Thomas A. Schweich

Missouri State Auditor

State of Missouri

Single Audit

Year Ended June 30, 2013

March 2014

Report No. 2014-017

http://auditor.mo.gov

March 2014

Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Fiscal Year 2013 Statewide Single Audit

Single Audit Background

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Act requires an audit of the state's financial statements and its use of federal awards.

Single Audit guidelines require audit work be conducted on "major" programs and utilize a risk-based approach to determine which specific programs are major. Using this methodology, for the fiscal year ended June 30, 2013 (FY2013), our Single Audit involved audit work on 20 major programs at 9 departments, encompassing $8.27 billion (69 percent) of the total federal awards spent. The 20 major programs audited also account for approximately 70 percent ($108 million) of all American Recovery and Reinvestment Act of 2009 (ARRA) funds spent during FY2013. The audit contains 22 findings with 31 recommendations. Several of these findings are summarized below.

2013 Federal Awards

The state spent approximately $11.96 billion in federal awards through 344 different federal programs during FY2013, including approximately $153 million in federal ARRA awards expended through 29 programs at 11 state departments. The majority of ARRA funds were expended by the end of FY2013, but some programs will continue to have ARRA expenditures in subsequent fiscal years.

Child Care Eligibility, Payments, and Provider Eligibility DSS

As noted in our three prior audit reports, significant weaknesses still exist in the DSS controls over the Child Care Development Fund eligibility and provider payments. The DSS could not locate eligibility files for 12 percent of cases reviewed, eligibility documentation was not sufficient to support a valid need for childcare for 18 percent of files reviewed, and 33 percent of payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. In addition, for 10 percent of the payments reviewed, providers were paid for more than the child's authorized number of days for the month, and for 13 percent of the payments, providers were paid more than the allowed number of absences and/or holidays. The DSS also lacks adequate controls and procedures to ensure license-exempt child care providers comply with state law. State law does not require child care providers to be licensed if they care for four or less children to whom they are not related. We reviewed 10 license-exempt providers, each caring for between 7 and 22 children, and found that for 80 percent of the providers, the DSS incorrectly classified, or could not substantiate, the relationship between the providers and the related children.

Eligibility and TANF Assistance Payments, Work Participation, and Sanctions DSS

As noted in our two prior audit reports, the DSS-Family Support Division (DSS-FSD) paid Temporary Assistance for Needy Families (TANF) benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received. We noted concerns for 8 percent of recipients reviewed. In addition, for 50 percent of TANF cases flagged for non-cooperation we tested, either the Child

Support Enforcement Unit did not promptly notify the DSS-FSD of the non-cooperation, or the DSS-FSD did not act to sanction the recipient upon notification. Also, as noted in the three prior audits, the DSS-FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan. For 33 percent of recipients tested, the work participation hours were not documented, not verified, and/or not reported correctly. The DSS-FSD still lacks adequate procedures to ensure Missouri Work Assistance contractors notified the DSS-FSD when TANF recipients failed to meet work participation requirements, and 15 percent of recipients tested were not properly sanctioned for noncompliance.

Foster Care Reimbursements, Coding, and Allocations DSS	Coding errors by the DSS-Division of Finance and Administrative Services (DFAS) and Children's Division (CD) went undetected, causing some payments to residential facilities to be allocated to the Adoption Assistance program instead of the Foster Care program. The DFAS also claimed some federal costs at an incorrect rate and, as reported in two previous audit reports, continues to reimburse training costs without sufficient documentation to show they were allowable Foster Care training.
Medicaid Home and Community Based Services Eligibility Redeterminations DHSS	As noted in the three prior audits, the Department of Health and Senior Services (DHSS)-Division of Senior Disability Services (DSDS) does not ensure annual reassessments are performed, as required, to determine continued need of services of Home and Community Based Services recipients. The DHSS-DSDS did not perform annual reassessments for 54 percent of the cases reviewed which required a reassessment.
Pharmacy Reimbursement Allowance Tax and Report Reviews DSS	Due to a data entry error, the DSS-MO HealthNet Division (MHD) failed to properly assess one of the reviewed pharmacies taxes of at least $104,646. In addition, the DSS-MHD does not have effective controls for reviewing some reports to ensure compliance with enrollment requirements of the Medicare Buy-In program or certain claims processing requirements of the Medical Assistance Program.
Reporting and Subrecipient Monitoring DPS	The Department of Public Safety (DPS)-State Emergency Management Agency (SEMA) did not report subawards of the Disaster Grants-Public Assistance (PA) program as required by the Federal Funding Accountability and Transparency Act. In addition, the SEMA does not adequately document reviews performed of subrecipients' expenditures charged to the PA program.
Child Support Enforcement DSS	A county billed the DSS-FSD for unapproved personnel severance costs, and the FSD failed to identify the unallowable costs or require the county to provide supporting documentation for the $200,960 claimed. The DSS-DFAS also incorrectly recorded costs from one vendor invoice for call center services, resulting in unallowable costs charged to the program.
Medicaid Cash Receipt Controls DSS	The DSS-MHD does not have adequate controls over cash receipts. The DSS-MHD did not restrictively endorse checks and money orders immediately upon receipt or deposit receipts in a timely manner and did not adequately restrict user access within the cash receipts and accounts receivable modules of the Medicaid Management Information System.

Because of the compound nature of this audit report, no overall rating is provided.

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Common Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CSR	Code of State Regulations
OMB	Office of Management and Budget
RSMo	Missouri Revised Statutes
SAM II	Statewide Advantage for Missouri
USC	United States Code

INTRODUCTION AND SUMMARY

INTRODUCTION AND SUMMARY

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to set forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-federal entities expending federal awards. A single audit requires an audit of the state's financial statements and expenditures of federal awards. The audit is required to determine whether:

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.

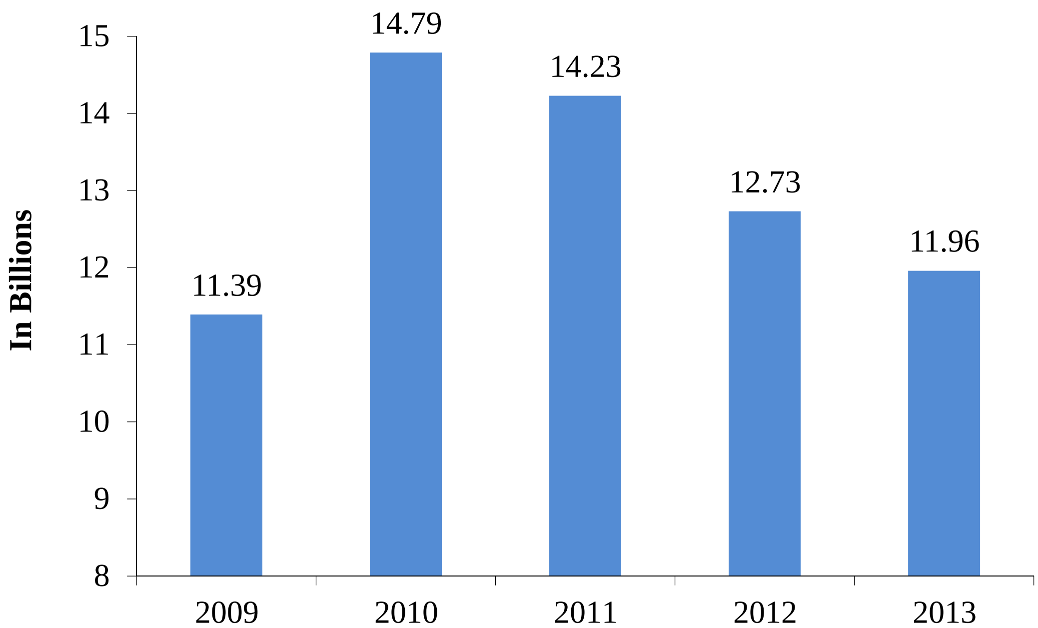
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.

- The state has adequate internal controls to ensure compliance with federal award requirements.

- The state has complied with the provisions of laws, regulations, and contracts or grants that could have a direct and material effect on federal awards.

The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended $11.96 billion in federal awards during the year ended June 30, 2013.

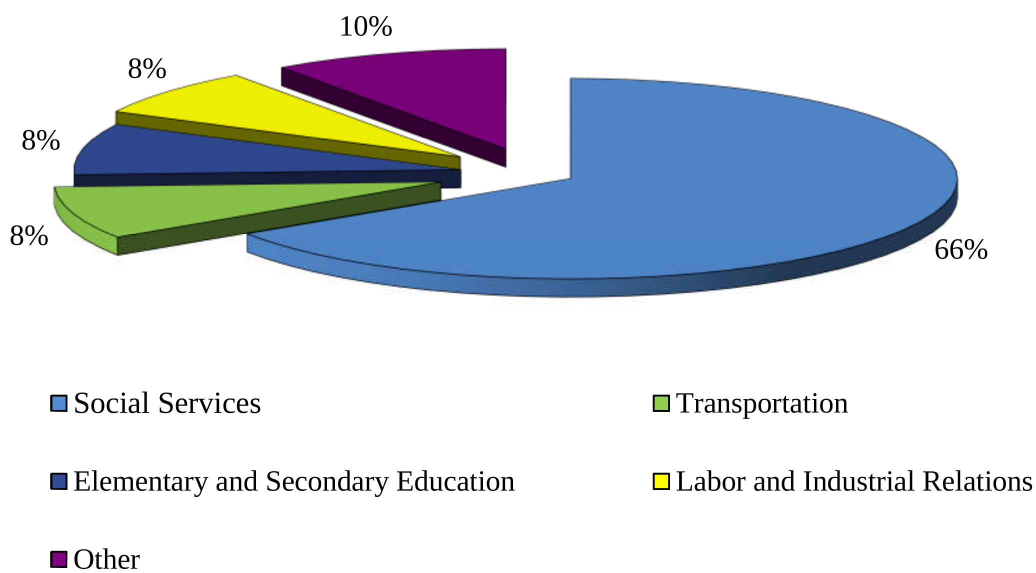
Total Expenditures of Federal Awards
Five Year Comparison



Expenditures of federal awards peaked in fiscal year 2010 due to additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of ARRA funds were expended by the end of fiscal year 2012; however, some programs continued to have ARRA expenditures in fiscal year 2013.

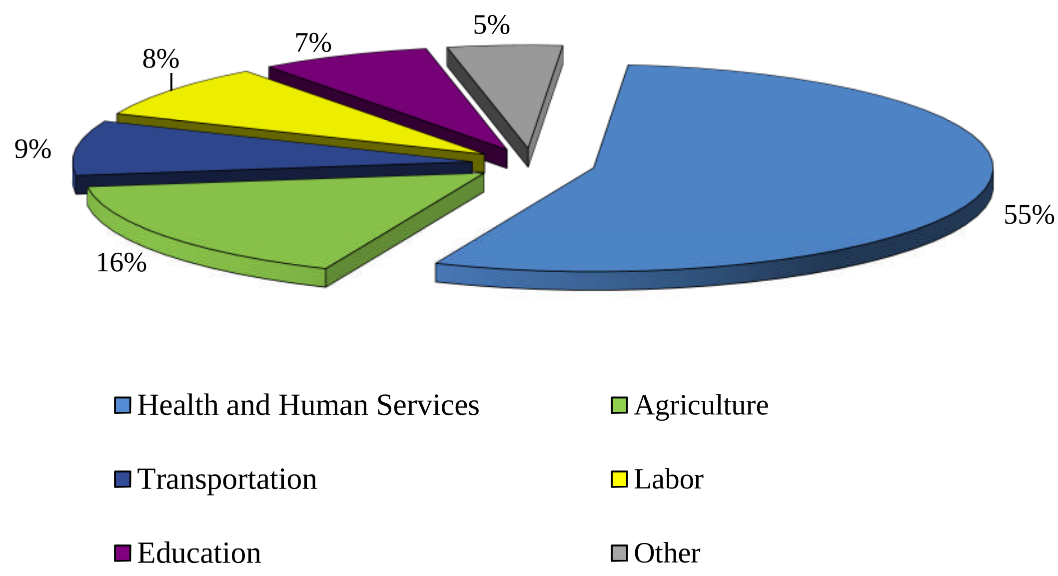
Although 19 state departments and other state offices expended federal awards, 4 state departments expended the bulk of the federal awards (90 percent).

