audit reports.

Regarding DOH’s response related to the fourth subrecipient’s audit report, the auditor has the responsibility to report noncompliance with federal regulations. The subrecipient’s SEFA indicated that DOH passed through funding to this subrecipient for federal programs which were cited in a federal award finding. We encourage DOH to correct weaknesses to ensure subrecipient SEFAs are reviewed and management decisions on findings are made on a timely basis.

**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

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b><u>FINDINGS FOR THE YEAR ENDED JUNE 30, 2015:</u></b> (Please see the Corrective Action Plan Schedule for planned corrective actions for any current year repeat findings.)		
<b><u>FINANCIAL STATEMENT FINDINGS</u></b>		
<b>TREASURY</b>		
2015-001	General Computer Controls in the Pennsylvania Department of Treasury Need Improvement (Prior Year Finding 2014-002)	Treasury has put procedures in place to review access and changes made of the "Shared Administrative" account. The first review occurred 6/22/16. Each individual user admin account would link any user activity and provide accountability. The number of badges with access to the server room has been reduced. It now requires badge access and any concerning/failed attempts at access are investigated and raised to supervisory levels daily. Treasury will be reviewing access reports on a monthly basis. All CAP steps should be complete in July 2016.
<b>OFFICE OF THE BUDGET (OB)</b>		
2015-002	Control Weaknesses Over Financial Reporting of Tax Receivables and Tax Refunds Payable (Prior Year Finding 2014-003)	Corrective action was taken.
2015-003	Internal Control Weaknesses Related to One-Time Vendor Payments Posted Into the SAP System and Inappropriate Role Assignments (Prior Year Finding 2014-005)	BPS submitted a request to OA-IES to develop a program to match one time vendor records with SAP vendor master via the TIN. BPS continues to identify invoices that are entered by staff and transfer the posting of the invoices to the Agency. When all invoices processed via FB60 by BPS staff are successfully transferred; FB60 will be removed from the respective SAP role, still slated for 12/31/16 completion.  BAFM disagreed with this finding.
2015-004	Statewide Weaknesses Within the SAP Accounting System Related to Potential Segregation of Duties Conflicts and Inappropriate User Roles (Prior Year Finding 2014-004)	Corrective action was taken.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b>STATEWIDE (SW)</b>		
2015-005	General Computer Controls in Various Commonwealth Agencies Need Improvement (Prior Year Finding 2014-006)	<p>OB-BQA, Lottery, DOH, DHS &amp; OB-BPS have taken corrective actions.</p> <p>OA took corrective action for issues two and three listed under General Computer Control Deficiencies and issue 2 under the OA section. For issue one under the OA section, PDE has identified funding to rewrite the LEAPS application. The LEAPS application has two components – the PlanCon reimbursement module and the retirement subsidy module. The retirement subsidy module will be rewritten by the Fall 2017 – documenting the requirements for the new system will start in Fall 2016. The PlanCon reimbursement component is dependent on the results of the PlanCon Advisory Commission, which is statutorily charged (2016 Act 25) with reviewing PlanCon, and with making recommendations to the General Assembly about how the program can be improved. A report on the Commission's work is due by 5/17/17. Assuming that the Commission meets this deadline, the PlanCon reimbursement component will be rewritten by Fall 2018.</p> <p>L&amp;I has made progress with a draft, detailed SDLC that still requires approvals from a number of different OIT groups, mgmt. and exec. support. There are still delays due to staffing limitations because of past hiring restrictions. OIT has recently hired multiple project managers needed to create an enterprise SDLC. OIT recently completed a re-org. so resources will be realigned to help fill gaps. Based on these factors, we are still on target to create an enterprise SDLC by 10/1/16. Additionally, it is the expectation of OIT that once the pending SWIF RFP is awarded, and before the vendor starts development/design efforts, a document SDLC will be created for the SWIF modernization project based on the L&amp;I SDLC requirements. Staffing level has not changed, therefore, L&amp;I is not in a position to remove contractor access from the UC mainframe. The SWIF RFP is still in draft (slated for 12/31/16). The RFP will include specific requirements to ensure the replacement systems meet all L&amp;I, OA, and industry best practices around data migration, and user/password management.</p> <p>PDE CDQIT documented and implemented a new procedure for granting limited time access to vendor staff that expires if not terminated by administrators.</p> <p>DOR took corrective action for finding items two, four and five. For items one and three DOR utilizes the SID process as a compensating control which requires the programmer to receive management approval prior to moving a change into production.</p> <p>PennDOT implemented corrective actions in September 2015 when vendor technicians were provided their own CWOPA IDs and passwords.</p>

# **COMMONWEALTH OF PENNSYLVANIA**

## **Summary Schedule of Prior Audit Findings - June 30, 2016**

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<b>Finding</b>	<b>State Agency/Finding</b>	<b>Comments</b>
<b><u>FEDERAL PROGRAM FINDINGS</u></b>		
<b>DEPARTMENT OF AGING</b>		
2015-006	Deficiencies in Information Technology Controls Over the Pennsylvania Department of Aging's Financial Reporting Requirements System	Corrective action was taken.
<b>DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT (DCED)</b>		
2015-007	The Department of Community and Economic Development Did Not Perform Adequate During-the-Award Monitoring of Subrecipients (Prior Year Finding 2014-008)	DCED has issued follow-up letters for 35 out of the 154 on-site monitoring visits completed by KPMG. DCED projects to have this completed by September 2016 as originally anticipated.
<b>DEPARTMENT OF DRUG &amp; ALCOHOL PROGRAMS (DDAP)</b>		
2015-008	Internal Control Weakness Related to Personnel Expenditures	Corrective action was taken.
2015-009	Material Noncompliance Exists Over the Department of Drug and Alcohol Programs' Level of Effort and Earmarking Related to HIV Services	DDAP disagreed with this finding. Finding was not repeated.
<b>DEPARTMENT OF EDUCATION (PDE)</b>		
2015-010	Deficiencies in Information Technology Controls Over the Pennsylvania Department of Education's Child Nutrition Program Electronic Application and Reimbursement System (Prior Year Finding 2014-010)	Corrective action was taken.
2015-011	A Significant Deficiency and Noncompliance Exist Over the Pennsylvania Department of Education's Reporting of the Annual State Per Pupil Expenditure Amount (Prior Year Finding 2014-011)	Corrective action was taken.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b>DEPARTMENT OF EDUCATION (PDE) (Continued)</b>		
2015-012	A Material Weakness and Noncompliance Exist Over the Pennsylvania Department of Education's Consolidated State Performance Report, Annual Report Card, and Reporting of the Annual High School Graduation Rate (Prior Year Finding 2014-012)	PDE has implemented verification processes effective with the Summer 2015 Keystone Exams and updated the 2015 RFRM review procedures. PDE has implemented corrective action by contacting USDE and as of February 2016, executed a system that maintains accurate source documentation. PDE requested a SOC report from DRC. The SOC report is to be issued January 2017.
2015-013	Noncompliance and Internal Control Deficiencies Over Subrecipient Monitoring	Corrective action was taken.
2015-014	Deficiencies in Information Technology Controls Over the Pennsylvania Department of Education's Private Non-Public Enrollment System	Corrective action was taken.
<b>DEPARTMENT OF HEALTH (DOH)</b>		
2015-015	Noncompliance and Internal Control Weakness Related to Compliance Investigations of High-Risk Vendors	WIC staff conducting the compliance buys are no longer the same staff reviewing compliance buys. A routing slip now accompanies each compliance buy recording the initials of both the supervisor and manager reviewing and approving the compliance buys. The calculation sheet utilized by the WIC staff reviewing the compliance buy contains signature fields for both the staff and the supervisor indicating the review was performed.
2015-016	Significant Deficiency and Noncompliance Over Drug Rebates	DOH disagreed with this finding. Finding was not repeated.
<b>DEPARTMENT OF HUMAN SERVICES (DHS)</b>		
2015-017	A Material Weakness and Material Noncompliance Exist at the Department of Human Services Related to Electronic Benefits Transfer Card Security (Prior Year Finding 2014-015)	DHS updated EBT forms and procedure manual, reviewed EBT storage cabinet key security with executive directors and coordinators and updated procedure for EBT return cards.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b>DEPARTMENT OF HUMAN SERVICES (DHS) (Continued)</b>		
2015-018	A Significant Deficiency and Noncompliance Exist in Reporting on the Temporary Assistance for Needy Families ACF-199 Data Report (Prior Year Finding 2014-016)	<p>DHS disagreed in part with this finding to the extent that there was no impact on the all-family or two-parent work participation rate calculations for the cases cited in error; the work participation status (WPS) of the cases remains unchanged. However, for both cases cited in error, DHS does concur that reporting errors occurred. As a result, DHS will be more diligent in both the calculation of participation hours and reporting of child care benefits in the future.</p> <p>Significant steps have been taken by DHS over the last several years to strengthen existing procedures in an effort to ensure all reported work activities are properly documented, supported and classified, in such ways as subjecting sampled cases to several layers of review prior to federal submission, as well as re-reviewing cases that did not meet the federal work participation requirements. DHS re-reviews ten percent of all cases with work activities of employment, educational calculations, and child care payments to ensure reporting accuracy and consistency. The reviews prove effective and continue as a strategy to safeguard against errors in reporting participation hours and child care payments.</p>
2015-019	Department of Human Services Did Not Validate Financial Information as Part of its On-Site Monitoring of Temporary Assistance for Needy Families Subrecipients (Prior Year Finding 2014-018)	DHS disagreed with this finding.
2015-020	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 (Prior Year Finding 2014-017)	Changes were implemented 7/1/15 to restructure the timing of on-site inspections as well as the activities following the on-site inspection to assure timely completion and approval prior to the expiration of the license. As a result, timeliness has improved. To enhance subrecipient monitoring, OCYF has provided technical assistance to C&Ys across the Commonwealth in a variety of forums, including quarterly meetings and bulletins. The quarterly meetings occurred in October 2015, January 2016 and June 2016. In addition, OCYF will issue additional guidance to all County Children and Youth Agencies and Juvenile Probation Offices by 9/30/16. The guidance will discuss the requirements to monitor subrecipients' or contractors' use of federal & state dollars.
2015-021	Noncompliance and Significant Deficiency in Internal Controls over Quality Control Review	Corrective action was taken.



# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b>DEPARTMENT OF HUMAN SERVICES (DHS) (Continued)</b>		
2015-022	Material Noncompliance and Material Weakness Over Health and Safety Requirements (Prior Year Finding 2014-021)	The CAP has been partially implemented. For SFY 14-15 OCDEL has increased staff complement to enable inspections to be conducted in a timely fashion. However, OCDEL is not yet fully staffed. Policies are being reviewed and tweaked to indicate that a timely inspection is one that is conducted during the same month every year; re-affirming to staff that an inspection has to be conducted at least once every 12 months. Monthly facility reports are used to identify expiring certificates of compliance. OCDEL schedules annual inspections during the one year period and prior to the certificate expiration date. A renewal application is not required to schedule and conduct the inspection; however, a completed renewal application is required before issuing the renewal certificate of compliance. Full completion of the CAP is anticipated by 12/31/16.
2015-023	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 (Prior Year Finding 2014-022)	On-site monitoring began on April 11, 2016 in Dauphin County to review utilization of funding for the Social Services Block Grant (SSBG), the Human Services Development Fund (HSDF), and the Human Services Block Grant (HSBG). An exit conference was conducted on June 8, 2016 and the draft report is currently being prepared. A desk review of the SSBG funding for Bradford/Sullivan Mental Health/Intellectual Disabilities and Bradford County Child Welfare is in process. Monitoring will continue during fiscal year 2016-2017.
2015-024	Lack of Eligibility Documentation Results in Noncompliance and Internal Control Weaknesses (Prior Year Finding 2014-023)	DHS continues to train employees. Additional software has been implemented, scanning to CIS by caseworkers has been emphasized, and supervisory reviews have been completed.
<b>DEPARTMENT OF LABOR AND INDUSTRY (L&amp;I)</b>		
2015-025	Department of Labor and Industry Did Not Comply with UC Program Integrity Requirements (Prior Year Finding 2014-024)	Corrective action was taken.
2015-026	Deficiencies in Information Technology Controls at the Department of Labor and Industry (Prior Year Finding 2014-025)	L&I took steps to modify elevated (administrator) privileges for the five users in question. The duties and permissions for the promotion of code were removed from two of the five users, limiting them to administrative privileges in the production environment only. The remaining three users' duties and permissions were removed from production and limited to only the non-production (development) environment.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b>DEPARTMENT OF LABOR AND INDUSTRY (L&amp;I) (Continued)</b>		
2015-027	Material Noncompliance and a Material Weakness Exist Over Subrecipient Monitoring	BWDA released Workforce System Policy No. 07-PY2015 on April 14, 2016. This policy can be found on L&I's website. The policy outlines, in part, that on-site monitoring will occur annually and that initial reports will be sent to the grantees within 45 days. In regards to the unallowable costs, L&I issued an Initial Determination questioning those costs and is awaiting a response from the grantee. BWDA has completed its PY14 monitoring and has begun annual on-site monitoring for PY15.
2015-028	Noncompliance and a Control Deficiency Exist in the Department of Labor and Industry's Procedures for Performing Eligibility Determinations and Completing Individualized Plans for Employment (Prior Year Finding 2014-027)	L&I is continuing to evaluate the revised annual review process as a means to highlight the importance of adhering to all requirements with regard to determining eligibility and completing Individualized Plans for Employment (IPE), and how they relate to counselor, supervisor, and district office management performance outcomes. Additionally, we are ensuring that our Back to Basics training modules are up to date with all of the recent changes to the laws governing vocational rehabilitation. Future enhancements to the CWDS dashboard should also create a greater level of visibility for counselors to quickly and easily get a snapshot of their caseload and cases that are approaching an eligibility determination suspense date. The training department and management staff will work together to better assess results of the annual review process, and will discuss changes that can be implemented across the review process, training tools that can be offered, and system enhancements to be considered as we move forward into fiscal year 16/17.
2015-029	Noncompliance and a Control Deficiency Exist Over the Preparation and Submission of the Annual RSA-2 Report (Prior Year Finding 2014-026)	Corrective action was taken.
2015-030	The Bureau of Disability Determination Failed to Maintain Documentation to Support the Performance of Consultative Examinations	Corrective action was taken.
<b>DEPARTMENT OF MILITARY AND VETERANS AFFAIRS (DMVA)</b>		
2015-031	Noncompliance and Internal Control Deficiencies Over Costs Requested for Reimbursement Result in Questioned Costs of \$3,174 (Prior Year Finding 2014-030)	Corrective action was taken.

# **COMMONWEALTH OF PENNSYLVANIA**

## **Summary Schedule of Prior Audit Findings - June 30, 2016**

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<b>Finding</b>	<b>State Agency/Finding</b>	<b>Comments</b>
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### **PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY (PEMA)**

2015-032	Significant Deficiency and Noncompliance Over Subrecipient Monitoring (Prior Year Finding 2014-032)	Corrective action was taken.
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2015-033	Significant Deficiency in Internal Control Over Equipment and Real Property Management (Prior Year Finding 2014-033)	Corrective action was taken.
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### **PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY (PENNVEST)**

2015-034	Material Noncompliance Exists and Internal Control Improvements Needed in Subrecipient Loan Monitoring System (Prior Year Finding 2014-034)	Corrective action was taken.
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# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b>STATEWIDE (SW)</b>		
2015-035	State Agencies Did Not Specify Required Federal Award Information in Subrecipient Award Documents Resulting in Noncompliance With OMB Circular A-133 (Prior Year Finding 2014-035)	<p>PennDOT executed a work order with McCormick Taylor to update the Publication 740 (Local Project Delivery Manual). One of the items listed for the update is to make RAS mandatory for reimbursement agreements using templates available in RAS. The kick-off meeting for the work order was in July 2016. The original anticipated completion still stands at December 2016.</p> <p>DHS took corrective action for TANF &amp; CSE. DHS disagrees with the Foster Care and Adoption Assistance items. SSBG - The corrective action plan has been partially implemented. DHS communicated most of the federally required award information to its county programs and subcontractors during State Fiscal Year (SFY) 15-16. The missing information will be added to the Department's communications for SFY 16-17 in the quarterly county payment letters and invoices, and/or the county HSBG allocation letters and/or other subcontractor documents. MA-Regarding Intermediate Care Facilities for the Intellectually Disabled (ICF/ID): - ICF/ID rate letters for SFY 15-16 are being revised to include the required information, and are being sent out as their cost reports come in and are reviewed. - SFY 16-17 ICF/ID rate letters will be sent by 7/30/16. Regarding Consolidated and Person/Family Directed Supports Waiver Programs: - Letters containing the required information have been sent to providers of the Consolidated and Person/Family Directed Supports Waiver Programs. Regarding Counties: - Ending SFY 15-16 allocation letters to the Counties, with the required information, will be sent in Fall 2016.</p> <p>DOH disagrees with this finding.</p> <p>This finding was not repeated in the 6/30/16 Single Audit.</p>

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b>STATEWIDE (SW) (Continued)</b>		
2015-036	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	<p>PennDOT executed a work order with McCormick Taylor to update the Publication 740 (Local Project Delivery Manual). One of the items listed for the update is to make RAS mandatory for reimbursement agreements using templates available in RAS. The kick-off meeting for the work order was in July 2016. For the second objective to this finding regarding subrecipient risk assessment, the initial plan to address the finding was shifted after the development of the PennDOT Audit Committee. The Audit Committee's purpose is to adopt standard risk assessment methodology in line with the Green Book. Risk assessments will be conducted on various areas including the subrecipient monitoring. The corrective action plan (CAP) will be revised and a full implementation plan developed by the end of March 2017.</p> <p>Aging has taken corrective action concerning the award identification. The process to evaluate subrecipient risk will be implemented in the Fall of 2016.</p> <p>DHS took corrective action for TANF &amp; CSE. Foster Care and Adoption Assistance – The corrective action plan has been partially implemented. DHS is developing a transmittal that defines all applicable requirements to be referenced in each allocation letter. This transmittal will be developed for the SFY 16-17 and sent by 9/30/16. OCYF does have a risk assessment process in place for federal Title IV-E and TANF awards. The Title IV-E and TANF risk-based assessment identifies those C&amp;Ys whose eligibility practices are most likely to result in inaccurate claiming of federal funds. Furthermore, the sampling methodology supports risk-based assessment based on the number of eligible cases per county. OCYF will enhance the evaluation of risk for other federal awards moving forward for SFY 16/17.</p> <p>DOH disagreed with this finding.</p>

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b>STATEWIDE (SW) (Continued)</b>		
2015-037	Material Noncompliance and a Material Weakness Exist in the Commonwealth's Subrecipient Audit Resolution Process (Prior Year Finding 2014-037)	<p>DCED, DDAP and PENNVEST have taken corrective action.</p> <p>OB-BOA sent dunning letters for the Subrecipient Universe Process for the year ended 6/30/2015 including Office of Developmental Program (ODP) Providers were dated and mailed on 4/15/2016. The affected Commonwealth agencies were notified on 5/17/2016. Those subrecipients who did not comply with submitting their required single audit reports were transmitted to the affected agencies via an email notification dated 6/3/2016.</p> <p>DHS Audit Resolution Section staff has completed the reviews of the subrecipient single audit reports that have been received, so the backlog of reports to be reviewed has been eliminated; however, there remains a backlog in the supervisory review process related to these audits. It is anticipated that the supervisory backlog will be eliminated by 12/31/16. Regarding the requirement to perform procedures to ensure the subrecipient SEFAs were accurate, although we disagree with this requirement, in an effort to eliminate this part of the finding in future years, we have implemented procedures for the subrecipients to submit a supplemental schedule with their single audit that is subject to an Agreed-Upon Procedures engagement and will reconcile their SEFA to the funding they received from DHS. As part of DHS' review of the single audit reports, we will review this schedule and compare to our payment records and investigate any significant differences. This schedule is required to be submitted beginning with subrecipients' fiscal years ending on or after June 30, 2015. 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 regarding this consideration. DHS is continuing to monitor the status of, and work with the City of Philadelphia, to assist them to become compliant with audit submission requirements.</p> <p>DOH is utilizing an annuitant to perform the work of the unfilled subrecipient audit review position and prioritizing audits with findings.</p> <p>PDE has reassigned a position that is responsible for the review of the subrecipient single audit reports and the issue should be resolved by October 2016.</p>

# **COMMONWEALTH OF PENNSYLVANIA**

## **Summary Schedule of Prior Audit Findings - June 30, 2016**

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<b>Finding</b>	<b>State Agency/Finding</b>	<b>Comments</b>
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### **OFFICE OF THE BUDGET (OB)**

2015-038	Weaknesses in Cash Management System Cause Noncompliance With the Cash Management Improvement Act of 1990 (CMIA) and at Least \$95,403 in Questioned Costs Related to the CMIA Interest Liability (Prior Year Finding 2014-036)	OB-BAFM disagrees with this finding.
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### **FINDINGS FOR THE YEAR ENDED JUNE 30, 2014:**

#### **DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT (DCED)**

2014-008	The Department of Community and Economic Development Did Not Perform Adequate During-the-Award Monitoring of Subrecipients (Prior Year Finding 13-DCED-01)	Refer to finding 2015-007 for the status of this issue.
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#### **DEPARTMENT OF EDUCATION (PDE)**

2014-010	Deficiencies in Information Technology Controls Over the Pennsylvania Department of Education's Child Nutrition Program Electronic Application and Reimbursement System (Prior Year Finding 13-PDE-01)	Refer to finding 2015-010 for the status of this issue.
2014-011	A Significant Deficiency and Noncompliance Exist Over the Pennsylvania Department of Education's Reporting of the Annual State Per Pupil Expenditure Amount (Prior Year Finding 13-PDE-06)	Refer to finding 2015-011 for the status of this issue.
2014-012	A Material Weakness and Material Noncompliance Exist Over the Pennsylvania Department of Education's Consolidated State Performance Report, Annual Report Card, and Reporting of the Annual High School Graduation Rate (Prior Year Findings 13-PDE-05 and 13-PDE-06)	Refer to finding 2015-012 for the status of this issue.

