



Commonwealth of Pennsylvania

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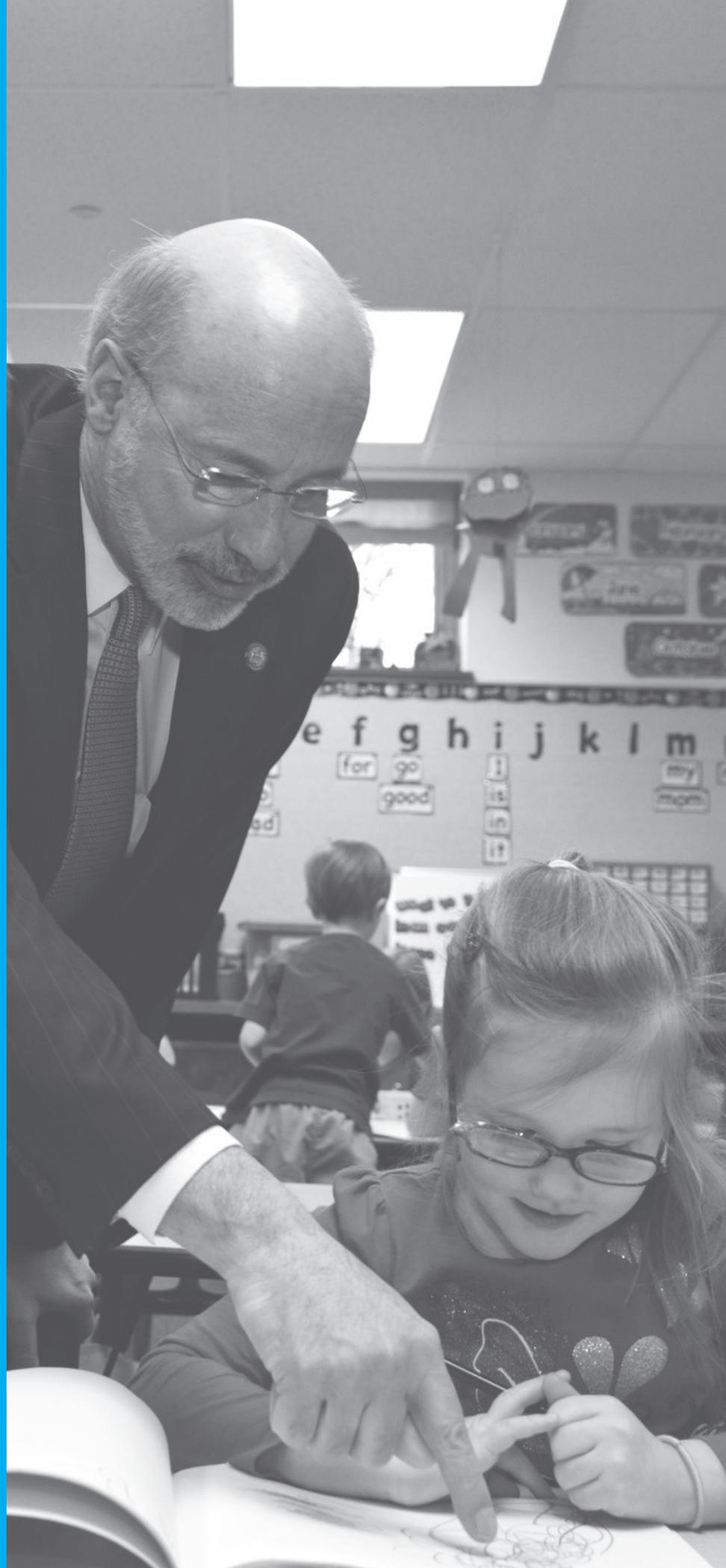
# Single Audit Report

For the Fiscal Year  
Ended June 30, 2017

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Governor  
Tom Wolf

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**Commonwealth of Pennsylvania**  
**Single Audit Report**  
**For the Fiscal Year Ended June 30, 2017**



*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, 2017**

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COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

RANDY ALBRIGHT  
SECRETARY  
GOVERNOR'S OFFICE OF THE BUDGET

March 19, 2018

To the United States Department of Health and Human Services:

We are pleased to submit the Commonwealth of Pennsylvania's (Commonwealth) Single Audit Report for the fiscal year ended June 30, 2017. 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, 2017 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 \$31.95 billion of federal expenditures by the Commonwealth during the fiscal year ended June 30, 2017. Most of the \$31.95 billion in federal expenditures occurred in ten state agencies, as follows:

AGENCY NAME	<b>FEDERAL EXPENDITURES</b> <b>(in thousands)</b>
Human Services	\$23,835,745
Labor & Industry	2,678,076
Education	2,088,778
Transportation	1,821,622
Health	441,555
Aging	144,527
Military & Veterans Affairs	136,638
Community & Economic Development	129,745
Environmental Protection	119,431
Agriculture	112,283
Subtotal	<u>\$31,508,400</u>
Other Agencies (22)	436,780
Grand Total	<u><u>\$31,945,180</u></u>

For purposes of the Commonwealth's single audit, a Type A federal program is any program with federal expenditures of at least \$47.9 million. Of the \$31.95 billion expended, 95 percent, or \$30.5 billion, represents expenditures under federal programs audited as major programs. The Summary of Auditors' Results lists the Commonwealth's 26 major federal programs for the fiscal year ended June 30, 2017.

#### FINDINGS AND RECOMMENDATIONS - CURRENT YEAR

The accompanying report for the fiscal year ended June 30, 2017 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 47 findings are described from single audits between the years ended June 30, 2015 through June 30, 2016.

#### INDEPENDENT AUDIT

The Commonwealth's June 30, 2017 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.

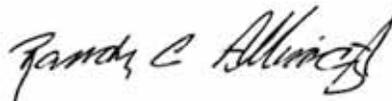
#### REPORTS OF OTHER INDEPENDENT AUDITORS

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, 2017, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents of the separately issued Comprehensive Annual Financial Report.

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

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

### *Auditors' Responsibility*

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

	Percentage Audited Separately by				Percent Audited by	
	Department of the Auditor General		CliftonLarsonAllen LLP		Other Auditors	
	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue
<b>Government-Wide</b>						
Business-type Activities	6%	21%	20%	4%	17%	1%
Component Units	0%	0%	19%	43%	81%	57%
<b>Fund statements</b>						
Enterprise Funds	6%	21%	20%	4%	17%	1%
Fiduciary Funds	1%	1%	0%	0%	90%	94%
<b>Discretely Presented Component Units</b>	0%	0%	19%	43%	81%	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, and the Philadelphia Regional Port Authority were not audited in accordance with *Government Auditing Standards*.

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

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

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

*Pennsylvania Turnpike Commission*

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

***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 18-40, and the schedules of pension amounts – Commonwealth's proportionate share of the net pension liability and Commonwealth's schedule of contributions, schedules of OPEB amounts - funding progress and employer contributions, changes in the Net OPEB liability and related ratios and contributions and investment returns and the budgetary comparison schedules and notes to the required

supplementary information on pages 184-193, 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*

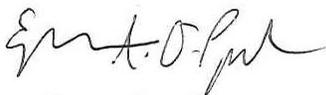
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The introductory section, combining non-major fund and component unit financial statements, budgetary comparison schedules for budgeted non-major 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 13, 2017, on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth's internal control over financial reporting and compliance.



Harrisburg, Pennsylvania  
December 13, 2017



Baltimore, Maryland  
December 13, 2017



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, 2017, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements, and have issued our report thereon dated December 13, 2017. Our report includes a reference to other auditors, including CliftonLarsonAllen LLP and the Commonwealth of Pennsylvania's Department of the Auditor General acting separately, who audited the financial statements of certain funds and component units of the Commonwealth, as described in our report on the Commonwealth's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors, which represent the indicated percent of total assets and deferred outflows and total revenues as described in our report on the Commonwealth's financial statements and as presented in the following table.

	Percentage Audited Separately by				Percent Audited by	
	Department of the Auditor General		CliftonLarsonAllen LLP		Other Auditors	
	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue
<b>Government-Wide</b>						
Business-type Activities	6%	21%	20%	4%	17%	1%
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<b>Discretely Presented Component Units</b>	0%	0%	19%	43%	81%	57%

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

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

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2017-001 and 2017-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

**Commonwealth’s Response to Findings**

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

**Purpose of this Report**

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



Harrisburg, Pennsylvania  
December 13, 2017



Baltimore, Maryland  
December 13, 2017



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



**CliftonLarsonAllen**

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

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

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

We have jointly audited the Commonwealth of Pennsylvania's (Commonwealth) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2017. 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 \$7.6 billion in federal awards and \$29.2 billion of federal loan guarantees that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2017. 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 adverse, qualified, and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Commonwealth's compliance.

***Basis for 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	2017-006	14.228	Community Development Block Grants – State's Program	Subrecipient Monitoring
Various	2017-021	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, 2017.

***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 Education	2017-008	10.558	Child and Adult Care Food Program	Activities Allowed or Unallowed, Allowable Costs, Eligibility, Subrecipient Monitoring
Department of Education	2017-009	10.558	Child and Adult Care Food Program	Subrecipient Monitoring
Department of Human Services	2017-011	10.551 10.561	Supplemental Nutrition Assistance Program (SNAP) Cluster	Special Tests and Provisions related to Electronic Benefits Transfer (EBT) Card Security
		93.558	Temporary Assistance for Needy Families	
Department of Human Services	2017-012	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring
		93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
Department of Human Services	2017-014	93.558	Temporary Assistance for Needy Families	Matching, Level of Effort, Earmarking, Reporting
Department of Human Services	2017-015	93.575 93.596	Child Care and Development Fund (CCDF) Cluster	Special Tests and Provisions related to Health and Safety Requirements
Department of Human Services	2017-017	93.667	Social Services Block Grant	Cash Management, Subrecipient Monitoring
Department of Labor and Industry	2017-019	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Eligibility, Special Tests and Provisions related to Completion of Individualized Plans for Employment (IPEs)

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
Various	2017-021	10.553 10.555 10.556 10.559	Child Nutrition Cluster	Subrecipient Monitoring
		10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	
		10.558	Child and Adult Care Food Program	
		17.258 17.259 17.278	Workforce Innovation and Opportunity Act (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 (IDEA)	
		84.367	Supporting Effective Instruction State Grant	
		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	Child Care and Development Fund (CCDF) Cluster	

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
	2017-021 (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	
		93.959	Block Grants for Prevention and Treatment of Substance Abuse	
		97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	

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, 2017.

***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, 2017.

***Other Matters***

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

<b>State Administering Agency</b>	<b>Finding Number</b>	<b>CFDA Number</b>	<b>Federal Program/Cluster</b>	<b>Compliance Requirement</b>
Department of Community and Economic Development	2017-007	93.568	Low-Income Home Energy Assistance	Subrecipient Monitoring
Department of Education	2017-010	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions related to the Annual Report Card, High School Graduation Rate
Department of Human Services	2017-013	93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring
Department of Human Services	2017-016	93.575 93.596	Child Care and Development Fund (CCDF) Cluster	Special Tests and Provisions related to Fraud Detection and Repayment
Department of Human Services	2017-017	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Cash Management, Subrecipient Monitoring
Department of Labor and Industry	2017-018	17.225	Unemployment Insurance	Special Tests and Provisions related to Unemployment Insurance (UI) Program Integrity – Overpayments
Various	2017-020	10.553 10.555 10.556 10.559	Child Nutrition Cluster	Subrecipient Monitoring
		10.558	Child and Adult Care Food Program	
		20.205 20.219 23.003	Highway Planning and Construction Cluster	
		84.010	Title I Grants to Local Educational Agencies	
		84.367	Supporting Effective Instruction State Grant	
		93.558	Temporary Assistance for Needy Families	

State Administering Agency	Finding Number	CFDA Number	Federal Program/Cluster	Compliance Requirement
	2017-020 (continued)	93.568	Low-Income Home Energy Assistance	
		93.658	Foster Care – Title IV-E	
		93.659	Adoption Assistance	
		93.667	Social Services Block Grant	
		93.775 93.777 93.778	Medicaid Cluster	
		93.959	Block Grants for Prevention and Treatment of Substance Abuse	
Department of Human Services	2017-021	93.775 93.777 93.778	Medicaid Cluster	Subrecipient Monitoring

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

### Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-006, 2017-008, 2017-009, 2017-010, 2017-011, 2017-012, 2017-014, 2017-015, 2017-017, 2017-019, 2017-020, and 2017-021 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-004, 2017-005, 2017-007, 2017-013, 2017-016, 2017-017, 2017-018, 2017-020, and 2017-021 to be significant deficiencies.

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

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

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

We have jointly audited the financial statements, issued under separate cover, of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements. We issued our report thereon dated December 13, 2017, which includes a reference to other auditors and contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

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



Harrisburg, Pennsylvania  
March 19, 2018



Baltimore, Maryland  
March 19, 2018

# Schedule of Expenditures of Federal Awards



Commonwealth of Pennsylvania

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

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		2,682,094	
10.561	State Admin Matching Grants for Supp Nutrition Assist Prgm		<u>203,041</u>	26,212
	<i>Total SNAP Cluster</i>			2,885,135
<i>Child Nutrition Cluster:</i>				
10.553	School Breakfast Program		117,673	117,498
10.555	National School Lunch Program (Cash Assistance)	387,340		387,035
10.555	National School Lunch Program (Food Commodities)	<u>54,573</u>		54,573
	<i>Total National School Lunch Program</i>		441,913	
10.556	Special Milk Program for Children		298	298
10.559	Summer Food Service Program for Children (Cash Assistance)	14,445		13,859
10.559	Summer Food Service Program for Children (Food Commodities)	<u>186</u>		186
	<i>Total Summer Food Service Program for Children</i>		<u>14,631</u>	
	<i>Total Child Nutrition Cluster</i>			574,515
<i>Food Distribution Cluster:</i>				
10.565	Commodity Supplemental Food Program (Cash Assistance)	2,011		2,011
10.565	Commodity Supplemental Food Program (Food Commodities)	<u>8,655</u>		8,655
	<i>Total Commodity Supplemental Food Program</i>		10,666	
10.568	Emergency Food Assistance Program (Administrative Costs)		3,873	2,146
10.569	Emergency Food Assistance Program (Food Commodities)		<u>27,929</u>	27,929
	<i>Total Food Distribution Cluster</i>			42,468
<i>Forest Service Schools and Roads Cluster:</i>				
10.665	Schools and Roads - Grants to States			1,699
10.025	Plant and Animal Disease, Pest Control, and Animal Care		2,889	326
10.093	Voluntary Public Access and Habitat Incentive Program		130	
10.117	Biofuel Infrastructure Partnership		3,044	3,044
10.162	Inspection Grading and Standardization		65	
10.163	Market Protection and Promotion		69	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
10.170	Specialty Crop Block Grant Program - Farm Bill	1,022	792
10.171	Organic Certification Cost Share Programs	421	
10.304	Homeland Security - Agricultural	161	
10.435	State Mediation Grants	28	
10.458	Crop Insurance Education in Targeted States	565	321
10.547	Professional Standards for School Nutrition Employees	72	
10.557	Special Supp Nutrition Prgm for Women, Infants, and Children	187,359	46,001
10.558	Child and Adult Care Food Program (Cash Assistance)	121,819	120,759
10.558	Child and Adult Care Food Program (Food Commodities)	99	99
	Total Child and Adult Care Food Program	121,918	
10.560	State Administrative Expenses for Child Nutrition	9,040	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	1,870	227
10.574	Team Nutrition Grants	162	
10.575	Farm to School Grant Program	19	
10.576	Senior Farmers Market Nutrition Program	1,766	
10.578	WIC Grants to States (WGS)	2,793	275
10.579	Child Nutrition Discretionary Grants Limited Availability	1,336	1,052
10.582	Fresh Fruit and Vegetable Program	5,335	5,335
10.664	Cooperative Forestry Assistance	1,509	595
10.675	Urban and Community Forestry Program	3	
10.676	Forest Legacy Program	22	21
10.678	Forest Stewardship Program	76	
10.680	Forest Health Protection	1,413	
10.903	Soil Survey	24	
10.912	Environmental Quality Incentives Program	288	277
	<b>Total - U.S. Department of Agriculture</b>	<b>\$3,847,216</b>	<b>\$821,225</b>
<b>U.S. Department of Commerce</b>			
11.407	Interjurisdictional Fisheries Act of 1986	12	
11.419	Coastal Zone Management Administration Awards	1,766	491
11.474	Atlantic Coastal Fisheries Cooperative Management Act	107	
11.549	State and Local Implementation Grant Program	761	
	<b>Total - U.S. Department of Commerce</b>	<b>\$2,646</b>	<b>\$491</b>

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>U.S. Department of Defense</b>			
12.112	Payments to States in Lieu of Real Estate Taxes	209	209
12.400	Military Construction, National Guard	8	
12.401	National Guard Military Operations and Maintenance Projects	57,616	
12.617	Economic Adjustment Assistance for State Governments	4,475	3,974
<b>Total - U.S. Department of Defense</b>		<b>\$62,308</b>	<b>\$4,183</b>
<b>U.S. Department of Housing and Urban Development</b>			
<i>CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:</i>			
14.269	Hurricane Sandy CDBG Disaster Recovery Grants	285	
14.228	Community Development Block Grants/State's Program	32,167	30,704
14.231	Emergency Solutions Grant Program	6,565	6,368
14.239	Home Investment Partnerships Program	9,491	8,104
14.241	Housing Opportunities for Persons with AIDS	2,224	2,214
14.267	Continuum of Care Program	740	3
14.401	Fair Housing Assistance Program - State and Local	535	
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	30	
<b>Total - U.S. Department of Housing and Urban Development</b>		<b>\$52,037</b>	<b>\$47,393</b>
<b>U.S. Department of the Interior</b>			
<i>Fish and Wildlife Cluster:</i>			
15.605	Sport Fish Restoration	11,673	
15.611	Wildlife Restoration and Basic Hunter Education	25,000	
<i>Total Fish and Wildlife Cluster</i>		36,673	
15.250	Regulation of Surface Coal Mining	12,543	5
15.252	Abandoned Mine Land Reclamation (AMLR)	57,415	657
15.255	Science & Technology Projects for Coal Mining & Reclamation	68	
15.433	Flood Control Act Lands	11	11
15.438	National Forest Acquired Lands	8	8
15.608	Fish and Wildlife Management Assistance	24	
15.615	Cooperative Endangered Species Conservation Fund	252	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
15.616	Clean Vessel Act	73	
15.622	Sportfishing and Boating Safety Act	1	
15.634	State Wildlife Grants	1,889	
15.649	Service Training and Technical Assistance (Generic Training)	43	
15.657	Endangered Species Conservation - Recovery Implement Funds	24	
15.662	Great Lakes Restoration	248	
15.667	Highlands Conservation	466	
15.808	U.S. Geological Survey - Research and Data Collection	38	
15.810	National Cooperative Geologic Mapping	135	
15.904	Historic Preservation Fund Grants-In-Aid	1,319	123
15.925	National Maritime Heritage Grants	52	52
15.926	American Battlefield Protection	22	
15.928	Civil War Battlefield Land Acquisition Grants	237	237
15.930	Chesapeake Bay Gateways Network	132	
15.957	HPF Grants to Provide Disaster Relief for Hurricane Sandy	423	36
15.981	Water Use and Data Research	20	
<b>Total - U.S. Department of the Interior</b>		<b>\$112,116</b>	<b>\$1,129</b>
<b>U.S. Department of Justice</b>			
16.004	Law Enforcement Asst - Narcotics & Dangerous Drugs Training	793	
16.017	Sexual Assault Services Formula Program	540	540
16.540	Juvenile Justice & Delinquency Prevention Program	1,133	811
16.550	State Justice Statistics Prgm for Statistic Analysis Centers	72	
16.554	National Criminal History Improvement Program (NCHIP)	470	36
16.560	Natl Inst of Justice Research, Eval and Devel Project Grants	12	
16.575	Crime Victim Assistance	30,945	29,126
16.576	Crime Victim Compensation	2,404	
16.582	Crime Victim Assistance/Discretionary Grants	142	142
16.588	Violence Against Women Formula Grants	4,554	4,103
16.593	Residential Substance Abuse Treatment for State Prisoners	470	66
16.607	Bulletproof Vest Partnership Program	(7)	
16.609	Project Safe Neighborhoods	1	1
16.610	Regional Information Sharing Systems	4,921	
16.710	Public Safety Partnership and Community Policing Grants	299	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
16.734	Special Data Collections and Statistical Studies	15	
16.735	PREA: Demonstration Projects to Establish "Zero Tolerance"	107	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	5,720	3,558
16.741	DNA Backlog Reduction Program	1,087	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	526	399
16.750	Support for Adam Walsh Act Implementation Grant Program	268	10
16.751	Edward Byrne Memorial Competitive Grant Program	180	
16.754	Harold Rogers Prescription Drug Monitoring Program	18	
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant Prgm	(16)	(16)
16.812	Second Chance Act Reentry Initiative	1	1
16.816	John R. Justice Prosecutors and Defenders Incentive Act	79	
16.827	Justice Reinvestment Initiative	148	144
16.922	Equitable Sharing Program	233	
<b>Total - U.S. Department of Justice</b>		<b>\$55,115</b>	<b>\$38,921</b>
<b>U.S. Department of Labor</b>			
<i>Employment Service Cluster:</i>			
17.207	Employment Service/Wagner-Peyser Funded Activities	20,576	
17.801	Disabled Veterans' Outreach Program (DVOP)	3,186	
17.804	Local Veterans' Employment Representative Program	1,948	
<i>Total Employment Service Cluster</i>			25,710
<i>WIOA Cluster:</i>			
17.258	WIA/WIOA Adult Program	29,056	27,538
17.259	WIA/WIOA Youth Activities	28,068	27,163
17.278	WIA/WIOA Dislocated Worker Formula Grants	39,354	33,709
<i>Total WIOA Cluster</i>			96,478
17.002	Labor Force Statistics	2,244	
17.005	Compensation and Working Conditions	246	
17.225	Unemployment Insurance	2,202,010	307
17.235	Senior Community Service Employment Program	4,836	4,455
17.245	Trade Adjustment Assistance	32,703	25,813
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	6	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
17.267	Incentive Grants - WIA Section 503	1	1
17.271	Work Opportunity Tax Credit Program (WOTC)	989	
17.273	Temporary Labor Certification for Foreign Workers	882	
17.277	WIOA Natl Dislocated Worker Grants / WIA Natl Emergency Grants	5,402	5,107
17.282	Trade Adj Assistance Community College & Career Training	248	
17.283	Workforce Innovation Fund	1,002	701
17.285	Apprenticeship USA Grants	56	
17.600	Mine Health and Safety Grants	856	
<b>Total - U.S. Department of Labor</b>		<b>\$2,373,669</b>	<b>\$124,794</b>
<b>U.S. Department of Transportation</b>			
<i>Highway Planning and Construction Cluster:</i>			
20.205	Highway Planning and Construction	1,728,342	214,478
20.219	Recreational Trails Program	1,792	1,711
23.003	Appalachian Development Highway System	64,377	
<i>Total Highway Planning and Construction Cluster</i>		1,794,511	
<i>Federal Transit Cluster:</i>			
20.500	Federal Transit - Capital Investment Grants	2,550	2,122
20.507	Federal Transit - Formula Grants	9,618	9,113
20.525	State of Good Repair Grants Program	37	
20.526	Bus and Bus Facilities Formula Program	3,540	3,540
<i>Total Federal Transit Cluster</i>		15,745	
<i>Transit Services Programs Cluster:</i>			
20.513	Enhanced Mobility of Seniors & Individuals with Disabilities	14,902	14,902
20.516	Job Access and Reverse Commute Program	192	192
20.521	New Freedom Program	369	369
<i>Total Transit Services Programs Cluster</i>		15,463	
<i>Highway Safety Cluster:</i>			
20.600	State and Community Highway Safety	12,396	4,559
20.616	National Priority Safety Programs	5,877	5,124
<i>Total Highway Safety Cluster</i>		18,273	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
20.106	Airport Improvement Program	13,012	12,853
20.200	Highway Research and Development Program	1,093	
20.215	Highway Training and Education	10	
20.218	Motor Carrier Safety Assistance	7,499	
20.232	Commercial Driver's License Program Improvement Grant	390	
20.237	Motor Carrier Safety Assist High Priority Act Grants & Co-Op	47	
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	250	
20.319	ARRA - High-Speed Rail and Intercity Passenger Rail Service	20	
20.505	Metro Trans Planning & State & Non-Metro Planning & Research	31	
20.509	Formula Grants for Rural Areas	18,448	18,176
20.519	Clean Fuels	140	9
20.520	Paul S. Sarbanes Transit in the Parks	1	1
20.528	Rail Fixed Guideway Public Trans. System State Safety Oversight Form. Grant Program	575	
20.614	Nat Highway Traffic Safety Admin Discretionary Safety Grants	97	
20.700	Pipeline Safety Program State Base Grant	1,734	
20.703	Interagency Hazardous Materials Training and Planning Grants	557	379
20.933	National Infrastructure Investments	2,290	2,290
<b>Total - U.S. Department of Transportation</b>		<b>\$1,890,186</b>	<b>\$289,818</b>
<b>U.S. Department of the Treasury</b>			
21.016	Equitable Sharing	438	
<b>Total - U.S. Department of the Treasury</b>		<b>\$438</b>	<b>\$0</b>
<b>Appalachian Regional Commission</b>			
23.002	Appalachian Area Development	1,657	1,506
<b>Total - Appalachian Regional Commission</b>		<b>\$1,657</b>	<b>\$1,506</b>
<b>Equal Employment Opportunity Commission</b>			
30.001	Employment Discrimination Title VII of the Civil Rights Act	724	
<b>Total - Equal Employment Opportunity Commission</b>		<b>\$724</b>	<b>\$0</b>

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>General Services Administration</b>			
39.003	Donation of Federal Surplus Personal Property	2,103	2,103
<b>Total - General Services Administration</b>		<b>\$2,103</b>	<b>\$2,103</b>
<b>National Foundation on the Arts and Humanities</b>			
45.024	Promotion of the Arts - Grants to Orgs and Individuals	3	
45.025	Promotion of the Arts - Partnership Agreements	860	155
45.301	Museums for America	59	
45.310	Grants to States	6,271	4,099
<b>Total - National Foundation on the Arts and Humanities</b>		<b>\$7,193</b>	<b>\$4,254</b>
<b>National Science Foundation</b>			
47.076	Education and Human Resources	199	
<b>Total - National Science Foundation</b>		<b>\$199</b>	<b>\$0</b>
<b>Small Business Administration</b>			
59.061	State Trade Expansion	263	
<b>Total - Small Business Administration</b>		<b>\$263</b>	<b>\$0</b>
<b>U.S. Department of Veterans Affairs</b>			
64.005	Grants to States for Construction of State Home Facilities	9,979	
64.010	Veterans Nursing Home Care	158	
64.014	Veterans State Domiciliary Care	4,153	
64.015	Veterans State Nursing Home Care	42,007	
64.111	Veterans Education Assistance	72	
<b>Total - U.S. Department of Veterans Affairs</b>		<b>\$56,369</b>	<b>\$0</b>
<b>Environmental Protection Agency</b>			
<i>Clean Water State Revolving Fund Cluster:</i>			
66.458	Capitalization Grants for Clean Water State Revolving Funds	52,925	52,925