Expenditures of Federal Awards by State Department



The state received federal awards from 23 different federal agencies. Most of the federal awards (95 percent) came from 5 federal agencies.

Expenditures of Federal Awards by Federal Department

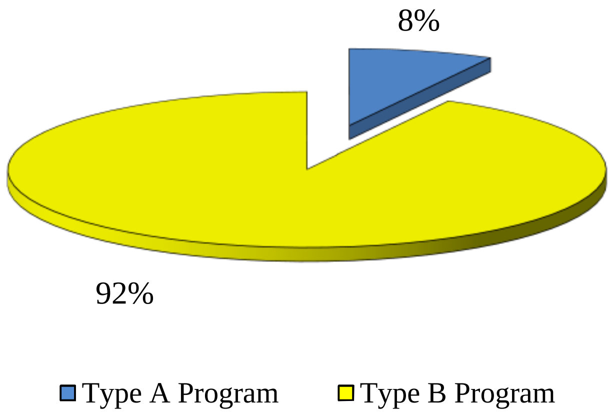


Overall, the state expended federal awards in 344 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program as the larger of $30 million or fifteen-hundredths of one percent (0.0015) of federal awards expended.

Determination of Type A Programs		
Larger of:		$30,000,000
		or
Total expenditures of federal awards	11,961,603,966	
Fifteen-hundredths of one percent	.0015	
		17,942,406
Dollar Threshold		$30,000,000

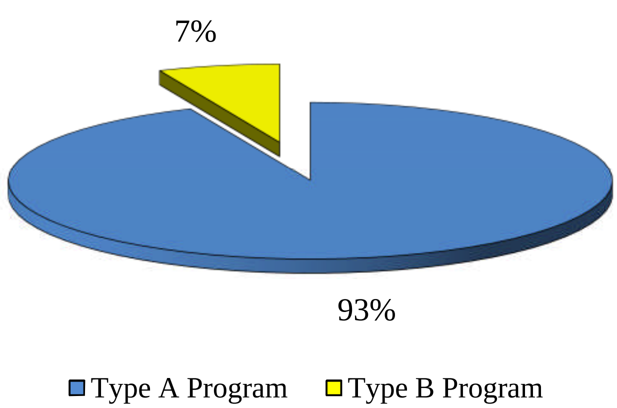
Programs with federal expenditures over $30 million are Type A programs and the programs under $30 million are Type B programs. Of the 344 different federal award programs, 27 were Type A programs and 317 were Type B programs.

Type A and Type B Programs
Number of Programs



The 27 Type A programs had expenditures of federal awards totaling $11.2 billion, which was 93 percent of the total expenditures for all programs. The 317 Type B programs had expenditures of federal awards totaling $779 million, which was only 7 percent of the total expenditures for all programs.

Type A and Type B Programs
Expenditures of Federal Awards



OMB Circular A-133 requires the auditor to perform risk assessments on Type A programs and to audit as major each Type A program assessed as high risk based on various risk factors. To ensure a high level of accountability over ARRA funds, Appendix VII of the 2013 Compliance Supplement included additional criteria to consider when determining risk for the Type A programs containing ARRA funds due to the inherently higher risk of these funds. We performed a risk assessment on each Type A program and determined 12 of the 27 Type A programs were low risk and did not need to be audited as major. In accordance with OMB Circular A-133, we audited the 15 Type A programs assessed as high risk as major.

OMB Circular A-133 also requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs which were not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended ($11.96 billion times .0003 = $3,588,481). We performed risk assessments on the 50 larger Type B programs and determined 9 of them were high risk. In accordance with OMB Circular A-133, we audited 5 (at least one-half) of these 9 high risk Type B programs as major.

Major and Non-major Programs

Audit Coverage by Type of Program	Number of Programs	Expenditures	Percentage of Expenditures
Type A major programs	15	$ 8,194,304,695	
Type B major programs	5	76,483,430	
Total major programs	20	$ 8,270,788,125	69%
Type A non-major programs	12	$ 2,988,095,833	
Type B non-major programs	312	702,720,008	
Total non-major programs	324	$ 3,690,815,841	31%
Total all programs	344	$ 11,961,603,966	100%

American Recovery and Reinvestment Act of 2009

As noted above, the state of Missouri expended a total of approximately $11.96 billion in federal awards during the year ended June 30, 2013. Of that total, approximately $153 million (1.3 percent) was expended in ARRA awards. The ARRA awards relate to 29 federal programs with expenditures at 11 different state agencies. We audited 6 of these programs as major, covering about $108 million, or 70 percent of total expenditures of ARRA awards.

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	$ 1,443,100,031
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	47,143,584
	Total SNAP Cluster		1,490,243,615
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	65,476,505
10.555	National School Lunch Program	Agriculture	218,773,419
10.556	Special Milk Program for Children	Agriculture	510,096
10.559	Summer Food Service Program for Children	Agriculture	9,530,263
	Total Child Nutrition Cluster		294,290,283
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	95,400,898
10.558	Child and Adult Care Food Program	Agriculture	51,079,435
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	43,162,172
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	860,655
	Total CDBG - State-Administered CDBG Cluster		44,022,827
17.225	Unemployment Insurance	Labor	907,347,171
17.225	ARRA - Unemployment Insurance	Labor	308,351
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	15,016,672
17.259	Workforce Investment Act - Youth Activities	Labor	15,076,177
17.278	Workforce Investment Act - Dislocated Workers Formula Grants	Labor	21,238,063
	Total WIA Cluster		51,330,912
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	890,773,401
20.205	ARRA - Highway Planning and Construction	Transportation	18,480,301
20.219	Recreational Trails Program	Transportation	1,405,239
	Total Highway Planning and Construction Cluster		910,658,941
64.015	Veterans State Nursing Home Care	Veterans Affairs	53,048,522
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	102,463,928
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	1,090,245
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	Education	238,567,448
	Total Title I, Part A Cluster		238,567,448
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	224,849,196
84.173	Special Education - Preschool Grants	Education	5,846,036
	Total Special Education Cluster (IDEA)		230,695,232
84.032	Federal Family Education Loans	Education	152,753,632
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	57,869,636
84.367	Improving Teacher Quality State Grants	Education	41,709,303
93.268	Immunization Cooperative Agreements	Health and Human Services	64,169,417

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families (TANF) State Programs	Health and Human Services	181,358,600
	Total TANF Cluster		181,358,600
93.563	Child Support Enforcement	Health and Human Services	37,880,345
93.568	Low-Income Home Energy Assistance	Health and Human Services	67,387,908
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	50,041,184
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	60,700,638
	Total CCDF Cluster		110,741,822
93.658	Foster Care - Title IV-E	Health and Human Services	59,634,061
93.659	Adoption Assistance	Health and Human Services	37,641,476
93.667	Social Services Block Grant	Health and Human Services	53,525,200
93.767	Children's Health Insurance Program	Health and Human Services	120,582,662
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,502,068
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	17,375,971
93.778	Medical Assistance Program	Health and Human Services	5,558,414,111
93.778	ARRA - Medical Assistance Program	Health and Human Services	62,839,488
	Total Medicaid Cluster		5,640,131,638
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	38,445,507
	Total Disability Insurance/SSI Cluster		38,445,507
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	48,021,513
	Total Type A Programs (expenditures greater than $30,000,000)		11,182,400,528
	Total Type B Programs (expenditures less than $30,000,000)		779,203,438
	Total Expenditures of Federal Awards		$ 11,961,603,966

STATE AUDITOR'S REPORTS

THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S 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*

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

We have audited, in accordance with 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 state of Missouri, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 10, 2014. Our report expressed a qualified opinion on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 27 percent of governmental activity revenues and 32 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Our report on the state of Missouri's financial statements also includes a reference to other auditors who audited the financial statements of:

1. The Missouri Road Fund, a major fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 78 percent and 12 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which are both major funds and represent 37 percent and 49 percent of the assets and revenues, respectively, of the business-type activities.

3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 97 percent of the assets and additions, respectively, of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board, a discretely presented component unit; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of Missouri'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 state's internal control. Accordingly, we do not express an opinion on the effectiveness of the state's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 state's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Cost as finding number 2013-001 to be a material weakness.

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. We consider the deficiency described in the accompanying

Schedule of Findings and Questioned Cost as finding number 2013-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri'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*.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Thomas A. Schweich
State Auditor

January 10, 2014

THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

Report on Compliance for Each Major Federal Program

We have audited the state of Missouri's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The state's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the state'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the state's compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As described in findings 2013-003, 2013-005, 2013-009, and 2013-010 in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding the following:

Finding Number	***CFDA Number***	***Program (or Cluster) Name***	***Compliance Requirement(s)***
2013-003	*93.775* *93.777* *93.778*	*Medicaid Cluster*	*Activities Allowed and Unallowed and Allowable Costs and Cost Principles*
2013-005	*97.036*	*Disaster Grants - Public Assistance (Presidentially Declared Disasters)*	*Reporting*
2013-009	*93.575* *93.596*	*Child Care Development Fund Cluster*	*Activities Allowed and Unallowed, Allowable Costs and Cost Principles, and Eligibility*
2013-010	*93.575* *93.596*	*Child Care Development Fund Cluster*	*Eligibility and Special Tests and Provisions*

Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

Qualified Opinion on Certain Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the state of Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the state of Missouri 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 auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2013-004, 2013-005, 2013-007, 2013-008, 2013-012, 2013-013, 2013-015, 2013-016, 2013-017, 2013-018, and 2013-021. Our opinion on each major federal program is not modified with respect to these matters.

The state of Missouri's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The state's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the state of Missouri 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 state'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as findings 2013-005, 2013-009, 2013-010, and 2013-011 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or 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 findings 2013-006, 2013-008, 2013-015, 2013-016, 2013-019, and 2013-021 to be significant deficiencies.

The state of Missouri's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The state's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Thomas A. Schweich
State Auditor

February 7, 2014

THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

We have audited, in accordance with 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 state of Missouri, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 10, 2014. Our report expressed a qualified opinion on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 27 percent of governmental activity revenues and 32 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Our report on the state of Missouri's financial statements also includes a reference to other auditors who audited the financial statements of:

1. The Missouri Road Fund, a major fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 78 percent and 12 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which are both major funds and represent 37 percent and 49 percent of the assets and revenues, respectively, of the business-type activities.

3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 97 percent of the assets and additions, respectively, of the fiduciary funds.