# **COMMONWEALTH OF PENNSYLVANIA**

## **Summary Schedule of Prior Audit Findings - June 30, 2016**

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<b>Finding</b>	<b>State Agency/Finding</b>	<b>Comments</b>
<b>DEPARTMENT OF HUMAN SERVICES (DHS)</b>		
2014-015	A Material Weakness and Material Noncompliance Exist at the Department of Human Services Related to Electronic Benefits Transfer Card Security (Prior Year Finding 13-DPW-01)	Refer to finding 2015-017 for the status of this issue.
2014-016	A Material Weakness and Material Noncompliance Exist in Reporting on the Temporary Assistance for Needy Families ACF-199 Data Report (Prior Year Finding 13-DPW-05)	Refer to finding 2015-018 for the status of this issue.
2014-017	Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services' Office of Children, Youth and Families (Prior Year Finding 13-DPW-03)	Refer to finding 2015-020 for the status of this issue.
2014-018	Department of Human Services Did Not Validate Financial Information as Part of its On-Site Monitoring of Temporary Assistance for Needy Families Subrecipients (Prior Year Finding 13-DPW-04)	Refer to finding 2015-019 for the status of this issue.
2014-021	Noncompliance and Internal Control Weakness Over Health and Safety Requirements (Prior Year Finding 13-DPW-07)	Refer to finding 2015-022 for the status of this issue.
2014-022	Noncompliance and Weaknesses Exist in the Department of Human Services' Program Monitoring of the Social Services Block Grant and the Block Grants for Prevention and Treatment of Substance Abuse Subgrantees (Prior Year Finding 13-DPW-09)	Refer to finding 2015-023 for the status of this issue.



# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2016

Finding	State Agency/Finding	Comments
<b>DEPARTMENT OF HUMAN SERVICES (DHS) (Continued)</b>		
2014-023	Lack of Eligibility Documentation Results in Noncompliance and Internal Control Weaknesses (Prior Year Finding 13-DPW-10)	Refer to finding 2015-024 for the status of this issue.
<b>DEPARTMENT OF LABOR AND INDUSTRY (L&amp;I)</b>		
2014-024	Department of Labor and Industry Did Not Comply With UC Program Integrity Requirements	Refer to finding 2015-025 for the status of this issue.
2014-025	Deficiencies in Information Technology Controls at the Department of Labor and Industry (Prior Year Finding 13-L&I-01)	Refer to finding 2015-026 for the status of this issue.
2014-026	Noncompliance and a Control Deficiency Exist Over the Preparation and Submission of the Annual RSA-2 Report (Prior Year Finding 13-L&I-03)	Refer to finding 2015-029 for the status of this issue.
2014-027	Noncompliance and a Control Deficiency Exist in the Department of Labor and Industry's Procedures for Performing Eligibility Determinations (Prior Year Finding 13-L&I-02)	Refer to finding 2015-028 for the status of this issue.
<b>DEPARTMENT OF MILITARY AND VETERANS AFFAIRS (DMVA)</b>		
2014-030	Material Noncompliance and Internal Control Deficiencies Over Costs Requested for Reimbursement Results in Questioned Costs of \$11,848	Refer to finding for 2015-031 the status of this issue.
<b>PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY (PEMA)</b>		
2014-032	Material Weakness and Material Noncompliance Over Subrecipient Monitoring	Refer to finding 2015-032 for the status of this issue.
2014-033	Material Weakness and Material Noncompliance Over Equipment and Real Property Management (Prior Year Finding 13-PEMA-03)	Refer to finding 2015-033 for the status of this issue.

# **COMMONWEALTH OF PENNSYLVANIA**

## **Summary Schedule of Prior Audit Findings - June 30, 2016**

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<b>Finding</b>	<b>State Agency/Finding</b>	<b>Comments</b>
<b>PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY (PENNVEST)</b>		
2014-034	Material Noncompliance Exists and Internal Control Improvements Needed in Subrecipient Loan Monitoring System (Prior Year Finding 13-PENNVEST-04)	Refer to finding 2015-034 for the status of this issue.
<b>OFFICE OF THE BUDGET (OB)</b>		
2014-036	Weaknesses in Cash Management System Cause Noncompliance With the Cash Management Improvement Act of 1990 (CMIA) and at Least \$186,323 Questioned Costs of the CMIA Interest Liability (Prior Year Finding 13-SW-04)	Refer to finding 2015-038 for the status of this issue.
<b>STATEWIDE (SW)</b>		
2014-035	State Agencies Did Not Specify Required Federal Award Information in Subrecipient Award Documents and at the Time of Disbursement, Resulting in Noncompliance With OMB Circular A-133 (Prior Year Finding 13-SW-03)	Refer to finding 2015-035 for the status of this issue.
2014-037	Material Noncompliance and a Material Weakness Exist in the Commonwealth's Subrecipient Audit Resolution Process (Prior Year Finding 13-SW-01)	Refer to finding 2015-037 for the status of this issue.

# Management's Corrective Action Plans



Commonwealth of Pennsylvania

# COMMONWEALTH OF PENNSYLVANIA

## Corrective Action Plans - June 30, 2016

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-001	Treasury	Ed Palmer, Comptroller  Chris Bonifanti, Assistant Comptroller	<p><b>General Computer Controls in the Pennsylvania Department of Treasury Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2015-001)</b></p> <p>1. Treasury BUCD has established individual administrative accounts to be used in place of the “shared administrative” account. Each administrator’s activity is logged and reviewed by a supervisor. The “shared” account, while unused, is also reviewed. This change was implemented after June 30, 2016.</p> <p>2. Treasury plans to perform and document annual reviews of system access.</p> <p>3. Treasury BUCD’s office network gateway to the internet and CoPanet changed from L&amp;I to Treasury on December 20, 2016. BUCD is now covered under Treasury’s strong password policy.</p>	<p><b>Completed</b></p> <p><b>June 2017</b></p> <p><b>Completed</b></p>
2016-002	OA	Rosa Lara, Deputy CIO	<p><b>Elevated Access Privilege Monitoring Controls Within SAP Need Improvement</b></p> <p>In response to observations 1, 2 &amp; 3, IES will review and make appropriate updates to the current SOP B-100 and further communicate the policy to users and management with the goal of consistent adherence to said policy.</p> <p>In response to observation 4 IES will determine the validity of adding an additional field specifying the ‘transaction executed’ to the current manager reviewed Firefighter report and implement that field in a new report.</p>	<p><b>03/31/2017</b></p> <p><b>Completed</b></p>
2016-003	OB-BAFM	Andy Cameron, Assist. Director	<p><b>Internal Control Weaknesses Related to One-Time Vendor Payments Posted Into the SAP System and Inappropriate Role Assignments (A Similar Condition Was Noted in Prior Year Finding 2015-003)</b></p> <p>In 2016, the Bureau of Quality Assurance (BQA) began performing a periodic analysis of one-time vendor invoices. The analysis was limited to invoices manually entered in SAP and did not include invoices interfaced into SAP. The analysis for the time period January 1, 2016 through November 30, 2016, reviewed 19,287 invoices totaling \$102.8 million. The results are as follows:</p> <ul style="list-style-type: none"> <li>• 710 invoices totaling \$4.7 million were to existing SAP vendors</li> <li>• 242 invoices totaling \$220 thousand were to active employees</li> <li>• 262 invoices totaling \$873 thousand were to inactive employees</li> </ul>	<p><b>Completed</b></p>

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2016**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-003 (cont'd)			BAFM will work with other OCO bureaus to consider implementing the third and fourth bullet points of the recommendation.	12/31/2017
	OB-BPS	Bret Challenger, Director	<p>1. An SAP program was implemented in October 2016 to match the Tax Identification Number on the One Time Vendor invoice to the SAP Vendor Master. The program matches all one time vendor invoice postings against the SAP vendor master. If the TIN on the OTV invoice matches a record in the SAP Vendor Master, the invoice blocks with an 'O' for One Time Vendor match. For workflow invoices, BPS rejects the invoice back to the agency to reenter the invoice using the SAP Vendor. For interfaces, BPS supplies a report to the agency to assist them in updating their system.</p> <p>2. The systematic One Time Vendor matching program in item one, is used to check employees that are also registered as SAP Vendors.</p> <p>3. Although we recognize supervisors have the ability to enter a one-time vendor invoice, the internal audit procedure is to only allow direct posting to a one-time vendor with the approval of the Assistant Director or Director of Payable Services. Comptroller is working on transferring all Non-PO invoice entry to the Agency entry by changing the business process, providing training, and assisting in getting the proper SAP roles.</p>	<p><b>Completed</b></p> <p><b>Completed</b></p> <p>12/31/2017</p>
2016-004	OB-BOA	Brian Lyman, Director	<p><b>Vendor Management Controls in Various Commonwealth Agencies Need Improvement</b></p> <p>Office of the Budget (OB), Office of Comptroller Operations will develop policies and procedures to address the definition of a service organization and to illustrate the various options available to contracting agencies to ensure that service organizations that support Commonwealth agency processes are operating under effective controls and are meeting performance standards and reporting expectations.</p> <p>The new policies and procedures will incorporate additional guidance regarding the potential use of independent reports, such as SOC 1 or SOC 2 reports issued in accordance with SSAE No. 16, as a viable option for contracting agencies to consider on a case-by-case basis along with other options for monitoring the service organizations' internal controls. As part of this process, Management Directive 325.12 section 6(b), (6) will be evaluated and revised to incorporate reasonable actions the Commonwealth can practically implement.</p>	07/01/2017

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2016**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-004 (cont'd)			OB, Office of Comptroller Operations will work with staff in OB, Office of Administration (OA) and Department of General Services to ensure that appropriate enhancements and revisions are included in the new policies to adequately address monitoring of the service organizations' internal controls and also other relevant reporting and contract-related items involved in managing these vendor relationships.	
	OA	Patti Chapman, Director, Bureau of IT Procurement	<p>1. Service Organization Control (SOC) or similar reports not consistently obtained for applicable vendor services;</p> <ul style="list-style-type: none"> <li>- With regard to the Lionbridge Purchase Order (4300534185), DOR is currently renewing the sole source agreement to continue the data capture services provided. As part of this process, a Statement of Work (SOW) has been prepared which documents the vendor's services and deliverables. This SOW includes language pertaining to SOC reporting requirements.</li> <li>- No corrective action is required for the DPH Contract. OA maintains that sufficient justification has been provided for why an audit was not conducted for the DPH contract and time period cited by the auditors. During the 14/15 &amp; 15/16 fiscal year, the applications hosted within the DPH were migrated out of the DPH datacenter to the PACS datacenter. The last migration occurred on 1/30/16. The DPH was then closed and the equipment was decommissioned and the data destroyed. This was completed by May 2016. Therefore no activities or data processing occurred in the DPH at the time the audit was to be performed. Because there was nothing to audit, there were no audit results. OA requested that OB Bureau of Audits perform on-site review procedures and testing of DPH in lieu of a SOC report for the period of July 1, 2015 to the date of migration.</li> </ul> <p>2. SOC reports not provided with periods of coverage usable by the agency or financial auditors;</p> <ul style="list-style-type: none"> <li>- No corrective action is required.</li> <li>- Both the DPH and PACS contracts include language requiring a SOC report to occur in alignment with the Commonwealth's fiscal year. The PACS Program Office has the responsibility to assure these reports are delivered in a timely manner and to distribute them to all stakeholders. The SOC I report for the period between July 1, 2015 and June 30, 2016 is available upon request. It is not included in this response for purposes of protecting its confidentiality.</li> </ul>	<p>06/30/2017</p> <p>N/A</p> <p>N/A</p>