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<i>Drinking Water State Revolving Fund Cluster:</i>			
66.468	Capitalization Grants for Drinking Water State Revolving Funds	26,989	18,576
66.001	Air Pollution Control Program Support	5,236	
66.032	State Indoor Radon Grants	342	82
66.034	Surveys, Studies, Res., Investigations, Demos & Special Purpose Activities - Clean Air Act	728	41
66.202	Congressionally Mandated Projects	69	
66.204	Multipurpose Grants to States and Tribes	18	
66.419	Water Pollution Control State and Interstate Program Support	7,512	25
66.432	State Public Water System Supervision	4,114	
66.454	Water Quality Management Planning	584	
66.460	Nonpoint Source Implementation Grants	4,998	4,254
66.461	Regional Wetland Program Development Grants	304	
66.466	Chesapeake Bay Program	5,312	3,482
66.469	Great Lakes Program	283	95
66.605	Performance Partnership Grants	612	
66.608	Environmental Information Exchange Network Grant Program	93	
66.707	TSCA Title IV State Lead Grants Certification	9	
66.708	Pollution Prevention Grants Program	19	19
66.801	Hazardous Waste Management State Program Support	4,600	
66.802	Superfund State Site-Specific Cooperative Agreements	31	
66.804	Underground Storage Tank Prevention and Compliance Program	779	
66.805	Leaking Underground Storage Tank Trust Fund Program	1,488	
66.817	State and Tribal Response Program Grants	395	
<b>Total - Environmental Protection Agency</b>		<b>\$117,440</b>	<b>\$79,499</b>
<b>U.S. Department of Energy</b>			
81.041	State Energy Program	1,278	
81.042	Weatherization Assistance for Low-Income Persons	13,764	12,915
81.117	Energy Efficiency and Renewable Energy Info Dissemination	24	22
81.119	State Energy Program Special Projects	11	
81.138	State Heating Oil & Propane Program	5	
<b>Total - U.S. Department of Energy</b>		<b>\$15,082</b>	<b>\$12,937</b>

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>U.S. Department of Education</b>			
<i>Special Education Cluster (IDEA):</i>			
84.027	Special Education - Grants to States	429,377	414,396
84.173	Special Education - Preschool Grants	13,092	12,277
	<i>Total Special Education Cluster (IDEA)</i>	<u>442,469</u>	
<i>TRIO Cluster:</i>			
84.042	TRIO - Student Support Services		226
<i>Student Financial Assistance Programs Cluster:</i>			
84.007	Federal Supplemental Educational Opportunity Grants	52	
84.033	Federal Work-Study Program	18	
84.063	Federal Pell Grant Program	3,063	
84.268	Federal Direct Student Loans	2,842	
	<i>Total Student Financial Assistance Programs Cluster</i>	<u>5,975</u>	
84.002	Adult Education - Basic Grants to States	17,587	16,843
84.010	Title I Grants to Local Educational Agencies	552,969	545,632
84.011	Migrant Education - State Grant Program	4,684	4,161
84.013	Title I Program for Neglected & Delinquent Children & Youth	818	643
84.048	Career and Technical Education - Basic Grants to States	39,458	37,143
84.126	Rehabilitation Services - Vocational Rehab Grants to States	151,902	
84.144	Migrant Education - Coordination Program	122	122
84.177	Rehab Serv - Indep Living Services for Older Blind Indiv	1,061	
84.181	Special Education - Grants for Infants and Families	21,939	19,897
84.184	School Safety National Activities	505	
84.187	Supp Employment Serv for Indiv with Significant Disabilities	710	
84.191	Adult Education National Leadership Activities	115	
84.196	Education for Homeless Children and Youth	2,246	2,008
84.287	Twenty-First Century Community Learning Centers	39,772	38,105
84.323	Special Education - State Personnel Development	1,676	
84.330	Advanced Placement Program	714	691
84.358	Rural Education	1,670	1,670
84.365	English Language Acquisition State Grants	17,531	16,638

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
84.366	Mathematics and Science Partnerships	2,819	2,819
84.367	Supporting Effective Instruction State Grant	87,387	83,848
84.369	Grants for State Assessments and Related Activities	10,267	
84.371	Striving Readers	29,099	28,250
84.372	Statewide Longitudinal Data Systems	902	
84.377	School Improvement Grants	17,067	16,060
84.412	Race to the Top - Early Learning Challenge	14,790	9,046
84.413	Race to the Top	3,104	1,979
<b>Total - U.S. Department of Education</b>		<b>\$1,469,584</b>	<b>\$1,252,228</b>
<b>Elections Assistance Commission</b>			
90.401	Help America Vote Act Requirements Payments	2,625	9
<b>Total - Elections Assistance Commission</b>		<b>\$2,625</b>	<b>\$9</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	24,865	23,775
93.045	Special Programs for the Aging - Title III, Part C	22,740	22,603
93.053	Nutrition Services Incentive Program	6,000	6,000
<i>Total Aging Cluster</i>		53,605	
<i>Maternal, Infant, and Early Childhood Home Visiting Cluster:</i>			
93.505	Affordable Care Act Maternal, Infant, Childhood Home Visit	6,899	6,793
93.870	Maternal, Infant & Early Childhood Home Visiting Grant Program	5,943	5,898
<i>Total Maternal, Infant, and Early Childhood Home Visiting Cluster</i>		12,842	
<i>TANF Cluster:</i>			
93.558	Temporary Assistance for Needy Families	490,529	238,002
<i>CCDF Cluster:</i>			
93.575	Child Care and Development Block Grant	246,155	229,576
93.596	Child Care Mandatory and Matching Funds of the CCDF	118,828	118,530
<i>Total CCDF Cluster</i>		364,983	

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

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	5,881	
93.777	State Survey and Cert of Health Care Providers and Suppliers	21,778	
93.778	Medical Assistance Program	18,839,365	290,503
	<i>Total Medicaid Cluster</i>		18,867,024
93.041	Special Programs for the Aging - Title VII, Chapter 3	200	200
93.042	Special Programs for the Aging - Title VII, Chapter 2	654	652
93.043	Special Programs for the Aging - Title III, Part D	866	866
93.048	Special Programs for the Aging - Title IV and Title II	99	96
93.052	National Family Caregiver Support, Title III, Part E	6,148	6,148
93.069	Public Health Emergency Preparedness	16,979	3,101
93.070	Environmental Public Health and Emergency Response	1,419	49
93.071	Medicare Enrollment Assistance Program	1,361	1,361
93.073	Birth Defects & Develop. Disabilities-Prevent & Surveillance	108	
93.074	HPP and PHEP Aligned Cooperative Agreements	4,260	599
93.079	Cooperative Agreements to Promote Adolescent Health	390	140
93.090	Guardianship Assistance	11,659	10,797
93.092	Affordable Care Act Personal Responsibility Education Prgm	1,114	1,082
93.094	Well-Integrated Screening & Eval for Women Across the Nation	717	282
93.103	Food and Drug Administration - Research	1,595	
93.104	Community Mental Health Services for Children with SED	123	123
93.110	Maternal and Child Health Federal Consolidated Programs	79	
93.116	Project Grants and Coop Agreements for Tuberculosis Control	920	140
93.127	Emergency Medical Services for Children	111	
93.130	Coop. Agreements to States/Territories for the Coordination & Dev. of Primary Care Offices	138	
93.136	Injury Prevention & Control Research & State & Comm Prgms	2,142	1,459
93.150	Projects for Asst in Transition from Homelessness (PATH)	2,370	2,273
93.226	Research on Healthcare Costs, Quality and Outcomes	177	
93.234	Traumatic Brain Injury State Demonstration Grant Program	276	270
93.235	Affordable Care Act Abstinence Education Program	661	653
93.236	Grants to States to Support Oral Health Workforce Activities	309	298
93.240	State Capacity Building	424	
93.243	Substance Abuse and Mental Health Services - Projects	10,963	10,504

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
93.251	Universal Newborn Hearing Screening		175
93.268	Immunization Cooperative Agreements (Cash Assistance)	2,894	1,912
93.268	Immunization Cooperative Agreements (Vaccines)	92,391	
	Total Immunization Cooperative Agreements		95,285
93.270	Adult Viral Hepatitis Prevention and Control		222
93.275	Substance Abuse & Mental Health Serv. - Access to Recovery		(2)
93.283	Centers for Disease Control & Prevention - Investigations		1,170
93.305	National State Based Tobacco Control Programs		325
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases		17
93.324	State Health Insurance Assistance Program		1,776
93.336	Behavioral Risk Factor Surveillance System		20
93.369	ACL Independent Living State Grants		256
93.448	Food Safety and Security Monitoring Project		139
93.511	Affordable Care Act Grants for Health Insur Premium Review		296
93.521	Affordable Care Act - Building Epi, Lab, & Health Info Sys.		360
93.539	PPHF Capacity Building Assistance		6,148
93.556	Promoting Safe and Stable Families		12,327
93.563	Child Support Enforcement		163,413
93.566	Refugee and Entrant Assistance - State Administered Programs		7,302
93.568	Low-Income Home Energy Assistance		30,449
93.569	Community Services Block Grant		29,513
93.576	Refugee and Entrant Assistance - Discretionary Grants		760
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants		1,048
93.590	Community-Based Child Abuse Prevention Grants		1,143
93.597	Grants to States for Access and Visitation Programs		308
93.599	Chafee Education and Training Vouchers Program (ETV)		1,523
93.600	Head Start		8,924
93.602	Assets for Independence Demonstration Program		21
93.603	Adoption Incentive Payments		(4)
93.617	Voting Access for Individuals with Disabilities - Gov Grants		226
93.624	ACA - State Innovation Models - Design & Testing Assistance		491
93.630	Developmental Disabilities Basic Support and Advocacy Grants		2,666
93.643	Children's Justice Grants to States		338
93.645	Stephanie Tubbs Jones Child Welfare Services Program		9,294
93.658	Foster Care - Title IV-E		212,896

**COMMONWEALTH OF PENNSYLVANIA**

**Schedule of Expenditures of Federal Awards - June 30, 2017**

<b>CFDA #</b>	<b>CFDA Program Name</b>	<b>Federal Expenditures (000's)</b>	<b>Passed Through to Subrecipients (000's)</b>
93.659	Adoption Assistance	106,866	79,458
93.667	Social Services Block Grant	95,602	79,015
93.669	Child Abuse and Neglect State Grants	694	130
93.671	Family Violence Prevention and Services	3,076	3,076
93.674	Chafee Foster Care Independence Program	4,857	4,857
93.735	State Health Approaches for Ensuring Quitline Capacity	382	
93.745	PPHF: Health Care Surveillance/Health Statistics Surveillance Program Announcement	26	
93.752	Cancer Prev & Control Programs Financed in Part by PPHF	637	591
93.757	State & Local Pub. Hlth Actions to Prevent Obesity, Diabetes, Heart Disease & Stroke (PPHF)	1,497	1,086
93.758	PHHS Block Grant Funded Solely with PPHF	8,849	5,892
93.767	Children's Health Insurance Program	613,310	348,376
93.791	Money Follows the Person Rebalancing Demonstration	25,572	240
93.815	Domestic Ebola Supplement to the ELC for Infectious Diseases	99	46
93.817	HPP Ebola Preparedness and Response Activities	1,734	1,562
93.829	Sec 223 Demo Programs to Improve Community MHS	217	9
93.881	The Health Ins Enforcement & Consumer Protections Grant Prog	8	
93.889	National Bioterrorism Hospital Preparedness Program	6,639	5,462
93.917	HIV Care Formula Grants	33,576	9,737
93.940	HIV Prevention Activities - Health Department Based	4,851	764
93.944	HIV/AIDS Surveillance	1,282	
93.945	Assistance Programs for Chronic Disease Prevention and Control	2,324	1,077
93.946	Coop Agreements to Support Safe Motherhood and Infant Health	116	
93.958	Block Grants for Community Mental Health Services	17,001	16,581
93.959	Block Grants for Prevention and Treatment of Substance Abuse	52,602	43,289
93.977	Preventive Health Serv Sexually Trans Diseases Control Grant	2,400	367
93.994	Maternal and Child Health Services Block Grant to the States	22,018	12,702
<b>Total - U.S. Department of Health and Human Services</b>		<b>\$21,636,693</b>	<b>\$2,059,663</b>
<b>Corporation for National and Community Service</b>			
94.003	State Commissions	200	
94.006	AmeriCorps	10,073	10,073
94.009	Training and Technical Assistance	99	
<b>Total - Corporation for National and Community Service</b>		<b>\$10,372</b>	<b>\$10,073</b>

# COMMONWEALTH OF PENNSYLVANIA

## Schedule of Expenditures of Federal Awards - June 30, 2017

CFDA #	CFDA Program Name	Federal Expenditures (000's)	Passed Through to Subrecipients (000's)
<b>Executive Office of the President</b>			
95.001	High Intensity Drug Trafficking Areas Program	3,076	
<b>Total - Executive Office of the President</b>		<b>\$3,076</b>	<b>\$0</b>
<b>Social Security Administration</b>			
<i>Disability Insurance/SSI Cluster:</i>			
96.001	Social Security - Disability Insurance	121,191	
<b>Total - Social Security Administration</b>		<b>\$121,191</b>	<b>\$0</b>
<b>U.S. Department of Homeland Security</b>			
97.008	Non-Profit Security Program	681	681
97.012	Boating Safety Financial Assistance	2,382	
97.023	Community Assistance Program State Support Services Element	84	
97.029	Flood Mitigation Assistance	1,952	1,764
97.036	Disaster Grants - Public Assist (Presidentially Declared Disasters)	55,224	40,869
97.039	Hazard Mitigation Grant	2,836	2,552
97.041	National Dam Safety Program	131	
97.042	Emergency Management Performance Grants	10,249	5,238
97.043	State Fire Training Systems Grants	11	
97.044	Assistance to Firefighters Grant	114	
97.045	Cooperating Technical Partners	31	
97.047	Pre-Disaster Mitigation	1,101	891
97.056	Port Security Grant Program	168	
97.067	Homeland Security Grant Program	29,546	24,257
97.091	Homeland Security Biowatch Program	381	
97.092	Repetitive Flood Claims	(13)	(24)
<b>Total - U.S. Department of Homeland Security</b>		<b>\$104,878</b>	<b>\$76,228</b>
<b>GRAND TOTAL</b>		<b>\$31,945,180</b>	<b>\$4,826,454</b>

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Notes to the Schedule of Expenditures of Federal Awards - June 30, 2017***

### **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, 2017, 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, 2017.

Expenditures reported under CFDA #10.555, National School Lunch Program, CFDA #10.558, Child and Adult Care Food Program, CFDA #10.559, Summer Food Service Program, CFDA #10.565, Commodity Supplemental Food Program, and CFDA #10.569, Emergency Food Assistance Program, include the value of food commodity distributions calculated using the U.S. Department of Agriculture, Food and Nutrition Service, commodity price list in effect as of December 16, 2015.

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

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

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

# COMMONWEALTH OF PENNSYLVANIA

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## Notes to the Schedule of Expenditures of Federal Awards - June 30, 2017

The following items indicate costs reported under CFDA #93.778, Medical Assistance Program, which were disallowed by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS):

Mental Health Administrative Case Management (MH ACM) amounts, totaling \$36,268,423 in federal funds, were disallowed because the Commonwealth claimed costs for individuals who were not Medicaid eligible; some of the costs claimed were not necessary and reasonable for the proper and efficient administration of the Medicaid program; the Commonwealth claimed unallowable operating costs; the purpose was other than the administration of the Medicaid program (e.g., salaries, rent/lease of space, materials/supplies, etc.); and CMS feels the costs are duplicative since the counties are already receiving a monthly capitation payment to provide services under the Medicaid program. The disallowed claims for the quarters ending March 31, 2013, and March 31, 2014, were returned to CMS in the quarter ending September 30, 2016. This amount is not reflected on the 6/30/17 SEFA.

The Commonwealth has continued to claim MH ACM costs, totaling \$25,100,245 in federal funds, in quarters ending December 31, 2016 and March 31, 2017. CMS has been in discussions with the Commonwealth regarding the disallowance of these funds based on the same reasoning as the previous disallowance; however, no deferral or disallowance has been issued by CMS to date.

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, 2017. 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	\$2,030,121
Federal UC Benefits	67,602
Federal Admin.	104,287
Total Expenditures	<u>\$2,202,010</u>

# Schedule of Findings and Questioned Costs



Commonwealth of Pennsylvania

# COMMONWEALTH OF PENNSYLVANIA

## Summary of Auditors' Results - June 30, 2017

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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 Innovation and Opportunity Act (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)  
Supporting Effective Instruction State Grant (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)

# COMMONWEALTH OF PENNSYLVANIA

## Summary of Auditors' Results - June 30, 2017

Child Care and Development Fund (CCDF) Cluster (CFDA #93.575 and #93.596)  
 Foster Care – Title IV-E (CFDA #93.658)  
 Adoption Assistance (CFDA #93.659)  
 Social Services Block Grant (CFDA #93.667)  
 Children's Health Insurance Program (CFDA #93.767)  
 Block Grants for Prevention and Treatment of Substance Abuse (CFDA #93.959)  
 Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)

Unmodified for the following major programs:

Abandoned Mine Land Reclamation (CFDA #15.252)  
 Unemployment Insurance (CFDA #17.225)  
 Medicaid Cluster (CFDA #93.775, #93.777, and #93.778)

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	\$ 2,885,135
10.553, 10.555, 10.556, and 10.559	Child Nutrition Cluster	574,515
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	187,359
10.558	Child and Adult Care Food Program	121,918
14.228	Community Development Block Grants – State's Program	32,167
15.252	Abandoned Mine Land Reclamation	57,415
17.225	Unemployment Insurance	2,202,010
17.258, 17.259, and 17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster	96,478
20.205, 20.219, and 23.003	Highway Planning and Construction Cluster	1,794,511
66.458	Capitalization Grants for Clean Water State Revolving Funds	52,925
84.010	Title I Grants to Local Educational Agencies	552,969
84.027 and 84.173	Special Education Cluster (IDEA)	442,469
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	151,902
84.367	Supporting Effective Instruction State Grant	87,387
93.044, 93.045, and 93.053	Aging Cluster	53,605
93.558	Temporary Assistance for Needy Families	490,529
93.563	Child Support Enforcement	163,413
93.568	Low-Income Home Energy Assistance	205,230
93.575 and 93.596	Child Care and Development Fund (CCDF) Cluster	364,983
93.658	Foster Care – Title IV-E	217,637
93.659	Adoption Assistance	106,866

# COMMONWEALTH OF PENNSYLVANIA

## Summary of Auditors' Results - June 30, 2017

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93.667	Social Services Block Grant	95,602
93.767	Children's Health Insurance Program	613,310
93.775, 93.777, and 93.778	Medicaid Cluster	18,867,024
93.959	Block Grants for Prevention and Treatment of Substance Abuse	52,602
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	55,224
		<hr/>
	Total Federal Expenditures – Major Programs	<u>\$30,525,185</u>

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

\$47,918

Auditee qualified as low-risk auditee?

   yes

  X  no

# COMMONWEALTH OF PENNSYLVANIA

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## *Index to Basic Financial Statement Findings - June 30, 2017*

<b>Finding No.</b>	<b>Finding Title</b>	<b>Impacted State Agency</b>	<b>Finding Page</b>	<b>CAP Page</b>
2017-001*	General Computer Controls In Several Commonwealth Agencies Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2016-005)	Various	46	138
2017-002*	Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2016-004)	OB/OA	49	142

\* - Significant Deficiency  
CAP - Corrective Action Plan

# **COMMONWEALTH OF PENNSYLVANIA**

## **Basic Financial Statement Findings - June 30, 2017**

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### **Finding 2017 – 001:**

**Office of Administration, Office for Information Technology  
Department of Labor & Industry  
Department of Transportation  
Department of Education  
Department of Revenue**

**General Computer Controls in Several Commonwealth Agencies Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2016-005)**

**Type of Finding: Significant Deficiency**

**Condition:** Our review of information technology (IT) general computer controls at various Commonwealth agencies for the fiscal year ended June 30, 2017, disclosed the following control deficiencies:

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

1. There are no policies or procedures for granting powerful user attributes (SPECIAL, OPERATIONS or AUDITOR) in the mainframe environment. Specifically, five users have been granted all powerful user attributes (SPECIAL, OPERATIONS and AUDITOR), 33 users have AUDITOR access, and 27 users have OPERATIONS access without written justification.
2. Although policies and procedures exist, periodic access reviews to determine the appropriateness of all users with privileged access have not been implemented in the Unemployment Compensation Management System (UCMS) client/server environment.
3. User account access for three database administrators was not revoked from the UCMS application database until six months after they separated employment.
4. A segregation of duties weakness existed in the Unemployment Compensation (UC) mainframe application. Three developers had access to promote code to production until June 2017.

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

1. OPEX vendor technicians continue to share an administrator group 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. 15 of 25 Engineering and Construction Management System (ECMS) application users tested did not have their user IDs deleted timely after they separated employment or ECMS access was no longer required for their job duties. Many of those users' access was not deleted for between one and four years.
3. 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 a reduction from 159 total risks in the last audit to 61 total risks during this audit period.

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

1. Management grants the Pennsylvania Information Management System (PIMS) vendor 24/7 access to its servers for up to 30 days at a time. Management does not review the server logs, instead they rely on the vendor to notify them of any vendor actions in the system. As a result, management cannot verify if all vendor actions have been appropriately monitored.

# COMMONWEALTH OF PENNSYLVANIA

## Basic Financial Statement Findings - June 30, 2017

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### Finding 2017 – 001: (Continued)

#### 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.
2. Developers and/or non-administrative personnel have administrative access to various applications within the mainframe environment, the client server environment, and at the imaging facility. In addition, there is an excessive number of users with privileged access in the mainframe environment.
3. A lack of segregation of duties exists because developers can change the operations schedule and promote programs to production in certain client server applications.
4. Developers and supervisors access the SoftTrac imaging application using a group user account with a shared password.
5. An employee's access to the Electronic Tax Information and Data Exchange System (E-Tides) application with the ability to promote code into the production environment remained active for four years after he separated employment. Another separated employee's access with the ability to develop in various applications in the mainframe environment remained active for over two months after his separation.

**Criteria:** A well designed system of internal controls dictates that effective general computer controls (which include adequate segregation of duties, access controls to programs and data, and program change controls) be established and functioning to best ensure that overall agency operations are conducted 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.

**Cause:** Management continues to address the general computer control deficiencies noted in prior years; however, due to system limitations, upgrade needs, or limited staffing, some of the deficiencies persist. The Commonwealth has recently embarked on a "Shared Services" initiative. The shared services model is designed to group common activities, such as human resources (HR) and information technology (IT), into a consolidated and integrated business delivery model. The model has created six delivery centers, as follows: General Government, Public Safety, Employment, Banking and Revenue, Health and Human Services, Conservation and Environment, and Infrastructure and Economic Development. Management has indicated that the grouping of agency resources should help address some of the system, upgrade and staffing limitations. Also, upper level management is committed to improving its overall IT control environment and remediating these IT control deficiencies.

**Effect:** Segregation of duties weaknesses, inappropriate privileged access, untimely deletion of separated employees' access and lack of effective monitoring all contribute to the risk that system actions can occur not in accordance with management's intent.

**Recommendation:** We recommend that Commonwealth management continue its efforts to resolve the general computer control deficiencies noted above. Executive management should take the lead to ensure that controls are in place to comply with the applicable MDs and ITPs to ensure a well-controlled IT environment.

#### L&I Response:

1. This finding is acknowledged. Due to staffing reductions during this audit period, the OIT organization was not able to publish a policy to address this finding. As part of the Commonwealth IT Shared Service Transformation initiative, all IT policies are being reviewed. It is anticipated that a draft policy to address this finding will happen as part of the transformation process, or a policy will be drafted outside of the transformation process.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Basic Financial Statement Findings - June 30, 2017***

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### **Finding 2017 – 001: (Continued)**

2. This finding is acknowledged. Due to staffing reductions during this audit period, the OIT organization unfortunately didn't have the staff resources available to conduct periodic reviews of access levels. As part of the Commonwealth IT Shared Service Transformation initiative, we anticipate identifying resources who would be able to perform these functions.
3. This finding is acknowledged. The off-boarding process will be reviewed to ensure the policy is being followed and resources are off-boarded in a timely manner per policy.
4. This finding is acknowledged. Due to staffing shortages and staff reductions that occurred during this audit period, the OIT organization didn't have the resources to ensure full separation of duties.

#### **PennDOT Response:**

1. PennDOT agrees with the finding.
2. PennDOT agrees with the finding.
3. PennDOT agrees with the finding.

#### **PDE Response:**

1. PDE disagrees with this finding. PDE has established adequate controls for communication, approval and functionality of vendor changes to PIMS systems and servers. Vendor staff must request access from PDE, and upon approval, access is granted for a fixed time period, with an automatic expiration date, no longer than 30 days. The vendor is not authorized for data changes. Server event logs are available. PDE Office of Data Quality reviews changes and confirms changes are functioning as planned. Exceptions are immediately communicated to vendor for resolution, then PDE reviews changes until PIMS functions as planned.

#### **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.
5. DOR agrees with the finding.

**Auditors' Conclusion:** Regarding PDE's disagreement, we acknowledge that PDE Office of Data Quality has procedures in place to review vendor changes to the system whenever the vendor notifies PDE. However, PDE does not revoke the vendor's access after the specific approved change has been implemented. Instead, PDE grants the vendor 24/7 access for up to 30 days and does not review system logs during the entire period that the vendor has access. Therefore, we continue to recommend that PDE review the server logs during the entire period the vendor has been granted access to ensure all vendor actions in the system have been appropriately monitored.

We will review corrective actions 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

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## Basic Financial Statement Findings - June 30, 2017

### Finding 2017 – 002:

#### Office of the Budget Office of Administration

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

#### Type of Finding: Significant Deficiency

**Condition:** Comprehensive communication and guidance directing Commonwealth management on their responsibilities and expectations in managing vendor relationships was not fully established and was not consistently followed. Standard language for vendor contracts as it relates to security and confidentiality has been developed; however, no process has been established to assess conformance to and deviation from the standard language in existing contracts. Commonwealth policies did not establish formal requirements for monitoring vendor service, performance standards and conformance to defined reporting expectations. Lastly, specific procedures and requirements of corrective action plans are not required for vendor reported control deficiencies, exceptions, or qualifications. We noted the following specific control deficiencies:

1. System and Organization Controls (SOC) reports required by contracts were not consistently obtained for applicable vendor services.
2. SOC reports with noted exceptions did not consistently receive timely follow-up.
3. Certain SOC reports were provided with untimely periods of coverage not coinciding with the audit period, making them unusable by the financial auditors and not useful to the agencies.
4. Complementary user entity controls in SOC reports were not consistently reviewed to ensure that appropriate controls were in place and operating effectively in the agencies.