The financial statements of the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board, a discretely presented component unit; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards.*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the audit 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. The state of Missouri has excluded federal award expenditures of public universities and other component units from the accompanying schedule. In our opinion, except for the effects of the exclusion of federal award expenditures of public universities and other component units, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report is solely to provide an opinion on the Schedule of Expenditures of Federal Awards in relation to the basic financial statements as a whole based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Thomas A Schweich

Thomas A. Schweich
State Auditor

January 10, 2014

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Agriculture		$	
10.UNKNOWN	National Food Animal Veterinary Institute	192,479	177,253
10.UNKNOWN	School Lunch Commodity Refund	53,613	53,613
10.025	Plant and Animal Disease, Pest Control, and Animal Care	713,372	0
10.069	Conservation Reserve Program	405,750	0
10.153	Market News	2,887	0
10.163	Market Protection and Promotion	30,005	0
10.169	Specialty Crop Block Grant Program	172,419	53,880
10.170	Specialty Crop Block Grant Program - Farm Bill	80,323	27,534
10.250	Agriculture and Rural Economic Research, Cooperative Agreements and Collaborations	7,311	0
10.303	Integrated Programs	2,367	0
10.435	State Mediation Grants	127,128	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	502,775	0
10.479	Food Safety Cooperative Agreements	149,592	0
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	1,443,100,031	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	47,143,584	8,345,111
	Total SNAP Cluster	1,490,243,615	8,345,111
	Child Nutrition Cluster:		
10.553	School Breakfast Program	65,476,505	65,476,505
10.555	National School Lunch Program	218,773,419	218,675,278
10.556	Special Milk Program for Children	510,096	510,096
10.559	Summer Food Service Program for Children	9,530,263	9,065,083
	Total Child Nutrition Cluster	294,290,283	293,726,962
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	95,400,898	24,212,795
10.558	Child and Adult Care Food Program	51,079,435	50,360,175
10.560	State Administrative Expenses for Child Nutrition	3,837,736	2,143,390
	Food Distribution Cluster:		
10.565	Commodity Supplemental Food Program	1,042,763	999,788
10.568	Emergency Food Assistance Program (Administrative Costs)	1,263,834	1,201,194
10.569	Emergency Food Assistance Program (Food Commodities)	11,678,605	0
	Total Food Distribution Cluster	13,985,202	2,200,982
10.574	Team Nutrition Grants	226,051	58,331
10.578	ARRA - WIC Grants to States (WGS)	257,626	0
10.579	Child Nutrition Discretionary Grants Limited Availability	933,263	154,489
10.582	Fresh Fruit and Vegetable Program	3,203,046	3,203,046
10.664	Cooperative Forestry Assistance	1,560,911	274,496
	Forest Service Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	6,888,406	6,888,406
	Total Forest Service Schools and Roads Cluster	6,888,406	6,888,406
10.675	Urban and Community Forestry Program	43,303	0
10.678	Forest Stewardship Program	7,792	0
10.680	Forest Health Protection	48,550	0
10.762	Solid Waste Management Grants	551,805	551,805
10.902	Soil and Water Conservation	118,374	0
10.912	Environmental Quality Incentives Program	69,656	0
Total Department of Agriculture		1,965,185,973	392,432,268
Department of Commerce			
11.555	Public Safety Interoperable Communications Grant Program	1,685,232	1,139,265
11.557	ARRA - Broadband Technology Opportunities Program (BTOP)	2,378,631	2,351,930
11.558	ARRA - State Broadband Data and Development Grant Program	1,465,541	1,092,833
Total Department of Commerce		5,529,404	4,584,028

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Defense			
12.AAG	Drug Interdiction and Counter Drug Activities	668,555	0
12.UNKNOWN	Troops to Teachers	117,776	8,735
12.112	Payments to States in Lieu of Real Estate Taxes	1,767,416	1,767,416
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	646,892	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	27,702,457	0
Total Department of Defense		30,903,096	1,776,151
Department of Housing and Urban Development			
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	43,162,172	41,460,837
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	860,655	831,228
	Total CDBG - State-Administered CDBG Cluster	44,022,827	42,292,065
14.231	Emergency Solutions Grants Program	444,008	397,361
14.238	Shelter Plus Care	10,297,137	10,191,113
14.241	Housing Opportunities for Persons with AIDS	508,642	508,642
14.257	ARRA - Homelessness Prevention and Rapid Rehousing Program	265,784	265,784
14.401	Fair Housing Assistance Program - State and Local	601,014	0
14.416	Education and Outreach Initiatives	138,135	0
Total Department of Housing and Urban Development		56,277,547	53,654,965
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	214,041	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	2,210,899	1,361,100
15.255	Science and Technology Projects Related to Coal Mining and Reclamation	13,607	0
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	9,112,451	0
15.611	Wildlife Restoration and Basic Hunter Education	11,796,980	0
	Total Fish and Wildlife Cluster	20,909,431	0
15.608	Fish and Wildlife Management Assistance	267,151	0
15.615	Cooperative Endangered Species Conservation Fund	138,756	0
15.616	Clean Vessel Act	10,615	0
15.623	North American Wetlands Conservation Fund	264,005	0
15.634	State Wildlife Grants	1,120,379	0
15.649	Service Training and Technical Assistance (Generic Training)	140,130	0
15.657	Endangered Species Conservation - Recovery Implementation Funds	20,000	0
15.658	Natural Resource Damage Assessment, Restoration and Implementation	23,087	0
15.807	Earthquake Hazards Reduction Program	46,903	0
15.808	U.S. Geological Survey - Research and Data Collection	84,394	0
15.810	National Cooperative Geologic Mapping Program	108,142	0
15.814	National Geological and Geophysical Data Preservation Program	14,529	0
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	14,684	0
15.904	Historic Preservation Fund Grants-In-Aid	908,864	141,711
15.916	Outdoor Recreation - Acquisition, Development and Planning	300,359	242,329
15.928	Civil War Battlefield Land Acquisition Grants	87,868	43,934
15.935	National Trails System Projects	4,915	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	317,740	0
Total Department of the Interior		27,220,499	1,789,074
Department of Justice			
16.017	Sexual Assault Services Formula Program	173,450	169,176
16.523	Juvenile Accountability Block Grants	689,286	519,388
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	789,197	542,194
16.548	Title V - Delinquency Prevention Program	83,101	83,101
16.554	National Criminal History Improvement Program (NCHIP)	252,758	145,033

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	278,887	204,895
16.575	Crime Victim Assistance	7,488,517	7,305,865
16.576	Crime Victim Compensation	2,895,798	2,895,798
16.585	Drug Court Discretionary Grant Program	44,192	0
16.588	Violence Against Women Formula Grants	1,926,996	1,833,569
16.588	ARRA - Violence Against Women Formula Grants	247,587	216,108
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	158,517	29,611
16.593	Residential Substance Abuse Treatment for State Prisoners	331,294	108,559
16.606	State Criminal Alien Assistance Program	876,186	0
16.607	Bulletproof Vest Partnership Program	14,596	4,438
16.610	Regional Information Sharing Systems	3,886,212	3,886,212
16.710	Public Safety Partnership and Community Policing Grants	425,245	0
16.726	Juvenile Mentoring Program	281,975	193,668
16.727	Enforcing Underage Drinking Laws Program	201,420	177,248
16.734	Special Data Collections and Statistical Studies	21,375	0
	JAG Program Cluster:		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	5,495,806	4,803,267
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	4,103,303	2,348,460
	Total JAG Program Cluster	9,599,109	7,151,727
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	153,342	0
16.741	DNA Backlog Reduction Program	611,796	0
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	78,769	78,769
16.750	Support for Adam Walsh Act Implementation Grant Program	27,980	0
16.810	ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	4,799	0
16.812	Second Chance Act Prisoner Reentry Initiative	392,359	0
16.813	NICS Act Record Improvement Program	53,905	53,905
16.816	John R. Justice Prosecutors and Defenders Incentive Act	86,724	83,497
Total Department of Justice		32,075,372	25,682,761
Department of Labor			
17.002	Labor Force Statistics	1,044,334	0
17.005	Compensation and Working Conditions	210,933	0
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	13,319,356	0
17.801	Disabled Veterans' Outreach Program (DVOP)	758,976	0
17.804	Local Veterans' Employment Representative Program	2,193,647	0
	Total Employment Service Cluster	16,271,979	0
17.225	Unemployment Insurance	907,347,171	0
17.225	ARRA - Unemployment Insurance	308,351	0
17.235	Senior Community Service Employment Program	2,224,220	2,164,271
17.245	Trade Adjustment Assistance	9,271,855	0
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	15,016,672	14,348,375
17.259	Workforce Investment Act - Youth Activities	15,076,177	14,519,604
17.278	Workforce Investment Act - Dislocated Worker Formula Grants	21,238,063	19,155,100
	Total WIA Cluster	51,330,912	48,023,079
17.260	ARRA - Workforce Investment Act - Dislocated Workers	171,202	171,202
17.261	Workforce Investment Act - Pilots, Demonstrations, and Research Projects	269,524	88,407
17.267	Incentive Grants - WIA Section 503	44,805	44,805
17.271	Work Opportunity Tax Credit Program (WOTC)	454,680	0
17.273	Temporary Labor Certification for Foreign Workers	73,803	0
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	2,143,366	2,070,434