# COMMONWEALTH OF PENNSYLVANIA

## Corrective Action Plans - June 30, 2016

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-004 (cont'd)			<p>- For the DOR ACI contract reviewed, it is uncertain what SOC reports were obtained by the Auditor General, as DOR has in its possession 2016 SOC1, SOC2 and respective bridge letters. For OPC, the appropriate SOC reports were also received.</p> <p>3. SOC reports with noted qualifications not followed up on a timely basis;</p> <p>- As noted in the Agency Response, it is believed that this finding relates to prior year or current draft year findings which the affected agencies maintain have been remediated to the extent practical.</p> <p>4. SOC reports provided not including tests of operating effectiveness or appropriate control objectives;</p> <p>- PDE agrees with this finding and will amend the current Purchase Order #430051806 with eScholar to specify that, in the future, this vendor must provide PDE with an SOC2 report that includes tests of operating effectiveness pursuant to Management Directive 325.12. For completeness sake, however, PDE notes that this finding was most likely made in regard to Purchase Order No. 4300321072, which was effective 3/8/12 and predates the Management Directive, which was not effective until 7/1/15. This PO ended on 6/30/16 and was not amended in its final year to include this new requirement. This may explain why the report that was filed was incomplete. Implementation of corrective action will occur in future contracts with service organizations.</p> <p>- As noted in the CAP for enumerated condition #2, DOR has 2016 SOC 1 and SOC 2 reports and respective bridge letters. These reports include control objectives and monitoring controls for ensuring operating effectiveness.</p> <p>5. Lack of contracts or insufficient contract language to document vendor services performed.</p> <p>- Per the Agency Response, the affected agencies maintain that sufficient written agreements are in place with the cited contractors and the contractors' respective SOWs may be misunderstood. Recent and subsequent contract renewals contain fuller SOWs and incorporate standard Commonwealth terms and conditions, including audit, security, and confidentiality clauses, as well as industry standard compliance and SOC reporting provisions as appropriate.</p> <p>- As noted in the CAP for enumerated condition #1, DOR is currently renewing its agreement with Lionbridge, and is ensuring the SOW specifically outlines SOC reporting requirements along with the vendor's services and deliverables.</p>	N/A
				<b>Completed</b>
				N/A
				<b>06/30/2017</b>

# COMMONWEALTH OF PENNSYLVANIA

## Corrective Action Plans - June 30, 2016

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-004 (cont'd)			<p>- DOR's agreement with OPC is a Letter of Understanding (LOU). This LOU was amended recently to include an audit clause as well as an Attestation of Compliance with Payment Card Industry (PCI) Data Security Standards.</p> <p>- Because the agreement with eScholar contained limited detail, PDE's procurement office will contact eScholar to get a description of what is encompassed in maintenance and will amend the PO to include this description as an attachment.</p>	
2016-005	<b>DOR- Lottery</b>	Douglas Miller, IT Manager 1	<p><b>General Computer Controls in Various Commonwealth Agencies Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2015-005)</b></p> <p>The following tasks will be implemented to address the audit finding identifying use of a shared user account for promotion of code and insufficient procedures to monitor the shared user account.</p> <ol style="list-style-type: none"> <li>1. The password for the existing user account used for the promotion of code will be changed by the web application server administrator. This will remove access of this account from this privileged account. This task's scheduled implementation will be on or before 03/31/17.</li> <li>2. User accounts for staff whose duties include promotion of code will be added to a security group which inherits these privileges from the web application administration account. This will remove the use of a shared account, and provide the ability of event level logging for code promotion by userid. This task's scheduled implementation will be on or before 03/31/17.</li> <li>3. A systematic process for event log examination for the promotion of code will be implemented. This process will generate reporting and email notifications of code promotion events to specified managers for review of access and change management authorization. This task's scheduled implementation will be on or before 04/30/17.</li> </ol>	<b>June 2017</b>
	<b>L&amp;I</b>	Drew Brown, IT Manager, Enterprise Security and Compliance Section	<ol style="list-style-type: none"> <li>1. The Office of Information Technology (OIT) has created a draft agency SDLC. The SDLC is currently being reviewed for regulatory compliance, and feasibility with the various lines of business within L&amp;I. The draft includes multiple security checks beginning early in the SDLC. Additionally, the draft includes specific language from NIST Special Publication 800-64.</li> <li>2. OIT completed a reorganization effort in July 2016 which included a section who will conduct</li> </ol>	<b>03/31/2017</b>  <b>06/30/2017</b>



**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2016**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-005 (cont'd)			<p>internal audits. We are drafting a procedure document to report on elevated privileges, justification for elevated privileges and the documentation required to make necessary changes. We have initiated an internal audit of mainframe accounts.</p> <p>Following successful implementation of these procedures we will draft and publish a policy that is specific to elevated privileges on the mainframe, including revoking access, granting least privilege, and other controls including justification to elevate privileges. Finally, our policy will include the interval and area of focus for internal audits.</p> <p>3. OIT completed a reorganization effort in July 2016 which included a section who will conduct internal audits. We are drafting a procedure document to report on elevated privileges, justification for elevated privileges and the documentation required to make necessary changes.</p> <p>Following successful implementation of these procedures we will draft and publish a policy including revoking access, granting least privilege, and other controls including justification to elevate privileges. Finally, our policy will include the interval and area of focus for internal audits.</p>	06/30/2017
	L&I- SWIF	Drew Brown, IT Manager, Enterprise Security and Compliance Section	<p>1. The Office of Information Technology (OIT) has created a draft agency SDLC. The SDLC is currently being reviewed for regulatory compliance, and feasibility with the various lines of business within L&amp;I. The draft includes multiple security checks beginning early in the SDLC. Additionally, the draft includes specific language from NIST Special Publication 800-64.</p> <p>2. OIT has created a draft agency SDLC. The SDLC will contain guidance on data validation following migrations of data, or when new or upgraded software is implemented. Additionally, OIT will develop procedures to support the SDLC.</p> <p>3. Replacement of the OnBase product with a product that meets all requirements is part of the pending SWIF modernization RFP. OIT has implemented OnBase, Version 15. Users logging on to the Admin/OIT or Admin/SWIF administrator accounts must now utilize their CWOPA user credentials to gain administrative access.</p> <p>4. OIT has procured and deployed QuickBooks Enterprise Silver to replace Freedom Financial during the 2015-2016 audit year. The Freedom Financial system is expected to be decommissioned in the first quarter of 2017. QuickBooks does not normally, but has been configured to require a password. The</p>	<p>03/31/2017</p> <p>06/30/2017</p> <p>Completed</p> <p>Completed</p>

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2016**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-005 (cont'd)			password must be a minimum of 7 characters containing uppercase, lowercase and numeric. After 4 tries a user is locked out of his account and must contact an administrator to reset. This partially complies with OA-ITPSEC007. The length is 1 character too short and the complexity is not restrictive enough since it only requires alpha-numeric characters. The lockout exceeds the ITP. L&I has filed and obtained a COPPAR waiver to document this: 2016ITBW0665 - SWIF-QuickBooks Enterprise.	
	PennDOT	Michael Turner, MVPS	1. As reported in the finding, the shared administrator account is used by the OPEX technicians to delete scanned images on the Transaction Management System (TMS). The technicians informed PennDOT that it requires an administrative account to perform the deletion function. PennDOT is currently looking into potential options that would satisfy the objective but still be able to perform the necessary function. PennDOT will decide on a plan of action and implement it by June 30, 2017.	06/30/2017
		Nereida Pereira, MVPS		
		David Rotigel, Director	2. PennDOT has scheduled a quarterly access review. The first one was executed in the early part of January 2017. Documentation will be put in place to capture the results.	06/30/2017
		Deb Reihart, Systems Mgmt Chief	3. PennDOT is planning on modifying the process for receiving off-boarding notifications for ECMS users. A new process will be determined by the end of February 2017. There will be a timeline for implementation for that new process after that date and will be dependent on the impact of the administrative functions involved.	06/30/2017
	David Parise, SAP Project Office Manager	<p>4. The steps that have occurred, and will occur to address this objective are the following:</p> <ul style="list-style-type: none"> <li>• Upon notification of audit finding by OB-BQA, PennDOT formed a team to address the risks. The team concept was necessary due to the fact that the role risks were in multiple business areas (i.e. Plant Maintenance Highway, Finance, Materials).</li> <li>• The PennDOT GRC team met and took immediate action to reduce the identified risks. This included taking action and removing roles that we found were true risks; these roles were removed from the user.</li> <li>• More complex role issues were then addressed. Role conflicts were identified for Highway Users between the user's access to ZIPY and the user's SAP counter role. A new transaction was developed in partnership with IES to eliminate these risks.</li> <li>• Additional action via role request change was taken to take MB11, MIGO and ZIPY from the Work Order Planner Role.</li> <li>• Finance and Procurement role issues were addressed by de-mapping the conflicted roles.</li> <li>• PennDOT and IES are working with OB-BQA to eliminate risks associated with transaction MR11 by</li> </ul>	06/30/2017	



**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2016**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-005 (cont'd)			Finding PDE-3: The Finding states that the weakness was remediated after the audit period. Therefore, no further corrective action is planned at this time.	N/A
	<b>DOR</b>	Andrew Bishop, IT Manager 2	<p>1. No migration team exists to perform the functions described in the finding. A lack of resources requires us to allow developers to change operation schedules since they are the only ones with an understanding of these processes. No one on the user side has the expertise or knowledge to perform these functions. The promotion of Formware changes is more complex than simply copying program files to production. Promotion requires detailed technical knowledge of the code, because a series of code or configuration changes have to be made at different parts of the environment.</p> <p>DOR implemented a compensating control utilizing our System Implementation Document (SID). For each change implemented in production, we will require the programmer to receive management approval prior to moving the change into production. Approvals are recorded on the internal DOR SID which is stored with the project request information in the Bureau of Information System file share. In December 2016, DOR also implemented an internal, quarterly review of system implementations.</p> <p>2. E-Tides-The developers have administrative/privileged access to migrate changes and maintain the production environment. A lack of resources requires us to allow developers to promote changes to production and maintain the production environment since they are the only ones with an understanding of these processes. No one on the user side has the expertise or knowledge to perform these functions.</p> <p>Imaging Facility-The promotion of Formware/Captiva changes is more complex than simply copying program files to production. Code promotion requires detailed technical knowledge of the code, because a series of code or configuration changes have to be made at different parts of the environment.</p> <p>DOR implemented a compensating control utilizing our System Implementation Document (SID). For each change implemented in production, we will require the programmer to receive management approval prior to moving the change into production. Approvals are recorded on the internal DOR SID which is stored with the project request information in the Bureau of Information System file share. In December 2016, DOR also implemented an internal, quarterly review of system implementations.</p> <p>3. No migration team exists to perform the functions described in the finding. A lack of resources requires us to allow developers to change operation schedules since they are the only ones with an</p>	<p><b>June 2017</b></p> <p><b>June 2017</b></p> <p><b>June 2017</b></p>

