**Commonwealth of Pennsylvania**

**Office of the Budget – Comptroller Operations**

Report on Prior Single Audit Findings

The attached report contains statistical and analytical summary information about Single Audit findings contained in the most recently issued Commonwealth of Pennsylvania Statewide Single Audit report. In addition, this report describes the status of actions taken by Commonwealth agencies to correct deficiencies disclosed in both current and prior year Single Audit reports.

The purposes of this report are to summarize certain data regarding these findings, and to provide the reader with information applicable to the progress in correcting deficient areas to ensure that federal programs (i.e., programs that include funding received from the federal government) are operated effectively and efficiently on behalf of the taxpayers of Pennsylvania.

This report is updated on a quarterly basis to reflect changes in the status of findings as well as progress on the completion of corrective actions to rectify problem areas. Update information is compiled from quarterly updates received from applicable Commonwealth agencies. More detailed information about the corrective action steps being taken is contained in the companion Excel spreadsheet to this report entitled “Status of Prior Single Audit Findings as of [end of quarter date]”, which is also accessible on this website.

Questions concerning this report may be directed to the Office of the Budget, Comptroller Operations, Bureau of Accounting and Financial Management at (717) 425‑6747.

***Status of Prior Audit Findings – Quarter ended September 30, 2020***

In accordance with Management Directive 325.7, *Implementation of the Commonwealth’s State-Level Single Audit Process*, the Bureau of Accounting and Financial Management (BAFM) has coordinated the collection of updated agency responses addressing the audit findings presented in the Commonwealth’s Statewide Single Audit (Single Audit) report for the fiscal year ended June 30, 2019. The Single Audit report contains 50 audit findings related to federal programs: 17 are fiscal year ended June 30, 2019 findings and 33 are findings from prior years. Of the prior year findings in the report, 14 were listed to reflect that corrective action was taken and/or the finding was not repeated.

The following table depicts the number of federal program findings disclosed in the Single Audit report (excluding prior findings with a listed status of “corrective action was taken”, not repeated or disagreed and not repeated), broken down by the agencies to which they pertain. The number of findings reported in this table varies from the number of findings in the report because those applicable to multiple agencies are tracked for each agency listed.

The Corrective Action Plan (CAP) and Resolution information are cumulative as of the quarter ended September 30, 2020.

***Single Audit Findings Reported in the 2018-19 Single Audit Report***

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Agency | Number of CFDA Programs | Federal Expenditures (in millions) | 6-30-19 Findings | Prior Findings | CAP In Process  |  CAP Implemented1 | Un-resolved | Resolved1 |
| Human Services (DHS) | 46 | $24,141 | 6 | 12 | 8 | 10 | 12 | 6 |
| Labor and Industry (L&I) | 32 | $2,394 | 3 | 3 | 5 | 1 | 5 | 1 |
| Transportation (PennDOT) | 22 | $1,841 | 2 | 3 | 2 | 3 | 2 | 3 |
| Education (PDE) | 40 | $2,273 | 2 | 2 | 1 | 3 | 3 | 1 |
| Drug and Alcohol Programs (DDAP)  | 4 | $72 | 2 | 1 | 3 | 0 | 3 | 0 |
| Community and Economic Development (DCED) | 15 | $143 | 1 | 2 | 1 | 2 | 2 | 1 |
| PENNVEST | 2 | $89 | 1 | 2 | 0 | 3 | 0 | 3 |
| Budget (OB)2 | - | - | 2 | - | 0 | 2 | 2 | 0 |
| Pennsylvania Commission on Crime and Delinquency (PCCD) | 18 | $74 | 2 | - | 0 | 2 | 2 | 0 |
| Administration (OA)2 | - | - | 1 | 1 | 2 | 0 | 2 | 0 |

1 A Resolved finding is one for which a federal resolution correspondence has been received from the federal funding agency. The Resolved/CAP Implemented columns also include findings that were closed per the criteria listed in 2 CFR Part 200.511 and findings that contained agency disagreement that were resolved by a federal agency.

2 There are no CFDA programs or federal expenditures specifically associated with the Office of the Budget or the Office of Administration. The findings listed pertain more to IT, procedural and reporting issues.

***Status of Corrective Action Plans***

This chart displays the corrective action plan information from the above table. A CAP in Process is one in which the steps to correct the deficiency have begun but have not yet been completed. N/A indicates that the agency disagreed with the finding. A CAP Implemented indicates that all the steps necessary to correct the deficiency have been completed.

***Single Audit Findings***

For purposes of Single Audit findings involving federal programs, findings are identified in the following manner:

* *Deficiency*. 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.
* *Material Weakness.* A *material weakness* in internal control over compliance is a deficiency such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis.
* *Significant Deficiency.* A *significant deficiency* in internal control over compliance is a deficiency less severe than a material weakness, yet important enough to merit attention by those charged with governance.
* *Noncompliance*. An item is classified as *noncompliance* when it does not comply with 2 CFR Part 200. A noncompliance item relates to a control deficiency (either a material weakness or a significant deficiency).
* *Material Noncompliance.* An item of *material noncompliance* reflects the disclosure of a material weakness in internal control.

***Agencies with Ten or More Single Audit Findings***

The following information has been compiled from both the Single Audit report and quarterly update responses received from each agency for the quarter ended September 30, 2020. Numbers may vary slightly from those in the above table due to the way the information is tracked for quarterly reports. As noted, this section addresses information from agencies with ten or more disclosed findings (excluding prior findings listed as corrected or disagreed and not repeated) in the report.

Department of Human Services

*Audit Report Information:*

* 18 total findings reported: six for June 30, 2019 and 12 from prior years.
* The June 30, 2019 findings include no specific questioned costs.
* Four of the June 30, 2019 findings are classified as material weaknesses. Four of the June 30, 2019 findings are classified as material noncompliance.
* Although audit findings frequently address multiple federal programs, the following program areas have been involved with some frequency in the past several audits:
	+ Temporary Assistance for Needy Families (TANF)
	+ Supplemental Nutrition Assistance Program (SNAP)
	+ Social Services Block Grant (SSBG)

*Quarterly Update Information as of September 30, 2020:*

* DHS indicated in their quarterly status update that corrective action has been completed for one of the June 30, 2019 findings.
* Of twelve total findings being actively tracked through quarterly status updates, the corrective action for four of them has been completed according to DHS.
* DHS reports to be progressing towards completing several CAPs.

***Conclusion***

The COVID-19 pandemic has created challenges for some agencies to stay on schedule with all their planned corrective action completion dates, but they continue to progress. There is a positive flow of communications between the agencies, auditors, and comptroller operations; and an increased concentration on corrective action plans to ensure that the audit issues are being appropriately addressed and corrected.

During the quarter, resolution correspondence was received from three federal agencies for five findings. Several agencies have completed CAP procedures and are awaiting further information from federal agencies to finish resolving findings.

In conjunction with the fieldwork for the 2019-20 Single Audit, the auditors are conducting entrance conferences with various agencies that included discussing the 2018-19 findings. A goal for these discussions is to attempt to resolve issues in hopes of reducing the number of repeat findings in the future. All the conferences are being held remotely, but there is still good communication by all parties.

It appears, from the discussions and documentation provided by the agencies, that many deficiencies either have been or are in the process of being adequately addressed.

BAFM will continue to closely monitor activity and provide guidance as we move forward, and agencies have been encouraged to maintain open lines of communication with their federal program contacts and the auditors. The ultimate goals of this dialogue and transparency are to further reduce the number of audit findings in coming years and to help the agencies to operate more efficiently and effectively in their functions, particularly in relation to their federally funded programs.