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
17.277	Workforce Investment Act (WIA) National Emergency Grants	14,333,354	13,740,250
17.282	ARRA - Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	208,700	0
17.504	Consultation Agreements	1,349,563	0
17.505	OSHA Data Initiative	31,688	0
17.600	Mine Health and Safety Grants	264,059	0
17.807	Transition Assistance Program	5,112	0
Total Department of Labor		1,007,359,611	66,302,448
Department of Transportation			
20.106	Airport Improvement Program	17,876,153	17,696,008
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	890,773,401	112,877,865
20.205	ARRA - Highway Planning and Construction	18,480,301	3,833,103
20.219	Recreational Trails Program	1,405,239	924,905
	Total Highway Planning and Construction Cluster	910,658,941	117,635,873
20.218	National Motor Carrier Safety	3,172,453	1,417,188
20.231	Performance and Registration Information Systems Management	58,244	0
20.232	Commercial Driver's License Program Improvement Grant	102,658	82,884
20.237	Commercial Vehicle Information Systems and Networks	68,907	0
20.238	Commercial Driver's License Information System Modernization	79,485	40,694
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	131,398	0
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	95,705	0
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	13,490,956	0
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	4,104,838	4,104,838
	Total Federal Transit Cluster	4,104,838	4,104,838
20.505	Metropolitan Transportation Planning	6,705,736	6,570,440
20.509	Formula Grants for Rural Areas	12,054,360	11,474,893
20.509	ARRA - Formula Grants for Rural Areas	1,611,300	1,611,300
	Transit Services Programs Cluster:		
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	3,248,287	3,106,081
20.516	Job Access - Reverse Commute Program	1,749,473	1,749,473
20.521	New Freedom Program	687,483	687,483
	Total Transit Services Programs Cluster	5,685,243	5,543,037
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	3,862,130	3,222,973
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	2,490,295	2,183,702
20.610	State Traffic Safety Information System Improvement Grants	353,334	309,609
20.612	Incentive Grant Program to Increase Motorcyclist Safety	50,380	0
20.613	Child Safety and Child Booster Seats Incentive Grants	259,196	72,689
	Total Highway Safety Cluster	7,015,335	5,788,973
20.607	Alcohol Open Container Requirements	20,417,865	2,949,134
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	12,947,461	0
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	190,245	0
20.615	Ensuring Needed Help Arrives Near Callers Employing 911	773,340	773,340
20.700	Pipeline Safety Program State Base Grant	547,298	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	393,777	295,270
20.721	PHMSA Pipeline Safety Program One Call Grant	10,026	0
20.816	America's Marine Highway Grants	14,896	0
20.930	Payments for Small Community Air Service Development	151,357	77,778
Total Department of Transportation		1,018,357,977	176,061,650
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	509,860	0
Total Equal Employment Opportunity Commission		509,860	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	6,676,429	6,347,447
39.011	Election Reform Payments	504,406	503,931
Total General Services Administration		7,180,835	6,851,378
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	736,372	400,206
45.310	Grants to States	2,828,313	1,559,232
Total National Foundation on the Arts and the Humanities		3,564,685	1,959,438
Small Business Administration			
59.061	ARRA - State Trade and Export Promotion Pilot Grant Program	1,183,434	1,011,896
Total Small Business Administration		1,183,434	1,011,896
Department of Veterans Affairs			
64.UNKNOWN	Vocational Training for Certain Veterans Receiving VA Pension	777,580	0
64.005	Grants to States for Construction of State Home Facilities	3,464,130	0
64.015	Veterans State Nursing Home Care	53,048,522	0
64.024	VA Homeless Providers Grant and Per Diem Program	658,664	658,664
64.101	Burial Expenses Allowance for Veterans	763,738	0
64.203	State Cemetery Grants	738,196	0
Total Department of Veterans Affairs		59,450,830	658,664
Environmental Protection Agency			
66.032	State Indoor Radon Grants	129,779	0
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	1,079,886	0
66.039	National Clean Diesel Emissions Reduction Program	2,035,522	1,045,931
66.040	State Clean Diesel Grant Program	187,781	83,329
66.202	Congressionally Mandated Projects	100,488	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	280,409	0
66.433	State Underground Water Source Protection	127,571	0
66.454	Water Quality Management Planning	211,463	1,093
66.458	Capitalization Grants for Clean Water State Revolving Funds	102,463,928	87,465,345
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	1,090,245	1,090,245
66.460	Nonpoint Source Implementation Grants	3,106,115	1,397,596
66.461	Regional Wetland Program Development Grants	28,826	0
66.468	Capitalization Grants for Drinking Water State Revolving Funds	16,265,168	11,081,973
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	269,372	200,341
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	40,091	5,182
66.474	Water Protection Grants to the States	3,022	0
66.475	Gulf of Mexico Program	50,819	19,183
66.605	Performance Partnership Grants	15,554,505	68,826
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	325,251	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	341,463	0
66.709	Multi-Media Capacity Building Grants for States and Tribes	3,708	0
66.714	Regional Agricultural IPM Grants	21,467	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,365,986	254,862
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	478,208	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,004,179	27,036
66.810	Chemical Emergency Preparedness and Prevention (CEPP) Technical Assistance Grants Program	9,000	7,409
66.817	State and Tribal Response Program Grants	838,659	0
66.940	Environmental Policy and State Sustainability Grants	3,014	0
Total Environmental Protection Agency		147,415,925	102,748,351

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Energy			
81.041	State Energy Program	781,436	91,996
81.041	ARRA - State Energy Program	2,662,511	1,145,142
81.042	Weatherization Assistance for Low-Income Persons	5,286,281	4,978,657
81.042	ARRA - Weatherization Assistance for Low-Income Persons	8,960,748	8,033,931
81.092	Weldon Springs Site Remedial Action Project	366,397	0
81.104	Environmental Remediation and Waste Processing and Disposal	147,980	0
81.119	State Energy Program Special Projects	47,447	0
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	386,122	0
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	7,275,860	6,772,563
81.138	State Heating Oil and Propane Program	1,439	0
81.902	State Environmental Oversite and Monitoring	44,453	0
Total Department of Energy		25,960,674	21,022,289
Department of Education			
84.UNKNOWN	Cooperative System Grant	6,401	0
84.002	Adult Education - Basic Grants to States	9,755,258	8,392,582
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	238,567,448	236,230,896
	Total Title I, Part A Cluster	238,567,448	236,230,896
84.011	Migrant Education - State Grant Program	1,451,946	1,437,718
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,101,465	1,087,220
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	224,849,196	200,356,281
84.173	Special Education - Preschool Grants	5,846,036	5,846,036
	Total Special Education Cluster (IDEA)	230,695,232	206,202,317
84.032	Federal Family Education Loans	152,753,632	0
84.048	Career and Technical Education - Basic Grants to States	21,052,326	18,828,575
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	57,869,636	0
84.144	Migrant Education - Coordination Program	57,685	57,685
84.169	Independent Living - State Grants	370,170	341,513
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	692,380	0
84.181	Special Education - Grants for Infants and Families	7,897,774	0
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	391,384	0
84.196	Education for Homeless Children and Youth	1,333,189	1,325,105
84.224	Assistive Technology	925,875	680,695
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	50,304	0
84.282	Charter Schools	1,231,199	1,228,562
84.287	Twenty-First Century Community Learning Centers	19,087,620	18,846,507
	Educational Technology State Grants Cluster:		
84.318	Educational Technology State Grants	25,233	25,233
	Total Educational Technology State Grants Cluster	25,233	25,233
84.323	Special Education - State Personnel Development	1,648,405	1,648,405
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for for Children with Disabilities	192,116	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	166,470	166,470
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	52,693	0
84.358	Rural Education	3,142,650	2,835,636
84.365	English Language Acquisition State Grants	5,217,713	4,849,554
84.366	Mathematics and Science Partnerships	2,640,043	2,639,903
84.367	Improving Teacher Quality State Grants	41,709,303	40,958,327
84.369	Grants for State Assessments and Related Activities	2,937,121	0
84.371	Striving Readers	104,011	104,011

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Statewide Data Systems Cluster:		
84.372	Statewide Data Systems	1,496,555	0
	Total Statewide Data Systems Cluster	1,496,555	0
	School Improvement Grants Cluster		
84.377	School Improvement Grants	3,546,082	3,295,490
84.388	ARRA - School Improvement Grants, Recovery Act	17,816,531	17,549,254
	Total School Improvement Grants Cluster	21,362,613	20,844,744
84.378	College Access Challenge Grant Program	2,277,956	1,750,121
84.902	National Assessment of Educational Programs	113,792	0
Total Department of Education		828,377,598	570,481,779
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	6,790	2,803
Total National Archives and Records Administration		6,790	2,803
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	2,115,851	677,445
Total Elections Assistance Commission		2,115,851	677,445
Department of Health and Human Services			
93.003	Public Health and Social Services Emergency Fund	453,792	453,792
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	98,968	6,576
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	299,198	89,489
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	546,301	546,301
	Aging Cluster:		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,875,747	7,012,541
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	12,106,718	12,106,718
93.053	Nutrition Services Incentive Program	4,498,798	4,498,798
	Total Aging Cluster	24,481,263	23,618,057
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	89,254	54,667
93.051	Alzheimer's Disease Demonstration Grants to States	134,168	122,351
93.052	National Family Caregiver Support, Title III, Part E	3,068,944	3,068,944
93.069	Public Health Emergency Preparedness	12,532,695	6,458,199
93.070	Environmental Public Health and Emergency Response	840,830	533,881
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	83,982	343
93.090	Guardianship Assistance	1,865,857	0
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	1,014,598	839,581
93.103	Food and Drug Administration - Research	704,678	21,500
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	553,442	517,531
93.110	Maternal and Child Health Federal Consolidated Programs	387,488	79,909
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	645,465	211,855
93.127	Emergency Medical Services for Children	200,919	6,222
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	208,478	68,513
93.136	Injury Prevention and Control Research and State and Community Based Programs	919,080	782,794
93.150	Projects for Assistance in Transition from Homelessness (PATH)	934,223	904,134
93.165	Grants to States for Loan Repayment Program	160,000	160,000
93.230	Consolidated Knowledge Development and Application (KD&A) Program	120,552	20,264
93.234	Traumatic Brain Injury State Demonstration Grant Program	192,082	146,150
93.235	Affordable Care Act (ACA) Abstinence Education Program	754,830	570,540
93.240	State Capacity Building	315,226	0
93.241	State Rural Hospital Flexibility Program	324,626	192,425

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	7,952,141	7,450,299
93.251	Universal Newborn Hearing Screening	313,438	143,213
93.268	Immunization Cooperative Agreements	64,169,417	344,259
93.270	Adult Viral Hepatitis Prevention and Control	70,919	0
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	6,418,088	2,681,607
93.293	Supporting Permanent Placements of Foster Care Children through Electronic Records Exchange	24,836	24,836
93.301	Small Rural Hospital Improvement Grant Program	333,750	333,750
93.414	ARRA - State Primary Care Offices	165,124	52,920
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	2,269,941	1,971,093
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	227,376	0
93.507	PPHF 2012 National Public Health Improvement Initiative	332,396	101,538
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	339	0
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	124,682	117,050
93.519	Affordable Care Act (ACA) - Consumer Assistance Program Grants	652,715	0
93.520	Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work	101,768	99,072
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	439,964	58,128
93.538	Affordable Care Act - National Environmental Public Health Tracking Program - Network Implementation	1,236,405	0
93.539	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by 2012 Prevention and Public Health Funds	686,288	353
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	225,778	4,588
93.556	Promoting Safe and Stable Families	5,914,107	0
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families (TANF) State Programs	181,358,600	14,109,628
	Total TANF Cluster	181,358,600	14,109,628
93.563	Child Support Enforcement	37,880,345	15,524,003
93.566	Refugee and Entrant Assistance - State Administered Programs	3,135,918	1,263,941
93.568	Low-Income Home Energy Assistance	67,387,908	27,185,114
93.569	Community Services Block Grant	15,637,031	14,683,956
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	50,041,184	2,591,556
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	60,700,638	0
	Total CCDF Cluster	110,741,822	2,591,556
93.576	Refugee and Entrant Assistance - Discretionary Grants	362,407	342,340
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	151,323	151,323
93.586	State Court Improvement Program	602,794	0
93.590	Community-Based Child Abuse Prevention Grants	1,104,475	1,104,475
93.597	Grants to States for Access and Visitation Programs	172,712	0
93.599	Chafee Education and Training Vouchers Program (ETV)	855,867	855,867
93.600	Head Start	152,342	152,342
93.603	Adoption Incentive Payments	410,552	0
93.617	Voting Access for Individuals with Disabilities - Grants to States	176,330	161,760
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,353,782	546,866
93.643	Children's Justice Grants to States	596,268	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	5,923,207	0
93.652	Adoption Opportunities	463,474	0
93.658	Foster Care - Title IV-E	59,634,061	1,706,319
93.659	Adoption Assistance	37,641,476	0
93.667	Social Services Block Grant	53,525,200	11,064,416
93.669	Child Abuse and Neglect State Grants	361,850	0