# COMMONWEALTH OF PENNSYLVANIA

## Corrective Action Plans - June 30, 2016

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-005 (cont'd)		Andrew Bishop, IT Manager 2	<p>understanding of these processes. No one on the user side has the expertise or knowledge to perform these functions.</p> <p>DOR implemented a compensating control utilizing our System Implementation Document (SID). For each change implemented in production, we will require the programmer to receive management approval prior to moving the change into production. Approvals are recorded on the internal DOR SID which is stored with the project request information in the Bureau of Information System file share. In December 2016, DOR also implemented an internal, quarterly review of system implementations.</p> <p>4. DOR policy requires periodic access reviews of administrative users at least once per year. During the current fiscal year, periodic access reviews of administrative access were not conducted in compliance with DOR policy.</p> <p>Access reviews of administrative users for: Annual (Personal Income), Inheritance Tax, Prop Tax/Rent Rebate, Business Taxes, Motor Carrier, and Fuels Tax were completed in May 2016.</p> <p>*Review of BTS (formerly ITS) was not completed and is currently in process. Review of BTS had been assigned to a resource that has left the department, and has now been reassigned for completion going forward, and will be completed by June 30, 2017.</p> <p>Access review of administrative users for Realty Transfer Tax, International Fuel Tax Agreement, PariMutuel, Cigarette Tax, and Lien Integrated Processing Sys completed in January 2016.</p> <p>*Review of e-Tides was not completed, and will be completed by June 30, 2017.</p> <p>Access reviews of administrative users for: SoftTrac, FormWare, TMS (Transaction Management System, or Transcentra), Virtual Capture (Lionbridge) were completed in June 2016.</p>	June 2017

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2016-006	AGRI	Cheryl Cook, Deputy Secretary	<p><b>Deficiencies in Information Technology Controls Over the Pennsylvania Department of Agriculture’s PaMeals Application</b></p> <p>PaMeals is one of several regulatory applications in use at the Department of Agriculture developed by Computer Aid, Inc. Like the other Computer Aid, Inc. (CAI)-built applications, the business model for PaMeals is that the code is made available to other state departments of agriculture to use. Enhancements to the application requested by one state are made available to all states. While only one other state currently uses PaMeals, the older, more distributed applications have multi-state user groups that drive priorities for application enhancements.</p> <p>All CAI-built applications are housed in the Managed Services Lite environment within the Enterprise Data Center operated by the Office of Administration’s Office of Information Technology (OA OIT). System patching and other server maintenance services are performed by OA OIT in accordance with established service levels. Access to production and staging servers is limited to Agriculture’s IT Services Office staff and to such contractors for whom the IT Services Office staff facilitates such access.</p> <p>The need for stronger governance and better documentation of changes needed and application work performed was recognized at the Department level with the creation of the Agriculture Innovation and Modernization, or AIM, Board in 2016. The charter includes five committees, one of which is the Portfolio Performance Committee. The charge of this committee is to:</p> <ol style="list-style-type: none"> <li>1. Determine whether current software applications are still meeting our needs;</li> <li>2. Determine the right mix of maintaining current systems v. developing new ones;</li> <li>3. Monitor application performance and ability to report program performance;</li> <li>4. Formulate alternative solutions for high risk/high investment projects; and</li> <li>5. Assess current application criticality for Continuity of Operations and Disaster Recovery purposes.</li> </ol> <p>The Portfolio Performance Committee has begun its work, and as the process matures, the Committee will be better able to provide documentation of requirements and better overall change management.</p>	December 2017

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2016-007	OB-BAFM	Danny Novak, Assistant Director	<p><b>Noncompliance and a Significant Deficiency Exist With the Cash Management Improvement Act of 1990 (CMIA) (A Similar Condition Was Noted in Prior Year Finding 2015-038)</b></p> <p>Corrective action is not necessary. Refer to the agency response within the audit finding to view details regarding our disagreement.</p>	N/A
2016-008	OB-BAFM	Tammy S. Miller, Manager, Medical Assistance Federal Accounting Unit	<p><b>Noncompliance and a Control Deficiency Exist Over the Preparation and Submission of the Quarterly CMS-64 Report</b></p> <p>A review step has been added to the CMS64 report checklist for peer/supervisory review of the Assessment amounts being reported prior to certifying the CMS64 report, which took effect with quarter ending (QE) 12/31/16. In addition, a new process of gathering the information is being used, which provides more detailed backup to the Auditor General’s (AG) Office per their request.</p> <p>Procedures are being modified to incorporate the new process and peer/supervisory review.</p> <p>The Assessment amount reported on the CMS64 report has no impact on the reported federal expenditures. At the AG’s request, corrections to the Assessment amounts erroneously reported in QE 06/30/16 as identified in this finding were made on the CMS64 report for QE 12/31/16. Negative Assessment amounts cannot be reported on the CMS64.11A report, which summarizes to the total Assessment amount reported on the CMS64.11 report. As a result, CMS advised OCO to report the change in prior period Assessment amounts on the Narrative page on the CMS64 report for QE 12/31/16.</p>	<p><b>Completed</b></p> <p><b>03/31/2017</b></p> <p><b>Completed</b></p>
2016-009	DCED	Erich M. Loych, Agency CIO	<p><b>Deficiencies in Information Technology Controls Over the Pennsylvania Department of Community and Economic Development’s Electronic Single Application System</b></p> <p>DCED IT will create a system to store program change requests for enhancements, configuration, deployments and emergencies. In the past, authorizations have been obtained, but not put on file. We will file the authorization for change movements into production. Segregation of duties will be reviewed, and where/when possible, changes will be implemented.</p>	06/30/2017

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2016-010	DCED	Kathy Possinger, Director, Compliance Monitoring and Training	<p><b>The Department of Community and Economic Development Did Not Perform Adequate During-the-Award Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2015-007)</b></p> <p>Following DCED’s focus in the preceding year on monitoring of the identified backlog of grantees through required on-site reviews, DCED has used its new method to identify and calculate risk to establish a monitoring schedule for the 2016-2017 fiscal year. Forty-seven grantees are included in the monitoring schedule for this fiscal year.</p> <p>DCED is also working with assigned US Department of Housing and Urban Development technical assistance providers to review the monitoring plan, evaluate all monitoring checklists, and evaluate staff training needs to implement the monitoring plan.</p> <p>DCED has completed supplemental remote monitoring of 40 high and medium risk grantees in the area of Environmental Review compliance and has completed the development of new checklists to assess compliance of 20 grantees in the area of Fair Housing and Equal Opportunity. Additionally, DCED has identified the need to monitor grantees for Labor Standards compliance and with the 2016-2017 fiscal year has begun to pilot this level of remote monitoring to its supplemental responsibilities.</p> <p>With is technical assistance engagement from HUD, DCED is also looking for opportunities to refine its monitoring plan as it fully engages in implementation. DCED has reviewed the frequency and extent of its Monitoring Activity Progress Reporting tool (MAPR) and will re-release it to grantees in 2017 utilizing the 2015 assigned risk score.</p>	06/30/2018
2016-011	DCED	Lynette Praster, Director, Center for Community Services	<p><b>The Department of Community and Economic Development Did Not Perform Adequate Monitoring of Subrecipients</b></p> <p>The Center for Community Services plans to define specifically the monitoring that will be conducted for the LIHEAP funds that are used for LIHEAP Crisis and standard Weatherization, rather than to refer to the monitoring stipulations of the Department of Energy State Plan. The specific information about the process will be put into the next 2017-18 LIHEAP State Plan that commences October 1, 2017 and consideration will be given to requesting an amendment of the current 2016-17 LIHEAP State Plan to include these new monitoring specifics:</p>	10/01/2017



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2016-011 (cont'd)		Brad Shover, Director, Compliance Monitoring	<p>For the LIHEAP Crisis unit monitoring, DCED will conduct a combination of desk and onsite monitoring of 3% of completed Crisis units. Since Crisis work primarily involves repair and replacement of broken heating units, the monitoring will involve a review of the work done, the funds expended and the sign-off of the client, according to a specific monitoring checklist developed for the monitoring of Crisis heating emergency jobs. Depending on the results of the Crisis review, any findings or concerns will be incorporated into the Weatherization Risk Assessment process, issued with the monitoring reports or discussed with an agency via email or phone conference.</p> <p>At least 2% of the standard weatherization units completed with LIHEAP funds will be site inspected utilizing the Quality Control Inspection (QCI) process, as outlined in the QCI monitoring checklist. All the WAP monitors and the monitoring supervisor are Quality Control Inspector (QCI) certified.</p> <p>WAP Performance/Risk Assessments will be conducted at least annually for each agency. As risk is determined, each agency will be addressed based on the results. Follow up requests for information, phone conferences or in-person meetings could be scheduled to review areas of risk.</p>	
2016-012	PDE	<p>Connie Derr, Audit Coord, Bur of Budget &amp; Fiscal Mgmt</p> <p>Vonda Cooke, State Director, Child Nutrition Programs, Bur of Budget &amp; Fiscal Mgmt</p>	<p><b>Material Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement</b></p> <p>The Pennsylvania Department of Education, Division of Food and Nutrition (DFN), has begun discussions with the vendor for PEARS to implement a change request that will provide an edit check against day care home provider enrollment that is reported on the site application against the average daily attendance that is reported on the site based claim.</p> <p>DFN will develop a procedure to review files to ensure the sponsor agreement is retained in the permanent file, as well as reviewing PEARS User Authorization forms to ensure they are also on file for all active users.</p> <p>DFN will review and update its procedure, as appropriate, pertaining to the effective date on the sponsor agreement.</p>	09/30/2017