**Criteria:** A well-designed system of internal controls should incorporate sound and consistent vendor management controls. These controls should be established and functioning to reduce the risk that agency operations are out of compliance with management's objectives, or that unexpected control deficiencies arise. 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:** Inconsistencies still exist among agencies regarding compliance with required contract language and monitoring of vendors. Further, we found agency management were sometimes unaware or unclear of their responsibilities for ensuring they received a SOC report when applicable and/or whether control exceptions or complementary user entity controls required follow-up. This was due, in part, to agency management not receiving an applicable SOC report timely. There appears to be no central source of responsibility for ensuring SOC reports are provided timely to all affected agencies. Management Directive 325.13 "Service Organization Controls", effective November 22, 2017 was issued to provide further guidance for appropriate procedures to monitor service organizations' internal controls.

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

# COMMONWEALTH OF PENNSYLVANIA

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## Basic Financial Statement Findings - June 30, 2017

### Finding 2017 – 002: (Continued)

**Recommendation:** We recommend Commonwealth management continue its efforts in establishing and ensuring compliance with comprehensive vendor management policies. Specific consideration should be given to the following:

- monitoring and enforcing vendors' compliance with contract and reporting requirements;
- procedures to ensure agreements contain standard audit, security, and confidentiality clauses;
- a process to ensure that service organizations supporting commonwealth agency processes are operating under effective controls and within the expectations of the contracting agency;
- requiring SOC reports to be timely, and include a minimum of six months of the audit period, for effective monitoring and appropriate audit coverage;
- reviewing SOC reports' complementary user entity controls to ensure those controls are in place and operating effectively at agencies and/or applicable sub-service organizations;
- procedures for ensuring report and performance results are communicated to all affected agencies, and escalation procedures exist when the report(s) includes control objective exceptions, testing deviations, or a qualified opinion; and
- establishing a central source of responsibility for ensuring SOC reports (or similar) are timely, relevant, and distributed to affected agency management.

**Agency Response:** We agree that it is prudent to establish comprehensive policies and procedures regarding the Commonwealth's vendor management responsibilities. As a result, the Office of the Budget (OB), Office of Comptroller Operations worked with staff in the Office of Administration (OA) and Department of General Services to develop a new management directive to address the definition of service organizations and the responsibilities for monitoring controls at Commonwealth contracted vendor service organizations. As the auditors have noted in the "Cause" section of this finding, Management Directive (MD) 325.13 "Service Organization Controls", effective November 22, 2017, was issued to provide further guidance for appropriate procedures to monitor service organizations' internal controls.

MD 325.13 amends the requirements for agencies outlined in Management Directive 325.12, "Standards for Internal Controls in Commonwealth Agencies", section 6(b), (6) and outlines agencies' responsibilities for evaluating appropriate levels of oversight, as well as determining which monitoring requirements, independent audits, or assessments are needed to confirm the operating effectiveness of a service organization's internal control system.

MD 325.13 also illustrates the various oversight options that are available 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. OB, Office of Comptroller Operations, is responsible for assisting agencies with determining the most appropriate monitoring, audit or assessment type needed as well as distributing resulting monitoring, independent audits, or assessments to the Commonwealth's external auditors as necessary.

**Auditors' Conclusion:** We believe the issuance of MD 325.13 is a positive step in improving vendor management controls. We continue to stress the importance of tracking and escalation procedures when SOC (or similar) reports are qualified or contain exceptions that require management follow-up. Further, a mechanism should be established to ensure agencies are aware of complementary user entity controls in applicable SOC reports and the impact of sub-service organizations not being included in the scope of the reports. Finally, OB should ensure agencies understand the importance of these procedures by monitoring compliance with the MD.

**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, 2017

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2017-003 *	93.044 93.045 93.053	Aging Cluster	Deficiencies in Information Technology Controls Over the Pennsylvania Department of Aging's Financial Reporting Requirements System	N/A	None	PDA	56	142
2017-004 *	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 (A Similar Condition Was Noted in Prior Year Finding 2016-006)	N/A	None	AGRI	58	142
2017-005 *	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 (A Similar Condition Was Noted in Prior Year Finding 2016-009)	N/A	None	DCED	61	143
2017-006 **	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 2016-010)	MNC	ND	DCED	64	144
2017-007 *	93.568	Low-Income Home Energy Assistance	The Department of Community and Economic Development Did Not Perform Sufficient Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2016-011)	NC	ND	DCED	67	144
2017-008 **	10.558	Child and Adult Care Food Program	Material Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement (A Similar Condition Was Noted in Prior Year Finding 2016-012)	MNC	ND	PDE	73	145

\* - 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, 2017

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2017-009 **	10.558	Child and Adult Care Food Program	Material Noncompliance and a Material Weakness Exist in Pennsylvania Department of Education Monitoring of Child and Adult Care Food Program Subrecipients	MNC	ND	PDE	76	145
2017-010 **	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 2016-013)	NC	None	PDE	79	146
2017-011 **	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 2016-016)	MNC	ND	DHS	85	147
2017-012 **	93.558 93.658 93.659	Temporary Assistance for Needy Families Foster Care – Title IV-E Adoption Assistance	Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance, and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services' Office of Children, Youth and Families (A Similar Condition Was Noted in Prior Year Finding 2016-017)	MNC	ND	DHS	88	148
2017-013 *	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 2016-018)	NC	ND	DHS	91	148

\* - 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, 2017

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
2017-014 **	93.558	Temporary Assistance for Needy Families	Material Noncompliance and Material Weaknesses Exist in the Claiming and Reporting of State Maintenance of Effort for Temporary Assistance for Needy Families	MNC	ND	DHS	93	149
2017-015 **	93.575 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 2016-020)	MNC	ND	DHS	96	150
2017-016 *	93.575 93.596	Child Care and Development Fund (CCDF) Cluster	Significant Deficiency and Noncompliance Over Fraud Detection and Repayment (A Similar Condition Was Noted in Prior Year Finding 2016-021)	NC	ND	DHS	99	150
2017-017 ** 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 2016-022)	MNC-SSBG NC-SABG	ND	DHS	102	151
2017-018 *	17.225	Unemployment Insurance	Department of Labor and Industry Did Not Comply with Unemployment Insurance Program Integrity Requirements	NC	\$4,666	L&I	105	152
2017-019 **	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 2016-026)	MNC	None	L&I	108	152

\* - 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, 2017

Finding Number	CFDA Number	CFDA Name	Finding Title	Compliance Conclusion	Questioned Costs	Impacted State Agency	Finding Page	CAP Page
<b>2017-020</b> <b>* Medicaid</b> <b>** All Other Programs</b>	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 2016-027)	NC	ND	Various	110	153
<b>2017-021</b> <b>* Medicaid</b> <b>** All Other Programs</b>	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 2016-028)	NC-Medicaid MNC-All Other Programs	ND	Various	117	156

\* - 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, 2017**

<b>Federal Agency</b>	<b>USDA</b>	<b>HUD</b>	<b>DOL</b>	<b>DOT</b>	<b>ARC</b>	<b>EPA</b>	<b>ED</b>	<b>HHS</b>	<b>USDHS</b>
<b>Prefix</b>	<b>10</b>	<b>14</b>	<b>17</b>	<b>20</b>	<b>23</b>	<b>66</b>	<b>84</b>	<b>93</b>	<b>97</b>
<b>Finding</b>									
2017-003								X	
2017-004	X								
2017-005		X							
2017-006		X							
2017-007								X	
2017-008	X								
2017-009	X								
2017-010							X		
2017-011	X							X	
2017-012								X	
2017-013								X	
2017-014								X	
2017-015								X	
2017-016								X	
2017-017								X	
2017-018			X						
2017-019							X		
2017-020	X			X	X		X	X	
2017-021	X	X	X	X	X	X	X	X	X

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Department of Aging

#### Finding 2017 – 003:

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

#### Deficiencies in Information Technology Controls Over the Pennsylvania Department of Aging’s Financial Reporting Requirements System

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

**Type of Finding:** Significant Deficiency

**Compliance Requirement:** Other

**Condition:** The Financial Reporting Requirements System (FRRS) is an AS/400 application developed by the Pennsylvania Department of Aging (PDA) that records Area Agency on Aging (AAA) expenditures and tracks matching at the subrecipient level. Additionally, the FRRS tracks program income reported by AAAs. As part of our audit of the Aging Cluster for the fiscal year ended June 30, 2017, we performed certain information technology (IT) general controls review procedures for the FRRS. During our review, we found that a segregation of duties weakness exists because a developer was granted administrative access and the ability to promote 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’s (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.*
- Green Book Principle 16 – Perform Monitoring Activities, states that *Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*
- Green Book Principle 17 – Evaluate and Remediate Deficiencies, states that *Management should remediate identified internal control deficiencies on a timely basis.*

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

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### Finding 2017 – 003: (continued)

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

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

**Cause:** The two PDA IT employees that supported the FRRS application on the AS/400 system merged with the Department of Human Services (DHS) several years ago. When the one employee retired in January 2017, the other employee was assigned the administrator role. This employee is now responsible for all administrator responsibilities on the AS/400 system where the FRRS application resides. Although PDA management represents that no changes have been made to the FRRS application in years, no monitoring of system logs is being performed to ensure that any unauthorized changes to the production environment would be detected on a timely basis.

PDA is in the process of implementing a web-based application to replace the FRRS application in July 2018, which will enable management to segregate duties by utilizing additional resources created by the Commonwealth's Human Resources and Information Technology Shared Services Transformation.

**Effect:** The deficiency 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 PDA management work with DHS IT personnel to implement controls to eliminate the segregation of duties conflict. If preventive controls restricting a developer 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 without appropriate management authorization and approval.

**Agency Response:** PDA 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, 2017

### Department of Agriculture

#### Finding 2017 – 004:

#### 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 (A Similar Condition Was Noted in Prior Year Finding 2016-006)

Federal Grant Number(s) and Year(s): 2016 – 1PA300305 (10/1/2015 – 9/30/2016), 2017 – 1PA300305 (10/1/2016 – 9/30/2017)

Type of Finding: Significant Deficiency

Compliance Requirement: Other

**Condition:** The Department of Agriculture’s (AGRI) Bureau of Food Distribution utilizes the PaMeals application as an inventory and distribution tracking system for donated food for the Child Nutrition Cluster. In the prior audit, we found a lack of systems and programming standards, no documented evidence of management authorization to initiate, test, or move changes to the production environment, and a segregation of duties conflict to develop and deploy code to production.

We performed certain procedures in the current audit to review information technology (IT) general controls for the significant applications identified for this cluster and noted the following IT control weaknesses during the audit period over the PaMeals application:

1. There was no documented evidence of AGRI’s management authorization to initiate application changes, test the changes, or approval to move change(s) to the production environment.
2. A segregation of duties conflict existed as two individuals who develop program changes also deployed 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’s (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, 2017

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### Finding 2017 – 004: (continued)

- Green Book Principle 16 – Perform Monitoring Activities, states that *Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*
- Green Book Principle 17 – Evaluate and Remediate Deficiencies states that *Management should remediate identified internal control deficiencies on a timely basis.*

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

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

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

**Cause:** The PaMeals application is one of several regulatory applications at AGRI developed by an outside contractor. In February 2017, AGRI acknowledged awareness of ITP – SFT000, “Software Development Life Cycle Policy” and in August 2017, AGRI implemented “Oversight of Existing Software Applications in ‘Operations and Maintenance’ Stage of the Life Cycle” to supplement the ITP. Although these policies address the lack of systems and programming standards cited in the last audit, AGRI did not document evidence of management authorization to move programs to production until after the audit period. Also, AGRI is not complying with policy regarding segregation of duties between development and deployment of code to production. Further, AGRI management indicated the segregation of duties weakness may be corrected when the Commonwealth’s Human Resources and Information Technology Shared Services Transformation, which began in July 2017, is fully implemented.

**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 AGRI management:

1. 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.
2. Implement controls to eliminate segregation of duties conflicts. If preventive controls restricting programmers from both developing and deploying code are not feasible, AGRI management should consider implementing compensating detective controls, such as documented reviews of server logs by AGRI personnel, to ensure that no program changes are deployed to production without management approval.

**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.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 004: (continued)**

With regard to recommendation #1, the Department agrees that the process to “maintain documentation of management’s authorization to initiate program code development, testing of changes, and final approval of each PaMeals change before deployment to the production environment” was not in place at the beginning of the time period under consideration (10/1/2016 – 9/30/2017). Rather, this process was not actually initiated until the development of PaMeals version 5.2 which commenced in May 2017. Since that time, however, the Department has and will continue to maintain all necessary documentation.

With regard to recommendation #2, the Department agrees that there is a need to implement preventive controls restricting programmers from both developing and deploying code. Moving forward in the coming year, as OA’s Conservation and Environment Delivery Center transforms, there will be an opportunity to follow a more formal project management release process since there are additional IT staff to support the application deployment process. This will allow for the proper separation of duties as identified in the audit findings.

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, 2017

### Department of Community and Economic Development

#### Finding 2017 – 005:

#### 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 (A Similar Condition Was Noted in Prior Year Finding 2016-009)

**Federal Grant Number(s) and Year(s):** B-08-DN-42-0001 (1/01/2008 – 9/30/2017), 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 (1/01/2012 – 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 – 12/31/2018), B-15-DC-42-0001 (1/01/2015 – 9/30/2022), B-16-DC-42-0001 (1/01/2016 – 12/31/2016)

**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. In the prior audit, we found a lack of systems and programming standards, no documented evidence of management authorization to initiate, test, or move changes to the production environment, and a potential segregation of duties conflict to develop and deploy code to production.

We performed certain procedures in the current audit to review information technology (IT) general controls for this program and noted the following IT general control weaknesses over the ESA system:

1. There were no systems and programming standards established and maintained to outline requirements for changes to application software, system patching, configuration changes, and/or emergency changes.
2. A potential segregation of duties conflict existed because three individuals had 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’s (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...

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

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### Finding 2017 – 005: (continued)

- 11.16 ...Control activities for the development, maintenance, and change of application software prevent unauthorized programs or modifications to existing programs.
- Green Book Principle 16 – Perform Monitoring Activities, states that *Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*
- Green Book Principle 17 – Evaluate and Remediate Deficiencies states that *Management should remediate identified internal control deficiencies on a timely basis.*

Additionally, the Commonwealth's Information Technology Policy (ITP) – SFT000, *Software Development Life Cycle Policy*, states in part,

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

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

**Cause:** The lack of standards and segregation of duties conflict were due to the small size of the DCED IT staff and an informal change management process during the audit period. However, DCED developed a Change Management Plan in December 2017 which partially addresses the lack of systems and programming standards regarding changes to application software, but fails to address requirements for management authorizations to initiate application changes, testing of changes, or approval to move changes to the production environment for system patching, configuration changes, and emergency changes. Further, DCED management enhanced its utilization of Microsoft Visual Studio after the current audit period for use as a change management logging and monitoring tool. After the audit period, only one DCED individual has administrator access to promote code to production, and this individual does not have development access rights in Visual Studio. Further, DCED management indicated the segregation of duties weakness may be corrected when the Commonwealth's Human Resources and Information Technology Shared Services Transformation, which began in July 2017, is fully implemented.

**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 implement additional systems and programming standards that address management authorizations to initiate application changes, testing of changes, or approval to move changes to the production environment for system patching, configuration changes, and emergency changes.
2. 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 without appropriate management approval.

**COMMONWEALTH OF PENNSYLVANIA**

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***Federal Award Findings and Questioned Costs - June 30, 2017***

**Finding 2017 – 005: (continued)**

**Agency Response:** DCED 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, 2017***

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

#### **Finding 2017 – 006:**

#### **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 2016-010)**

**Federal Grant Number(s) and Year(s): 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 (1/01/2012 – 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 – 12/31/2018), B-15-DC-42-0001 (1/01/2015 – 9/30/2022), B-16-DC-42-0001 (1/01/2016 – 12/31/2016)**

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

**Compliance Requirement: Subrecipient Monitoring**

**Condition:** During the fiscal year ended June 30, 2017, the Department of Community and Economic Development (DCED) reported subrecipient expenditures for the US Department of Housing and Urban Development (HUD), Community Development Block Grants (CDBG) – State’s Program (including Neighborhood Stabilization Programs (NSP)) of \$30,699,067, which represented approximately 95 percent of total CDBG cluster expenditures on the Schedule of Expenditures of Federal Awards (SEFA). Based on our examination of the DCED Monitoring Schedule, there were 64 on-site visits scheduled for calendar year 2016. Of the scheduled on-site visits during the audit period, there were on-site monitoring visits made to 30 subrecipients during which 89 contracts were reviewed spanning contract years 2003 – 2015.

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
- Expenditure being incurred within the first 3 years of the grant.

DCED continues to be behind in monitoring all of its subrecipients in accordance with its monitoring schedule. The table below highlights the number of awarded subrecipients by grant year and the outstanding monitoring activities that have not been conducted as of June 30, 2017.

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## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 006: (continued)

Grant Year	Total Subrecipients	Subrecipient Desk Reviews/On-Site Visits Outstanding
2009	146	12
2010	148	81
2011	145	80
2012	142	102
2013	139	110

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 support for the following subrecipients for fiscal year 2017 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	7	7	5	7
Remaining Subrecipients	69	25	N/A	2	11

There were no 2017 grant funds expended during the fiscal year ended June 30, 2017.

**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.*

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

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

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

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Finding 2017 – 006: (continued)**

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

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

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

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

**Agency Response:** DCED agrees with the audit 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, 2017***

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

#### **Finding 2017 – 007:**

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

#### **The Department of Community and Economic Development Did Not Perform Sufficient Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2016-011)**

**Federal Grant Number(s) and Year(s):** G15B1PALIEA (10/1/2014 – 9/30/2016), G16B1PALIEA (10/1/2015 – 9/30/2017), G17B1PALIEA (10/1/2016 – 9/30/2018)

**Type of Finding:** Significant Deficiency, 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). DCED administers the LIHEAP funds and tracks its subrecipient program monitoring activities on a federal fiscal year (FFY) basis. As of September 30, 2017, DCED expended \$32,116,360 of LIHEAP funds for the DCED Weatherization program of which \$31,168,991 was paid to 37 DCED Weatherization subrecipients (local agencies) to intervene in energy-related crisis situations and provide low-cost residential weatherization and other cost-effective energy-related home repairs at eligible Pennsylvania residents’ homes.

According to the DHS LIHEAP State Plan, which includes a section on the Weatherization program, the LIHEAP funds transferred to 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. DOE regulations require DCED to conduct on-site monitoring visits at a minimum of five percent of completed homes during the program year. DCED indicated it is in the process of implementing new monitoring procedures to include different internal benchmarks of three percent and two percent for the homes receiving LIHEAP-funded services for crisis situations and standard weatherization services, respectively. DCED indicated in the corrective action plan in the prior year Single Audit that it would consider amending the 2016-2017 LIHEAP State Plan for the new procedures. However, DCED did not amend the 2016-2017 State Plan or the internal guidelines. Therefore, we evaluated the subrecipient monitoring using the five percent requirement.

Overall, our review of DCED’s monitoring activities determined that it did not sufficiently monitor the weatherization services of the local agencies that were funded by LIHEAP. Specifically, DCED failed to:

- Conduct monitoring site visits of at least five percent of the homes which had LIHEAP funded services completed during the program year.
- Complete monitoring activities as described in its monitoring guidelines.
- Consistently issue monitoring reports timely.
- Adequately track and document its monitoring activities.

DCED management provided FFY reports which showed that DCED conducted on-site monitoring of only 138 homes out of 8,724 homes with weatherization services completed, which represented only 1.6 percent of the LIHEAP-funded projects.

Although DCED conducted a subrecipient risk assessment of each local agency, it was not adequate as reported separately in Finding 2017 – 020, and the results were not formally documented and presented to local agency management for corrective action.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 007: (continued)

DCED uses an electronic spreadsheet to track its monitoring activities of local agencies which includes the dates that inspections are conducted, monitoring reports are issued, and corrective action plans are received. Our review disclosed that an initial spreadsheet was incomplete, and a subsequently revised spreadsheet indicated that DCED monitors did not conduct any quality control inspections (QCI) of homes serviced by one of the 37 local agencies. The initial spreadsheet indicated DCED monitoring staff did not conduct QCI of homes for 6 of 37 local agencies. We noted that 16 of 20 monitoring reports were untimely issued to local agencies, ranging from 2 to 93 business days after the 30 day grace period. We also reviewed a listing of the sites monitored by individual project number, but the total number of site visits conducted did not agree with the number of site visits recorded on the monitoring tracking spreadsheet.

DCED monitoring staff also conducted desk reviews of LIHEAP-Crisis projects during the fiscal year ended June 30, 2017, but these desk reviews were not adequately documented.

**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, Requirements for pass-through entities, states in part:

*(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 Weatherization portion of the LIHEAP State Plan states:

*Each Federal fiscal year, a State Plan is required [by DOE] for continued participation in the [Weatherization Assistance Program for Low-Income Persons] program. As such, the [DOE] State Plan establishes the number of homes to be weatherized...program implementation strategies and other program requirements. These requirements will apply to the LIHEAP portion of the Weatherization Assistance Program. The organization and content of the proposed plan are derived directly from DOE regulations as contained in the Federal Register, 10 CFR 440 Final Rule, published February 1, 2002, and subsequent DOE instructions.*

New DCED Weatherization monitoring guidelines became effective on November 1, 2016, issued as DCED Directive W2016-11. The guidelines outline DCED's procedures to oversee all aspects of local agencies' Weatherization operations to ensure compliance with LIHEAP and DCED State Plans and DOE federal regulations. They incorporated QCI, as required by DOE, and annual risk assessments of each of the 37 local agencies. The guidelines also included desk reviews of Weatherization projects and use of LIHEAP-Crisis Checklists as additional DCED monitoring activities. DCED Directive W2016-11 states:

*In FY 2016/17, each of the 37 [local agencies] will be assessed annually and have QCI oversight at least once during a program year. PA will meet or exceed the 5 percent requirement for on-site monitoring; and*

*QCI monitoring reports are reviewed in conjunction with other monitoring efforts which have been completed and a written response generated to the [local] agency within 30 days of the field visits outlining findings, recommendations, and requests for a follow-up response and/or corrective action plan...All results of both program and financial monitoring are tracked to final resolution.*

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

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2017*

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### **Finding 2017 – 007: (continued)**

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

**Cause:** Overall, operational changes to implement the new program standards, QCI, and monitoring were in progress during the program year which created additional demands on the program and DCED staff.

DCED management stated that the DOE monitoring requirement is not applicable to the LIHEAP funded projects and considers the 5 percent requirement to be only a guide.

DCED management emphasized that the new DOE monitoring requirements, specifically the required independent QCI of every home weatherized, provide a significant increase in the program's monitoring activities. The new monitoring requirements precipitated the development of DCED's revised monitoring guidelines.

DCED management did not issue formal reports to the agencies after it completed the first local agency annual risk assessments since DCED management believed the results were not an accurate representation of the agencies' actual risk. Management noted that, although the new QCI process was in place at the local agencies, the local agencies were still adapting to the new procedures, causing the assessments for each local agency to be inconsistent.

Regarding the inaccurate monitoring information recorded in the DCED's tracking system, management stated that its staff is occasionally untimely with recording data in the monitoring tracking system. Also, the delays in issuing monitoring reports were due to unforeseen absences of the supervisor, who is responsible for approving the monitoring site visit files prior to issuing the monitoring reports to the local agencies.

**Effect:** Without the timely completion of subrecipient monitoring, DCED cannot ensure compliance with program requirements, the efficient use of program resources, and confirm that local agencies are performing adequate services. Deviating from the monitoring plan weakens its control over program operations and increases the risk of fraud and abuse. Failing to issue monitoring reports and issuing untimely reports prohibits the local agencies from developing effective corrective action to timely address any deficiencies identified, and also restricts DCED's ability to properly track deficiencies and ensure their correction through resolution. DCED's lack of accurate monitoring records prevents DCED from tracking its progress during the year to ensure its monitoring goals are met.

**Recommendation:** We recommend that DCED ensure that all monitoring activities are completed sufficiently and timely in accordance with program regulations and guidelines. DCED should document the new monitoring procedures in the LIHEAP State Plan and DCED guidelines. Monitoring reports should be issued timely so adequate corrective action can be developed and implemented. An accurate monitoring tracking system with current information should be maintained to ensure sufficient monitoring is conducted timely.

**Agency Response:** The LIHEAP funds that are transferred to the Weatherization Assistance Program (WAP) are first and foremost required to handle the LIHEAP Crisis program which begins on November 1 of every year and ends around April 1 of the following year which is referred to as LIHEAP Crisis Services. The sole purpose is to respond to referrals made through the county assistance offices for heating emergencies of LIHEAP recipients. This entails first ensuring that the family will have temporary heat until the heating system is repaired, or if necessary replaced. The work involved in the home is solely related to keeping the LIHEAP clients warm. This could entail repairs to windows or doors, but it does not include the full range of what is standard weatherization work. LIHEAP Crisis Services work is markedly different than the work involved to weatherize a home which is called standard weatherization.

In the 2016-17 year, there were 7,890 homes served in the LIHEAP Crisis Program. Again, this work entails possible minor repairs in a home, but primarily involves the heating system repair or replacement. The expenditures to cover this work were approximately 80 percent of the total allocation (\$22,572,608). The DCED monitoring of this work can be

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2017*

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### **Finding 2017 – 007: (continued)**

accomplished by reviews in the Hancock Energy Software System to assure that the heating repairs or replacements are completed via the data details and the inclusion of pictures to substantiate the work. Although the monitors have done some on-site reviews of the furnace work, we have determined that adequate review of the LIHEAP Crisis work can be accomplished via the above described desk-type reviews.

The other 20 percent expenditure of the LIHEAP allocation (\$8,498,246) was used to conduct standard weatherization of 834 units. Standard weatherization services begin with a full whole house audit and diagnostic tests to determine the extent of air leakage in the home. The results of this audit guide the list of work that should be done in the home that will result in an appropriate Savings to Investment Ratio (SIR). The primary focus in standard weatherization is conducting work that is substantiated by the whole house audit, meets the national Standard Work Specifications for Weatherization and is passed by a nationally certified Quality Control Inspector, all for the benefit of Energy Savings. The Quality Control Inspection (QCI) is required for all units that are weatherized in PA. Therefore, all 834 units that were weatherized with LIHEAP funds, passed a QCI which is a new approach and requirement in the WAP. In the past, all weatherized units did not require a certified Quality Control Inspection process. PA WAP has therefore improved its working oversight of all weatherized units by 100 percent. DCED works with the Penn College National Sustainable Structures Center, NSSC, (PA's Weatherization Training Center) to assure that all training for QCI certification is conducted and all manuals are delivered to the field. There are approximately 52 QC Inspectors in PA. The DCED monitors are also QC Inspector certified.

DCED therefore contends that the oversight of the LIHEAP Crisis Program requires a different approach since it is not the same as the Quality Control Inspections that are done for a home that receives standard weatherization.

The 5 percent monitoring requirement which the AG has applied to the 8,724 units that received either LIHEAP Crisis or Standard Weatherization Services is not the operational interpretation DCED uses and that was submitted and accepted in the 2017-18 LIHEAP State Plan. The 5 percent monitoring requirement for LIHEAP funds was listed as a finding in the 2015-16 AG audit which resulted in the following operational standard which was submitted and approved in the 2017-18 LIHEAP State Plan (timing prevented its inclusion in the 2016-17 LIHEAP State Plan as described later): "For the LIHEAP Crisis Units, DCED will conduct a combination of desk and onsite monitoring of 3 percent of completed Crisis units. Since Crisis work primarily involves repair and replacement of broken heating units, the monitoring review will include a review of work done, the funds expended, and sign – off from the client, according to a specific monitoring checklist developed specifically for the monitoring of Crisis heating emergency jobs. Included in the monitoring review strategies, DCED regularly reviews Crisis jobs in making fuel switch determinations and when assisting Weatherization Agencies in cases which present unique issues. These reviews are included in the 3 percent of Crisis units monitored. For the monitoring of LIHEAP Standard Weatherization, at least 2 percent of the completed units will be site inspected utilizing the Quality Control Inspection (QCI) process as described above."