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.671	Family Violence Prevention and Services/Battered Women's Shelters - Grants to States and Indian Tribes	1,788,568	1,787,653
93.674	Chafee Foster Care Independence Program	2,964,199	0
93.708	ARRA - Head Start	256,466	217,952
93.719	ARRA - State Grants to Promote Health Information Technology	3,692,679	0
93.723	ARRA - Prevention and Wellness - State, Territories and Pacific Islands	268,733	268,733
93.724	ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	52,452	0
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs Financed by 2012 Prevention and Public Health Funds (PPHF-2012)	33,526	16,649
93.735	State Public Health Approaches for Ensuring Quitline Capacity - Funded in Part by 2012 Prevention and Public Health Funds (PPHF-2012)	261,555	261,555
93.744	PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories Solely Financed by 2012 Prevention and Public Health Funds	131,903	0
93.767	Children's Health Insurance Program	120,582,662	0
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	1,502,068	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	17,375,971	0
93.778	Medical Assistance Program	5,558,414,111	0
93.778	ARRA - Medical Assistance Program	62,839,488	0
	Total Medicaid Cluster	5,640,131,638	0
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,266,514	255,064
93.791	Money Follows the Person Rebalancing Demonstration	10,475,401	0
93.889	National Bioterrorism Hospital Preparedness Program	7,465,996	6,161,037
93.913	Grants to States for Operation of Offices of Rural Health	187,839	12,574
93.917	HIV Care Formula Grants	16,043,683	16,043,683
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2,752,563	212,619
93.940	HIV Prevention Activities - Health Department Based	4,676,078	2,428,321
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	705,731	305,660
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	137,989	0
93.958	Block Grants for Community Mental Health Services	7,317,207	6,826,317
93.959	Block Grants for Prevention and Treatment of Substance Abuse	26,089,864	24,025,624
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,094,899	324,331
93.982	Mental Health Disaster Assistance and Emergency Mental Health	1,201,318	1,187,973
93.991	Preventive Health and Health Services Block Grant	1,420,676	142,530
93.994	Maternal and Child Health Services Block Grant to the States	11,473,419	6,567,410
Total Department of Health and Human Services		6,586,693,713	211,346,315
Corporation for National and Community Service			
94.003	State Commissions	273,642	1,222
94.004	Learn and Serve America - School and Community Based Programs	311	0
94.006	AmeriCorps	3,318,291	3,304,711
94.007	Program Development and Innovation Grants	59,554	59,554
94.009	Training and Technical Assistance	36,623	4,122
Total Corporation for National and Community Service		3,688,421	3,369,609
Executive Office of the President			
95.001	High Intensity Drug Trafficking Areas Program	2,687,963	1,979,787
Total Executive Office of the President		2,687,963	1,979,787

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	38,445,507	0
	Total Disability Insurance/SSI Cluster	38,445,507	0
Total Social Security Administration		38,445,507	0
Department of Homeland Security			
97.008	Non-Profit Security Program	227,205	227,142
97.012	Boating Safety Financial Assistance	2,293,500	0
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	1,473,106	1,473,106
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	175,093	0
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	48,021,513	33,022,042
97.039	Hazard Mitigation Grant	20,846,757	20,358,343
97.041	National Dam Safety Program	9,282	0
97.042	Emergency Management Performance Grants	7,148,986	0
97.045	Cooperating Technical Partners	1,576,602	0
97.047	Pre-Disaster Mitigation	430,000	430,000
97.052	Emergency Operations Center	100,443	100,443
97.055	Interoperable Emergency Communications	988,428	294,228
97.056	Port Security Grant Program	22,383	0
97.067	Homeland Security Grant Program	23,594,448	19,887,697
97.075	Rail and Transit Security Grant Program	108,659	103,409
97.078	Buffer Zone Protection Program (BZPP)	134,503	119,503
97.082	Earthquake Consortium	47,424	0
97.088	Disaster Assistance Projects	2,676,871	2,618,499
97.089	Driver's License Security Grant Program	1,010,097	49,671
97.091	Homeland Security Biowatch Program	527,101	436,395
Total Department of Homeland Security		111,412,401	79,120,478
Total Expenditures of Federal Awards		$ 11,961,603,966	1,723,513,577

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the 2013 OMB Circular A-133 Compliance Supplement. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. Appendix VII of the supplement requires identifying expenditures of federal awards made under the American Recovery and Reinvestment Act of 2009 (ARRA) separately on the schedule with the inclusion of the prefix "ARRA-" in the name of the federal program.

The accompanying schedule includes all federal financial assistance administered by the state of Missouri, except for those programs administered by public universities and other component units and related organizations which are legally separate from the state of Missouri. Federal financial assistance provided to public universities and other component units and related organizations has been excluded from this audit. They were audited by other auditors under OMB Circular A-133.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The schedule presents both Type A and B federal financial assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri during the year ended June 30, 2013, Type A programs are those which exceed $30 million in disbursements, expenditures, or distributions. The determination of major and non-major programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Supplemental Nutrition Assistance Program Expenditures

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the ARRA. The portion of total expenditures for SNAP benefits that is supported by ARRA funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents the U.S. Department of Agriculture (USDA) from obtaining the regular and ARRA components of SNAP benefits expenditures through normal program reporting processes. As an alternative, the USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to ARRA funds. This methodology generates valid results at the national aggregate level but not at the individual state level. Therefore, the state cannot validly disaggregate the regular and ARRA components of its reported expenditures for SNAP benefits. At the national aggregate level, however, ARRA funds account for approximately 7.79 percent of the USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2013.

3. Special Supplemental Nutrition Program for Women, Infants and Children Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling $35,100,448, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR Section 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

4. Unemployment Insurance Expenditures

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling $853,613,703. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states, totaling $38,134,704, have also been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the state of Missouri, totaling $6,317,212, have been excluded from total expenditures.

5. Federal Loan Guarantees

The Department of Higher Education (DHE) guarantees student loans made by lenders under the Federal Family Education Loans program (CFDA 84.032). The original principal balance outstanding of all loans guaranteed by the DHE was $2,442,552,668 as of June 30, 2013. Additionally, the outstanding balance of defaulted loans (including principal and accrued interest) for which the federal government imposes continuing compliance requirements on the DHE was $327,958,313 as of June 30, 2013.

6. Nonmonetary Assistance

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch Program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled $23,863,253.

The Department of Public Safety distributes excess Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Surplus Property program (CFDA No. 12.AAG). Property distributions totaled $2,823,289 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($668,555), which approximates the fair market value of the property at the time of distribution.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003). Property distributions totaled $28,194,378 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($6,676,429), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Cooperative Agreements program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled $59,835,798.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Unmodified for all opinion units except for governmental activities and the General Fund, which were qualified.

Internal control over financial reporting:

- Material weaknesses identified? __x__ yes ______ no
- Significant deficiencies identified that are not considered to be material weaknesses? __x__ yes ______ none reported

Noncompliance material to the financial statements noted? ______ yes __x__ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? __x__ yes ______ no
- Significant deficiencies identified that are not considered to be material weaknesses? __x__ yes

Type of auditor's report issued on compliance for major programs: Qualified

Unmodified for all major programs except for the Child Care Development Fund Cluster, Medicaid Cluster, and Disaster Grants - Public Assistance (Presidentially Declared Disasters), which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? __x__ yes ______ no

The following programs were audited as major programs:

CFDA Number	Name of Federal Program or Cluster
	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
	CDBG - State-Administered CDBG Cluster:
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants
64.015	Veterans State Nursing Home Care
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA - Weatherization Assistance for Low-Income Persons
84.032	Federal Family Education Loans
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
	School Improvement Grants Cluster:
84.377	School Improvement Grants
84.388	ARRA - School Improvements Grants, Recovery Act
93.268	Immunization Cooperative Agreements
	TANF Cluster:
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.563	Child Support Enforcement
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care - Title IV-E
93.719	ARRA - State Grants to Promote Health Information Technology
93.767	Children's Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare

93.778	Medical Assistance Program
93.778	ARRA - Medical Assistance Program
	Disability Insurance/SSI Cluster:
96.001	Social Security - Disability Insurance
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: $30,000,000

Auditee qualified as a low-risk auditee? ______ yes __x__ no

Section II - Financial Statement Findings

2013-001. Financial Reporting Controls - Department of Revenue

The Department of Revenue (DOR) does not have adequate procedures in place to ensure the accuracy of financial information for governmental and agency funds submitted to the Office of Administration - Division of Accounting (DOA). Net accounts receivable and the related liability balances would have been overstated by $133 million in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2013, had an error in the preparation of the DOR financial information not been identified during our audit. A similar condition was noted in our prior report.

To compile the DOR financial information for CAFR purposes, DOR personnel request the Office of Administration, Information Technology Services Division (OA-ITSD) run various reports from the DOR computerized systems. However, these reports are not reviewed by the DOR for reasonableness to ensure the amounts are correct. Consequently, an error in a fiscal year 2013 report resulted in the DOR using incorrect financial information to determine accounts receivable and related liability balances for governmental and agency funds. The error was not detected by the DOR and the incorrect financial information was submitted to the DOA.

When compiling the draft CAFR, the DOA incorporated the incorrect amounts reported by the DOR. This resulted in overstatements included in the CAFR for governmental and agency funds as follows:

Account Type	Governmental Funds	Agency Funds
Net Accounts Receivable	$107,398,842	$25,377,819
Deferred Revenue	$107,398,842	
Due to Other Entities		$25,377,819

After we brought this to the attention of the DOR and the DOA, corrections of the misstatements were made to the CAFR in December 2013, prior to its completion.

Adequate systems of internal controls include the design and operation of controls which allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements.

WE RECOMMEND the DOR implement controls which allow for the detection and correction of errors when preparing the governmental and agency fund financial information.

AUDITEE'S RESPONSE

The Department of Revenue agrees with the State Auditor's recommendation. The Financial and General Services Bureau staff will input the applicable information from the OA-ITSD produced reports into the CAFR spreadsheet and send it to the Taxation Division staff to review the numbers for reasonableness.

2013-002. Financial Reporting Controls - Department of Social Services - MO HealthNet Division

The Department of Social Services - MO HealthNet Division (MHD) does not have adequate procedures in place to ensure the accuracy of year-end financial data submitted to the Office of Administration - Division of Accounting (DOA). Accounts receivable amounts recognized as revenues would have been understated by $46.8 million and deferred revenues would have been overstated by $46.8 million in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2013, had the misstatement in the year-end financial data not been identified during our audit.

The MHD year-end financial data is to include expected net accounts receivable. Of the net accounts receivable at June 30, the year-end financial data is to identify expected subsequent July and August collections, which are recorded as revenues according to accounting standards. The remainder of the net accounts receivable is to be reported as deferred revenue. However, when preparing and reporting the year-end financial data, the MHD underestimated the expected July 2013 and August 2013 collections. This resulted in receivable amounts recorded as revenues being understated by $46.8 million and deferred revenues being overstated by $46.8 million. MHD supervisory reviews of the year-end financial data did not detect the misstatement and the incorrect year-end financial data was submitted to the DOA.

When compiling the draft CAFR, the DOA incorporated the incorrect amounts reported by the MHD. After we brought this to the attention of the MHD, a correction was submitted by MHD and made to the CAFR by the DOA in December 2013, prior to its completion.

Adequate systems of internal controls include the design and operation of controls which allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements.

WE RECOMMEND the MHD implement controls which allow for the detection and correction of misstatements when preparing the year-end financial data.

AUDITEE'S RESPONSE

The Department of Social Services (DSS), MHD does not agree that July and August estimates related to fiscal year 2013 accounts receivable collections were misstatements. In prior years, the MHD reported the total outstanding accounts receivables for the CAFR as of June 30 and the actual collections occurring in July related to the prior year's CAFR.

For fiscal year 2013, in addition to total outstanding accounts receivable as of June 30, the MHD was asked to provide July and August collections information prior to the end of the August collection period. This required the collections to be estimated for the combined July and August time frame.