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-013	PDE	<p>Connie Derr, Audit Coord., Bur of Budget &amp; Fiscal Mgmt</p> <p>Tom Dubbs, ERA I, Division of Performance Analysis and Reporting</p>	<p><b>A Material Weakness and Noncompliance Exist Over the Pennsylvania Department of Education’s Consolidated State Performance Report, Annual Report Card, and Reporting of the Annual High School Graduation Rate (A Similar Condition Was Noted in Prior Year Finding 2015-012)</b></p> <p>Regarding Auditor’s Conclusion Item 1: PDE, Bureau of Curriculum, Assessment and Instruction, Division of Performance Analysis and Reporting (PAR) disagrees with this portion of the Finding as noted in the response. However, the publication of 2016 RFRM will show current and prior year assessment data and continue to do so as long as comparison of the data sets are statistically valid and there are no changes in USDE’s requirement of the only most recent year’s data. Moving forward with the 2017 RFRM, should there be a change in USDE requirements or PA Core Standards that would impact the ability to compare the data sets and to reach valid conclusions, PDE could incorporate verbiage into the header of the exhibits, but only under these circumstances.</p> <p>Regarding Auditor’s Conclusion Item 2: PAR established a central repository by March 31, 2016 for all data verification sheets and data supporting the procedures. Prior to the publication of the 2016 RFRM (March 2017), PAR will require that all data verification sheets be completed, signed by the supervisor, scanned and then stored in the central repository. Copies will be provided to the supervisor and the individual(s) completing the review.</p> <p>The 2016 CSPR data has been verified by the data sources that supplied the EdFacts files that pertain to this report. These sources supplied data for manual entry data to the CSPR Coordinator and they confirm that it is accurate prior to publication (April 2017).</p> <p>Regarding Auditor’s Conclusion Item 3: PDE, Bureau of Curriculum, Assessment and Instruction has requested a SOC2 Report be prepared as part of its new contract. PDE’s Audit Section will contact the Office of Budget to determine the appropriate type(s) of SOC Report(s) required to the applicable vendors.</p> <p>Regarding Auditor’s Conclusion Item 4: PDE, Center for Data Quality and Information Technology, Division of Data Quality (DDQ) initiated revised processes and procedures in 2016-17 relative to the collection and reporting of 2015-16 Cohort Graduation Rate data. The revised processes include reporting changes which utilize previously</p>	<p><b>Completed</b></p> <p><b>March 2017</b></p> <p><b>April 2017</b></p> <p><b>Completed</b></p> <p><b>Completed</b></p>

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2016-013 (cont'd)		Mark Vanderslice, IT Manager, Center for Data Quality and Information	<p>unavailable data records to identify the most recent school of enrollment for each student in the cohort, making it possible for DDQ to select a single record in the event a student is claimed by multiple LEAs. Students, whether a dropout, graduate or remain in cohort, will be attributed to a single school and LEA.</p> <p>PDE's GAAP IT Audit Finding Process will address the vendor access and vendor action review portion of this finding. As indicated in Finding 2016-005 regarding the segregation of duties, PDE "Management remediated the weakness after the audit period", therefore no further corrective action is planned.</p>	
2016-014	<b>DOH</b>	Abigail Coleman, Director, Quality Assurance and Program Integrity	<p><b>Noncompliance and Internal Control Weakness Related to Compliance Investigations of High-Risk Vendors (A Similar Condition Was Noted in Prior Year Finding 2015-015)</b></p> <p>The Department of Health's Bureau of Women, Infants and Children (DOH WIC) is in agreement with the facts of the finding and, as of October 16, 2015, has implemented several controls to ensure that supervisory review and approval of compliance buys is adequate to detect and correct errors and is properly documented. The controls implemented are as follows:</p> <ul style="list-style-type: none"> <li>• DOH WIC staff conducting the compliance buy will no longer be the same staff reviewing compliance buys.</li> <li>• A routing slip will accompany each compliance buy recording the initials of the DOH WIC supervisor and manager reviewing and approving the compliance buys.</li> <li>• The calculation sheet utilized by the DOH WIC staff reviewing the compliance buy will contain signature fields for both the staff and the supervisor indicating supervisor review was performed.</li> </ul>	<b>Completed</b>
2016-015	<b>DHS</b>	Joseph Argenio, Descriptive Statistical Supervisor	<p><b>The Department of Human Services Did Not Maintain Adequate Documentation for the Inputs Utilized in the Computation of the Public Assistance Cost Allocation</b></p> <p>E-mails will be sent quarterly to all the RMS contacts reminding them to be diligent in making sure that the forms they fill out match what's entered into the RMS system &amp; to make sure that the forms are always signed by the interviewer.</p> <p>They will be reminded to keep the forms for 3 years per the Bureau of Financial Reporting. Also included in the e-mail will be to make anyone new to the RMS in that quarter aware of these items.</p>	<b>03/31/2017</b>

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2016-016	DHS	<p>Scott G. Cawthern, Staff Assistant, Operations</p> <p>Tonya Holloway, EBT Project Officer, Program Support</p>	<p><b>A Material Weakness and Material Noncompliance Exist at the Department of Human Services Related to Electronic Benefits Transfer Card Security (A Similar Condition Was Noted in Prior Year Finding 2015-017)</b></p> <p>Replace paper process with electronic EBT Card Tracking Database to track EBT card inventory – Completed 2/6/2017</p> <p>Continue to reconcile EBT District Office lists with CAOs at least quarterly – Ongoing</p> <p>Provide staff training for electronic EBT database – Completed 02/06/17</p> <p>Update EBT Procedure Manual to provide instruction for new EBT Card Tracking Database and direction regarding shipment documentation – Completed 2/6/2017</p>	Completed
2016-017	DHS	Stephanie Weigle, Administrative Officer 4	<p><b>Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services’ Office of Children, Youth and Families (A Similar Condition Was Noted in Prior Year Finding 2015-020)</b></p> <p>OCYF does not dispute the Auditor General’s findings regarding the dates of the inspection process for the identified counties. As it relates to specific finding areas, OCYF offers the following response:</p> <p>Counties Under Provisional Licensure:</p> <p>For the counties who were operating under a provisional license, OCYF exerts due diligence in negotiating corrective action plans that will address the areas of noncompliance. The experience of OCYF with these identified counties results in the need to revisit the submitted corrective action plans on multiple occasions; thus delaying the submission of the licensure paperwork.</p> <p>Lack of Supervisory Review Upon LIS Submission to Counties:</p> <p>The process followed by the Regional Offices includes an action in which the Human Service Program Representatives (HSPR) submits their draft license (LIS) to their supervisor prior to being submitted to</p>	06/30/2017

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2016-017 (cont'd)			<p>the county for their response. OCYF acknowledges the format utilized does not contain evidence of supervisory review prior to submission to the county for response. OCYF staff will revise the cover page of the LIS to include a signatory box for evidence of supervisory review, with revisions to be concluded by June 30, 2017.</p> <p>General Delays for Licensing Processes:</p> <p>OCYF concurs that the licensing process was delayed for Erie County and Berks County. The practice as described related to provisional licensed counties is also being expanded to all counties across the Commonwealth. OCYF places great emphasis on counties meeting the safety, permanence and well-being of the children they serve. To that end, when a violation is identified during an inspection the actions taken by the county to correct the identified issues must be targeted and strategically implemented. Therefore, corrective action plans by the county undergo additional review and negotiation aimed to improve practices within the county.</p> <p>It is also important to identify that there are competing priorities within the role of a HSPR during licensing inspections. At times, staff maybe pulled from an inspection to respond to reports of suspected child abuse for matters related to county child fatalities and near fatalities. This can impede timeliness of the licensing process.</p>	
2016-018	DHS	<p>Joel O'Donnell, Director, Bureau of Program Evaluation</p> <p>Karen Herrling, Director, Office of Social</p>	<p><b>Department of Human Services Did Not Validate Financial Information as Part of its On-Site Monitoring of Temporary Assistance for Needy Families Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2015-019)</b></p> <p><u>TANF – New Directions, Cash Grants</u> The Department of Human Services (DHS) is in the process of developing a risk assessment for its TANF subrecipients. When completed, this risk assessment will be used to select the TANF subrecipients for on-site monitoring. DHS is also developing some financial monitoring procedures, which will be added to the programmatic procedures currently being performed during the on-site monitoring.</p> <p><u>TANF - Alternatives to Abortion</u> DHS is in the process of developing a centralized monitoring unit, whose duties will include monitoring subrecipients under the Office of Social Programs (OSP). Until such time as this monitoring unit is fully</p>	<p><b>06/30/2018</b></p> <p><b>06/30/2018</b></p>

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2016-018 (cont'd)		Programs	developed and functional, OSP will work to develop processes to better handle the monitoring of subrecipients.	
2016-019	DHS	Joel O'Donnell, Director, Bureau of Program Evaluation, Office of Income Maintenance	<p><b>A Significant Deficiency and Noncompliance Exist in Reporting on the Temporary Assistance for Needy Families ACF-199 Data Report (A Similar Condition Was Noted in Prior Year Finding 2015-018)</b></p> <p>DHS will make additional efforts to increase accuracy in the calculation of participation hours, specifically targeting the calculation of employment hours.</p> <p>DHS started re-reviewing ten percent of all cases with work activities of employment and education to ensure reporting accuracy and consistency. This review has proven to be effective and will continue to be employed as a strategy to safeguard against errors in reporting participation hours. The review will be strengthened to target specific error prone cases.</p> <p>Headquarters staff will continue to hold calls with supervisory units assigned to review the sampled cases to ensure there is consistency in calculation, evaluation and reporting of cases.</p> <p>DHS will address concerns related to the calculation of hours as necessary at monthly Employment &amp; Training calls with County Assistance Office (CAO) Operations, led by Policy and Program Evaluation staff. The January 4, 2017 call with CAO Operations included a review of correctly capturing overtime hours for TANF sample reporting, as well as discussion on reviewing pay stubs to ensure the correct frequency of pay and hours are used in the calculation of participation hours.</p>	Completed
2016-020	DHS	Tanya Vasquez, Director, Bureau of Certification Services	<p><b>Material Noncompliance and Material Weakness Over Health and Safety Requirements (A Similar Condition Was Noted in Prior Year Finding 2015-022)</b></p> <p>Policies were reviewed and modified to indicate that a timely inspection is one that is conducted during the same month every year; re-affirming to staff that an inspection has to be conducted at least once every 12 months. Monthly facility reports are used to identify expiring certificates of compliance. OCDEL schedules annual inspections during the one year period and prior to the certificate expiration date. A renewal application is not required to schedule and conduct the inspection; however, a completed renewal application is required before issuing the renewal certificate of compliance. OCDEL continues to have staff vacancies and is attempting to fill positions to alleviate overdue inspections.</p>	July 2017

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2016-021	DHS	Terry Shaner Wade, Director, Bureau of Subsidized Child Care Services	<p><b>Significant Deficiency and Noncompliance Over Fraud Detection and Repayment</b></p> <p>Effective immediately (February 1, 2017) – OCDEL headquarters staff will manually enter disqualification begin and end dates into PELICAN – Child Care Works (CCW) upon receipt of the monthly report from the Office of Inspector General (OIG). A supervisor will then review each entry in CCW for accuracy.</p> <p>Going forward, OCDEL will initiate a work order for changes in the CCW system to automatically calculate and record the disqualification period in the system. The system will use the start date entered by OCDEL staff and the length of the disqualification period as specified by OIG (six months, twelve months, permanent) to calculate the end date of the disqualification period. OCDEL will seek to have the system changes in place by November 2017.</p>	<p><b>Completed</b></p> <p><b>November 2017</b></p>
2016-022	DHS	Kelly Leighty, Director, Division of Financial Policy and Operations	<p><b>Noncompliance and Weaknesses Exist in the Department of Human Services’ Program Monitoring of the Social Services Block Grant and the Block Grants for Prevention and Treatment of Substance Abuse Subgrantees (A Similar Condition Was Noted in Prior Year Finding 2015-023)</b></p> <p>The Department of Human Services (DHS) has a dedicated monitoring position within the Office of Administration, Bureau of Financial Operations (BFO), County Human Services Planning and Monitoring Unit (Unit). This position has the benefit of centralized monitoring and evaluation through both on-site monitoring visits and the review of supporting documentation (desk reviews). The Unit is responsible for SSBG and Human Services Block Grant monitoring to ensure fiscal and programmatic compliance of subrecipients with established federal and state regulations and policies.</p> <p>The counties will be chosen for monitoring in accordance with a risk assessment based on the SSBG allocations to each county and the presence of program findings noted in each county’s single audit report. Counties with higher allocations and findings are considered to be of higher risk and therefore, will be monitored first.</p> <p>The Monitor will ensure that costs are assigned and tracked in compliance with federal requirements and that SSBG funding is used only for authorized purposes and in compliance with federal cost principles and the subrecipients’ county contracts in the fiscal year being monitored. A comprehensive monitoring tool was developed to monitor such core areas as Activities Allowed or Unallowed, Allowable</p>	03/31/2017