Applying this operational process described above, DCED provided the AG with the numbers that meet the guidelines: Two hundred thirty-eight (238) LIHEAP Crisis Homes were DCED monitored (utilizing either on-site or desk reviews). This meets and exceeds by 2 the 3 percent requirement listed above.

One hundred twenty-four (124) units were QCId by DCED monitors which far exceeds the 2 percent requirement as listed above.

Again, DCED realizes that the corrective action from the 2015-16 single audit stated that the state plan language would be amended to include the above referenced language regarding percentages of monitoring to be conducted; however, it was determined that the time and effort needed to request a change in a federal state plan would take precious staff time away from re-writing policies and guidelines and authoring the appropriate 2017-18 state plan language. Therefore, due to timing issues, the changes were not made in the LIHEAP State Plan until the 2017-18 State Plan document which was accepted and approved. Changes are still being made to update the DCED monitoring guidelines and directives since the process has been evolving and formulated according to the operational experiences from the past year.

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## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Finding 2017 – 007: (continued)**

In addition, the AG has listed some information about the Department of Energy (DOE) monitoring process intermingled with the new risk assessment process and attempts to explain those processes in congruence with the LIHEAP monitoring process. We disagree with their conclusions given that the new QCI process and the risk assessment process have been under development over the last two years. Although the results of the 2017 risk assessment process did not result in any formal findings of high risk to an individual agency, the results did uncover that the agencies were experiencing lack of production, low expenditure issues, and exceeding the allowable average cost per unit. DCED was able to bring these issues to agencies' attention both individually and as a network which then led to their correction of the issues and an average cost which was accepted by the federal DOE and accepted by DCED for the LIHEAP standard weatherization work.

A note of mention is that PA WAP was monitored by the federal DOE in August/September of 2016. DOE was aware of the many operational changes imposed upon the WAP nationally and understood the program challenges facing PA WAP. As the primary funder for WAP, the DOE provided guidance regarding PA's efforts to bring PA WAP work into full compliance. The DOE also visited several weatherized sites in the state. Their recommendation was to continue monitoring, of course, but also to focus on the technical assistance and training needed by the PA WAP network to assure that the QCI processes and the WAP practices were up to the national Standard Work Specifications. This added to DCED's intention to provide as much help to the field as necessary within the staffing structure that existed.

In addition to implementing the Standard Work Specifications and Quality Control Inspections, DCED monitoring staff were also involved in establishing WAP Multi-Family Weatherization which is run by a different set of Standard Work Specifications and requires also a specialized Multi-Family Quality Control Inspection Certification. Because of the DCED staff efforts and in collaboration with the PA National Sustainable Structures Center (PA's Weatherization Training Center), two agencies conducted multi-family WAP work and almost 14 workers, including the DCED monitors, received Multi-Family Quality Control Inspection Certifications. This is included as an example of the progressiveness that the WAP program demands and the time and intensity needed to move PA WAP toward the most current national WAP endeavors, all within the existing DCED staffing structure.

In conclusion, DCED staff can certainly improve its timeliness with the issuance of monitoring reports and the counting and adequate tracking of visits and reports, however disagrees that DCED was unable to ensure compliance with program requirements. There are many creative methods and processes in statewide change management which have been used in this program to address operational issues and resolve any compliance issues as the means to improve the network's performance. There were countless hours of communication with network agencies via phone calls, email, in-person technical assistance, training programs and meetings that DCED has handled to assure that PA's LIHEAP Crisis Program and the LIHEAP Standard Weatherization work is of the highest quality and meets all federal requirements. DCED utilizes operational flexibility to decide the best method to address any issues which are discovered because of the risk assessment and QCI monitoring process. The monitoring percentages which have been found to be "out of compliance" by the AG are now corrected in the 2017-18 LIHEAP State Plan.

**Auditors' Conclusion:** DCED's response states that staffing issues prevented DCED from implementing changes to its monitoring policies and procedures until the implementation of the 2017-2018 LIHEAP State Plan. We audited against the criteria in the 2016-2017 LIHEAP State Plan which was in effect for the monitoring period in question, so that is the criteria DCED should have complied with for the fiscal year ended June 30, 2017 audit period.

The desk reviews and QCIs mentioned by DCED in its response were not sufficient to meet the monitoring requirement which states that DCED is responsible for conducting on-site monitoring visits of at least five percent of the homes which had LIHEAP funded services completed during the program year.

DCED's focus on providing technical assistance and training related to Weatherization and QCI processes does not preclude DCED from being required to comply with the subrecipient monitoring requirements which were in effect for the period under audit.

DCED's subrecipient risk assessments and evidence of monitoring need to be adequately documented, retained, and made available for audit.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 007: (continued)**

DCED's response acknowledges that DCED needs to improve the timeliness of issuance and tracking of monitoring visits and reports, and states that DCED believes monitoring percentages have been corrected in the 2017-2018 LIHEAP State Plan, which as noted above, was not in effect for the audit period in question. Therefore, DCED was not in compliance with the monitoring requirements in effect during the fiscal year ended June 30, 2017.

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

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, 2017***

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### **Department of Education**

#### **Finding 2017 – 008:**

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

#### **Material Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement (A Similar Condition Was Noted in Prior Year Finding 2016-012)**

**Federal Grant Number(s) and Year(s):** 2016-1PA300305 (10/1/2015 – 9/30/2016), 2017-1PA300305 (10/1/2016 – 9/30/2017)

**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, 2017, subrecipient expenditures accounted for \$120.9 million or approximately 99 percent of total federal program expenditures of \$121.9 million. As part of our testing of subrecipient expenditures, we selected 40 individual claim reimbursements to test PDE’s procedures to process subrecipient agreements and claims for meal and administrative cost reimbursement.

For two of the 40 test items, we found claims submitted by day care home sponsors (sponsors) that reported an average daily attendance (ADA) that exceeded enrollment as follows:

- One sponsor tested had 243 participating day care home providers (providers). For 25 of the 243 providers we compared total enrollment on the sponsor application to the ADA reported on the claim and found that one of 25 providers for the month of January 2017 reported an ADA of 11 while the provider’s total enrollment was 7.
- One sponsor tested had 151 providers. We tested 19 of the 151 providers and found 3 reported a higher ADA for the month of February 2017 than their total enrollment. The ADA figures reported for these three providers were 9, 6, and 8 while their total enrollments were 7, 5, and 6, respectively.

We also found that for one of the 40 subrecipient agreements tested, the agreement was not signed and dated as approved by PDE until after we requested to review the agreement. The PDE approval signature and date on the agreement were more than 14 months after the signature and date of the subrecipient. As such, the agreement appears to have been put into effect by PDE before it was officially signed and approved.

**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.*

Regarding program agreements, 7 CFR 226.6 states in part:

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 008: (continued)

- (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.*

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

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

**Cause:** PDE officials acknowledged the lack of internal control procedures to compare and 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 its Program Electronic Application and Reimbursement System (PEARS) to perform this comparison. PDE provided documentation to support the implementation of these procedures; however, these updated procedures were not in place during the audit period and were not subject to testing.

PDE management could provide no explanation for the post-dated approval signature on a subrecipient agreement. PDE indicated that they realized the signature and date were missing after the documentation was requested for the audit.

**Effect:** Inaccurate ADA reported on claims for reimbursement to day care home sponsors could result in overstated or inaccurate meal reimbursements and unallowable costs.

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

**Recommendation:** PDE should review the claim reimbursements in question and determine if the claim reimbursements are accurate considering that the ADA exceeded the total enrollment for the four providers noted in the condition.

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

**Agency Response:** PDE, Division of Food and Nutrition (DFN), agrees with the finding related to the average daily attendance exceeding enrollment on the Claim for Reimbursement. A business rule was added to PEARS in November 2017 which is outside the audit period. On December 17, 2017, USDA issued a Management Decision that determined the corrective action DFN took was satisfactory.

DFN acknowledges that a signature was missing on 1 of the 40 Sponsor Agreements reviewed by the auditors. The Agreement was subsequently signed at the time it was pulled for the auditor's review and documented that it was signed after the fact.

# ***COMMONWEALTH OF PENNSYLVANIA***

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## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 008: (continued)**

It is important to note that DFN processes 15-20 new Sponsor Agreements each month (180-240/year) in addition to over 1,100 CACFP Sponsor Agreements annually. While this document is an important means of demonstrating the sponsor's legal culpability for appropriately spending the program's federal funds, it is only one step among many in the onboarding process. Other steps in this process include:

- Additional Paper Documents (PEARS User Authorization Form, Pricing/Non-Pricing Policy, Monitoring Visits)
- Required Training
- Sponsor Applications in PEARS
- Site Information for Each Site

Additionally, segregation of duties provides that the same person entering the entity as a new sponsor in PEARS is not the same person that gives them access to PEARS and is not the same person that reviews and approves their Application in PEARS. Furthermore, the absence of a signature on a Sponsor Agreement does not impact the amount of funding a sponsor receives.

**Auditors' Conclusion:** PDE agrees with the finding. We will review any corrective action in the subsequent audit.

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

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

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Department of Education**

#### **Finding 2017 – 009:**

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

#### **Material Noncompliance and a Material Weakness Exist in Pennsylvania Department of Education Monitoring of Child and Adult Care Food Program Subrecipients**

**Federal Grant Number(s) and Year(s):** 2016-1PA300305 (10/1/2015 – 9/30/2016), 2017-1PA300305 (10/1/2016 – 9/30/2017)

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

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** The Pennsylvania Department of Education (PDE), Division of Food and Nutrition, Bureau of Budget and Fiscal Management, administers the operations of the Child and Adult Care Food Program (CACFP). During the fiscal year ended June 30, 2017, subrecipient expenditures accounted for \$120.9 million or approximately 99 percent of total federal program expenditures of \$121.9 million. As part of our testing of subrecipient monitoring, we selected 40 subrecipients to test PDE’s monitoring procedures.

PDE performs on-site monitoring of subrecipients to ensure compliance with federal program regulations. Independent centers and sponsoring organizations of 1 to 100 facilities must be reviewed once every three years, and sponsoring organizations with more than 100 facilities must be reviewed once every two years. PDE uses standardized monitoring reports for independent centers and sponsoring organizations to document its review of each subrecipient, noting findings and areas for improvement. PDE communicates any deficiencies noted and recommendations to the subrecipient and requires the subrecipient to submit corrective action documents (CAD) to PDE. PDE then reviews and evaluates responses submitted on the CAD for adequacy. During the current audit period, PDE implemented new procedures to extend the time from the on-site exit date to the date the review must be closed from 120 days to 140 days.

We sampled 40 of PDE’s on-site reviews of sponsors out of a population of 463 reviews scheduled during program year October 2016 to September 2017. We audited this period because PDE tracks their on-site monitoring based on a federal fiscal year basis. We noted the following deficiencies in our monitoring testing:

- For ten sponsor reviews, we found that PDE has yet to close the review within the required 140 day time period using a cutoff date of January 31, 2018. The number of days the reviews were in process and not yet closed ranged from 1 to 49 days beyond the due date with an average of 23 days late. Also, these ten reviews did not yet have a signed final approval letter issued from PDE.
- For two sponsor reviews that were completed by PDE during the audit period and had a final approval letter issued, we found PDE took 10 and 11 days, respectively, beyond the due date to close these reviews.

In addition, we followed up with PDE on a sponsor (subrecipient) identified in our prior audit period that was placed in serious deficiency status by PDE. Since receiving the results of an audit report of agreed upon procedures dated May 1, 2015 and a performance audit dated July 26, 2017, both performed by the Commonwealth of Pennsylvania’s Office of the Budget, PDE has not provided a response to this sponsor to address the findings and required corrective actions, more than six months after the issuance of the July 26, 2017 audit report.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 009: (continued)

**Criteria:** 7 CFR 226.6 (m)(3) regarding review content for compliance states:

*As part of its conduct of reviews, the State agency must assess each institution's compliance with the requirements pertaining to: (i) Recordkeeping; (ii) Meal Counts; (iii) Administrative Costs; (iv) Any applicable instructions and handbooks issued by FNS or the Department... (v) Facility licensing and approval; (vi) Compliance with the requirements for annual updating of enrollment forms; (vii) If an independent center, observation of a meal service; (viii) If a sponsoring organization, training and monitoring of facilities; (ix) If a sponsoring organization of day care homes, implementation of the serious deficiency and termination procedures for day care homes and, if such procedures have been delegated to sponsoring organizations in accordance with paragraph (l)(1) of this section, the administrative review procedures for day care homes; (x) If a sponsoring organization, implementation of the household contact system established by the State agency pursuant to paragraph (m)(5) of this section; (xi) If a sponsoring organization of day care homes, the requirements for classification of tier I and tier II day care homes; and (xii) All other program requirements.*

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

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

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

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

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

**Cause:** PDE management indicated the reason the reviews did not close within the required timeframe was due to long term staff vacancies which PDE actively attempted to fill. PDE staff continue to work overtime to minimize the backlog. Additionally, there were more CACFP reviews than usual, due to the increased number of follow up reviews being conducted.

As for the delay in the response to the audits related to the sponsor that is in the serious deficiency process, management stated that they are in the process of formulating a response to the audits.

**Effect:** Due to PDE's untimely review and oversight, subrecipients were not properly monitored to ensure compliance with program regulations. When findings and CADs are not reviewed, approved, and closed by PDE timely, subrecipients may continue to operate in noncompliance with program regulations. Permitting subrecipients to operate in violation of program requirements for extended periods of time increases the likelihood that funds may not be spent for intended purposes or in accordance with program requirements. Furthermore, untimely closure of findings and CADs by PDE increases the likelihood that individuals served by the program are not receiving the benefits that are paid for with CACFP funds.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Finding 2017 – 009: (continued)**

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

**Agency Response:** PDE, Division of Food and Nutrition (DFN), agrees that it did not comply with the internal procedure for closing Administrative Reviews (ARs) within 140 days of the exit conference. DFN remains committed to meeting this time line, as evidenced by its consistent progress in reducing the backlog of open ARs. As indicated during the audit, this backlog developed due to prolonged staff vacancies. DFN continues to improve its performance in this area, and monitors its progress on a weekly basis.

DFN disagrees with the auditor’s citation of 7 CFR 226.6 (m)(3) in this finding. This federal citation relates to the content of the reviews and does not support the issue identified by the auditor. The reviews that the auditor sampled were completed within the required timeframe and the required material was covered as part of the AR. Review of the corrective action plans submitted by the sponsors and subsequent action, such as closure letters, do not have regulatory timeframes.

Furthermore, the finding effect indicates subrecipients were not properly monitored due to PDE’s untimely review and oversight. As stated above, ARs were conducted within the required timeframe. Regulatory noncompliance issues were properly identified in the corrective actions. While DFN understands reviewing corrective action plans in a timely manner is important, the finding criteria and effect are not supported by program regulations.

**Auditors’ Conclusion:** PDE agrees with the finding with the exception of citation 7 CFR 226.6 (m)(3) in the finding criteria section and the effect section which indicates subrecipients were not properly monitored. The citation in the criteria section is relevant to the finding because this citation adds perspective to the subrecipient monitoring requirements referred to in the finding condition. We acknowledge subrecipient monitoring was in process, however, timely completion of the CAD is critical to ensure regulatory compliance by subrecipients.

The finding remains as stated. We will review any corrective action in the subsequent audit.

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

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

# ***COMMONWEALTH OF PENNSYLVANIA***

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Department of Education**

#### **Finding 2017 – 010:**

#### **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 2016-013)**

**Federal Grant Number(s) and Year(s):** S010A140038 (7/01/2014 – 12/30/2016), S010A150038 (7/01/2015 – 12/30/2017), S010A160038 (7/01/2016 – 12/30/2018)

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

**Compliance Requirement:** 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 assessment results and 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 the assessment examination results and corresponding school classifications and 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 2015-16 school year during the fiscal year ended June 30, 2017. 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 for one out of 20 fields tested from the CSPR:

- On the CSPR, Section 1.6.6.2, Professional Development, the number of subgrantees in the data field titled “Understanding and implementation of ELP [English Language Proficiency] standards and academic content standards for LEP [Limited English Proficiency] students”, was reported as 279, which did not agree to the total of the source documentation of 281, resulting in an understatement of two subgrantees.

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.

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2017*

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### **Finding 2017 – 010: (continued)**

Therefore, we selected and tested 17 individual review procedures related to PSSA and Keystone Exams. Based on our testing, the following deficiencies were noted:

- For two review procedures related to the Literature Keystone and the Spring Biology Keystone Exams out of 17 procedures tested, PDE personnel represented that reviews were performed but could not provide written evidence that the reviews were performed.
- PDE personnel represented that no specific review procedures were planned or performed for the PASA data for all grades (3 through 8 and 11) when it was incorporated into the student files.

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 for 39 out of 40 fields, we noted information technology control deficiencies related to the PIMS system and the outside testing vendor as follows:

- Basic Financial Statement Finding 2017 – 001, which was reported for the Commonwealth for the fiscal year ended June 30, 2017, disclosed information technology (IT) general control weaknesses in that management grants the PIMS vendor 24/7 access to its servers for up to 30 days at a time. Management does not review the server logs, and management cannot verify if all vendor changes to the application have been appropriately monitored.
- The vendor who compiles the student testing data for PDE received a System and Organization Control (SOC) report issued as of June 30, 2017, using criteria set forth in the American Institute of Certified Public Accountants (AICPA) Guide, *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing, Integrity, Confidentiality, or Privacy* (SOC 2). However, this report was a type 1 report that did not include tests of operating effectiveness of controls. Further, the SOC auditors identified exceptions in configuration compliance and/or vulnerability scans, resulting in noncompliant controls related to system operations and processing integrity.

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 2014-15 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 2015-16 school year State RFRM which was submitted to the USDE during the fiscal year ended June 30, 2017. 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, 2017, 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:

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 010: (continued)

- The data file which contained the 4-year adjusted cohort for the 2014-15 school year graduating class included 798 duplicate students out of 138,309 students, which resulted in an overstatement of the actual total of 137,511 students. PDE management stated it was not possible to recalculate the correct graduation rate, since insufficient data was available to determine the correct number of graduates within the 798 duplicate records. Based on the number of duplicate records, the 85.23 percent graduation rate reported by PDE for the school year 2014-15 was immaterially misstated.
- 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:** 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);*

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.*

(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).*

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2017*

### **Finding 2017 – 010: (continued)**

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

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

Further, Green Book Principle 11 – Design Activities for the Information System states in part:

*11.16 Management may acquire information technology through packaged software from vendors. Management incorporates methodologies for the acquisition of vendor packages into its information technology development and designs control activities over their selection, ongoing development, and maintenance. Control activities for the development, maintenance, and change of application software prevent unauthorized programs or modifications to existing programs.*

*11.17 Another alternative is outsourcing the development of information technology to service organizations. As for an SDLC [Systems Development Life Cycle] developed internally, management designs control activities to meet objectives and address related risks. Management also evaluates the unique risks that using a service organization presents for the completeness, accuracy, and validity of information submitted to and received from the service organization.*

Finally, a well-designed system of internal controls dictates that information technology general controls be adequately designed and operating effectively to ensure that federal programs are administered in accordance with management's intent.

**Cause:** PDE personnel stated the CSPR reporting error was due to an error in the source file query which did not identify all non-negative variables.

PDE uses PIMS data which has inadequate information technology general controls, and PDE relies upon the outside testing vendor for the administration and compilation of student assessment data and classification of Title I schools. PDE personnel indicated the documentation of the manual review of the Literature Keystone and the Spring Biology Keystone Exams could not be located.

PDE personnel stated that the specific PASA data review procedure was eliminated since PDE believes PASA data has not substantively changed in recent years and is easily incorporated into the student file, and PDE's resources could be used for more valuable reviews. PDE personnel indicated that PASA data is still subject to random selection and verification at the state, district, and school levels.

PDE personnel stated that the duplicate students were due to multiple LEAs attributing individual students to more than one school. Although PDE notified LEAs of possible errors, some LEAs chose not to make corrections. PDE personnel indicated that LEAs retain ownership of their data, so PDE will not change the LEAs' data without the LEAs' approval. PDE personnel represented that additional procedures were implemented subsequent to the reporting of the 2014-15 data to eliminate the reporting of duplicates and to improve the accuracy of the student data reported.

The PIMS system resides on servers at the Commonwealth's Enterprise Data Center (EDC). PDE grants the PIMS vendor 24/7 access to the EDC servers for periods of up to 30 days to perform software maintenance and other tasks, and PDE does not review the server logs to confirm that all application changes have been communicated by the vendor. As indicated in the management response to Basic Financial Statement Finding 2017 – 001, PDE management believes they have already established adequate controls for communication, approval, and functionality of vendor changes to the PIMS system and servers. However, we disagree with the adequacy of the controls without a review of the server logs.

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2017*

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### **Finding 2017 – 010: (continued)**

As for the testing vendor, the SOC report provided did not include tests of operating effectiveness and concluded only on the design of controls. Further, the SOC auditors noted exceptions in the report that indicated controls were not designed adequately to mitigate risks for completeness, accuracy, and validity of information received from the service organization. The SOC report was not received timely. Therefore, PDE could not follow up on the noted exceptions or address risks related to the exclusion of tests of operating effectiveness.

**Effect:** There was a misstatement of the high school graduation rate and a data field on the CSPR. 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.

Due to information technology control weaknesses in PIMS, and since the SOC report of the testing vendor did not include tests that would confirm the operating effectiveness of the vendor's controls 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.

The inadequate information technology general controls over the PIMS system and at the outside testing vendor increase the importance of manual compensating controls referenced above.

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.

**Recommendation:** PDE management should implement sufficient controls to ensure compliance with ESEA and NCLB. Those controls should consist of a combination of both IT and manual controls that provide reasonable assurance that the required reporting on the CSPR and/or RFRM is complete and accurate.

Regarding the IT controls deficiencies, PDE management should monitor activity of the PIMS system by reviewing server logs during the entire period the vendor has been granted access to ensure that all vendor actions in the system have been appropriately monitored. These reviews should be documented and available for audit. This monitoring should ensure the proper execution of control activities for the development, maintenance, and change of the PIMS application software to prevent unauthorized programs or modifications to existing programs.

Further, PDE management should work with the outside testing vendor to ensure the vendor's SOC report includes tests of operating effectiveness (known as a "type 2" SOC report). Management should also follow up with the vendor to understand the nature and impact of the exceptions noted in the vendor's June 30, 2017 SOC report. Appropriate controls at PDE to compensate for the control weaknesses at the vendor should be implemented until the vendor corrects the deficiencies.

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. Attribution problems should be remediated in order to prevent duplicate student counts in the high school graduation rate data.

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

Item #1: PDE agrees with this portion of the finding. PDE has corrected this issue so this will not happen again in the future.

Item #2: PDE agrees with this portion of the finding and will address through corrective action.

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2017*

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### **Finding 2017 – 010: (continued)**

Item #3: PDE disagrees with this portion of the finding. The PASA data is treated like any other subgroup and is subject to random verification prior to final approval for the use of the data in any publications. It should be noted that some of the auditors' selected data points were in fact PASA data. The results of the audit revealed that there were no errors in this data down to grade and subject level within randomly selected schools. Therefore, PDE stands by its process to randomly select data points at the individual school, district, and state level and to include PASA students in a similar manner to other subgroups (gender, race, IEP, EL students). Based on this information, PDE believes there is no need for additional review procedures for the PASA data.

Item #4: This portion of the finding is addressed in the Basic Financial Statement Finding 2017 – 001.

Item #5: Management Directive 325.13, *Service Organization Controls*, had been issued November 22, 2017. PDE is reviewing this information to identify Service Organizations and determine the extent of oversight needed to meet the objective of this Management Directive.

Item #6: As indicated in PDE's response to the prior year audit, it is aware of the duplicate student records in the cohort graduation rate and has developed processes and procedures to prevent duplicates in reporting; they will become evident in future reporting.

Item #7: PDE disagrees that adequate manual controls are lacking. It should be noted that the number of duplicate records has decreased steadily over the years, and the impact on the graduation rate is minimal given the number of records impacted are a fraction of one percent.

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

Regarding PDE's responses related to the review procedures over the PASA data and the inadequate manual controls over the high school graduation rate, 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. Documentation of manual control procedures performed by PDE should be retained and made available for audit.

As noted in our auditors' conclusion to Basic Financial Statement Finding 2017 – 001, we acknowledge that PDE's Office of Data Quality has procedures in place to review vendor changes to the system whenever the vendor notifies PDE. However, PDE does not revoke the vendor's access after the specific approved change has been implemented. Instead, PDE grants the vendor 24/7 access for up to 30 days and does not review system logs during the entire period that the vendor has access. Therefore, we continue to recommend that PDE review the server logs during the entire period the vendor has been granted access to ensure all vendor actions in the system have been appropriately monitored.

Regarding Commonwealth Management Directive 325.13, PDE management should evaluate the appropriate level of oversight for the student testing vendor to determine which monitoring requirements, independent audits, or assessments are needed to confirm the operating effectiveness of the vendor's internal control system and to ensure student testing data included in federal reports are complete and accurate.

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, 2017***

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### **Department of Human Services**

#### **Finding 2017 – 011:**

#### **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 2016-016)**

**Federal Grant Number(s) and Year(s): 1601PATANF (10/1/2015 – 9/30/2016), 1701PATANF (10/1/2016 – 9/30/2017), 171PA405S2514 (10/1/2016 – 9/30/2017)**

**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, 2017 totaled over \$2.6 billion. Total benefit expenditures for TANF for the year ended June 30, 2017 totaled over \$200.89 million.

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

- Failure to provide evidence for additions and removals made in the EPPIC EBT System (1 district office);
- Failure to maintain adequate physical security over EBT cards, EBT card equipment, and EBT logs (2 locations);
- Failure to assign a CAO Card Pinner (1 district office);
- Failure to complete the PW764 Form for exceptions to central issuance (2 locations);
- CAO list of personnel included in the EBT Card Tracking Database differed from the list obtained from Department of Human Services (DHS) (2 district offices and 3 locations) and the differences could not be reconciled.

Forty of the 261 business days in the current audit period were selected to review the handling and destruction of returned EBT cards. During our review of the handling and destruction of returned EBT cards, we noted exceptions on two of the 40 business days selected for testing. These exceptions included failure to complete all fields in the EBT Card Destruction Log and failure to obtain approval by the supervisor prior to card destruction.

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

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

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### Finding 2017 – 011: (continued)

(1) Authorizing household benefits.

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

(x) Inventorying and securing accountable documents;

(b)(3) System security. As an addition to or component of the Security Program required of Automated Data Processing systems prescribed under §277.18(m) of this chapter, the State agency shall ensure that the following EBT security requirements are established:

(i) Storage and control measures to control blank unissued EBT cards and PINS, and unused or spare POS devices.