The MHD was later informed by the State Auditor's Office (SAO) that the Missouri CAFR Survey was not submitted until December and any updates to the survey could be provided prior to the submission. After learning this, the MHD provided the SAO with updated actual collections for July and August. The total outstanding accounts receivable for fiscal year 2013 remained unchanged. The fiscal year 2013 Missouri CAFR submitted in December correctly reported MHD accounts receivable collections based upon July and August actual collections.

The DSS has updated internal procedures to allow for the submission of the actual collections for July and August to be included in the CAFR Survey data provided to the DOA.

AUDITOR'S COMMENT

The total original accounts receivable amount reported was not incorrect. Rather, the incorrect estimates of July and August collections caused the categories within the accounts receivable to be incorrect and resulted in amounts recognized as revenues versus deferred revenues being inaccurate. As noted in the finding, had these inaccuracies not been identified and corrected, the financial statements would have been misstated. A correction was submitted by the MHD to the DOA, and made to the CAFR, only after we brought this to the attention of the MHD. The MHD had no procedure in place to re-evaluate the reasonableness of the estimates presented when the actual data became known prior to completion of the CAFR. The misstatements could have been identified through an analysis of the July and August receipt data in September, before the CAFR draft was prepared. It appears the MHD had sufficient opportunity to ensure the estimates were corrected and resubmitted to the DOA prior to our review.

Section III - Federal Award Findings and Questioned Costs

2013-003. Medicaid Home and Community Based Services

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2012 - 1205MO5MAP and 1205MO5ADM 2013 - 1305MO5MAP and 1305MO5ADM
State Agency:	Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs:	$238,623

As noted in the three prior audits, the DSDS does not ensure annual reassessments are performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. As a result, the DSDS has not ensured over half of the HCBS recipients have a need for and are receiving the appropriate level of care.

The DSDS is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for seniors and adults with disabilities, including the two largest programs, State Plan Personal Care (SPPC) and Aged and Disabled Waiver (ADW). The Medicaid program is administered by the Department of Social Services (DSS) - MO HealthNet Division, while the DSDS is charged with assessing and reassessing the need for, and authorizing HCBS services for these Medicaid recipients. These services, which are authorized in a plan of care, provide assistance to help qualifying recipients remain in or return to their home or community, and include services such as bathing, grooming, and dressing; general toileting activities; cleaning, dusting, and laundry; meal preparation and/or assistance with eating and washing dishes; and transportation for shopping/errands and medical appointments. Other services include advanced personal care, authorized nurse visits, and respite care. During the year ended June 30, 2013, approximately 58,000 recipients were provided SPPC services and 17,200 were provided ADW services, with a total of 59,400 recipients receiving one or both services totaling approximately $566 million.

Backlogs of HCBS annual reassessments have existed for several years. During recent years, the DSDS has received additional funding and taken various measures in attempts to reduce backlogs, including the hiring (and subsequent firing) of an external assessment administrator, hiring additional full-time and temporary staff, paying HCBS providers to perform some annual reassessments, developing the new HCBS Web Tool, and giving providers access to the Web Tool. With these changes, there has been some improvement; however, a significant backlog of reassessments still exists. According to DSDS officials, as of January 3, 2014, reassessments were due for approximately 22,200 Medicaid HCBS recipients, a 25 percent reduction from the backlog as of February 15, 2013, noted in our prior audit.

According to DSDS officials, and confirmed by our test results, the backlog consists of recipients still on the old legacy computer system since May 2011, when the new HCBS Web Tool was established. Currently, all new recipients are entered in the HCBS Web Tool, and existing recipients are moved from the legacy system to the HCBS Web Tool when their reassessments are performed. Because the HCBS Web Tool automatically suspends services for any recipient not receiving a required annual reassessment, the DSDS prioritizes and ensures these cases receive an annual reassessment. DSDS staff perform reassessments for the backlog of cases in the legacy system as time permits, with priority placed on recipients receiving ADW services. A review of the cases in the legacy system noted the most recent reassessment for these recipients was completed 1 to 9 years ago, with over half the cases not having a reassessment since 2009 or before. According to DSDS officials, as of January 2014, approximately 59 percent of HCBS recipients were in the HCBS Web Tool and approximately 41 percent were in the legacy system. DSDS officials indicated during fiscal year 2013, approximately 80 percent of reassessments were performed by DSDS staff, while approximately 20 percent were performed by HCBS providers.

We tested assessment documentation for 60 Medicaid recipients who received SPPC and/or ADW services during the year ended June 30, 2013. Payments totaling $730,968 ($603,266 SPPC and $127,702 ADW) were made to providers on behalf of these recipients during this period. We found the DSDS did not perform annual reassessments for 32 of the 59 (54 percent) recipients requiring a reassessment. As a result, the DSDS could not demonstrate these 32 recipients needed the services for which the payments were made. Five of these 32 recipients received both SPPC and ADW services, while 27 received SPPC only. Payments for services provided to these recipients without annual reassessments during the year ended June 30, 2013, totaled $315,027 for SPPC and $58,464 for ADW ($373,491 total). We question the federal share of $238,623, or $201,271 for SPPC and $37,352 for ADW, (63.89 percent).

The failure to perform annual reassessments as required can result in payments for services which are not necessary. Various regulations require that annual reassessments be performed for ADW and/or SPPC recipients to ensure the adequacy of the care plan and continued need for the level of care provided. These include federal regulation 42 CFR Section 441.302(c), Missouri statutes Sections 208.906 and 208.930, RSMo, state regulation 19 CSR 15-8.200, the Cooperative Agreement between the DSS and the DHSS, and the DSDS Home and Community Services Case Management Manual, Section 1606.20. Furthermore, OMB Circular A-87, Attachment A, Section C.1.c provides that costs must be authorized or not prohibited under state or local laws or regulations to be allowable.

WE RECOMMEND the DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure annual reassessments are performed as required.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2013-004. Medicaid Developmental Disabilities Comprehensive Waiver

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2012 - 1205MO5MAP and 2013 - 1305MO5MAP
State Agency:	Department of Mental Health (DMH)
Questioned Cost	$22,432

Established controls over the Home and Community Based Services (HCBS), Developmental Disabilities Comprehensive Waiver (Comprehensive Waiver) Program are not always being followed. As a result, assessments of need for services are not always performed prior to individuals receiving Medicaid assistance under the program.

The DMH is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for children and adults with disabilities, including the Comprehensive Waiver. The Medicaid program is administered by the Department of Social Services (DSS) - MO HealthNet Division, while the DMH is charged with assessing and reassessing the need for, and authorizing HCBS services for these Medicaid participants. These services, which are authorized in a plan of care, provide assistance to help qualifying participants remain in or return to their home or community. The waiver provides a set of services, including residential services, for Medicaid-eligible individuals who have an intellectual disability and/or a developmental disability who have been determined to otherwise require the level of care provided in an intermediate care facility for developmentally disabled. During the year ended June 30, 2013, approximately 8,278 participants were provided Comprehensive Waiver services totaling approximately $550 million.

The DMH enrolled 446 new participants into the Comprehensive Waiver Program during the year ended June 30, 2013. Applicants must have, among other things, a functional limitation assessment completed prior to acceptance into the Comprehensive Waiver Program. During the application process, an evaluation of need/waiver eligibility form is completed by a service coordinator in the respective regional office to document the various waiver requirements were met. As a part of the DMH's internal control procedures, this form is to be reviewed by a supervisor to ensure accuracy prior to enrolling new participants. However, supervisors are not always reviewing this form or the related case file to ensure all the required waiver documents have been completed and retained.

We visited 3 of the 11 DMH regional offices and tested records for 40 new participants to review whether the DMH obtained the required documentation to properly enroll participants. We determined five of the participants tested (12.5 percent) did not have a required functional limitation assessment on file prior to acceptance into the Comprehensive Waiver Program. Of these five participants, four had assessments completed during fiscal year 2013, but not until after the date of program entry. One participant did not have an assessment documented in the file. Two of these participants received Comprehensive Waiver services prior to their assessment dates, and the one participant without an assessment on file also received services during fiscal year 2013. This resulted in $35,398 in ineligible payments made on their behalf. We question the federal share of these payments, or $22,432 (63.37 percent). In addition, since one participant still does not have a documented assessment on file as of December 2013, there are likely ineligible payments made on behalf of this participant during fiscal year 2014. For each of these participants, an evaluation of need/waiver eligibility form was not completed at the date of program enrollment. The lack of completion and supervisory reviews of these forms caused the missing functional limitation assessments to go undetected.

Appendix B-6.d of the Comprehensive Waiver and 9 CSR 45-2.010(4)(C)1 require an assessment of functional limitations be completed for each participant prior to admittance into the Comprehensive Waiver Program to demonstrate the participant's need for services. Without such an assessment, the DMH cannot demonstrate the participant qualified for Comprehensive Waiver services at the time the services were provided.

WE RECOMMEND the DMH resolve the questioned costs with the grantor agency and perform established procedures to ensure assessments of participants' functional limitations are completed and documented prior to admittance into the Comprehensive Waiver program.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2013-005.	**Reporting and Period of Availability**

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO
2009 - FEMA-DR-1809-MO
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO, and FEMA-DR-4012-MO

State Agency:	Department of Public Safety - State Emergency Management Agency (SEMA)
Questioned Costs:	$194,867

Procedures related to reporting and period of availability for the Public Assistance (PA) program need improvement. Similar conditions were identified by the federal awarding agency during a financial monitoring review and reported to the SEMA in a letter dated September 2013.

A. The SEMA does not have controls and procedures in place to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA), and as a result, subawards were not reported as required.

The FFATA requires the reporting of key data elements for certain subawards and subcontracts to promote the transparency and accountability over the use of non-ARRA federal financial awards, and requires such information be made available to the public through a single searchable website. The FFATA requirements relate to direct recipients of grants or cooperative agreements that make first-tier subawards, and to contractors that award first-tier subcontracts. Reporting is required to be made by the end of the month following the month a subaward/subcontract greater than $25,000 was made. According to OMB Circular A-133 Compliance Supplement, the recipient must at least demonstrate a good faith effort to comply with these requirements, and such effort must be adequately documented.

As of January 2014, the SEMA had not reported any subawards issued after October 1, 2010 related to the PA program. In addition, the SEMA could not provide an accurate number and respective amount of subawards that were issued after October 1, 2010 that had not been reported, or were required to be reported during fiscal year 2013. The majority of funding the SEMA receives for the PA program is awarded to subrecipients and subject to FFATA reporting requirements. According to a SEMA official, information was needed from the federal granting agency to comply with this requirement. However, the SEMA could not provide evidence a good faith effort had been made to comply with FFATA requirements, such as documentation of contact with the federal granting agency, prior to our audit inquiries.

B. The SEMA has not ensured certain financial reports for various PA awards are submitted timely to the awarding agency. In addition, the SEMA has not ensured expenditures are liquidated timely.

Each PA program award provides for an obligation period for using grant funding, typically a four-year period. Federal regulation 44 CFR Section 13.23 indicates a grantee may charge to the award only costs resulting from obligations of the funding period. In addition, obligations incurred under a federal award must be liquidated not later than 90 days after the end of the funding period. Federal regulation 44 CFR Section 13.41 and the State of Missouri Administrative Plan for the PA program also provide for the final Federal Financial Status Report (SF-425) to be submitted within the 90 day close-out period.