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2016-022 (cont'd)			<p>Costs/Cost Principles, Cash Management, Eligibility, Period of Availability of Funds, Suspension and Debarment, Reporting, Subrecipient Monitoring, Special Tests and Provisions, and Conflicts of Interest. In addition, general areas related to compliance with Federal laws, Eligibility, Personnel, Civil Rights Laws, and the Health Insurance Portability and Accountability Act (HIPAA) will be monitored.</p> <p>As noted in the finding, the Unit conducted one on-site monitoring review and one desk review during fiscal year 2015-2016. The final report for the on-site monitoring was issued on November 1, 2016 and the final report for the desk review was issued in January 2017. A second desk review of SSBG is complete and an exit conference was conducted on January 11, 2017. Monitoring will continue during fiscal year 2016-2017.</p> <p>As it relates to subgrantee cash management, the DHS will explore if a change to the current payment system is feasible. Other options for monitoring cash on hand will also be explored.</p>	
2016-023	DHS	Scott G. Cawthern, Staff Assistant, OIM Operations	<p><b>Lack of Eligibility Documentation Results in Noncompliance and Internal Control Weaknesses (A Similar Condition Was Noted in Prior Year Finding 2015-024)</b></p> <p>All CAO Income Maintenance Caseworkers and Income Maintenance Casework Supervisors will review the following policies and procedures related to Medicaid eligibility.</p> <ul style="list-style-type: none"> <li>Review Medicaid Handbook 370.2 – Reporting Changes</li> <li>Review Medicaid Handbook 323.1 – Residency</li> <li>Review Medicaid Handbook 323.64 – Permanent Move from Pennsylvania</li> <li>Review Medicaid Handbook 378.1 – Verification</li> <li>Review “Using IEVS/SAVE/PACSES” Desk Guide – Exchange 8</li> <li>Review “eCISance” on eCIS Case Processing (CP) for instructions on Medical Assistance (MA) closures after client death.</li> </ul> <p>CAOs will maintain signed attendance records for the above trainings and ensure those on extended leave are trained upon their return to work after April 14, 2017. Completed attendance logs will be returned to OIM Operations for record retention and compliance training with the CAP. The CAO whose client moved out of state has been instructed to fill out an overpayment form to recoup payments made after the client moved.</p>	04/14/2017



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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-024	L&I	Drew Brown, IT Manager, Enterprise Security and Compliance Section	<p><b>Deficiencies in Information Technology Controls at the Department of Labor and Industry (A Similar Condition Was Noted in Prior Year Finding 2015-026)</b></p> <p><u>Issue 1:</u>                      1) Continue development internally with L&amp;I OIT staff on a Release Management (RM) tool via TFS, that will replace the manual deployment process that is currently built for CWDS. This will ensure separation of duties for CWDS development staff and L&amp;I RM staff.                      2) There are several other applications ahead of the CWDS project, which is not scheduled for CWDS until after the end of the audit year 6/30/17. We estimate the RM tool will be in place for CWDS (WIA) by September 2017.                      3) L&amp;I OIT will test and document the procedures for code deployment in each of the applications being moved to the RM tool in TFS. This documentation will be completed as part of the "go-live" of the RM tool for CWDS.                      4) L&amp;I will evaluate logging available in the various existing systems to ensure that no program changes are deployed to production outside of the normal process.</p> <p><u>Issue 2:</u>                      The Office of Information Technology (OIT) has created a draft agency SDLC. The SDLC is currently being reviewed for regulatory compliance, and feasibility with the various lines of business within L&amp;I. The draft includes multiple security checks beginning early in the SDLC. Additionally, the draft includes specific language from NIST Special Publication 800-64.</p>	<p><b>09/30/2017</b></p> <p><b>03/31/2017</b></p>
2016-025	L&I	David Bohanick, BWDA Deputy Director	<p><b>Material Noncompliance and a Material Weakness Exist Over Subrecipient Monitoring (A Similar Condition Was Noted in Prior Year Finding 2015-027)</b></p> <p>L&amp;I, BWDA, has addressed the situation and implemented an on-going corrective action plan. As mentioned to the auditors, BWDA has conducted on-site monitoring for Program Year 2015 for all 23 local areas. Additionally, BWDA has made substantial improvement over its timeliness from the time the on-site monitoring has occurred to the issuance of a report.</p>	<b>Completed</b>

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-026	L&I	Nathaniel Raney, Division Chief, Systems & Evaluation, Office of Vocational Rehabilitation	<p><b>A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry’s Procedures for Performing Eligibility Determinations and Completing Individualized Plans for Employment (A Similar Condition Was Noted in Prior Year Finding 2015-028)</b></p> <p>The “Days in Status” display will go-live on 2/10/17 for the Office of Vocational Rehabilitation (OVR) in the Commonwealth Workforce Development System (CWDS) and immediately be available for counselor and supervisor use. It will display on the CWDS homepage upon log-in, and provide a real-time look at cases approaching deadlines for determining eligibility and the development of an individualized plan for employment (IPE).</p> <p>Furthermore, OVR’s Case Review Manual highlights these timeliness issues and the impact that they can have on both counselor and district office performance ratings. OVR’s Back to Basics training program highlights these timeliness issues and also instructs counselors on the importance and effective use of form OVR-103 (Eligibility Time Extension).</p> <p>The similar prior year finding (2015-028) was closed by the Rehabilitation Services Administration (RSA) on 11/15/16.</p>	Completed
2016-027	PDE	<p>Connie Derr, Audit Coord, Bur of Budget &amp; Fiscal Mgmt</p> <p>Vonda Cooke, State Director, Child Nutrition Programs, Bur of Budget &amp; Fiscal Mgmt</p>	<p><b>State Agencies Did Not Identify the Federal Award Information and Applicable Requirements at the Time of the Subaward and Did Not Evaluate Each Subrecipient’s Risk of Noncompliance as Required by the Uniform Grant Guidance (A Similar Condition Was Noted in Prior Year Finding 2015-036)</b></p> <p>The Pennsylvania Department of Education, Division of Food and Nutrition (DFN) has sought guidance from USDA, the federal agency for the Food and Nutrition Programs. USDA acknowledged the Finding and is discussing necessary actions and guidance. DFN is awaiting USDA’s guidance and once received, will act on this guidance accordingly.</p> <p>The Pennsylvania Department of Education, Division of Federal Programs (DFP) has initiated a change to be deployed to the eGrant System to remedy the Federal Award Information for future program years. As a result, no further correction is necessary.</p> <p>DFP disagrees with the portion of the finding that indicates noncompliance with the subrecipient risk assessment under the Uniform Grants Guidance. Therefore, no corrective action is needed.</p>	<p>09/30/2017</p> <p>Completed</p> <p>N/A</p>

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**Corrective Action Plans - June 30, 2016**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-027 (cont'd)	PennDOT	Christine Spangler, Project Development Engineer	<p>PennDOT's work is progressing on getting most of their reimbursement agreements in the Reimbursement Agreement System (RAS). There are currently seven standard templates available in RAS.</p> <ul style="list-style-type: none"> <li>• Review of what Federally required information must be included.</li> <li>• Upload the Bridge Inspection Reimbursement Agreement template into RAS.</li> <li>• Upload other standardized reimbursement agreement templates into the RAS Test Environment to ensure functionality prior to uploading them into the RAS production environment.</li> <li>• After testing, upload other standardized reimbursement agreement templates into RAS accordingly.</li> <li>• For remaining paper reimbursement agreements, OCC reviews them and ensures that current templates are being used.</li> </ul>	December 2017
		David Maynard, Audit Coordinator	In regards to the recommendation for evaluation of the subrecipient's risk of noncompliance, PennDOT's Bureau of Fiscal Management is implementing a rating system for its subrecipients that will identify the ones that are not in good standing. The Bureau will also meet with other departments in PennDOT that are stakeholders to the subrecipients and develop a plan to communicate subrecipient issues that would impact the departments.	June 2017
	Aging	Rob Heinlen, Contracting Division Chief	Additional activities to evaluate the risk of subrecipient noncompliance with federal requirements have been added to the monitoring process.	Completed
DHS	Deborah S. Bush, Human Services Program Specialist Supervisor	<p>TANF: Corrective action to this finding was initiated in State Fiscal Year 15/16 when processing new grants and grant renewals. The federal award information is listed in the description section of the SAP Form For Contractual Agreements. This form is part of the grant package that is received by the subrecipient. Although SAP forms that had been processed prior to last year's finding were not retroactively amended to include the required information, SAP forms processed after the finding did include the required information such that only a single occurrence of noncompliance was identified in this audit.</p>	Completed	
	Joel O'Donnell, Director, Bureau of Program Support	<p>LIHEAP: DHS is in the process of developing a risk assessment tool for its subrecipients. When completed, this risk assessment tool will be used to select the OIM subrecipients for on-site monitoring. DHS is also developing some financial monitoring procedures, which will be added to the programmatic procedures currently being performed during the on-site monitoring. In June 2016, the LIHEAP program began</p>	06/30/2017	

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## Corrective Action Plans - June 30, 2016