7 CFR Section 274.5 Record retention and forms security states:

(c) Accountable Documents.

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

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

45 CFR 75.302 applicable to TANF states:

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

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

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

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

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

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

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

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## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Finding 2017 – 011: (continued)**

**Agency Response:** DHS disagrees it failed to maintain adequate physical security over EBT cards.

Location 1: EBT cards and EBT logs are kept in a locked file cabinet in the Clerical Supervisor's Office. One PIN device is locked in a separate filing cabinet in the Clerical Supervisor's office (from the EBT cards). The second PIN device is in a locked filing cabinet in the staff reception area. The card printer is in the secure staff reception area and is only accessible via a security door with PIN code access.

Location 2: EBT cards are kept in a locked file cabinet in the office of an Income Maintenance Casework Supervisor. This is a secure area only accessible via a security door with PIN code access. The key to the filing cabinet is in a drawer in the staff reception area and, again, only accessible via a security door with PIN code access. The PIN device and EBT logs are locked in a file cabinet in an area only accessible to CAO staff. The card printer is also in a secure, staff only location which is accessible via a security door with PIN code access.

DHS also disagrees the CAO's list of personnel authorized to create EBT Cards or grant PIN numbers differed from Department of Human Services' (DHS) master list (2 district offices and 3 locations). Reconciliation of the DHS master list only occurs on a quarterly basis. In order for CAOs to comply with federal regulations regarding EBT security, CAOs must make updates to their card maker and card pinner lists as they occur. For reconciliation purposes, this information is updated in the central office as changes are made. They do not, however, show on the master list until quarterly updates occur. Both CAOs and the Central Office can show proof of current card maker and pinner lists based on the updates that have been made.

DHS agrees with the remainder of this finding.

**Auditors' Conclusion:** Regarding DHS's disagreement to condition #2 (failure to maintain adequate physical security over EBT cards, EBT card equipment, and EBT logs), our current year test work included observation of the physical security over EBT cards and related equipment and records by performing on-site reviews and reviewing documented policy and procedures. During our testwork we based our procedures in part on the questionnaire utilized by DHS's Bureau of Program Evaluation (BPE)/Division of Corrective Action (DCA) to conduct their on-site reviews on compliance with the EBT Security procedures. The BPE/DCA questionnaire notes that the key to the room where EBT cards are stored should be kept in a secure location separate from where the EBT cards are kept in order to maintain adequate security over the items in question. The BPE/DCA questionnaire also contains general questions surrounding the security of the location where EBT cards and related equipment and records are stored. We acknowledge that the general location of the EBT cards and related equipment and records at the two sites were in an area of the facility secured from public access via a door with PIN code access; however, we do not feel this constitutes adequate security to ensure secure storage and limited access to EBT Cards. Therefore, our finding and recommendation remain as previously stated.

In regard to DHS's disagreement with condition #5 (CAO list of personnel included in the EBT Card Tracking Database differed from the list obtained from Department of Human Services and the differences could not be reconciled), management could not provide us with supporting documentation to explain the variances with the individuals reported within the EBT Card Tracking System. Therefore, our finding and recommendation 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, 2017***

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### **Department of Human Services**

#### **Finding 2017 – 012:**

**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 2016-017)**

**Federal Grant Number(s) and Year(s): 1602PATANF (10/1/2015 – 9/30/2016), 1702PATANF (10/1/2016 – 9/30/2017), 1601PAFOST (10/1/2015 – 9/30/2016), 1701PAFOST (10/1/2016 – 9/30/2017), 1601PAADPT (10/1/2015 – 9/30/2016), 1701PAADPT (10/1/2016 – 9/30/2017)**

**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:

- Six of 15 on-site inspections of the 13 CCYAs tested were not reviewed and approved by a supervisor and a regional director timely. Two CCYAs had two inspections completed during the audit period due to provisional licenses being issued during the fiscal year ended June 30, 2017. Five of the inspections tested were reviewed and approved, but not until after the expiration of the prior license. The inspections were approved between 12 to 65 days beyond the expiration of the prior license. One of the 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 40 days after the expiration of the prior license.
- Four of the 6 inspections that were reviewed and approved untimely were for 2 CCYAs that received provisional licenses from DHS OCYF during the fiscal year ended June 30, 2017. 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 September 17, 2016 to November 9, 2016 and from March 17, 2017 to March 26, 2017, and for the second CCYA from November 6, 2016 to December 11, 2016 and from May 6, 2017 to May 21, 2017.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 012: (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, 2017 were \$201.3 million, or 92.5 percent of total Foster Care expenditures of \$217.6 million reported on the June 30, 2017 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, 2017 were \$79.5 million, or 74.4 percent of total Adoption Assistance expenditures of \$106.9 million reported on the June 30, 2017 SEFA. TANF Child Welfare program payments made by DHS to its 67 CCYA subrecipients during the fiscal year ended June 30, 2017 were \$60.5 million, or 12.3 percent of total TANF expenditures of \$490.5 million reported on the June 30, 2017 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.*

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

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

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Finding 2017 – 012: (continued)**

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

DHS personnel did not explain why the 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.

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 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, 2017***

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### **Department of Human Services**

#### **Finding 2017 – 013:**

#### **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 2016-018)**

**Federal Grant Number(s) and Year(s):** 1502PATANF (10/1/2014 – 9/30/2015), 1601PATANF (10/1/2015 – 9/30/2016), 1701PATANF (10/1/2016 – 9/30/2017)

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

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** During the fiscal year ended June 30, 2017 the Department of Human Services (DHS) paid \$74.8 million in Temporary Assistance for Needy Families (TANF) funding to subrecipients within the New Directions, Cash Grants, and Alternatives to Abortion appropriations (or 15.2 percent) out of total Federal TANF expenditures of \$490.5 million reported on the June 30, 2017 Schedule of Expenditures of Federal Awards (SEFA).

Our testing of DHS's during-the-award monitoring of 15 subrecipients for the fiscal year ended June 30, 2017 disclosed that DHS performed on-site monitoring of 14 subrecipients and limited off-site procedures for the remaining subrecipient 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 15 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 monitoring procedures include reviewing subrecipient completed questionnaires for selected subrecipients that have questions related to financial matters, DHS monitors did not review subrecipient financial records. For example, DHS did not perform procedures to ensure subrecipient invoices agreed to the books and records of the subrecipient and that the records were adequate to support the allowability of costs paid by DHS during the award period. In addition, DHS's monitoring procedures did not include an evaluation of the operating effectiveness of the procedures at its subrecipients to track and monitor Single Audits or follow up on any related findings.

Regarding the one subrecipient noted above that was not subject to on-site monitoring, DHS personnel stated that no on-site monitoring occurred because DHS was awaiting the results of a performance audit report issued on September 5, 2017 by the Department of the Auditor General – Bureau of Performance Audits that was a follow-up to an audit report issued on April 25, 2016 by DHS, Bureau of Financial Operations, of this subrecipient covering the period July 1, 2012 to June 30, 2015. However, to date DHS is still in the process of resolving findings reported in both of these audits that include: service providers of the subrecipient inappropriately billing costs resulting in questioned costs, internal control deficiencies at the subrecipient related to service provider billings, and the subrecipient inappropriately charging a 3 percent fee to its service providers. Since no on-site monitoring of this subrecipient occurred during the audit period, the same weaknesses and noncompliance resulting in potential 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, 2017. The deficiencies identified in both of these audit reports existed and went undetected because there were inadequate during-the-award monitoring procedures in place at DHS to effectively monitor TANF subrecipients.

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

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### Finding 2017 – 013: (continued)

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

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

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

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

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

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

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

**Cause:** DHS has not implemented adequate during-the-award monitoring procedures of subrecipients to include testing of the financial records and monitoring Single Audits at the subrecipient level sufficient to ensure that the subrecipients are in compliance with federal regulations.

**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, 2017***

### **Department of Human Services**

#### **Finding 2017 – 014:**

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

#### **Material Noncompliance and Material Weaknesses Exist in the Claiming and Reporting of State Maintenance of Effort for Temporary Assistance for Needy Families**

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

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

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

**Condition:** The Department of Human Services (DHS) administers the Temporary Assistance for Needy Families (TANF) program which has a minimum state Maintenance of Effort (MOE) expenditure requirement that is reported to the U.S. Department of Health and Human Services (HHS) on the ACF-196R Report. The Commonwealth reported \$455,023,424 on the ACF-196R Report for the federal fiscal year (FFY) 2016 TANF MOE. However, our audit disclosed the FFY 2016 TANF MOE expenditures were inaccurately reported.

We tested a sample of MOE expenditures reported on the ACF-196R report totaling \$179,927,174, which included costs of \$124,031,383 for Pre-Kindergarten (Pre-K), \$45,327,053 for the Head Start Supplemental Assistance Program (HSSAP), and \$10,568,738 for the Nurse Family Partnership. Our testing disclosed that MOE expenditures reported on the ACF-196R Report were over reported for the Pre-K costs due to the use of an incorrect family income threshold in the calculation. The family income threshold was incorrectly calculated using the ratio of the student population that had family incomes of 200 percent or less of the Federal Poverty Income Guidelines (FPIGs), as opposed to 130 percent or less of FPIGs which was the correct eligibility threshold in the approved state plan. The Pennsylvania Department of Education (PDE) subgranted a total of \$155,039,229 to Local Educational Agencies and non-governmental organizations to administer the Pre-K programs. PDE calculated a ratio of 80 percent for the children in Pre-K that had family incomes of 200 percent or less of FPIGs; therefore, 80 percent, or \$124,031,383, of total Pre-K costs of \$155,039,229 was improperly claimed and reported as TANF MOE. In addition, the 80 percent amount used in the TANF MOE calculation was derived from the student population for the month of May 2016 as reported by subrecipients to PDE, instead of the actual reported costs for this population from the entire federal fiscal year.

In addition, the Commonwealth misclassified the categories of MOE expenditures reported on individual lines on the ACF-196R Report. Our testing found the entire \$179,927,174 of MOE expenditures tested for Pre-K, HSSAP, and Nurse Family Partnership were misclassified on the ACF-196R Report for FFY 2016 as Prevention of Out-of-Wedlock Pregnancies expenditures. After the misclassification was brought to management's attention, the Commonwealth filed an amended ACF-196R Report in May 2017. However, we noted that similar errors were reported in the revised report. Also, testing of the ACF-196R Reports for FFY 2017, for the quarters ended December 2016 and June 2017, disclosed similar errors in classification.

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

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

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 014: (continued)

Eligibility requirements for the HSSAP year funding are as follows:

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

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

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

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

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

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

Instructions for Completion of State TANF Financial Report Forms: ACF-196R and ACF-196 states, in part:

*Line 11. Early Care and Education*

*a. Child Care (Assistance and Non-Assistance): child care expenditures for families that need child care to work, participate in work activities (such as job search, community service, education, or training), or for respite purposes.*

*b. Pre-Kindergarten/Head Start: pre-kindergarten or kindergarten education programs (allowable if they do not meet the definition of a "general state expense"), expansion of Head Start programs, or other school readiness programs.*

*Line 18. Prevention of Out-of-Wedlock Pregnancies: programs that provide sex education or abstinence education and family planning services to individuals, couples, and families in an effort to reduce out-of-wedlock pregnancies. Includes expenditures related to comprehensive sex education or abstinence programs for teens and pre-teens.*

*Line 21. Home Visiting Programs: expenditures on programs where nurses, social workers, or other professionals/para-professionals provide services to families in their homes, including evaluating the families' circumstances; providing information and guidance around maternal health and child health and development; and connecting families to necessary resources and services.*

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

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

**Cause:** Commonwealth management did not provide a reason why Pre-K costs for children whose families had incomes of 200 percent or less of FPIGs were charged to TANF MOE, instead of costs for children whose families had incomes of 130 percent or less of FPIGs as approved in the TANF State Plan. Also, Commonwealth management provided no reason why Pre-K, HSSAP, and Nurse Family Partnership costs were reported on the wrong line items of the ACF-196R Report.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Finding 2017 – 014: (continued)**

**Effect:** Based upon the documentation provided by the Commonwealth, we could not determine the total amount of the overcharge to TANF MOE or if the MOE minimum requirements were met. Since the Commonwealth claimed \$455,023,424 of TANF MOE costs, which is \$47,897,824 more than the required \$407,125,600 TANF MOE for Pennsylvania if work participation rate requirements are met, or \$20,756,118 more than the required \$434,267,306 if work participation rate requirements are not met, the Commonwealth may still have met the required amount of TANF MOE for FFY 2016. If the Commonwealth did not meet the MOE requirement, the penalty would be a reduction of federal TANF funding for the subsequent fiscal year.

Controls were not adequate to ensure MOE was properly calculated and reported on the ACF-196R Report and to ensure costs charged to TANF MOE for Pre-K were only for eligible families. Further, controls were not adequate to ensure categories of costs were properly classified and reported on the correct lines on the ACF-196R Report, and as a result, similar errors in costs reported on the ACF-196R Report were detected on the FFY 2017 reports for the quarters ended December 2016 and June 2017.

**Recommendation:** The Commonwealth should ensure compliance with the MOE requirement by determining the amount of Pre-K costs that were overcharged to TANF MOE and filing an amended ACF-196R Report for FFY 2016 to report the allowable amount of TANF MOE expenditures for Pre-K. This amended ACF-196R Report for FFY 2016 should also report the correct amount of TANF MOE for Child Care (Assistance and Non-Assistance), Pre-Kindergarten/Head Start, Prevention of Out-of-Wedlock Pregnancies, and Home Visiting Programs. Further, amended ACF-196R Reports should be filed for FFY 2017 to correct all errors in reporting costs by line items.

Also, the Commonwealth should pursue the resolution of any TANF MOE expenditures below the required minimum amount, if applicable, with HHS. The Commonwealth should implement adequate controls to ensure compliance with TANF MOE requirements and to ensure costs claimed are only provided to or on behalf of eligible families and are accurately reported on the correct lines of the ACF-196R Report.

**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, 2017

### Department of Human Services

#### Finding 2017 – 015:

#### 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 2016-020)

**Federal Grant Number(s) and Year(s):** G1501PACCDF (10/1/2014 – 9/30/2017), G1601PACCDF (10/1/2015 – 9/30/2018), G1701PACCDF (10/1/2016 – 9/30/2019)

**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 a material weakness 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 10 of the 60 child care providers tested (48 child care centers, 5 group homes, and 7 family child care homes), were not completed within 12 months of the completion of the prior on-site inspection. One family child care home was not inspected prior to the expiration of the certificate of registration and the issuance date of the new 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) 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 (appropriate to provider setting and age of children served) that are designed, implemented, and enforced to protect the health and safety of children. Such requirements must be applicable to child care providers of services for which assistance is provided under this part. Such requirements, which are subject to monitoring pursuant to § 98.42, shall:*

- 1. Include health and safety topics consisting of, at a minimum:*
  - i. The prevention and control of infectious diseases (including immunizations)...*
  - ii. Prevention of sudden infant death syndrome and use of safe sleeping practices;*
  - iii. Administration of medication, consistent with standards for parental consent;*
  - iv. Prevention and response to emergencies due to food and allergic reactions;*
  - v. Building and physical premises safety, including identification of and protection from hazards, bodies of water, and vehicular traffic.*

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

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 015: (continued)

(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 at §98.42(c).*

45 CFR Section 98.42, Enforcement of licensing and health and safety requirements, states in part:

(a) *Each lead agency shall certify in the Plan that procedures are in effect to ensure that child care providers of services for which assistance is made available in accordance with this part, within the area served by the Lead Agency, comply with all applicable State, local, or tribal health and safety requirements including those described in §98.41.*

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.

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

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

**Cause:** The 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 Commonwealth 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.

# ***COMMONWEALTH OF PENNSYLVANIA***

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## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 015: (continued)**

**Agency Response:** DHS/OCDEL agrees with the finding that 10 facilities were not inspected at least once in a 12 month period.

**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, 2017***

### **Department of Human Services**

#### **Finding 2017 – 016:**

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

#### **Significant Deficiency and Noncompliance Over Fraud Detection and Repayment (A Similar Condition Was Noted In Prior Year Finding 2016-021)**

**Federal Grant Number(s) and Year(s): G1501PACCDF (10/1/2014 – 9/30/2017), G1601PACCDF (10/1/2015 – 9/30/2018), G1701PACCDF (10/1/2016 – 9/30/2019)**

**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, and an OCDEL supervisor is also copied on the disqualification email for tracking. Effective January 5, 2017, the OCDEL supervisor has created a spreadsheet for tracking disqualification records by month and approves this spreadsheet as evidenced by the supervisor's signature on the report.

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, 2016 through June 30, 2017 for which the parent or caretaker was subject to disqualification from participating in the child care program. We tested a sample of 15 disqualifications to determine whether the disqualifications were appropriately applied. In one case, entered in 2016, 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 seven months after the start date instead of six months as required. In addition, documentation of supervisory review could not be provided for three disqualifications.

**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.*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 016: (continued)

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

§ 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.*

Management Directive 325.12, *Standards for Internal Control for Commonwealth Agencies*, effective July 1, 2015, adopted the internal control framework outlined in the United States Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government (Green Book)*, published in September 2014. The Green Book Principle 10.03 *Appropriate documentation of transactions and internal control* and 16.01 states in part:

*Management should clearly document internal controls and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. In addition, management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.*

**Cause:** OCDEL's controls over entering disqualifications into PELICAN were not operating effectively to ensure compliance with regulations prohibiting the participation of parents and caretakers in CCDF for the time specified by the disqualification.

**Effect:** Because of control weaknesses over the entry of disqualifications into PELICAN, there is a risk that an eligible parent/caretaker would be improperly denied subsidized childcare in the month(s) following the end of the disqualification period. In addition, there is a risk that an ineligible parent/caretaker could receive a subsidy in a month for one or more months.

**Recommendation:** We note that the error detected above was for the period prior to implementation of new controls in January 2017 and recommend OCDEL continue to strengthen its internal controls as well as advise CCISs to double check disqualification periods and end dates prior to denying subsidized care to parents and caretakers.

**COMMONWEALTH OF PENNSYLVANIA**

***Federal Award Findings and Questioned Costs - June 30, 2017***

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**Finding 2017 – 016: (continued)**

**Agency Response:** DHS/OCDEL 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, 2017

### Department of Human Services

#### Finding 2017 – 017:

##### 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 2016-022)**

**Federal Grant Number(s) and Year(s):** 1601PASOSR (10/01/2015 – 9/30/2016), 1701PASOSR (10/01/2016 – 9/30/2017), TI010044-16 (10/01/2015 – 9/30/2016), TI010044-17 (10/01/2016 – 9/30/2017)

**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 \$95.6 million on the current Schedule of Expenditures of Federal Awards (SEFA). During the prior audit period, DHS personnel began piloting subgrantee monitoring. However, as of September 2017, DHS did not issue any monitoring reports for subgranted expenditures incurred during the fiscal year ended June 30, 2017. 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, 2017. Total SABG expenditures on the current SEFA were \$52.6 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, 2017.

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:** 75 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:*

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

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### Finding 2017 – 017: (continued)

- (1) *Reviewing financial and programmatic reports required by the pass-through entity.*
- (2) *Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.*
- (3) *Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity...*

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

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

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

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

**Cause:** DHS management 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, DHS was only able to pilot the new monitoring procedures during the fiscal year ended June 30, 2017.

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.

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 017: (continued)**

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

**Agency Response:** DHS agrees with the audit 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, 2017***

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

#### **Finding 2017 – 018:**

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

##### **Department of Labor and Industry Did Not Comply With Unemployment Insurance Program Integrity Requirements**

**Federal Grant Number(s) and Year(s):** UI-27999-16-55-A-42 (Effective 10/1/2015), UI-29919-17-55-A-42 (Effective 10/1/2016)

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

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

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

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

We selected a sample of 40 benefit overpayments totaling \$53,070 out of a population of 42,274 overpayments totaling \$55,286,722 that were identified during the fiscal year ended June 30, 2017. The UI program had \$2,030,121,478 of UC benefit payments out of total program expenditures of \$2,202,010,102 reported on the SEFA for the fiscal year ended June 30, 2017. We tested the overpayment sample to ensure the overpayments were properly identified and classified in accordance with the law, penalties were properly applied as required, and that the overpayments were recovered or in the recovery process. The audit sample disclosed 4 exceptions out of 40 items tested as follows:

- For one case L&I was unable to locate supporting documentation to substantiate the identification and classification of the overpayment.
- For three cases the overpayment determination was untimely, resulting in an improper write off of the \$4,666 overpayment in the system and no recoupment effort, because the statute of limitations had expired. In two of the three cases, the overpayment was determined by L&I after the statute of limitations had expired, and in the third case the overpayment was identified only two months before the statute of limitations was going to expire, resulting in insufficient time for recovery.

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2017*

### **Finding 2017 – 018: (continued)**

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

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

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

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

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

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

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

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

**Effect:** Failure to timely determine overpayments results in established recovery methods becoming ineffective. Furthermore, the lack of timely detection has resulted in improper payments of \$4,666 being improperly written off which compromises overall UI program integrity.

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

**Agency Response:** For the exception where the case materials were not able to be located, the department would like to state that all filing and record retention procedures are consistently followed. While some offices have been closed and files were moved, it is possible that this particular record was lost. However, the department should usually have all records properly stored. The launch of our new claims system is happening in less than two years, which should alleviate this problem because all files from that point, forward, will be electronic and centrally housed for staff to access.

With regards to the three cases where the overpayment was considered untimely, the furloughs in December 2016 created backlogs in all unemployment compensation (UC) work. The main focus at that time was ensuring claimants received benefits in a timely manner with the remaining staff available. Currently, the department is still working at less than optimum staff and still working to clear up backlogs. As additional staff are hired, UC service center staff will be able to devote more time and effort in establishing overpayment determinations within 21 days of the issue detection dates. In addition, priority needs to be shifted to performing all cross-matches in a timely manner with continuous follow-up on the

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 018: (continued)**

resulting reports. Staffing issues also resulted in the quarterly post-wage cross-match audits being drastically reduced to focus on non-monetary determinations and benefit payments. The amount of quarterly post-wage cross-match audits needs to increase now that staffing levels have increased. As the shift in priorities allows focus on overpayments, we expect that overpayment determinations will be issued prior to the expiration of the statute of limitations.

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

**Questioned Costs:** Known questioned costs for CFDA 17.225 were \$4,666.

**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, 2017

### Department of Labor and Industry

#### Finding 2017 – 019:

#### 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 2016-026)**

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

**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 \$91,119 (federal portion only) of the \$71.9 million charged to the RS-VR program during the fiscal year ended June 30, 2017. Our review of the 40 OVR client case files disclosed the following:

- For 10 of the 40 OVR clients tested for whom RS-VR program payments were made, OVR personnel did not make the eligibility determinations within 60 days after the RS-VR program application date or by the agreed upon extension date as required by federal regulations. The untimely eligibility determinations were completed between 10 and 130 days after the eligibility determination period expired. Our testing did not disclose any costs being incurred for ineligible clients.
- For 7 of the 40 OVR 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. The IPEs that were not completed timely were completed between 3 and 294 days after the 90 day IPE deadline.

**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, 2017

### Finding 2017 – 019: (continued)

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

In addition, Section 361.45 states in part:

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

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

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

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

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

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

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

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

**Cause:** OVR personnel indicated that the untimely eligibility determinations and IPE completions were due to 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:** OVR acknowledges and 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, 2017

### Finding 2017 – 020:

CFDA #10.553, 10.555, 10.556, and 10.559 – Child Nutrition Cluster  
CFDA #10.558 – Child and Adult Care Food Program  
CFDA #20.205, 20.219, and 23.003 – Highway Planning and Construction Cluster  
CFDA #84.010 – Title I Grants to Local Educational Agencies  
CFDA #84.367 – Supporting Effective Instruction State Grant  
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 2016-027)

Federal Grant Number(s) and Year(s): 2017-1PA300305 (10/1/2016 – 9/30/2017), 2016-1PA300305 (10/1/2015 – 9/30/2016), N78000 (7/01/2016 – 6/30/2017), S010A160038 (7/01/2016 – 12/30/2018), S010A150038 (7/01/2015 – 12/30/2017), S367A160051 (7/01/2016 – 12/30/2018), S367A150051 (7/01/2015 – 12/30/2017), S367B160033 (7/01/2016 – 12/30/2018), S367B150033 (7/01/2015 – 12/30/2017), 1701PATANF (10/01/2016 – 9/30/2017), 1601PATANF (10/01/2015 – 9/30/2016), 1502PATANF (10/01/2014 – 9/30/2015), G17B1PALIEA (10/01/2016 – 9/30/2018), G16B1PALIEA (10/01/2015 – 9/30/2017), G15B1PALIEA (10/01/2014 – 9/30/2016), 1701PAFOST (10/01/2016 – 9/30/2017), 1601PAFOST (10/01/2015 – 9/30/2016), 1701PAADPT (10/1/2016 – 9/30/2017), 1601PAADPT (10/01/2015 – 9/30/2016), 1701PASOSR (10/01/2016 – 9/30/2017), 1601PASOSR (10/01/2015 – 9/30/2016), TI1010044-17 (10/01/2016 – 9/30/2017), TI1010044-16 (10/01/2015 – 9/30/2016), 1705PA5MAP (10/01/2016 – 9/30/2017), 1605PA5MAP (10/01/2015 – 9/30/2016)

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

### 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, 2017. Our testing disclosed that the state agencies did not identify the federal award information and applicable requirements in subrecipient award documents. Additionally, the state agencies did not evaluate each subrecipient’s risk of noncompliance for the purpose of determining the appropriate subrecipient monitoring related to the subaward. This represents an internal control weakness which causes subrecipients to be improperly informed of federal award information and not adequately monitored by the state agencies. Also, it could cause the omission or improper identification of program expenditures on subrecipients’ Schedules of Expenditures of Federal Awards (SEFAs). The following chart shows which federal award information required by 2 CFR section 200 was missing or incorrect (as indicated by “No”) from the subrecipient award documents at the time of the subaward and which major programs did not have a state agency evaluation of each subrecipient’s risk of noncompliance.