None of the six final SF-425 reports filed for PA program awards during fiscal year 2013 were submitted timely to the federal awarding agency. The reports were submitted from three to nine months after the final liquidation date. Additionally, we reviewed these six awards and identified expenditures, totaling $194,867, were charged to the awards after the date when obligations could be liquidated. We question the federal share of these costs, or $194,867 (100 percent). Failure to ensure disbursements are made during the period of availability can result in federal reimbursements for unallowable costs.

WE RECOMMEND the SEMA:

A. Establish procedures to ensure the subaward information required to be reported per the FFATA is complete, accurate, and submitted timely.

B. Resolve the questioned costs with the grantor agency, and ensure federal PA awards are liquidated and reported in a timely manner.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2013-006. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO
2009 - FEMA-DR-1809-MO, FEMA-DR-1822-MO, and FEMA-DR-1847-MO
2010 - FEMA-DR-1934-MO
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO, and FEMA-DR-4012-MO
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

Controls and procedures over subrecipient monitoring for the Public Assistance (PA) program need improvement. During the year ended June 30, 2013, the PA program disbursed approximately $33 million to approximately 140 subrecipients.

A. The SEMA does not adequately document reviews performed of subrecipient expenditures to demonstrate compliance with subrecipient monitoring requirements. These reviews help ensure costs charged to the PA program are allowable.

The SEMA has procedures to review at least 10 to 20 percent of subrecipient expenditures prior to payment. At the end of each subaward, during final review, the SEMA documents the total percentage of expenditures reviewed for each project related to the subaward. When the percentage reviewed is less than 100 percent, the SEMA does not always document which specific expenditures were reviewed. As a result, the SEMA is unable to clearly support the total percentage documented as reviewed to ensure costs charged to the PA program are allowable. In addition, the SEMA does not always ensure subrecipients include proof of payment with expenditure documentation, as required.

OMB Circular A-133, Subpart D Section 400(d)(3) requires the SEMA to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements. Federal Emergency Management Agency Standard Operating Procedure (SOP) 9570.14 requires the SEMA to verify the accuracy of the costs incurred by the subrecipient. If supporting records are extensive, the SOP requires the grantee to review at least 10 to 20 percent of the subrecipient's expenditures. In addition, this SOP requires subrecipients to provide proof of payment. Without adequate documentation of the reviews performed, there is less assurance the SEMA adequately reviewed the appropriateness of the subrecipient expenditures.

B. The SEMA has not established an adequate tracking system to ensure PA program subrecipients expending $500,000 or more in federal funds obtained independent Single Audits as required. In addition, the SEMA did not follow-up on findings reported in subrecipient Single Audits. A similar condition was reported in our previous audit report (Report No. 2012-26, *State of Missouri Single Audit, Year Ended June 30, 2011*, issued in March 2012, finding number 2011-12).

In February 2013, the SEMA sent a letter to each subrecipient which incurred PA program expenditures during the 2 fiscal years ended June 30, 2012 and requested the subrecipient to certify whether it had expended more than $500,000 in federal funds during each year (or its respective audit period, if different). The subrecipent was required to submit a copy of its Single Audit report, if applicable. The SEMA has a system to track the receipt of Single Audit reports; however, the system is not complete and accurate. For many subrecipients, the system was not updated when responses were received and did not indicate whether a Single Audit was reviewed. In addition, the tracking system does not document whether audit findings were identified in the Single Audit reports reviewed and if follow-up procedures were completed.

Nine subrecipients each received $500,000 or more in federal funds from the PA program alone. For six of these subrecipients, the SEMA had either not received or not documented the review of the Single Audit reports prior to our inquiries. In addition, one of the six reports had audit findings but no follow-up action had been taken by the SEMA. While remaining subrecipients received PA funding of less than $500,000, numerous awardees received significant PA funds and it is likely, when considering federal awards from other sources, a Single Audit would have been required for some.

OMB Circular A-133, Subpart D, Section 400(d) requires grant recipients to ensure subrecipients obtain a Single Audit when federal grant expenditures exceed $500,000 in a fiscal year. That audit report is required to be filed with the recipient agency and the federal Single Audit Clearinghouse within 9 months of the end of the subrecipient's fiscal year. The recipient agency is also required to issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action. Findings identified in subrecipient Single Audit reports could provide the SEMA valuable information about the performance of subrecipients.

WE RECOMMEND the SEMA:

A. Maintain adequate documentation of reviews performed of subrecipient expenditures to ensure costs are allowable.

B. Improve the system to obtain and track Single Audit reports expected and received from applicable subrecipients. In addition, the SEMA should document its review and follow-up of all subrecipient Single Audit reports received.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2013-007. Payroll Allocations and Salary Certifications

Federal Agency: Department of Agriculture
Department of Health and Human Services
Federal Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2012 - 2012IS251443 and 2013 - 2013IS251443

93.558 Temporary Assistance for Needy Families
2012 - G1202MOTANF and 2013 - G1302MOTANF
93.575 Child Care and Development Block Grant
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
93.658 Foster Care - Title IV-E
2012 - G1201MO1401 and 2013 - G1301MO1401
93.659 Adoption Assistance
2012 - G1201MO1407 and 2013 - G1301MO1407
93.667 Social Services Block Grant
2012 - G1201MOSOSR and 2013 - G1301MOSOSR
93.778 Medical Assistance Program
2012 - 1205MO5ADM and 2013 - 1305MO5ADM

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

Questioned Costs: $471,046

DFAS controls and procedures over the allocation of some payroll costs to federal programs were inadequate and, as a result, employees continue to be assigned to the incorrect cost pools. Additionally, periodic salary certifications were not prepared for some employees as required.

A. As noted in our prior report, controls and procedures over the allocation of some payroll costs to federal programs failed to prevent and/or detect various errors. Some employees continue to be charged to incorrect cost pools based on division assignment. While the DSS included adjustments to federal reports to resolve questioned costs identified in the prior audit finding, no effort was made to further review or modify cost pool assignments during the current audit period. Officials indicated they plan to revise the methodology for assignment of employees to the cost pools during the implementation phase of a new cost allocation plan currently under development.

Payroll costs are identified and allocated to federal programs administered by the department in accordance with the DSS cost allocation plan. These payroll costs are classified by use of labor codes. Payroll costs related to some labor codes are directly charged to specific federal programs while payroll costs related to other labor codes are included in the Income Maintenance (IM) or Children's Services (CS) cost pools. Payroll costs included in the cost pools are allocated to federal programs based on the percentage of time worked by employees on certain federal programs. Costs included in the IM cost pool are primarily allocated to programs administered by the Family Support Division (FSD), and costs included in the CS cost pool are primarily allocated to programs administered by the Children's Division (CD).

FSD, CD, and Missouri Healthnet Division Personnel Unit staff assign a labor code to each employee that reflects the employee's position, division, and other programmatic information related to the employee's duties. Each division has the authority to establish new labor codes or modify existing labor codes, as necessary, to account for new programs or facilitate reorganization of existing employees. The DFAS is primarily responsible for determining how those labor codes are to be processed through the cost allocation plan. DFAS officials indicated Personnel Unit staff notify and discuss with them changes to labor codes so the DFAS can make necessary changes in the allocation of labor codes to federal grants. The DFAS does not maintain a master listing of the title/definition of each labor code or periodically review labor codes assigned to employees to ensure payroll costs are allocated appropriately.

Our review of selected labor codes charged to the IM and CS cost pools during state fiscal year 2013 identified 11 of 60 employees reviewed (18 percent) were assigned labor codes that resulted in their payroll costs being charged to the incorrect cost pool. These errors resulted in overstatements of payroll costs totaling approximately $525,000 ($291,000 federal share) and understatements totaling approximately $487,000 ($308,000 federal share) for seven federal programs for the year ended June 30, 2013. Identified errors include:

- Six labor codes that included seven CD managerial and administrative support employees were charged to the IM cost pool in error. Four of the labor codes included both CD and FSD employees; however, the DSS charged the labor codes entirely to the IM cost pool. The remaining two labor codes included only CD employees but the DSS charged the codes incorrectly to the IM cost pool. These errors resulted in overstatements totaling approximately $384,000 to three federal programs and understatements totaling approximately $386,400 to four federal programs. We question the federal share of the overstatements, or $197,226.

- One labor code that only included three FSD administrative support employees was charged to the CS cost pool in error. This error resulted in overstatements totaling approximately $101,600 to four federal programs and understatements totaling approximately $100,900 to three federal programs. We question the federal share of the overstatements, or $67,393.

- One labor code that included two employees was charged to the CS cost pool; however, the labor code included an employee whose entire payroll costs should have been directly charged to federal programs related to the employee's job duties. This employee provides administrative support for the Caring Communities program funded by the Promoting Safe and Stable Families or the Social Services Block Grant programs. In response to Report No. 2010-30, *State of Missouri, Single Audit, Year Ended June 30, 2009*, issued in March 2010, finding 2009-12, DFAS management indicated the allocation of similar Caring Community partnership costs through the CS cost pool would be discontinued and the costs would be charged directly to applicable federal programs. This resulted in overstatements to four federal programs totaling approximately $39,300. We question the federal share of the overstatements, or $26,445.

As noted above, some employees were assigned to labor codes that included both CD and FSD employees. At least 6 of the 42 labor codes currently assigned to CS or IM cost pools include both CD and FSD employees. While the DFAS has access to quarterly data which shows the specific amounts of CD and FSD expenses, the DFAS does not use this information to allocate costs but charges these combined labor codes to only one cost pool. The remaining employees were assigned to labor codes not commonly used. DFAS officials indicated the purpose or definition of some labor codes may have changed, but these changes were not properly reflected in the assignment of labor codes to the cost pools.

As noted above, identified errors resulted in both understatements and overstatements for various federal programs. We question the federal share of payroll costs related to the overstatements because those costs were not allowable costs of the applicable federal programs. The understatements relate to allowable costs the DSS can allocate to applicable federal programs through future adjustments on federal financial reports. Listed below is the federal share of questioned costs related to the overstatements:

CFDA	**Program**	**Amount**
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	$ 100,026
93.558	Temporary Assistance for Needy Families	36,124
93.575/ 93.596	Child Care and Development Block Grant/ Child Care Mandatory and Matching Funds of the Child Care and Development Fund	12,929
93.658	Foster Care - Title IV-E	35,069
93.659	Adoption Assistance	4,226
93.667	Social Services Block Grant	18,282
93.778	Medical Assistance Program	84,408
Total		$ 291,064

OMB Circular A-87, Attachment A, Section C.3.a states that a cost is allocable to a particular cost objective if the related goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received. In addition, federal regulation 45 CFR Section 96.30(a) requires the DSS to have sufficient controls over block grants to ensure expenditures are allowable. Without proper controls to periodically review the purpose and definition of labor codes and labor codes assigned to employees, the DFAS cannot ensure payroll costs are allowable and allocable to the various federal programs.

B. The DSS did not prepare salary certifications for employees whose personnel costs were charged wholly to the Title IV-E Foster Care program. These employees work solely with the Statewide Automated Child Welfare Information System (SACWIS). The SACWIS system is a comprehensive case management system for use in administering child welfare programs, including foster care, adoption, and family preservation.

The DSS charges SACWIS operating costs to the Title IV-E Foster Care program, as allowed by federal guidance. Federal regulation 45 CFR Section 1355.52(c) states expenditures for the operation of the automated information system are eligible for federal reimbursement under the Title IV-E Foster Care program at the 50 percent federal financial participation rate. Operating activities include the use of supplies, software, hardware, and personnel directly associated with the functioning of the automated system. Personnel costs (salaries, benefits, and indirect costs) for these employees totaled $359,964. We question the federal share, or $179,982 (50 percent).