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-027 (cont'd)		Kelly Leighty, Director, Division of Financial Policy and Operations	<p>using a risk based approach and chose the subrecipients with the largest dollar amounts received from DHS. While dollars received is a fair indicator of risk, DHS will consider including additional risk indicators going forward.</p> <p>SSBG: The Office of Administration, Bureau of Financial Operations (BFO) will continue to work with the appropriate Department staff to ensure the required federal award information for SSBG is identified for its subrecipients. Also, the BFO will use its developed procedures for the evaluation of subrecipient risk during the remainder of FY 16/17 for the SSBG program. The BFO is currently conducting its fourth and final county program monitoring review as part of its pilot plan to test and enhance the monitoring program and tool.</p>	06/30/2017
		Theresa Boucher, Budget Analyst III	<p>ODP – ICF-ID: ODP has incorporated the Federal Award Identification number, Federal Award Date, Period of Performance Start and End Date, the Name of Federal Awarding Agency, pass through entity and contact information for awarding official, CFDA number and Title on the individual ICF-ID rate letter for FY 17/18. Because ODP cannot give the actual federal award amount, we are establishing a process to estimate the federal amount obligated in the current year to each ICF-ID by calculating the federal portion of the entity's estimated total funding level. A disclaimer will be included, stating that this is an estimate of the federal obligation amount only; the actual amount may be different. Regarding the evaluation of risk for ICF-ID providers: ODP will designate and use a system similar to what the Office of Medical Assistance Programs uses for their providers (ACA categorical Risk Levels). For technical information and assistance, ODP will consult the Bureau of Audits.</p>	06/30/2017
		Steven Evitts, Budget Analyst IV	<p>Foster Care and Adoption Assistance: OCYF is developing a transmittal that includes all applicable requirements in each allocation letter. This transmittal will be developed for the State Fiscal Year 17/18 and sent by June 30, 2017; pending budget approval. OCYF does have a risk assessment process in place for federal Title IV-E and TANF awards. The Title IV-E and TANF risk-based assessment identifies those CCYAs whose eligibility practices are most likely to result in inaccurate claiming of federal funds. Furthermore, the sampling methodology supports risk-based assessment based on the number of eligible cases per county. OCYF assumed cost settlement responsibilities of the CCYA program in FY 16/17 for periods beginning FY 08/09. OCYF is able to analyze the adjustments &amp; findings in the Department of Auditor General reports of CCYAs to strengthen the risk-based assessment process. Further, OCYF is planning to implement the use of an "estimated risk calculator" beginning in FY 17/18.</p>	06/30/2017

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**Corrective Action Plans - June 30, 2016**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-028	<b>OB-BOA</b>	Denise Lovejoy, Section Chief Desk Review Unit	<p><b>Material Noncompliance and a Material Weakness Exist in the Commonwealth’s Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2015-037)</b></p> <p>BOA pledges to continue its efforts to follow up on outstanding subrecipient audits on a timely basis and provide timely notification to the respective lead agencies. We believe our current procedures are very timely. Currently, BOA provides the Commonwealth agencies via email with a listing of noncompliant subrecipients one or two months after the commencement of our dunning process. This helps reduce the number of outstanding audits shown on this listing. The listing then only includes those audits of entities that truly are unresponsive to our dunning process. A more proactive approach will be implemented by closing the gap when BOA notifies the Commonwealth agencies about the dunning letters. BOA will now immediately transmit those noncompliant subrecipients to the affected Commonwealth agencies.</p>	04/30/2017
	<b>PDE</b>	Connie Derr, Audit Coordinator	PDE, Audit Section has reassigned a position which will assist the timely review of the Single Audit Reports and provide Management Decisions to achieve compliance with 2 CFR, Part 200, Subpart F.	Completed
	<b>PennDOT</b>	David Maynard, Audit Coordinator	<p>The PennDOT Audit Resolution Section will work to improve the timeframe for reviewing and reconciling subrecipient single audits and provide management decisions within the required six-month period. In addition, the Audit Resolution Section will implement a rating system identifying the status of each subrecipient’s audit report. The rating will be documented on the Subrecipient Log Sheet and fall within one of the following designations:</p> <ol style="list-style-type: none"> <li>1. No Single Audit Report received.</li> <li>2. Repeat findings.</li> <li>3. Initial findings.</li> <li>4. Single Audit Report completed satisfactory.</li> </ol> <p>A dunning letter will be sent to subrecipients that are late in submitting a single audit report. A follow-up email or letter will be sent for an update after six months to those with repeat findings. Subrecipients who have serious noncompliance in either 1 or 2 findings will be flagged and discussed at the next monthly Audit Coordination Meeting with the Bureau of Fiscal Management Director.</p>	06/30/2017
	<b>DHS</b>	David Bryan, Manager, Audit Resolution Section	Regarding the timeliness of finding resolution, Audit Resolution Section staff has completed the reviews of the subrecipient single audit reports that have been received, so the backlog of reports to be reviewed has been eliminated; however, there remains a backlog in the supervisory review process related to these audits. It is anticipated that the supervisory backlog will be eliminated by June 30, 2017. In addition,	06/30/2017

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**Corrective Action Plans - June 30, 2016**

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2016-028 (cont'd)		Alexander Matolyak, Director, Division of Audit and Review	<p>the Audit Resolution Section is continuing to explore ways to streamline the process of single audit reviews in an attempt to gain efficiencies with this process.</p> <p>Regarding the requirement to perform procedures to ensure the subrecipient SEFAs were accurate, we have implemented procedures for the subrecipients to submit a supplemental schedule with their single audit that is subject to an Agreed-Upon Procedures engagement and will reconcile their SEFA to the funding they received from DHS. As part of DHS' review of the single audit reports, we will review this schedule and compare to our payment records and investigate any significant differences. This schedule is required to be submitted beginning with subrecipients' fiscal years ending on or after June 30, 2015.</p> <p>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 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.</p>	
	<b>DOH</b>	David D. DePeau, Chief, Audit Resolution Section	<p>To minimize the time period for making a management decision on subrecipient audit reports with findings, Department of Health (DOH) Audit Resolution Section (ARS) will take the following actions:</p> <ol style="list-style-type: none"> <li>1. Utilize an annuitant review and process subrecipient single audit reports;</li> <li>2. Maintain a separate subrecipient single audit tracking report for subrecipient single audit reports with findings to help ensure that all subrecipient single audit reports with findings are immediately identified after reports are made available for review.</li> <li>3. Forward subrecipient single audit reports with findings to the appropriate DOH program offices for resolution of findings immediately after reports with findings are identified. Doing so allows the resolution of findings to occur concurrent with the SEFA review and reconciliation process being performed by the ARS. This process minimizes the time needed to reach a management decision on the reports.</li> <li>4. Enter due dates for reviewing and processing single audit reports with findings in DOH ARS Chief's calendar to help ensure that all such reports are processed timely.</li> </ol>	<b>Completed</b>

# Appendix



Commonwealth of Pennsylvania

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## ***APPENDIX - Legend of Abbreviations - June 30, 2016***

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

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
ACF	Administration for Children and Families
ACH	Automated Clearing House
AG	Department of the Auditor General
AGRI	Department of Agriculture
AICPA	American Institute of Certified Public Accountants
ARC	Appalachian Regional Commission
ARRA	American Recovery and Reinvestment Act
BAFM	Bureau of Accounting and Financial Management
BCSE	Bureau of Child Support Enforcement
BFD	Bureau of Food Distribution
BFO	Bureau of Financial Operations
BFS	Basic Financial Statements
BOA	Bureau of Audits
BPS	Bureau of Payable Services
BQA	Bureau of Quality Assurance
BUCD	Bureau of Unemployment Compensation Disbursements
BWDA	Bureau of Workforce Development Administration
CACFP	Child and Adult Care Food Program
CAFR	Comprehensive Annual Financial Report
CAO	County Assistance Office
CAP	Corrective Action Plan
CCDBG	Child Care and Development Block Grant
CCDF	Child Care and Development Fund
CCYA	County Children and Youth Agency
CDBG	Community Development Block Grants
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CHIP	Children's Health Insurance Program
CIS	Client Information System
CMIA	Cash Management Improvement Act of 1990
CMS	Centers for Medicare and Medicaid Services
CNC	Child Nutrition Cluster
CN-PEARS	Child Nutrition Program Electronic Application and Reimbursement System
COPPAR	Commonwealth of Pennsylvania Policy and Procurement Action Request
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSE	Child Support Enforcement
CWDS	Commonwealth Workforce Development System
CWSRF	Capitalization Grants for Clean Water State Revolving Funds
DCED	Department of Community and Economic Development
DDAP	Department of Drug and Alcohol Programs
DEP	Department of Environmental Protection
DFN	Division of Food and Nutrition
DFP	Division of Federal Programs
DGS	Department of General Services
DHS	Department of Human Services (formerly Department of Public Welfare (DPW))
DMVA	Department of Military and Veterans Affairs
DOD	United States Department of Defense
DOE	United States Department of Energy
DOH	Department of Health
DOI	United States Department of Interior
DOL	United States Department of Labor



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## ***Legend of Abbreviations (Continued) - June 30, 2016***

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
DOR	Department of Revenue
DOT	United States Department of Transportation
DVA	Department of Veterans Affairs
EBT	Electronic Benefits Transfer
eCIS	Electronic Client Information System
ED	United States Department of Education
EPA	United States Environmental Protection Agency
ESEA	Elementary and Secondary Education Act
FAIN	Federal award identification number
FC	Foster Care – Title IV-E
FEMA	Federal Emergency Management Agency
FFY	Federal Fiscal Year
FHWA	Federal Highway Administration
FNS	Food and Nutrition Service
FYE	Fiscal Year Ended
GAAP	Generally Accepted Accounting Principles
HHS	United States Department of Health and Human Services
HIV	Human Immunodeficiency Virus
HPC	Highway Planning and Construction
HSGP	Homeland Security Grant Program
HUD	United States Department of Housing and Urban Development
IDEA	Individuals with Disabilities Education Act
IES	Integrated Enterprise System
IT	Information Technology
ITP	Information Technology Policy
ITS	Integrated Tax System
L&I	Department of Labor and Industry
LCB	Liquor Control Board
LEA	Local Educational Agency
LIHEAP	Low-Income Home Energy Assistance Program
LWIB	Local Workforce Investment Board
MA	Medical Assistance Program
MD	Management Directive
MLF	Motor License Fund
MOU	Memorandum of Understanding
NCLB	No Child Left Behind
NGMO	National Guard Military Operations and Maintenance Projects
NIST	National Institute of Standards and Technology
NSLP	National School Lunch Program
NSP	Neighborhood Stabilization Program
OA	Office of Administration
OB	Office of the Budget
OCDEL	Office of Child Development and Early Learning
OCO	Office of Comptroller Operations
OCYF	Office of Children, Youth, and Families
ODP	Office of Developmental Programs
OIG	Office of Inspector General
OIM	Office of Income Maintenance
OIT	Office of Information Technology
OMB	Office of Management and Budget
OTV	One Time Vendor
OVR	Office of Vocational Rehabilitation
PDA	Pennsylvania Department of Aging
PDE	Pennsylvania Department of Education
PEMA	Pennsylvania Emergency Management Agency

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## ***Legend of Abbreviations (Continued) - June 30, 2016***

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
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	Service Organization Controls
SSA	United States Social Security Administration
SSAE	Statements on Standards for Attestation Engagements
SSBG	Social Services Block Grant
SW	Statewide Finding
SWIF	State Workers’ Insurance Fund
TANF	Temporary Assistance for Needy Families
UC	Unemployment Compensation
UCMS	Unemployment Compensation Modernization System
UG	Uniform Guidance
UI	Unemployment Insurance
USDA	United States Department of Agriculture
USDE	United States Department of Education
USDHS	United States Department of Homeland Security
USDOL	United States Department of Labor
WAP	Weatherization Assistance Program
WIA	Workforce Investment Act
WIC	Women, Infants, and Children
WIOA	Workforce Innovation and Opportunity Act