**COMMONWEALTH OF PENNSYLVANIA**

**Federal Award Findings and Questioned Costs - June 30, 2017**

**Finding 2017 – 020: (continued)**

Program	Amount Passed to Subrecipients (in thousands)	Federal Award Date	Subaward Period of Performance Start and End Dates	Contact Information for Awarding Official	Terms and Conditions Concerning Closeout	Evaluation of Subrecipient Risk
Child Nutrition Cluster	\$573,448	No	-	-	-	-
Child and Adult Care Food Program	\$120,858	No	-	-	-	-
HPC Cluster	\$216,188	-	-	No	No	No (1)
Title I	\$545,632	-	-	-	-	No (2)
Supporting Effective Instruction	\$83,848	-	-	-	-	No (2)
TANF – New Directions	\$74,836	-	-	-	-	No (3)
TANF – Child Welfare	\$60,518	No	No	No	-	No (2)
TANF – PDE Teen Parenting	\$20,731	-	-	-	-	No
LIHEAP – DCED	\$30,449	-	-	-	-	No (2)
Foster Care – Counties	\$201,254	No	No	No	-	No (2)
Foster Care – Non-Profit Contract	\$11,227	No	No	No	-	No
Adoption Assistance – Counties	\$79,458	No	No	No	-	No (2)
SSBG – Child Welfare	\$12,021	No	No	No	-	No (1)
SSBG – Mental Health	\$10,366	-	-	-	-	No (1)
SSBG – Intellectual Disabilities	\$7,451	-	-	-	-	No (1)
SSBG – Homeless Services	\$4,183	-	-	-	-	No (1)
SSBG – Domestic Violence	\$5,176	No	No	No	-	No (1)
SSBG – Family Planning	\$2,200	-	-	-	-	No (1)
SSBG – Rape Crisis	\$1,721	-	-	-	-	No (1)
SSBG – Legal Services	\$5,049	-	-	-	-	No (1)
Medicaid Cluster	\$290,503	-	-	-	No	No (1)
SABG – DHS	\$1,983	-	-	-	-	No (1)

**COMMONWEALTH OF PENNSYLVANIA**

**Federal Award Findings and Questioned Costs - June 30, 2017**

**Finding 2017 – 020: (continued)**

Program	Federal Award Identification Number	Name of Federal Awarding Agency	CFDA Number	CFDA Title
Child Nutrition Cluster	No	-	-	-
Child and Adult Care Food Program	No	-	No	-
HPC Cluster	-	-	No (4)	No (4)
Title I	No (5)	-	-	-
Supporting Effective Instruction	No (5)	-	-	-
TANF – New Directions	-	-	-	-
TANF – Child Welfare	No	No	-	-
TANF – PDE Teen Parenting	No	-	-	-
LIHEAP – DCED	-	-	-	-
Foster Care – Counties	No	No	No (6)	No (6)
Foster Care – Non-Profit Contract	No	No	No	No
Adoption Assistance – Counties	No	No	No (6)	No (6)
SSBG – Child Welfare	-	-	-	-
SSBG – Mental Health	-	-	-	-
SSBG – Intellectual Disabilities	-	-	-	-
SSBG – Homeless Services	-	-	No (7)	-
SSBG – Domestic Violence	No	-	-	-
SSBG – Family Planning	-	-	-	-
SSBG – Rape Crisis	-	-	-	-
SSBG – Legal Services	-	-	-	-
Medicaid Cluster	No	-	-	-
SABG – DHS	-	-	-	-

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 020: (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.)

(1) Procedures were implemented for the evaluation of subrecipient risk subsequent to the fiscal year ended June 30, 2017.

(2) Although an evaluation of subrecipient risk was conducted, it was inadequate since not all the following factors were considered: the subrecipient's prior experience with the same or similar subawards, the results of prior audits, new personnel or changes in systems, and the extent and results of any federal awarding agency monitoring.

(3) DHS did not provide documentation that an evaluation of each subrecipient's risk of noncompliance was completed for the purposes of determining the appropriate subrecipient monitoring related to subawards prior to the beginning of the subaward contract.

(4) PennDOT is in the process of updating Reimbursement Agreements in the Reimbursement Agreement System (RAS). There are currently several agreements containing the CFDA number and title in the RAS. PennDOT continues to progress with the conversion to templated agreements in the RAS.

(5) The incorrect federal award identification number was included in the subrecipient's award documents for one out of 45 subrecipients tested. In addition, the supervisory review and approval signature was missing from the PDE award notification letter for an additional one out of 45 subrecipients tested. These audit exceptions were identified in the Supporting Effective Instruction State Grant testwork and also applied to the Title I program which was awarded on the same subrecipient application documents.

(6) The CFDA title and CFDA numbers were provided on a single line with one total allocation amount for three separate programs. In addition, one of the CFDA numbers provided was an incorrect CFDA number.

(7) The invoice prepared and sent to the subrecipient by DHS for the quarter ended June 30, 2017 payment included the incorrect CFDA number, 93.661, instead of the correct CFDA number of 93.667.

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

*All pass-through entities must:*

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

*(1) Federal Award Identification.*

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

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

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

*(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;*

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2017*

### **Finding 2017 – 020: (continued)**

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

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

- (1) *The subrecipient's prior experience with the same or similar subawards;*
- (2) *The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F–Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;*
- (3) *Whether the subrecipient has new personnel or new or substantially changed systems; and*
- (4) *The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).*

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

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

**Cause:** In general, the state agencies do not have a system in place to timely identify new federal requirements and implement policies and procedures to ensure compliance.

PDE personnel stated that the federal award identification numbers were individually fixed on the award letters in PDE's eGrants system, but the error resulted from an amendment letter which was subsequently created and not corrected. PDE personnel attributed the missing signature to a clerical error.

**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.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Finding 2017 – 020: (continued)**

#### **PDE Response:**

PDE, Division of Food and Nutrition, agrees with this finding.

PDE, Division of Federal Programs (DFP), has addressed the finding relative to including appropriate CFDA numbers for all grants administered through the eGrants System. The eGrants System has been updated to allow for Division staff to manually update the numbers annually as new grants are awarded. Previously, the eGrants system preloaded hard coded numbers. This issue has been addressed.

Additionally, DFP disagrees with the portion of the finding relative to risk assessment factors as required by Uniform Grant Guidance. Division staff do assess risk based on the recommended factors under UGG, specifically identified in CFR 200.331(b). This section references factors that may be used, but are not required to be used to evaluate risk.

Lastly, USDE conducted a Federal Fiscal Review of programs administered by DFP in June 2016 and found the risk assessment procedures and factors do meet all requirements.

#### **PennDOT Response:**

PennDOT agrees with the finding.

#### **DHS Response:**

DHS agrees with the finding.

#### **DCED Response:**

DCED disagrees with this finding.

The risk assessment process was formalized in the program year 2015-16 and has been included every year since in the Department of Energy (DOE) Weatherization State Plan. For the 2016-17 program year, DOE approved the State Plan on September 9, 2016 with the risk assessment process included. The risk assessment process includes 23 areas of risk which can be researched and weighted in order to ascertain a low, medium, or high level of risk for operation of the program.

The AG audit findings state that our 2016-17 risk assessment process was inadequate since it did not consider several factors. DCED disagrees with this since the risk assessment process did and does cover the factors cited as per the following:

“The subrecipient’s prior experience with the same or similar subawards” – this factor was reviewed in category #16 of the risk assessment process called Subcontractor Management/Capacity and in category #18 called Agency’s Plan of Correction implemented;

“The results of prior audits” – this factor was reviewed in category #19, Agency has Single Audit Finding;

“New personnel or changes in systems” – this factor was reviewed in category #16, Subcontractor Management/Capacity;

“And the extent and results of any federal awarding agency monitoring” – If there were results from a federal award agency monitoring (DOE or HHS), they would be covered in either category #16, Subcontractor Management/Capacity, or if the finding was such that it was considered a contract violation, then category #17, Direct Non-Compliance with Contract Regulations. Depending on the finding/result, this factor could be considered on other categories as well such as acceptable average cost per unit or Health and Safety Percentages.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Finding 2017 – 020: (continued)**

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

The response from PDE's Division of Federal Programs (DFP) indicates the eGrants system has been updated to allow staff to manually update numbers annually as new grants are awarded. We will evaluate any corrective action in the subsequent audit.

Regarding DFP's evaluation of subrecipient risk, there was no evidence provided that DFP's subrecipient risk assessment considered the following factors identified in 2 CFR 200.331(b): 1) the results of previous audits (audit findings), including whether or not the subrecipient received a Single Audit, and whether the subaward was audited as a major program, 2) whether the subrecipient had new or substantially changed systems, and 3) the extent and results of any federal awarding agency monitoring. This is significant since a separate finding (2017 – 021) in this Single Audit report cites a material weakness and material noncompliance with subrecipient monitoring requirements at PDE and other Commonwealth agencies. Including these factors in DFP's subrecipient risk assessment would enable DFP to obtain a more comprehensive understanding of the risk of noncompliance related to each subrecipient, in order to conduct the appropriate subrecipient monitoring.

As of the date of our testwork, USDE had not yet issued a final report with the results of the Federal Fiscal Review. If PDE believes USDE is satisfied with DFP's subrecipient risk assessment in its current format, PDE should request that USDE audit resolution personnel address the subrecipient risk assessment in a program determination letter.

Regarding DCED's response, we agree that DCED's risk assessment checklist included sufficient documentation of:

- 1) the subrecipient's prior experience with the same or similar subawards, and
- 2) the results of prior audits.

The finding is not citing DCED for noncompliance with respect to those two risk assessment factors.

However, DCED's risk assessment checklist does not include sufficient documentation to show that DCED personnel considered:

- 3) whether the subrecipient had new personnel or changes in systems, and
- 4) the extent and results of any federal awarding agency monitoring related to the subrecipient.

If DCED is aware there was no federal awarding agency monitoring for the subrecipient in question, then DCED should document that on the risk assessment checklist.

The finding and recommendation remain as previously stated. We will evaluate any corrective action in the subsequent audit.

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

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

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 021:**

- CFDA #10.553, 10.555, 10.556, and 10.559 – Child Nutrition Cluster**
- CFDA #10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children**
- CFDA #10.558 – Child and Adult Care Food Program**
- CFDA #14.228 – Community Development Block Grants – State’s Program**
- CFDA #17.258, 17.259, and 17.278 – Workforce Innovation and Opportunity Act (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 – Supporting Effective Instruction State Grant**
- 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**
- CFDA #97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Material Noncompliance and a Material Weakness Exist in the Commonwealth’s Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2016-028)**

**Federal Grant Number(s) and Year(s): 16161PA705W1006 (10/01/2015 – 9/30/2016), 171PA705W1006 (10/01/2016 – 9/30/2017), 2017-1PA300305 (10/01/2016 – 9/30/2017), 2016-1PA300305 (10/01/2015 – 9/30/2016), 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-DC-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 – 12/31/2018), B-15-DC-42-0001 (01/01/2015 – 9/30/2022), B-16-DC-42-0001 (01/01/2016 – 12/31/2016), CS-420001-16 (7/01/2016 – 9/30/2019), S010A140038 (7/01/2014 – 12/30/2016), S010A150038 (7/01/2015 – 12/30/2017), S010A160038 (7/01/2016 – 12/30/2018), 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), S367A160051 (7/01/2016 – 12/30/2018), 1502PATANF (10/01/2014 – 9/30/2015), 1601PATANF (10/01/2015 – 9/30/2016), 1701PATANF (10/01/2016 – 9/30/2017), 1604PACSES (10/01/2015 – 9/30/2016), 1704PACSES (10/01/2016 – 9/30/2017), G-15B1PALIEA (10/01/2014 – 9/30/2016), G-16B1PALIEA (10/01/2015 – 9/30/2017), G17B1PALIEA (10/01/2016 – 9/30/2018), 1601PAFOST (10/01/2015 – 9/30/2016), 1701PAFOST (10/01/2016 – 9/30/2017), 1601PAADPT (10/01/2015 – 9/30/2016), 1701PAADPT (10/01/2016 – 9/30/2017), 1601PASOSR (10/01/2015 – 9/30/2016), 1701PASOSR (10/01/2016 – 9/30/2017), 05-1705PA1081 (10/01/2016 – 9/30/2018), 05-1505PA1081 (10/01/2014 – 9/30/2016), 05-1605PA1081 (10/01/2015 – 9/30/2017), TI010044-17 (10/01/2016 – 9/30/2018), TI010044-15 (10/01/2014 – 9/30/2016), TI010044-16 (10/01/2015 – 9/30/2017), AA-28339-16-55-A-42 (7/01/2016 – 6/30/2019), AA-26802-15-55-A-42 (7/01/2015 – 6/30/2018), AA-25376-14-55-A-42 (7/01/2014 – 6/30/2017), N78000 (7/01/2016 – 6/30/2017), H173A140090 (7/01/2014 – 9/30/2015), H173A160090 (7/01/2016 – 9/30/2017), H027A140093 (7/01/2014 –**

# COMMONWEALTH OF PENNSYLVANIA

## Federal Award Findings and Questioned Costs - June 30, 2017

### Finding 2017 – 021: (continued)

9/30/2016), H027A150093 (7/01/2015 – 9/30/2016), H027A160093 (7/01/2016 – 9/30/2017), 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), 17AAPAT3SS (10/01/2016 – 9/30/2017), 17AAPAT3CM (10/01/2016 – 9/30/2017), 17AAPAT3HD (10/01/2016 – 9/30/2017), 17AAPANSIP (10/01/2016 – 9/30/2017), G1501PACCDF (10/01/2014 – 9/30/2017), G1601PACCDF (10/01/2015 – 9/30/2018), G1701PACCDF (10/01/2016 – 9/30/2019), 1705PA5MAP (10/01/2016 – 9/30/2017), 1605PA5MAP (10/01/2015 – 9/30/2016)

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

### Compliance Requirement: Subrecipient Monitoring

**Condition:** Under the Commonwealth of Pennsylvania's (Commonwealth) implementation of the Single Audit Act, review and resolution of subrecipient Single Audit reports is split into two stages. The Office of the Budget's Bureau of Audits (OB-BOA) ensures the reports meet technical standards through a centralized desk review process. The various funding agencies in the Commonwealth are responsible for making a management decision on each finding within either six months of receipt by the Commonwealth for audits subject to OMB Circular A-133 or within six months of the Federal Audit Clearinghouse (FAC) acceptance date for audits subject to Uniform Guidance to ensure corrective action is taken by the subrecipient (except for Uniform Guidance audits under U.S. Department of Labor programs which are permitted 12 months for management decisions in accordance with 2 CFR 2900.21). The population of subrecipient audits received by the Commonwealth during the fiscal year ended June 30, 2017 included both A-133 and Uniform Guidance audits. Each agency is also responsible for reviewing financial information in each audit report to determine whether the audit included all pass-through funding provided by the agency in order to ensure pass-through funds were audited. Most 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 the following audit exceptions regarding Commonwealth reviews of subrecipient audit reports:

Detailed testing of 40 subrecipient audit reports with findings at a sample of four different funding agencies: Department of Aging (PDA), Department of Community and Economic Development (DCED), Pennsylvania Emergency Management Agency (PEMA), and Department of Human Services (DHS), disclosed that for 29 out of 40 audit reports at DCED, PEMA, and DHS, no management decisions appeared to be made and/or audits were untimely processed for approximately 7 months to over 19 months after initially received by OB-BOA or the FAC, as applicable.

Additional analysis of agency audit tracking lists disclosed the following:

- Department of Education (PDE): The time period for making a management decision on findings was approximately 6.8 months to over 15.6 months for 9 out of the 73 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 6.7 months to over 16.5 months for 49 out of the 54 subrecipient audit reports with findings. There was also a delay in DHS's procedures to ensure the subrecipient SEFAs were accurate so that major programs were properly determined and subject to audit.
- Pennsylvania Emergency Management Agency (PEMA): A management decision was not documented for one out of three subrecipient audit reports with findings. There was a delay in the completion of the SEFA reconciliations for various audits. Our procedures also disclosed one additional subrecipient audit report with findings which was excluded from PEMA's audit tracking list and did not appear to be reviewed by PEMA. PEMA's audit tracking list contained various errors and needs improvement.

# COMMONWEALTH OF PENNSYLVANIA

## *Federal Award Findings and Questioned Costs - June 30, 2017*

### **Finding 2017 – 021: (continued)**

- Pennsylvania Infrastructure Investment Authority (PENNVEST): The time period for making a management decision on findings was approximately 8.9 months to 9.5 months after FAC acceptance for two out of the six subrecipient audit reports with findings. There was also a delay in the completion of the SEFA reconciliations.
- Department of Community and Economic Development (DCED): A management decision was not documented for one out of 17 subrecipient audit reports with findings.

In addition, our review of the audit tracking lists for ten agencies with major programs disclosed that 149 subrecipient audit reports with findings were received during the fiscal year ended June 30, 2017. Thirty of those audit reports were submitted late to the Federal Audit Clearinghouse, with FAC acceptance dates ranging from approximately two weeks to over 20 months after the nine month Single Audit due date.

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, 2016) for which the required audits were not received during the current year (the fiscal year ended June 30, 2017) for each of the 22 major programs or clusters. Our testwork disclosed that 15 of the 22 major programs/clusters had immaterial expenditures for which audits were not received, representing immaterial noncompliance with Uniform Guidance.

As a follow up to the prior year finding, we noted that Commonwealth subgranted federal funds totaling \$27,025,960 to Bucks County during the fiscal year ended December 31, 2015, for which a Single Audit was due September 30, 2016. The audit was not submitted to the Federal Audit Clearinghouse and was outstanding for over 15 months as of our January 2018 test date.

It was also noted that the Commonwealth subgranted federal funds totaling \$206,999,450 to the City of Philadelphia during the fiscal year ended June 30, 2016, for which a Single Audit was due March 31, 2017. The audit was submitted to the Federal Audit Clearinghouse over 9 months late in January 2018. DHS was the lead agency for the Bucks County and City of Philadelphia audits.

**Criteria:** The Single Audit Act of 1984 and the Single Audit Act Amendments of 1996 required state and local governments to adhere to provisions of OMB Circular A-133. The Uniform Guidance, Subpart F – Audit Requirements, became effective for audits of fiscal years beginning on or after December 26, 2014.

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

*All pass-through entities must:*

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

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

*(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.*

*(f) Verify that every subrecipient is audited as required by Subpart F – Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.*

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 021: (continued)**

*(g) Consider whether the results of the subrecipient’s audit, on-site review, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records.*

*(h) Consider taking enforcement action against noncompliant subrecipients as described in §200.338 Remedies for noncompliance of this part and in program regulations.*

In order to carry out these responsibilities properly, good internal control dictates that state pass-through agencies ensure subrecipient Single Audit SEFAs are representative of state payment records each year, and that the related federal programs have been properly subjected to Single Audit procedures.

2 CFR §200.512, Report submission, states in part:

*(a) General. (1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor’s report(s), or nine months after the end of the audit period.*

2 CFR §200.521, Management decision, states in part:

*(a) General. The management decision must clearly state whether or not the finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.*

*(d) Time requirements. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.*

2 CFR §200.505, Sanctions, states:

*In cases of continued inability or unwillingness to have an audit conducted in accordance with this part, Federal agencies and pass-through entities must take appropriate action as provided in §200.338 Remedies for noncompliance.*

2 CFR §200.338, Remedies for noncompliance, states in part:

*If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions, as described in §200.207 Specific conditions. If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances.*

*(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.*

*(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.*

*(c) Wholly or partly suspend or terminate the Federal award.*

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 021: (continued)**

*(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).*

*(e) Withhold further Federal awards for the project or program.*

*(f) Take other remedies that may be legally available.*

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:*

- (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.*

To ensure Commonwealth enforcement of federal regulations for subrecipient noncompliance with audit requirements, Commonwealth Management Directive 325.8, *Remedies for Recipient Noncompliance with Audit Requirements*, Section 5 related to policy states, in part:

*(a) Agencies must develop and implement remedial action that reflects the unique requirements of each program...*

*(b) Overall periods for the implementation of remedial action should not exceed six months from the date the first remedial action is initiated. At the end of the six-month period, the recipient should take the appropriate corrective action or the final stage of remedial action should be imposed on the recipient. Examples of remedial action include, but are not limited to:*

- (4) Withholding a portion of assistance payments until the noncompliance is resolved.*
- (5) Withholding or disallowing overhead costs until the noncompliance is resolved.*
- (6) Suspending the assistance agreement until the noncompliance is resolved.*
- (7) Terminating the assistance agreement with the recipient and, if necessary, seeking alternative entities to administer the program.*

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

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

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 021: (continued)**

**Cause:** The common reason provided by Commonwealth management for untimely audit resolution in the various agencies, including making management decisions, approving corrective action, and performing procedures to ensure the accuracy of subrecipient SEFAs was either a change in staff or a lack of staff to follow up and process subrecipient audit reports more timely.

Regarding the lack of documentation of a management decision at DCED and PEMA, management represented that they believed the management decisions on findings were made timely, but incorrect closure letters which omitted the management decisions were sent to the respective subrecipients.

Regarding late and outstanding audit report submissions, OB-BOA personnel stated they believed they fulfilled their responsibilities by sending dunning letters to the unaudited subrecipients and by transmitting the unaudited subrecipients' information to the applicable Commonwealth agencies for follow up and remedial action. In general, the Commonwealth agencies do not appear to be timely implementing remedial action steps in accordance with 2 CFR §200.338 and Commonwealth Management Directive 325.8 in order to ensure compliance with federal audit submission requirements.

**Effect:** Since required management decisions were not made within six months to ensure appropriate corrective action was taken on audits received from subrecipients, the Commonwealth did not comply with federal regulations, and subrecipients were not made aware of acceptance or rejection of corrective action plans in a timely manner. Further, noncompliance may recur in future periods if control deficiencies are not corrected on a timely basis, and there is an increased risk of unallowable charges being made to federal programs if corrective action and recovery of questioned costs is not timely.

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 mispending and/or inappropriately tracking and reporting federal funds over multiple year periods, and these discrepancies may not be properly monitored, detected, and corrected by agency personnel on a timely basis as required.

In addition, untimely remedial action resulted in the disbursement of approximately \$250 million in federal funds to the City of Philadelphia subsequent to the audit due date of March 31, 2017, and the disbursement of \$33 million in federal funds to Bucks County subsequent to the audit due date of September 30, 2016. Additional federal pass-through funds may be unaudited in the future without timely and effective remedial action from Commonwealth agencies to enforce compliance.

**Recommendation:** We recommend that the above weaknesses that cause untimely subrecipient Single Audit resolution, including untimely or undocumented management decisions on findings, untimely review of the SEFA or alternate procedures, and late audit report submissions 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. Commonwealth agencies should implement remedial action steps in accordance with 2 CFR §200.338 and Commonwealth Management Directive 325.8 on a timely basis, including withholding funding from subrecipients which do not comply with audit submission requirements.

### **OB-BOA Response:**

OB-BOA agrees with the finding. OB-BOA believes it fulfilled its responsibilities for ensuring that the subrecipient audit reports with findings met technical standards and were transmitted to the applicable Commonwealth agencies in accordance with the provisions of Management Directive 325.9, Processing Audits of Federal Pass-Through Funds.

# **COMMONWEALTH OF PENNSYLVANIA**

## ***Federal Award Findings and Questioned Costs - June 30, 2017***

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### **Finding 2017 – 021: (continued)**

Also, as stated in the finding, OB-BOA believes it fulfilled its responsibilities regarding late and outstanding audits by sending dunning letters to the unaudited subrecipients and by transmitting the unaudited subrecipients' information to the applicable Commonwealth agencies for follow up and remedial action. As OB-BOA believes it fulfilled its responsibilities in accordance with the Commonwealth's internal policies and procedures, we will defer to the respective Commonwealth funding agencies for further corrective action.

#### **PDE Response:**

PDE disagrees with this finding. The Audit Section obtained the nine (9) audits referenced in the finding from the Federal Audit Clearinghouse within 1-2 days of their posting. The Audit Section then reviewed and processed these audits in compliance with its normal operating procedures. Documentation supporting these activities was provided to the auditors during their review. However, the Audit Section's past practice was to wait for OB-BOA's acceptance of the audit before it contacted subrecipients and provided management decisions. The delay between obtaining the documents from FAC and receiving audit acceptance caused 5 of 9 management decisions to be provided outside of the six-month timeframe.

The Audit Section discussed this potential discrepancy between the receipt of the audit from FAC and the audit acceptance from OB-BOA with the auditors from the Pennsylvania Department of the Auditor General during the Commonwealth Single Audit, year ended June 30, 2016. At that time, the auditors stated that there would be no repercussions for PDE if the Audit Section documented the process and the acceptance dates of FAC and BOA, which it did. This information was also provided to the auditors during their review. Moving forward, the Audit Section will no longer delay the management decisions and the closing of the audits. Additionally, of the nine (9) audits referenced in the finding, the completion of the SEFA reconciliation began the same day the audits were received through five (5) months, 28 days.

#### **DHS Response:**

DHS agrees with the finding.

#### **PEMA Response:**

PEMA acknowledges the finding.

#### **PENNVEST Response:**

PENNVEST agrees with the finding.

#### **DCED Response:**

DCED disagrees with the finding. DCED issued a management decision to the entity on February 3, 2017, which was within the six months allowed for reconciliation and acceptance of the report. The letter issued to the entity in question was the incorrect letter format. From July 1, 2016 through June 30, 2017, DCED issued 142 responses to subrecipients containing a management decision. One out of 142 responses, or less than one percent of the total letters issued, was the incorrect letter format.

**Auditors' Conclusion:** The agency responses from OB-BOA, DHS, PEMA, and PENNVEST indicate agreement or acknowledgment of the finding.

**PDE:** Based on the documentation provided by PDE for the auditors' review, eight out of the nine audit reports in question were subject to Uniform Guidance, and the time period between the FAC acceptance date and PDE's management decision exceeded six months, resulting in the audits being cited for noncompliance in this finding.

# ***COMMONWEALTH OF PENNSYLVANIA***

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## ***Federal Award Findings and Questioned Costs - June 30, 2017***

### **Finding 2017 – 021: (continued)**

The ninth audit report was subject to OMB Circular A-133 requirements, and the time period between the Commonwealth's receipt of the audit and PDE's management decision exceeded six months, resulting in the audit being cited for noncompliance in this finding. We do not give pre-audit advice, and we are required to report noncompliance with federal regulations in an audit finding. We encourage PDE to correct weaknesses to ensure subrecipient SEFAs are reviewed and management decisions on findings are made on a timely basis in accordance with federal regulations.

DCED: Based on the documentation provided by DCED for the auditors' review, the letter DCED issued to the subrecipient in question did not contain a management decision on findings in accordance with 2 CFR §200.521. We encourage DCED to correct weaknesses to ensure management decisions on findings are made and communicated to subrecipients on a timely basis in accordance with federal regulations.

The finding remains as stated. We will evaluate any corrective action in the subsequent audit period.

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

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

# Management's Summary Schedule of Prior Audit Findings



Commonwealth of Pennsylvania



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

RANDY ALBRIGHT  
SECRETARY  
GOVERNOR'S OFFICE OF THE BUDGET

*Summary Schedule of Prior Audit Findings - June 30, 2017*

<b>Finding</b>	<b>State Agency/Finding</b>	<b>Comments</b>
<b><u>FINDINGS FOR THE YEAR ENDED JUNE 30, 2016:</u></b>		
<b>(Please see Corrective Action Plan Schedule for planned corrective actions for any current year repeat findings.)</b>		
<b><u>FINANCIAL STATEMENT FINDINGS</u></b>		
<b>TREASURY</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)	Corrective action was taken.
<b>OFFICE OF ADMINISTRATION (OA)</b>		
2016-002	Elevated Access Privilege Monitoring Controls Within SAP Need Improvement	Corrective action was taken.
<b>OFFICE OF THE BUDGET (OB)</b>		
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)	Corrective action was taken.
<b>STATEWIDE (SW)</b>		
2016-004	Vendor Management Controls in Various Commonwealth Agencies Need Improvement	OB is in the process of drafting a new Management Directive to create policy for monitoring service organizations' internal controls, as well as other relevant reporting and contract-related items involved in managing these vendor relationships. The revised anticipated completion date for the new policy is 12/31/17. OA reports the agencies have taken corrective actions where applicable.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

Finding	State Agency/Finding	Comments
<b>STATEWIDE (SW) (Continued)</b>		
2016-005	General Computer Controls In Various Commonwealth Agencies Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2015-005)	<p>L&amp;I-SWIF, DOH &amp; DOR-Lottery took corrective action.</p> <p>PDE took corrective action on the items for which they agreed.</p> <p>L&amp;I has conducted an audit of users and attributes on the mainframe. L&amp;I has begun a project to create roles, and then add users to those roles. The roles restrict permissions to specific job functions; e.g. Administrator, data base, developer and user. The project should be complete in Feb 2018.</p> <p>PennDOT took corrective action for items 1 &amp; 2. Item 3: Each week the system management group for ECMS pulls a report from the User Management System (UMS) which lists all PennDOT staff who have separated from employment in the previous week. They then check each name on the report to see if the individual is still active in ECMS. If they are, they are removed. UMS is being utilized in a test environment but the plan is to move it into production. Objective not complete due to planned modifications to system. Item 4: PennDOT had a conference call with the AG's Office in June. The purpose of the call was to discuss the status of reducing conflicts. PennDOT reported that there were some minor snags, but efforts are still ongoing. Completion is now slated for June 2018.</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 system approval document 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>

### **FEDERAL PROGRAM FINDINGS**

#### **DEPARTMENT OF AGRICULTURE (AGRI)**

2016-006	Deficiencies in Information Technology Controls Over the Pennsylvania Department of Agriculture's PaMeals Application	<p>AGRI established an IT policy that ensures oversight of existing software applications, whether built by Commonwealth employees or third-party contractors. Its purpose is to ensure that changes are driven by business need, that business and IT staff are in regular communication on needed changes to applications and underlying IT infrastructure, and that access to Agriculture software applications and the infrastructure where they and associated data reside is limited to those with proper authorization. Built into this policy is a series of checks and approvals that ensures no changes can be made to software applications without appropriate department review and sign-off.</p>
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# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

Finding	State Agency/Finding	Comments
<b>OFFICE OF THE BUDGET (OB)</b>		
2016-007	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)	OB disagreed with this finding. The finding was not reissued.
2016-008	Noncompliance and a Control Deficiency Exist Over the Preparation and Submission of the Quarterly CMS-64 Report	Corrective action was taken.
<b>DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT (DCED)</b>		
2016-009	Deficiencies in Information Technology Controls Over the Pennsylvania Department of Community and Economic Development's Electronic Single Application System	DCED has started maintaining documentation of program change requests, enhancements, configuration, deployments and emergencies. Finding repeated due to timing of implementation.
2016-010	The Department of Community and Economic Development Did Not Perform Adequate During-the-Award Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2015-007)	DCED continues to work with HUD technical assistance provider to reevaluate its risk analysis scoring system, monitoring checklist and plan. This revamping of the office should be complete by 12/31/17.
2016-011	The Department of Community and Economic Development Did Not Perform Adequate Monitoring of Subrecipients	DCED conducted a subrecipient risk assessment of each local agency and monitoring staff conducted desk reviews of LIHEAP-Crisis projects. For the 2016/2017 LIHEAP contract, the Center for Community Service plans to hit its monitoring completion goal by October 2017.
<b>DEPARTMENT OF EDUCATION (PDE)</b>		
2016-012	Material Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement	PDE had discussions with the PEARS vendor to implement a change that will provide an edit check against enrollment. PDE was developing procedures to review files for completeness. CAP was completed after the current audit period.
2016-013	A Material Weakness and Noncompliance Exist Over the Pennsylvania Department of Education's Consolidated State Performance Report, Annual Report Card, and Reporting of the Annual High School Graduation Rate (A Similar Condition Was Noted in Prior Year Finding 2015-012)	PDE established a central repository for all data verification sheets and data supporting the procedures. 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. The corrective actions should be fully implemented by February 2018.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

Finding	State Agency/Finding	Comments
<b>DEPARTMENT OF HEALTH (DOH)</b>		
2016-014	Noncompliance and Internal Control Weakness Related to Compliance Investigations of High-Risk Vendors (A Similar Condition Was Noted in Prior Year Finding 2015-015)	Corrective action was taken.
<b>DEPARTMENT OF HUMAN SERVICES (DHS)</b>		
2016-015	The Department of Human Services Did Not Maintain Adequate Documentation for the Inputs Utilized in the Computation of the Public Assistance Cost Allocation	Corrective action was taken.
2016-016	A Material Weakness and Material Noncompliance Exist at the Department of Human Services Related to Electronic Benefits Transfer Card Security (A Similar Condition Was Noted in Prior Year Finding 2015-017)	Started tracking EBT card inventory with an electronic database. Provided training and updated the EBT procedure manual for the new database. Continued reconciling district office lists with CAOs at least quarterly.
2016-017	Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services' Office of Children, Youth and Families (A Similar Condition Was Noted in Prior Year Finding 2015-020)	Changes implemented 7/1/15 have resulted in improvements in timely on-site inspections. To enhance subrecipient monitoring, OCYF has provided technical assistance to County Children & Youth Agencies (CCYAs) across the Commonwealth in a variety of forums, including quarterly meetings and bulletins. In addition, OCYF will issue additional guidance to all CCYAs and Juvenile Probation Offices when the final allocations for FY 17/18 are sent (by 8/31/17). The guidance will discuss the requirements to monitor subrecipients' or contractors' use of federal & state dollars.
2016-018	Department of Human Services Did Not Validate Financial Information as Part of its On-Site Monitoring of Temporary Assistance for Needy Families Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2015-019)	TANF – New Directions, Cash Grants - 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. TANF - Alternatives to Abortion - 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 developed and functional, OSP will work to develop processes to better handle the monitoring of subrecipients. Various meetings have taken place through June, and we are still on target to implement by 6/30/18.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

Finding	State Agency/Finding	Comments
<b>DEPARTMENT OF HUMAN SERVICES (DHS) (Continued)</b>		
2016-019	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)	Corrective action was taken.
2016-020	Material Noncompliance and Material Weakness Over Health and Safety Requirements (A Similar Condition Was Noted in Prior Year Finding 2015-022)	Policies have been 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. Annual inspections are scheduled during the one year period and prior to the certificate expiration date. OCDEL has hired additional staff to alleviate overdue inspections. Two certification representatives were hired during the first quarter of 2017; and five more were hired during the second quarter of 2017. Vacancies still exist, but OCDEL anticipates timely inspections for 2017-2018.
2016-021	Significant Deficiency and Noncompliance Over Fraud Detection and Repayment	Effective February 1, 2017, upon receipt of the monthly report from the Office of Inspector General (OIG), OCDEL headquarters staff manually enter disqualification begin and end dates into PELICAN – Child Care Works (CCW). A supervisor then reviews each entry in CCW for accuracy.
2016-022	Noncompliance and Weaknesses Exist in the Department of Human Services’ Program Monitoring of the Social Services Block Grant and the Block Grants for Prevention and Treatment of Substance Abuse Subgrantees (A Similar Condition Was Noted in Prior Year Finding 2015-023)	Near the end of fiscal year 2016-2017, the BFO, using its developed procedures for evaluating subrecipient risk, began during the award monitoring of a county program. Monitoring will continue during fiscal year 2017-2018.
2016-023	Lack of Eligibility Documentation Results in Noncompliance and Internal Control Weaknesses (A Similar Condition Was Noted in Prior Year Finding 2015-024)	Corrective action was taken.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

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Finding	State Agency/Finding	Comments
<b>DEPARTMENT OF LABOR AND INDUSTRY (L&amp;I)</b>		
2016-024	Deficiencies in Information Technology Controls at the Department of Labor and Industry (A Similar Condition Was Noted in Prior Year Finding 2015-026)	Corrective action was taken.
2016-025	Material Noncompliance and a Material Weakness Exist Over Subrecipient Monitoring (A Similar Condition Was Noted in Prior Year Finding 2015-027)	Corrective action was taken.
2016-026	A Material Weakness and Material Noncompliance Exist in the Department of Labor and Industry's Procedures for Performing Eligibility Determinations and Completing Individualized Plans for Employment (A Similar Condition Was Noted in Prior Year Finding 2015-028)	L&I instituted a "Days in Status" display for counselor and supervisor use. It provides a real time look at cases approaching deadlines for determining eligibility. The manuals and training highlight the importance of timeliness.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

Finding	State Agency/Finding	Comments
<b>STATEWIDE (SW)</b>		
2016-027	State Agencies Did Not Identify the Federal Award Information and Applicable Requirements at the Time of the Subaward and Did Not Evaluate Each Subrecipient's Risk of Noncompliance as Required by the Uniform Grant Guidance (A Similar Condition Was Noted in Prior Year Finding 2015-036)	<p>Aging took corrective action.</p> <p>PennDOT: The Clearance Transmittal for Pub. 740 is scheduled to be sent out in August 2017. The intent is still for the Pub. 740 update to make the Reimbursement Agreement System (RAS) mandatory for projects utilizing one of the standard templates available in RAS (i.e. the normal local bridge and highway type projects). For the risk assessment part of the finding, in May, the audit coordinator reached out to the program areas. These stakeholders shared current monitoring and review activities. The results of the discussions were that each program area would provide a list of their respective sub-recipients and receive a written status update from the audit coordinator on received audit reports and related findings. The objective was not completed due to the need to fine tune the monitoring process and should be complete by October 2017.</p> <p>DHS: TANF - The CAP has been completed for the federal award information. A risk assessment tool is currently being developed. CSE - The CAP has been completed. SSBG - The CAP is complete. The required federal award information is identified for subrecipients; and, BFO began using its procedures for the evaluation of risk. However, since these procedures were not implemented until near the end of FY16/17, this finding will probably be repeated. ODP- ICF-ID: The CAP is partially complete. ICF-ID rate letters include federal award information and an estimated amount of federal funding. A risk assessment tool has been finalized. ICF-ID providers will be evaluated by 7/31/17. ODP plans to visit 10 providers during the 17-18 state fiscal year. Monitoring visits are to begin in August 2017; with completion of the visits by May 2018. ODP currently has 2 contract staff working in the ICF/ID section. Additional staff is needed to complete this plan in the timeframe outlined. Hiring for the ICF/ID section is being held up by the hiring freeze and possible departmental merger. This finding will probably be repeated for ODP in 2017. Foster Care and Adoption Assistance – The CAP has been partially implemented. OCYF has developed allocation letters for SFY 17/18 that include all applicable requirements; transmittal of these letters is pending budget approval. OCYF has a risk assessment process in place for Title IV-E and TANF awards, based on the number of eligible cases per county. OCYF assumed cost settlement responsibilities of the CCYA program in FY 16/17 for periods beginning FY 08/09. OCYF is able to analyze the adjustments &amp; findings in the AG reports of CCYAs, strengthening the risk-based assessment process.</p> <p>PDE changed the eGrant system to add the federal award information and contacted USDA for any guidance they could offer. PDE disagreed with the risk assessment portion of the finding.</p>

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

Finding	State Agency/Finding	Comments
<b>STATEWIDE (SW) (Continued)</b>		
2016-028	Material Noncompliance and a Material Weakness Exist in the Commonwealth's Subrecipient Audit Resolution Process (A Similar Condition Was Noted in Prior Year Finding 2015-037)	<p>DOH and PennDOT took corrective action.</p> <p>BOA now follows a more proactive approach that notifies the agencies sooner about the dunning letters sent out. BOA now immediately transmits noncompliant subrecipients to the agencies for follow up.</p> <p>PDE reassigned a position which will assist with the review of the subrecipient reports.</p> <p>DHS: It is anticipated that the supervisory review of reports backlog will be eliminated before 9/30/17. 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 (AUP) 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. Regarding enforcement of the subrecipients' submission deadlines, we have continued to monitor the status of audit reports and follow our remedial action plans, which is to consider withholding a percentage of State funding. We continue to have discussions within DHS regarding this consideration. DHS is continuing to monitor the status of, and work with the City of Philadelphia and Bucks County to assist them to become compliant with audit submission requirements.</p>

### **FINDINGS FOR THE YEAR ENDED JUNE 30, 2015:**

#### **FINANCIAL STATEMENT FINDINGS**

##### **TREASURY**

2015-001 General Computer Controls in the Pennsylvania Department of Treasury Need Improvement (Prior Year Finding 2014-002) Refer to finding 2016-001 for the status of this issue.

##### **OFFICE OF THE BUDGET (OB)**

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) Refer to finding 2016-003 for the status of this issue.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

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<b>Finding</b>	<b>State Agency/Finding</b>	<b>Comments</b>
<b>STATEWIDE (SW)</b>		
2015-005	General Computer Controls in Various Commonwealth Agencies Need Improvement (Prior Year Finding 2014-006)	Refer to finding 2016-005 for the status of this issue.
<b>FEDERAL PROGRAM FINDINGS</b>		
<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)	Refer to finding 2016-010 for the status of this issue.
<b>DEPARTMENT OF EDUCATION (PDE)</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)	Refer to finding 2016-013 for the status of this issue.
<b>DEPARTMENT OF HEALTH (DOH)</b>		
2015-015	Noncompliance and Internal Control Weakness Related to Compliance Investigations of High-Risk Vendors	Refer to finding 2016-014 for the status of this issue.
<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)	Refer to finding 2016-016 for the status of this issue.
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)	Refer to finding 2016-019 for the status of this issue.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

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Finding	State Agency/Finding	Comments
<b>DEPARTMENT OF HUMAN SERVICES (DHS) (Continued)</b>		
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)	Refer to finding 2016-018 for the status of this issue.
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)	Refer to finding 2016-017 for the status of this issue.
2015-022	Material Noncompliance and Material Weakness Over Health and Safety Requirements (Prior Year Finding 2014-021)	Refer to finding 2016-020 for the status of this issue.
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)	Refer to finding 2016-022 for the status of this issue.
2015-024	Lack of Eligibility Documentation Results in Noncompliance and Internal Control Weaknesses (Prior Year Finding 2014-023)	Refer to finding 2016-023 for the status of this issue.
<b>DEPARTMENT OF LABOR AND INDUSTRY (L&amp;I)</b>		
2015-026	Deficiencies in Information Technology Controls at the Department of Labor and Industry (Prior Year Finding 2014-025)	Refer to finding 2016-024 for the status of this issue.
2015-027	Material Noncompliance and a Material Weakness Exist Over Subrecipient Monitoring	Refer to finding 2016-025 for the status of this issue.

# COMMONWEALTH OF PENNSYLVANIA

## Summary Schedule of Prior Audit Findings - June 30, 2017

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Finding	State Agency/Finding	Comments
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### DEPARTMENT OF LABOR AND INDUSTRY (L&I) (Continued)

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)	Refer to finding 2016-026 for the status of this issue.
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### STATEWIDE (SW)

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	Refer to finding 2016-027 for the status of this issue.
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2015-037	Material Noncompliance and a Material Weakness Exist in the Commonwealth's Subrecipient Audit Resolution Process (Prior Year Finding 2014-037)	Refer to finding 2016-028 for the status of this issue.
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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)	Refer to finding 2016-007 for the status of this issue.
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# Management's Corrective Action Plans



Commonwealth of Pennsylvania



COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

RANDY ALBRIGHT  
SECRETARY  
GOVERNOR'S OFFICE OF THE BUDGET

**Corrective Action Plans - June 30, 2017**

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-001	L&I	Drew Brown, ISO  Kevin Sperber, RACF Admin	<b>General Computer Controls in Several Commonwealth Agencies Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2016-005)</b>  1. Due to staffing reductions during this audit period, the OIT organization was not able to publish a policy to address this finding. As part of the Commonwealth IT Shared Service Transformation initiative, all IT policies are being reviewed. It is anticipated that a draft policy to address this finding will happen as part of the transformation process, or a policy will be drafted outside of the transformation process.  Additionally, L&I is drafting procedures on the granting of elevated roles within the mainframe. We have developed an automated process to request and approve elevated privileges based on roles within the mainframe. The deployment of this new process will begin in February in three phases. Phase 1 will be in test with a single user. Phase 2 will be in production, 1 week with each group in a program area, beginning with Unemployment Compensation. Phase 3 will follow with all other program area staff. During the deployment, L&I will conduct an internal audit of user accounts and assigned roles. The program area will be tasked with justifying and documenting any elevated role. Using this new process, the justification, approvals, and changes will be tracked in the agency IT Service Management (ITSM) tool.	08/31/2018
		Peter Dundas, Access Mgmt Process Manager	2. Due to staffing reductions during this audit period, the OIT organization unfortunately didn't have the staff resources available to conduct periodic reviews of access levels. As part of the Commonwealth IT Shared Service Transformation initiative, all IT policies are being reviewed and we anticipate identifying resources who would be able to perform these functions.	08/31/2018
		Joe Sheridan, Chief of Database	3. The off-boarding process will be reviewed to ensure the policy is being followed and resources are off-boarded in a timely manner per policy. L&I will conduct an internal audit of database administrator privileges in 3 months to verify the roles and accounts are properly revoked.	04/30/2018

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-001 (cont'd)		Admin Services  Peter Dundas, Access Mgmt Process Manager  Drew Brown, ISO  Kevin Sperber, RACF Admin	4. As a part of the internal audit for special permissions, L&I will ensure justification for assigned roles is documented and work to ensure a separation of duties for each sub-group within the UC mainframe application.	08/31/2018
	PennDOT	Michael Turner, MVPS 1  Deb Reihart, Program Analyst 5  Gerry Schopman, Program Analyst 4  David Parise, SAP Manager	1. PennDOT will be requiring every OPEX vendor technician utilizing the system to have an independent OPEX user ID.  2. PennDOT will delete user IDs two weeks after an employee separates. A weekly review process will be performed.  3. PennDOT's Bureau of Office Services will be putting a waiver plan in place.	May 2018  Completed  06/30/2018
	PDE	Connie L. Derr, Audit Coord, Bur of Budget & Fiscal Mgmt  David Ream, Director, Office of Data Quality	PDE disagrees with finding 2017-001. See PDE's response in the body of the finding.	N/A

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-001 (cont'd)	DOR	Andrew Bishop, IT Manager 2	<p>1. DOR is embarking on a modernization effort in April 2018 to help resolve these issues. As part of that modernization effort DOR will be retiring some systems addressed in the finding. DOR has project go-live dates from the vendor that run through December 2020. The vendor solution does have tools for separation of duties which staff will learn how to use as the project gets underway. There are planned implementation dates of December 2018, September 2019, and December 2020. These are contingent on the vendor starting in April 2018.</p> <p>The systems that are not under the scope of the modernization are more problematic. DOR doesn't have the staff to create a separation of duties model as described in the finding. Over the years, the IT staffing has been cut while the number of systems we have to support has increased. We continue to look at ways to meet these operational controls. Currently, there is no migration team that 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.</p> <p>The promotion of Captiva changes in the Imaging environment 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 previously 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. The approval is documented on the internal DOR system approval document which is stored with the project request information in the Bureau of Information System file share.</p>	06/30/2019
		Joe Shaughnessy, IT Manager 2		
		Andrew Bishop, IT Manager 2	<p>2. See item 1. for a description of the modernization effort. Currently, the developers have administrative/privileged 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>On the mainframe, we parsed our (BISTECH) technical group into more specialized areas of work. This allowed us to reduce the number of users with privileged access on the mainframe. We will continue reviewing this group's membership to ensure least privileged access is being enforced.</p>	
Joe Shaughnessy, IT Manager 2	Mindy Schutte, Info Sec Spec 2	Andrew Bishop, IT Manager 2	<p>3. See item 1. for a description of the modernization effort. Currently, there is no migration team that exists to perform the functions described in the finding. A lack of resources requires us to allow</p>	06/30/2019

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
<p><b>2017-001 (cont'd)</b></p>		<p>Andrew Bishop, IT Manager 2</p> <p>Onkar Kumbhojkar, IT Manager 1</p>	<p>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.</p> <p>DOR previously 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 system approval document which is stored with the project request information in the Bureau of Information System file share. DOR has also implemented an internal, quarterly review of system implementations.</p> <p>4. SoftTrac system administrators are aware and have acknowledged the deficiency with the (SoftTrac) software version that exists on its IBML IT3 version scanners in which a single administrator (group) user accounts exists and is used to facilitate account administrative functions, i.e. unlocking/resetting password. Currently, three IBML IT3 version scanners remain in the Imaging environment and the “group” admin account is only shared with select delegated admin personnel.</p> <p>The IBML 6455 version scanners having SoftTrac Capture Suite software is integrated with Active Directory forcing users to authenticate with their CWOPA credentials and implement role-based access for such administrative functions. Currently, eight IBML 6455 version scanners exist in the Imaging environment.</p> <p>It is the intent of the Imaging Team to transition all over to the compliant IBML 6455 version scanners as the older hardware fails and is no longer replaceable.</p>	<p><b>06/30/2019</b></p>
		<p>Mindy Schutte, Info Sec Spec 2</p>	<p>5. The separated user within the E-Tides application did not have an active id within our LAN. He would not have been able to access the server in which to be able to make changes. The user’s id has been removed from the E-Tides application.</p> <p>The other separated user’s mainframe id appeared in Event Action, but the user’s id in RACF was inactive and unable to access the mainframe to utilize anything. The user’s id has been removed from Event Action.</p>	<p><b>Completed</b></p>

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-002	OB-BOA	Brian Lyman, Director	<p><b>Vendor Management Controls Need Improvement (A Similar Condition Was Noted in Prior Year Finding 2016-004)</b></p> <p>Office of the Budget (OB), Office of Comptroller Operations worked with staff in the Office of Administration (OA) and Department of General Services to develop Management Directive (MD) 325.13 “Service Organization Controls”, which was issued on November 22, 2017, to provide further guidance to Commonwealth agencies for appropriate procedures to monitor service organizations’ internal controls.</p> <p>MD 325.13 illustrates the various oversight options that are available 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.</p> <p>OB, Office of Comptroller Operations is responsible for assisting agencies with determining the most appropriate monitoring, audit or assessment type needed based on the specific facts and circumstances of the vendor relationship and nature of the services being provided. OB, Office of Comptroller Operations, will also serve as a point of contact to guide agencies in establishing mechanisms for following up on exceptions identified in independent audits or assessments, creating awareness of complementary user entity controls in applicable SOC reports, and evaluating the impact of sub-service organizations not being included in the scope of the reports.</p>	Completed
2017-003	Aging	Robert Heinlen, Contracting Division Chief	<p><b>Deficiencies in Information Technology Controls Over the Pennsylvania Department of Aging’s Financial Reporting Requirements System</b></p> <p>PDA information technology operates under the auspices of DHS. As such, PDA will request DHS implement the recommended corrective actions of restricting the developer’s ability to develop and deploy code until July 2018, when the system becomes obsolete. If that is not feasible, PDA will request DHS management implement oversight controls to review server logs to ensure no program changes are deployed to production without the appropriate approvals.</p>	03/31/2018
2017-004	AGRI	Cheryl Cook, Deputy Secretary	<p><b>Deficiencies in Information Technology Controls Over the Pennsylvania Department of Agriculture’s PaMeals Application (A Similar Condition was Noted in Prior Year Finding 2016-006)</b></p> <p>In August 2017, the Department of Agriculture (AGRI) formalized a new policy, IFT-SFT001, “Oversight of Existing Software Applications in ‘Operations and Maintenance’ Stage of the Life Cycle.” This policy establishes procedures for ensuring proper oversight of existing software applications,</p>	December 2018

# COMMONWEALTH OF PENNSYLVANIA

## Corrective Action Plans - June 30, 2017

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-004 (cont'd)			<p>whether built by Commonwealth employees or third-party contractors. This includes a process to respond to recommendation #1, “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.”</p> <p>While not officially in place until August 2017, the Bureau of Food Distribution began following this policy in May 2017 when it initiated the process with our third-party contractor (Computer Aid, Inc or CAI) to release an update to PaMeals, Version 5.2. Throughout every step of this process – from identification of updated requirements, to project design, to staging and production, to testing and deployment – both management from the Bureau of Food Distribution and AGRI IT Service Office signed off on documentation of the process. Both AGRI and CAI maintain copies of these documents. In 2018, as we look to initiate another update to PaMeals, this documentation process will again be followed.</p> <p>With corrective action to respond to recommendation #1 already having been initiated in May 2017, the Bureau of Food Distribution feels that this recommendation has been completed and no further corrective action is needed.</p> <p>With regard to corrective action for recommendation #2, as OA’s Conservation and Environment Delivery Center transforms, there will be an opportunity to follow a more formal project management release process since there are additional IT staff to support the application deployment process. This will allow for the proper separation of duties as identified in the audit findings. Please consider the transformation of IT services throughout the coming months as the corrective action.</p>	
2017-005	DCED	Erich Loych, Information Technology Director	<p><b>Deficiencies in Information Technology Controls Over the Pennsylvania Department of Community and Economic Development’s Electronic Single Application System (A Similar Condition Was Noted in Prior Year Finding 2016-009)</b></p> <p>As a result of the IT Consolidation, DCED now works closely with PennDOT and PEMA. During 2018, DCED will be making use of the delivery center’s deployment infrastructure and processes. These will include authorizations for application changes and approvals to move changes into production. This will also resolve the segregation of duties issue. The delivery center has personnel dedicated to deployments.</p>	06/30/2018

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-006	DCED	Kathy Possinger, Director, Center of 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 2016-010)</b></p> <p>DCED has made significant progress in the oversight of subrecipient contracts in the period under this review. DCED will continue to work with counties as they transition to the management of small entitlement CDBG contracts in their communities to build and ensure greater capacity at the county level of administration of CDBG. DCED has begun to incorporate changes to the risk assessment process and monitoring procedures for CDBG entitlement grantees that will be more fully incorporated in the 2018-2019 state fiscal year. A schedule of monitoring has been developed and DCED’s program staff will conduct on-site reviews of at least 1/3 of grantees annually reviewing open, unmonitored contracts that have expenditures greater than 50% of the award. Subrecipients managing more than 5 contracts on behalf of smaller entitlements will be monitored annually, focusing on oldest open reviews first and progressing to newer contracts in later years. DCED will remotely monitor 20 grantees in cross-cutting program areas of Environmental Review, Federal Labor Standards, and Fair Housing and Equal Opportunity. MAPR submissions will continue, however the frequency of submission will reduce for high, medium, and low risk subrecipients with the new monitoring plan and those high risk subrecipients will receive a greater amount of technical assistance in key program areas based on the factors assessed in the risk analysis. Subrecipients will continue to utilize the guidance published in FMC Directive 2014-04(03) for invoicing and financial management staff will randomly select one invoice per quarter for full review of all backup documentation. DCED will continually look to refine its oversight of grantees to ensure appropriate and effective oversight of the federal funds.</p>	06/30/2019
2017-007	DCED	Lynette Praster, Director of the Center for Community Service	<p><b>The Department of Community and Economic Development Did Not Perform Sufficient Monitoring of Subrecipients (A Similar Condition Was Noted in Prior Year Finding 2016-011)</b></p> <p>1. DCED has already corrected the language regarding the monitoring numbers and targets for monitoring in the 2017-18 LIHEAP State Plan with the following language:                      “For the LIHEAP Crisis Units, 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 review will include a review of work done, the funds expended, and sign-off from the client, according to a specific monitoring checklist developed specifically for the monitoring of Crisis heating emergency jobs. Included in the monitoring review strategies, DCED regularly reviews Crisis jobs in making fuel switch determinations and when assisting Weatherization Agencies in cases which present unique issues. These reviews are included in the 3% of Crisis units monitored.</p> <p>For the monitoring of LIHEAP Standard Weatherization, at least 2% of the completed units will be site</p>	06/30/2018

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-007 (cont'd)			<p>inspected utilizing the Quality Control Inspection (QCI) process as described above.”</p> <p>2. DCED will finalize the language in the directives that explain DCED monitoring practices to reflect the language above, as well as the process for QCI monitoring, LIHEAP Crisis monitoring and Risk Assessment process.</p> <p>3. DCED is re-establishing a yearly monitoring schedule to serve as a guide for the quota requirements for both WAP DOE and LIHEAP standard monitoring, as well as LIHEAP Crisis Monitoring which will then assure that monitoring activities are completed sufficiently.</p> <p>4. DCED has re-established the necessary process for the tracking and management of monitoring reports sent, corrective plans received (if applicable) and additional oversight performed (if necessary). Monitors will complete and forward their reports to agencies within 30 days of the date of the monitoring and corrective plans are due back from the agencies within two weeks of when they received the report.</p>	
2017-008	PDE	<p>Connie L. Derr, Audit Coord, Bur of Budget &amp; Fiscal Mgmt</p> <p>Vonda Cooke, Chief, DFN</p>	<p><b>Material Noncompliance and Material Weakness Related to Sponsor Agreements, Applications, and Claims for Reimbursement (A Similar Condition Was Noted in Prior Year Finding 2016-012)</b></p> <p>PDE, Division of Food and Nutrition (DFN) implemented corrective action in November 2017 and received a management decision from USDA on December 17, 2017 resolving the portion of the finding as it relates to the attendance factor. No further action is necessary at this time.</p> <p>DFN has implemented corrective action to include the review of the sponsor agreements for signatures prior to forwarding a copy of the agreement to the sponsor by the clerical staff.</p>	Completed
2017-009	PDE	<p>Connie L. Derr, Audit Coord, Bur of Budget &amp; Fiscal Mgmt</p> <p>Vonda Cooke, Chief, DFN</p>	<p><b>Material Noncompliance and a Material Weakness Exist in Pennsylvania Department of Education Monitoring of Child and Adult Care Food Program Subrecipients</b></p> <p>PDE, Division of Food and Nutrition (DFN), has implemented corrective action by filling vacancies and reassigning duties to follow internal procedures of closing reviews within 140 days. However, DFN maintains it was not out of compliance with federal regulations. See PDE’s response in the body of the finding.</p>	Completed

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-010	PDE	<p>Connie L. Derr, Audit Coord, Bur of Budget &amp; Fiscal Mgmt (for all items)</p> <p>Ray Young, Chief, Div of Instruct. Quality</p> <p>Brian Campbell, Dir, Bureau of Curric., Assess. &amp; Instruction</p> <p>Thomas Dubbs, Ed. Research Assoc., Div of Perf., Analysis and Instruction</p> <p>Deborah Rodrigues, Dir of Educ. Stats, Office of Data Quality</p> <p>Dave Ream, Dir, Office of Data Quality</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 2016-013)</b></p> <p>Item #1 – PDE, Division of Instructional Quality has located the source of the inconsistency. Corrective action has been implemented by rewriting the reports and the approval of a second set of numbers.</p> <p>Item # 2 – PDE, Division of Performance, Analysis and Reporting (PAR), has implemented corrective action. The 2017 Data Verification Sheets now include a note that the sheet be scanned to create an electronic copy and e-mailed to the Education Research Associate. In addition, this step will be included on the 2017 Review Procedures document.</p> <p>Item #3 – PAR disagrees with this portion of the finding. See PDE’s response in the body of the finding.</p> <p>Item #5 – PAR is implementing corrective action. PAR has discussed with the vendor the status of the current contract as it pertains to a SOC 2, Type 2 Report, the need for a SOC 2, Type 2 Report and the resolution of the exceptions noted in the SOC 2, Type 1 Report. This information will be shared with management for further guidance.</p> <p>Item #4 – PDE, Office of Data Quality (ODQ) has implemented corrective action relative to the eScholar compensating controls. Processes and procedures have been revised to monitor server access and document controls more efficiently beginning in February 2018.</p> <p>Item #6 – ODQ has implemented corrective action. As noted in the prior year’s CAP, PDE has revised processes and procedures relative to the cohort graduation rate that will be reflected beginning with 2015-2016 data. The revised processes utilize enrollment data, not previously available, to allow 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.</p> <p>Item #7 – ODQ disagrees with this portion of the finding. See PDE’s response in the body of the finding.</p>	<p><b>Completed</b></p> <p><b>Completed</b></p> <p><b>N/A</b></p> <p><b>06/30/2018</b></p> <p><b>Completed</b></p> <p><b>Completed</b></p> <p><b>N/A</b></p>

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-011	DHS	<p>Tanoa Fagan, Income Maintenance Program Representative</p> <p>Jenny Gomez, Human Service Program Specialist Supervisor</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 2016-016)</b></p> <p>1. To comply with proper retention of the EPPIC EBT System applications, all County Assistance Offices (CAOs), and district offices will have their EPPIC EBT System applications from July 1, 2017 and ongoing moved to Microsoft OneDrive. This task will be completed by the EBT Project Office. Completion date for all CAOs and district offices will be April 30, 2018.</p> <p>2. The EBT Project Office has made updates to the EBT Procedures Manual that documents all requirements and expectations related to EBT Security. The updated manual will be distributed on March 31, 2018.</p> <p>3. The Division of Corrective Action (DCA) will complete retraining on EBT Security with all executive directors and EBT coordinators. Emphasis will be placed on the following:</p> <ul style="list-style-type: none"> <li>a. Review of roles and responsibilities</li> <li>b. Retention period for EPPIC EBT System applications</li> <li>c. Timeframes for card maker and pinner updates</li> <li>d. Card maker and pinner coverage for all business hours</li> <li>e. Proper completion of all EBT associated forms and logs</li> <li>f. Proper security for EBT cards and associated items</li> </ul> <p>DCA trainings will begin in April 2018 and will conclude before October 31, 2018.</p> <p>4. Staff Development will take the completed DCA training on EBT Security and turn it into a mandatory annual training available through LSO for executive directors and EBT coordinators. Annual refresher training for executive directors and EBT coordinators will begin in January 2019.</p> <p>5. All CAOs, district offices, call centers, DHS helpline and headquarters staff will be instructed to destroy all local forms related to EBT card issuance and utilize PW764 forms. This directive will be given via Information Memorandum entitled, "Local Form Procedures."</p> <p>6. The parties that committed these errors during Fiscal Year 2016 are no longer employed in this department. To insure ongoing accuracy, the EBT project officer completed retraining of all parties that are responsible for completion of the EBT HQ Card Destruction Log in February 2018.</p>	<p><b>04/30/2018</b></p> <p><b>03/31/2018</b></p> <p><b>10/31/2018</b></p> <p><b>January 2019</b></p> <p><b>03/21/2018</b></p> <p><b>Completed</b></p>

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-012	DHS	Stephanie Golden, Administrative Officer 4	<p><b>Material Weaknesses and Material Noncompliance Exist in Monitoring of Foster Care, Adoption Assistance, and Temporary Assistance for Needy Families Subrecipients by the Department of Human Services’ Office of Children, Youth and Families (A Similar Condition Was Noted in Prior Year Finding 2016-017)</b></p> <p>Changes implemented July 1, 2015 have resulted in improvements in timely on-site inspections. To enhance subrecipient monitoring, OCYF has provided technical assistance to County Children &amp; Youth Agencies (CCYAs) across the Commonwealth in a variety of forums, including quarterly meetings and bulletins. In addition, OCYF will issue additional guidance to all CCYAs and Juvenile Probation Offices when the final allocations for FY 18/19 are sent (typically 30 days after the state budget is signed). The guidance will discuss the requirements to monitor subrecipients’ or contractors’ use of federal &amp; state dollars. OCYF requested support from a vendor due to staffing challenges within the office.</p> <p>OCYF has shifted our process to ensure that annual inspections are scheduled to occur within 365 days of the previous inspection. We recognize that there are times when critical events may interfere with the licensing schedule. The interruptions are more likely to occur not with the start of the inspection, but with the inspection process as a whole. It is important to acknowledge that the staff who complete the annual inspections are also responsible for conducting investigations of suspected child abuse and reviews of child fatalities and near fatalities. As such, staff are often pulled from an inspection or may be delayed in their completion of follow-up paperwork to the inspection.</p> <p>DHS has put forth timeframes for all program offices that have a licensing function for which follow-up processes to inspections are to follow starting with a 15-business day timeframe by which to issue the licensing inspection summary after the completion of an inspection. The county timeframe for response is 15 calendar days from receipt and DHS is to review and respond to the county within the next 10 business days. OCYF has just begun to track these timeframes toward assuring timely completion of the entire licensing process from the on-site fieldwork to the approval of the corrective action plan prior to the expiration of the prior year’s license.</p>	09/30/2018
2017-013	DHS	Joel O’Donnell, Director, Bureau of Program	<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 2016-018)</b></p> <p><u>TANF – New Directions, Cash Grants</u></p> <p>In FY 2017, DHS began to strengthen internal controls to ensure during-the-award monitoring of TANF recipients by completing the development of, and implementing, a risk assessment scoring system. The scoring system considers audit, financial, and organizational information to quantify: the likelihood that</p>	06/30/2018



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**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-014 (cont'd)			<p>ACF-196R, and implement any necessary changes to the preparation and review of the ACF-196R to ensure that such misclassifications are not repeated.</p> <p>While we acknowledge the calculation differs for the Pre- K subrecipients, we will continue to monitor the difference to ensure it remains immaterial as it was for the period 7/1/2016-6/30/2017.</p>	
2017-015	DHS	Tanya Vasquez, Director, Bureau of Certification	<p><b>Material Noncompliance and Material Weakness Over Health and Safety Requirements (A Similar Condition Was Noted in Prior Year Finding 2016-020)</b></p> <p>OCDEL started to conduct an analysis in February 2018, of the 10 errors to ascertain if there is a pattern or outlying circumstances that contributed to the error.</p> <p>Beginning nine months after the latest renewal inspection was complete, OCDEL started tracking the scheduling and completion of the next annual renewal inspection to ensure timely completion. The tracking started March 1, 2018.</p> <p>Monthly, beginning March 2018, OCDEL will review facility inspection history to determine if a renewal inspection has been conducted in the previous 12 months. If not, OCDEL will determine if an annual renewal inspection has been scheduled to be conducted within 12 months of the latest renewal inspection. OCDEL will follow up to ensure the identified facilities are inspected timely.</p>	06/30/2018
2017-016	DHS	<p>Terry Shaner Wade, Director, Bureau of Subsidized Child Care Services</p> <p>Karen Mercadante, Policy Division Chief, Bureau of Subsidized Child Care</p>	<p><b>Significant Deficiency and Noncompliance Over Fraud Detection and Repayment (A Similar Condition Was Noted in Prior Year Finding 2016-021)</b></p> <p>The process for entering disqualifications is as follows:</p> <ul style="list-style-type: none"> <li>• Monthly, the Office of Inspector General (OIG) issues, via email, to OCDEL a list of persons who have been disqualified.</li> <li>• OCDEL HQ policy staff enters the disqualification information into PELICAN Child Care Works (CCW).</li> <li>• Once entered, OCDEL HQ staff emails the OIG to advise them that the disqualifications were entered into the system.</li> <li>• A second OCDEL HQ staff is included on the OIG email. This person performs a second review of the disqualification entry for accuracy.</li> <li>• The OIG also informs the appropriate CCIS of the disqualification so the CCIS can end eligibility, if the case is still open.</li> <li>• Once the disqualification is entered, PELICAN CCW will automatically fail the case if eligibility is run during the sanction period.</li> </ul>	Completed

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Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-016 (cont'd)		Services	OCDEL HQ conducts a second review on every disqualification entered into the system. We recently developed a chart which lists six-month begin and end dates for disqualifications (EX: 1-1-18 > 6-30-18). The second review policy for disqualifications was initiated in January 2017. The mistake cited occurred prior to this date. OCDEL HQ continues to conduct a second review of the disqualifications.	
2017-017	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 2016-022)</b></p> <p>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 are chosen for monitoring based upon the results of the risk assessment tool that was developed. The tool accounts for the amount of the program allocation, the presence of program findings noted in each county's single audit report, and the timely submission of the county single audit. Counties receiving a "high risk" designation will be monitored first.</p> <p>As noted in the finding, the Unit conducted three county monitoring reviews during fiscal year 2016-2017, of which one monitoring review was conducted during the award period of 2016-2017.</p> <p>We will revisit the monitoring process and attempt to streamline it.</p> <p>Currently there are vacancies in this Unit, which impacted our ability to do as much monitoring as we had planned. We are currently working with Human Resources to update position descriptions. We plan to fill the vacancies with individuals having a fiscal background, rather than a programmatic background, which should also help with the efficiency of the monitoring. Additionally, there was a change in this Unit's responsibilities. Historically, this Unit not only performed monitoring, but also approved the annual county human services plans (plan) and administered the Human Services Development Fund (HSDF) program. Both the plan approval process and the HSDF program have been moved to other areas, which will allow this Unit to focus more on monitoring.</p>	06/30/2019



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**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
<p><b>2017-019 (cont'd)</b></p>		<p>&amp; Evaluation, OVR</p>	<p>and are currently in the final phases of testing. Since this is a new initiative, it will take a few annual review cycles before we can assess whether this change is having the desired effect on a broad scale.</p> <ol style="list-style-type: none"> <li>1. A minimum of 90% of eligibility determinations are completed in compliance with RSA timeframes (60 days - Cases with valid time extensions are within compliance, measured via CWDS report).</li> <li>2. A minimum of 90% of IPEs are developed in compliance with RSA timeframes (90 days - Cases with valid time extensions are within compliance, measured via CWDS report).</li> </ol> <p><u>SARA Virtual Assistant Software (SARA)</u> - SARA utilizes and sends customized text messages to targeted recipients, and OVR is currently planning to test the use and effectiveness of SARA in one of its District Offices. It is our hope that the interaction offered by SARA between counselor and customer will also assist in reducing timeliness issues as cited in this finding. The launch of SARA to one of our District Offices is targeted for October 2018, but could be subject to change.</p> <p><u>Electronic Signature (remote capability)</u> - We are currently exploring the concept of providing notification to targeted OVR customers prompting them to log into CWDS to view and electronically sign documents that have been created by their counselor. We believe this remote access to their forms will assist counselors in receiving timely customer signatures for eligibility determination extension requests, and IPEs, thus addressing this audit finding. We are now in the assessment and requirements gathering stage of this initiative, and tentatively anticipate the deployment of this feature in either our August or October CWDS release.</p> <p><u>Counselor Turnover</u> - OVR continues to experience high turnover rates at its district offices across the state, creating a large number of caseloads that must now be managed by others until the hiring process runs its course. Due to market conditions, available talent pool, length of hiring process, etc., we have little control over this issue, and can only hope that counselor complements stay steady across the state while potential counselors are identified and make their way through the hiring process.</p>	
<p><b>2017-020</b></p>	<p><b>PDE</b></p>	<p>Connie L. Derr, Audit Coord, Bur of Budget</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 2016-027)</b></p> <p>PDE, Division of Federal Programs (DFP) has implemented corrective action relative to CFDA numbers. The eGrants System has been updated so program staff can manually enter CFDA numbers.</p>	<p><b>Completed</b></p>

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**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-020 (cont'd)		& Fiscal Mgmt  Susan McCrone, Chief DFP  Vonda Cooke, Chief, DFN	DFP disagrees with the second portion of the finding relative to Uniform Guidance risk assessment factors. See PDE's response in the body of the finding.  PDE, Division of Food and Nutrition (DFN) is in the process of implementing corrective action in conjunction with its technology system vendor by having the FAIN notification built into sponsor level screens. This is in the development queue.	N/A  06/30/2018
	<b>PennDOT</b>	Allen Melley, Civil Engineer Manager, Bureau of Project Delivery, Highway Administration  Angela N. Rainey, Assistant Counsel, Office of Chief Counsel	PennDOT is working on updating its Reimbursement Agreements. PennDOT and PennDOT's Office of Chief Counsel (OCC) will work to ensure that the federally funded templates currently in RAS and those to be uploaded include; the Catalog of Federal Domestic Assistance ("CFDA") number and title, the awarding official contact information and close out procedures. This will require the following steps:  1. Review all existing reimbursement agreement templates to determine what federal requirements need to be added and make the necessary updates, which will be completed by July 31, 2018. This will entail making sure all reimbursement agreements contain a place for the CFDA on the signature page, updating the notice provisions contained in the reimbursement agreements and adding language to the reimbursement agreements that address closeout requirements;  2. After revisions are made to the agreement templates, PennDOT and OCC will request form approval from the Office of General Counsel and the Office of Attorney General if appropriate;  3. Completed templates will be uploaded into the RAS testing system following completion of the template updates. It is anticipated that testing would be completed on or before September 1, 2018; and  4. After testing, the updated templates will be loaded into RAS for use by PennDOT personnel.  On or before December 1, 2018, PennDOT will require the use of the RAS system by users utilizing the templates that are covered by PennDOT Publication 740.  Besides uploading many of PennDOT's reimbursement agreements into RAS, the following actions will be taken:  1. OCC attorneys who assist in the drafting and reviewing of reimbursement agreements (including paper versions executed outside of RAS) will be made aware of the federal requirements and will make sure agreements they draft or review have the required information.	<b>12/01/2018</b>



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**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
2017-020 (cont'd)		<p>Theresa Boucher, Budg Analyst 3</p> <p>Steven Evitts, Budg Analyst 4</p> <p>Stephanie Golden, Administrative Officer 4</p>	<p>Development Fund (HSDF) program. Both the plan approval process and the HSDF program have been moved to other areas, which will allow this Unit to focus more on monitoring.</p> <p>In addition, we will revisit our monitoring procedures in an attempt to streamline them.</p> <p>Specific to the portion of the finding related to the incorrect CFDA number for SSBG-Homeless Services, the invoice template was revised to reflect the correct CFDA number.</p> <p><u>ODP – ICF-ID</u> ODP is in the process of finalizing correspondence that will identify all the required Federal Award information and the requirements of closeout. During the year ending June 30, 2018, a risk assessment was performed on all of the ICF-ID providers. From the results of the risk assessment, high risk ICF-ID providers were chosen for monitoring, which will occur during the year ending June 30, 2018. Our first onsite monitoring is scheduled for the Spring of 2018.</p> <p><u>OCYF</u> Foster Care and Adoption Assistance –OCYF has developed allocation letters for the year ending June 30, 2019 that include all applicable requirements; transmittal of these letters is pending budget approval. OCYF has a risk assessment process in place for Title IV-E and TANF awards, based on the number of eligible cases per county. OCYF assumed cost settlement responsibilities of the County Children and Youth Agencies (CCYA) program during the year ended June 30, 2017 for periods beginning July 1, 2008. OCYF is able to analyze the adjustments and findings in the Department of the Auditor General reports of CCYAs, strengthening the risk-based assessment process.</p>	<p><b>06/30/2018</b></p> <p><b>12/31/2018</b></p>
2017-021	<p><b>PDE</b></p> <p><b>DHS</b></p>	<p>Connie L. Derr, Audit Coord, Bur of Budget &amp; Fiscal Mgmt</p> <p>David Bryan, Manager, Audit Resolution Section</p>	<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 2016-028)</b></p> <p>PDE, Audit Section has implemented a revised Single Audit Review and Resolution Process which includes proceeding with the resolution process with no delay pending OB-BOA’s acceptance of the report.</p> <p>Regarding the timeliness of finding resolution and procedures related to the SEFA reviews, the Audit Resolution Section has continued to streamline the process of single audit reviews to gain efficiencies. In addition, effective for the year ended June 30, 2017, due to programmatic changes, there will be approximately two hundred (200) fewer subrecipient single audits to be reviewed during the year ending June 30, 2018. Finally, the Audit Resolution Section will be utilizing a technical assistance contract,</p>	<p><b>Completed</b></p> <p><b>06/30/2019</b></p>

**COMMONWEALTH OF PENNSYLVANIA**

**Corrective Action Plans - June 30, 2017**

Finding	Agency	Contact Person & Title	Finding Title/Corrective Action	Anticipated Completion Date
<b>2017-021 (cont'd)</b>		Alexander Matolyak, Director, Division of Audit and Review	<p>which will provide additional staff to review the audits, which will help alleviate the backlog.</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 and within the Commonwealth 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>PEMA</b>	Jill Johnson, Chief of Compliance Review	<p>PEMA underwent a bureau re-organization and various personnel changes, that included the Compliance Review Division Director. Staff experienced issues with the internal single audit tracking system.</p> <p>Process changes have been implemented, current staff have been properly trained and the tracking system has been modified to capture complete and accurate information.</p> <p>PEMA continues to review audits requiring our action, to be certain all audits are addressed and acted upon appropriately.</p>	<b>02/26/2019</b>
	<b>PENNVEST</b>	Heather Brookmyer, AO2	<p>PENNVEST now understands that the date of receipt at the Federal Clearinghouse starts the clock for the 6-month reconciliation and management decision timeframe. PENNVEST will be more diligent with regard to the timeframe.</p>	<b>Completed</b>
	<b>DCED</b>	Brad Shover, Director of Compliance Monitoring	<p>DCED implemented a review process to ensure that all letters issued to resolve Single Audit findings are accurate.</p>	<b>Completed</b>

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# Appendix



Commonwealth of Pennsylvania

# ***COMMONWEALTH OF PENNSYLVANIA***

## ***APPENDIX - Legend of Abbreviations - June 30, 2017***

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

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
ACF	Administration for Children and Families
ACH	Automated Clearing House
AG	Department of the Auditor General
AGRI	Department of Agriculture
AICPA	American Institute of Certified Public Accountants
ARC	Appalachian Regional Commission
ARRA	American Recovery and Reinvestment Act
BAFM	Bureau of Accounting and Financial Management
BCSE	Bureau of Child Support Enforcement
BFD	Bureau of Food Distribution
BFO	Bureau of Financial Operations
BFS	Basic Financial Statements
BOA	Bureau of Audits
BPS	Bureau of Payable Services
BQA	Bureau of Quality Assurance
BUCD	Bureau of Unemployment Compensation Disbursements
BWDA	Bureau of Workforce Development Administration
CACFP	Child and Adult Care Food Program
CAFR	Comprehensive Annual Financial Report
CAO	County Assistance Office
CAP	Corrective Action Plan
CCDBG	Child Care and Development Block Grant
CCDF	Child Care and Development Fund
CCIS	Child Care Information Service
CCYA	County Children and Youth Agency
CDBG	Community Development Block Grants
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CHIP	Children's Health Insurance Program
CIS	Client Information System
CMIA	Cash Management Improvement Act of 1990
CMS	Centers for Medicare and Medicaid Services
CNC	Child Nutrition Cluster
CN-PEARS	Child Nutrition Program Electronic Application and Reimbursement System
COPPAR	Commonwealth of Pennsylvania Policy and Procurement Action Request
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSE	Child Support Enforcement
CWDS	Commonwealth Workforce Development System
CWSRF	Capitalization Grants for Clean Water State Revolving Funds
DCED	Department of Community and Economic Development
DDAP	Department of Drug and Alcohol Programs
DEP	Department of Environmental Protection
DFN	Division of Food and Nutrition
DFP	Division of Federal Programs
DGS	Department of General Services
DHS	Department of Human Services (formerly Department of Public Welfare (DPW))
DMVA	Department of Military and Veterans Affairs
DOD	United States Department of Defense
DOE	United States Department of Energy
DOH	Department of Health
DOI	United States Department of Interior

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## ***Legend of Abbreviations (Continued) - June 30, 2017***

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
DOL	United States Department of Labor
DOR	Department of Revenue
DOT	United States Department of Transportation
DVA	Department of Veterans Affairs
EBT	Electronic Benefits Transfer
eCIS	Electronic Client Information System
ED	United States Department of Education
EPA	United States Environmental Protection Agency
ESEA	Elementary and Secondary Education Act
FAIN	Federal award identification number
FC	Foster Care – Title IV-E
FEMA	Federal Emergency Management Agency
FFY	Federal Fiscal Year
FHWA	Federal Highway Administration
FNS	Food and Nutrition Service
FYE	Fiscal Year Ended
GAAP	Generally Accepted Accounting Principles
GAO	United States Government Accountability Office
HHS	United States Department of Health and Human Services
HIV	Human Immunodeficiency Virus
HPC	Highway Planning and Construction
HSGP	Homeland Security Grant Program
HUD	United States Department of Housing and Urban Development
IDEA	Individuals with Disabilities Education Act
IES	Integrated Enterprise System
IT	Information Technology
ITP	Information Technology Policy
ITS	Integrated Tax System
L&I	Department of Labor and Industry
LCB	Liquor Control Board
LEA	Local Educational Agency
LIHEAP	Low-Income Home Energy Assistance Program
LWIB	Local Workforce Investment Board
MA	Medical Assistance Program
MD	Management Directive
MLF	Motor License Fund
MOU	Memorandum of Understanding
NCLB	No Child Left Behind
NGMO	National Guard Military Operations and Maintenance Projects
NIST	National Institute of Standards and Technology
NSLP	National School Lunch Program
NSP	Neighborhood Stabilization Program
OA	Office of Administration
OB	Office of the Budget
OCDEL	Office of Child Development and Early Learning
OCO	Office of Comptroller Operations
OCYF	Office of Children, Youth, and Families
ODP	Office of Developmental Programs
OIG	Office of Inspector General
OIM	Office of Income Maintenance
OIT	Office of Information Technology
OMB	Office of Management and Budget
OVR	Office of Vocational Rehabilitation
PDA	Pennsylvania Department of Aging
PDE	Pennsylvania Department of Education

# **COMMONWEALTH OF PENNSYLVANIA**

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## ***Legend of Abbreviations (Continued) - June 30, 2017***

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
PEMA	Pennsylvania Emergency Management Agency
PennDOT	Pennsylvania Department of Transportation
PENNVEST	Pennsylvania Infrastructure Investment Authority
PID	Pennsylvania Insurance Department
PIMS	Pennsylvania Information Management System
PLCB	Pennsylvania Liquor Control Board
PTE	Pass-through entity
RFP	Request for Proposal
RS-VR	Rehabilitation Services – Vocational Rehabilitation Grants to States
SABG	Block Grants for Prevention and Treatment of Substance Abuse
SAS	Statement on Auditing Standards
SDLC	Systems Development Life Cycle
SEA	State educational agency
SEFA	Schedule of Expenditures of Federal Awards
SNAP	Supplemental Nutrition Assistance Program
SOC	System and Organization Control(s)
SSA	United States Social Security Administration
SSAE	Statements on Standards for Attestation Engagements
SSBG	Social Services Block Grant
SW	Statewide Finding
SWIF	State Workers' Insurance Fund
TANF	Temporary Assistance for Needy Families
UC	Unemployment Compensation
UCMS	Unemployment Compensation Modernization System
UG	Uniform Guidance
UI	Unemployment Insurance
USDA	United States Department of Agriculture
USDE	United States Department of Education
USDHS	United States Department of Homeland Security
USDOL	United States Department of Labor
WIA	Workforce Investment Act
WIC	Women, Infants, and Children
WIOA	Workforce Innovation and Opportunity Act