OMB Circular A-87, Attachment B, Section 8.h(3) requires that charges for salaries and related salary costs of employees who work solely on a single federal award or cost objective be supported by periodic certifications that the employees worked solely on that program. These certifications are required to be prepared at least semi-annually and signed by either the employee or a supervisor having specific knowledge of the work performed by the employee. Without accurate and complete certifications, the DSS has not fully substantiated the salary costs charged to the Title IV-E Foster Care program.

<u>WE RECOMMEND</u> the DSS, through the DFAS, resolve the questioned costs with the grantor agency and:

A. Establish controls and procedures to ensure payroll costs are allowable and allocable. These procedures should include periodic documented reviews of labor codes assigned to employees and the purpose and definition of labor codes to ensure associated payroll costs are charged to appropriate federal programs directly or through the proper cost pool.

B. Prepare semi-annual salary certifications as required.

<u>AUDITEE'S RESPONSE</u>

A. We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

B. We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2013-008. Residential Treatment and Case Management Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2012 - G1202MOTANF and 2013 - G1302MOTANF 93.658 Foster Care - Title IV-E 2012 - G1201MO1401 and 2013 - G1301MO1401 93.659 Adoption Assistance 2012 - G1201MO1407 and 2013 - G1301MO1407 93.778 Medical Assistance Program 2012 - 1205MO5ADM and 2013 - 1305MO5ADM
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$7,357,204

The DSS does not have adequate documentation to support the rate structure used to allocate rehabilitative residential treatment facility payments to the Foster Care and Temporary Assistance for Needy Families (TANF) programs. Procedures over the allocation of rehabilitative residential treatment payments also need improvement. Additionally, the DSS has not utilized established procedures to ensure all payments to Foster Care case management contractors are properly allocated to federal programs.

OMB Circular A-87, Attachment A, Section C.3.a states that a cost is allocable to a particular cost objective if the related goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received. Additionally, costs must be adequately documented to be allowable.

A. The DSS does not have adequate documentation to support the daily rate used to allocate a portion of payments to residential treatment facilities to the Foster Care or TANF programs, and controls and procedures over the allocation of rehabilitative residential treatment payments need improvement. Some children who have been abused, neglected, or have emotional or psychological difficulties require treatment in a residential environment. The DSS contracts with residential treatment facilities to provide room and board, supervision, and therapeutic rehabilitative services to children at various rates based on the child's level of need.

   The DSS began allocating the room and board/supervision portion of rehabilitative residential treatment facility payments to the Foster Care and TANF programs during state fiscal 2013. To determine the allocation amount, the Office of Administration - Information Technology Services Division (ITSD) prepares a monthly report of rehabilitative residential treatment facility payments processed through the Family and Children's Electronic System (FACES) system. The ITSD report calculates the portion of each payment that relates to room and board/supervision by multiplying pre-programmed daily rates of approximately $45 by the number of days the child was in the facility's care. The room and board/supervision portion is allocated to either the Foster Care or TANF programs based on the child's federal Foster Care program eligibility. The remaining portion, representing the amount for rehabilitative services, is allocated to the Medical Assistance program. We noted the following issues with the allocation of room and board/supervision payments:

- The DSS does not have documentation to support how the room and board/supervision daily rate was determined. DSS officials stated the rate is based on a study performed by a consultant more than 5 years ago, but they are unable to locate the study. The DSS allocated residential treatment facility room and board/supervision payments totaling $4,281,830 to the Foster Care program and $4,721,309 to the TANF program during state fiscal year 2013. Although some portion of these allocated costs are likely allowable, the DSS could not substantiate the basis and reasonableness of the daily rate used when the costs were claimed. As a result, it is unclear how much of the cost is allowable and we question the entire federal share of $2,635,895 (61.56 percent) and $4,721,309 (100 percent) for the Foster Care and TANF programs, respectively.

  The DSS contracted with a consultant to conduct a review to determine residential facility daily rates including room and board/supervision rates. The new study, completed in October 2013, determined daily rates for room and board/supervision should range between approximately $40 and $56 depending on the level of services provided for a child. However, this study was not yet complete at the time fiscal year 2013 payments were allocated to the TANF and Foster Care programs and was not used to determine the fiscal year 2013 daily rate.

- Errors exist in the system logic the ITSD uses to prepare the monthly report. As a result, the DSS allocated duplicate residential treatment payments totaling approximately $4,800 to the Foster Care program for 2 of the 15 children reviewed. The FACES system processed the duplicate payments and the ITSD included those in the allocated costs. The duplicate payments were later corrected in the FACES system and recovered from the vendors. However, the related amount allocated to the program was not corrected because the monthly ITSD report logic does not evaluate whether any changes to previous months payments occurred in FACES.

  Additionally, if the amount paid to the residential treatment facility is higher than the maximum Missouri rate, the excess payments are considered entirely room and board/supervision rather than allocated between room and board/ supervision and rehabilitative services (also charged to the Medical Assistance program). The DSS will often pay higher than the maximum Missouri rate if the child is placed in an out-of-state facility. A total of about $374,000 and

$632,000 was charged to the Foster Care and TANF programs, respectively, for these payments. Payments related to report logic errors are included in questioned costs above.

Without accurate procedures and adequate documentation to support rates and methods used to allocate residential treatment facility costs, the DSS cannot sufficiently justify amounts allocated to the Foster Care and TANF programs.

B. As similarly noted in a previous audit report, the DSS has not utilized established procedures to ensure all payments to Foster Care case management contractors are properly allocated to federal programs. As a result, some contractor payments are allocated to federal programs based on the contractors' budgeted expenditure categories rather than contractors' actual expenditures.

The DSS contracts with six Foster Care case management contractors, each a consortium of multiple local agencies, to provide case management and room and board for children in state custody. The DSS originally awarded these contracts in 2008 and again awarded the contracts in 2012 through a competitive bidding process. The DSS pays the contractors a monthly fixed price for 1) case management/administration, 2) room and board, and 3) residential treatment for a pre-established caseload. The DSS paid these contractors approximately $61.5 million during the year ended June 30, 2013, of which at least $38 million was paid from federal funds.

While the CD allocates contractor costs associated with room and board and residential treatment to applicable federal programs based on actual costs incurred by the contractors, the costs associated with case management/administration are allocated based on the original budgets submitted by the contractors in their requests for proposal. Each contractor's budget separates case management/administration costs into five categories, and the CD allocates these costs to several federal programs. The CD allocates case management services and resource development costs to the Foster Care administration and training programs, respectively. Treatment services, crisis fund expenses, and special expenses are allocated to the Social Services Block Grant (SSBG) program. Finally, general administration costs are allocated to the Children's Services cost pool for distribution to several federal programs (TANF, Foster Care, Adoption Assistance, Medical Assistance, and SSBG). Of $61.5 million paid to the contractors during the year ended June 30, 2013, approximately $28.9 million ($16.1 million federal funds) was for case management/administration services.

Although contractors submit monthly reports of actual costs, the DSS does not use this information to allocate case management/administration costs to the specific federal programs as noted above. The DSS has not performed procedures to determine if budget-based allocations are representative of actual costs incurred.

In response to a similar finding in our previous audit report (Report No. 2011-11, *State of Missouri, Single Audit, Year Ended June 30, 2010*, issued in March 2011, finding number 2010-17), the DSS contracted with a consultant for $394,000 to review and develop procedures for claiming case management costs. The consultant developed and the DSS implemented additional procedures to better track actual costs incurred each month including 1) requiring contractors participate in a quarterly random moment time study, 2) developing a cost allocation plan specific to each contractor, and 3) revising the template used to report monthly expenditure data. Despite the additional cost information now available, DFAS officials indicated they have not determined whether to change the process to allocate case management/administrative costs to the federal programs.

Costs charged to a federal program in excess of that program's allocable share would be questionable; however, such costs may be allocable to another federal program(s). As a result, questioned costs resulting from these allocation procedures are likely but were not determined. While the DSS now has additional actual cost data available, without periodically analyzing and allocating costs based on such data, the DSS cannot ensure the costs are allowable and allocable to the various federal programs.

WE RECOMMEND the DSS, through the CD and DFAS:

A. Resolve questioned costs with the grantor agency and ensure that the room and board/supervision rate is adequately supported and reflects actual costs as required by federal regulations. Additionally, the DSS should determine if programming changes are needed to improve the accuracy of the monthly ITSD report.

B. Establish procedures to ensure all payments to Foster Care case management contractors are allocated to federal programs in accordance with federal regulations.

AUDITEE'S RESPONSE

We disagree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2013-009. Child Care Eligibility and Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2012 - G1201MOCCDF and 2013 - G1301MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2012 - G1201MOCCDF and 2013 - G1301MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	$72,257

As noted in our prior three audit reports, significant weaknesses exist in DSS controls over Child Care Development Fund (Child Care) eligibility and provider payments. Controls are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. Eligibility and payment documentation could not be located for many child care cases reviewed, and overpayments were made to some providers. During the year ended June 30, 2013, the DSS paid over 7,500 child care providers approximately $149 million for services provided to about 76,000 children.

The DSS provides funds to child care providers who serve eligible clients. Federal regulation 45 CFR Section 98.20 provides that to be eligible for services the child must 1) be under 13 years old, or at the option of the DSS under age 19 and physically or mentally incapable of caring for himself/herself or under court supervision, 2) live with a family who meets certain income guidelines, and 3) have parents who are working or attending a job training or educational program. Clients may also be eligible if they receive Temporary Assistance for Needy Families (TANF) benefits and satisfactorily participate in job search, training, volunteer work experience, or other activities through the Missouri Work Assistance (MWA) program.

Parents/caregivers apply to FSD or CD case workers for participation in the program. Once approved, the parent/caregiver selects a child care provider and the DSS enters into an agreement with the provider for child care services. To comply with federal requirements, the DSS Income Maintenance manual requires that case workers set maximum authorized service units for the amount and type of care that best meets the family's need; and maintain case file documentation, including the child care application or a signed system-generated interview summary and copies of income (including work hours) or educational program verifications to support eligibility determination. The DSS Income Maintenance manual considers a parent/caregiver to be working only if they are working an average of 20 or more hours per week. The DSS Income Maintenance manual also limits the number of absences and holidays eligible for reimbursement.

In addition, the Child Care policy manual and provider agreements require that providers submit a monthly invoice electronically via the internet through the Child Care Online

Invoicing System (CCOIS) or manually through the Child Care Provider Relations Unit. The CCOIS system interfaces with the Family Assistance Management Information System (FAMIS) eligibility and payment system to process provider payments. Additionally, providers are required to maintain detailed attendance records documenting daily arrival and departure times and containing parent/caregiver signature verifying the child received the services. Although all providers are required to retain attendance records for 5 years, the DSS only requires registered (license exempt) providers who submit manual invoices to submit attendance records for payment.

A. Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers. The DSS has only limited procedures to review eligibility determinations and current procedures are inadequate to monitor payments to providers.

To test compliance with program requirements, we sampled eligibility documentation for 60 children, and reviewed provider agreements and payment documentation supporting one payment for each of these children. Payments totaling approximately $157,000 were made to child care providers on behalf of these children during state fiscal year 2013. We noted the following:

- The DSS could not locate the child care eligibility file for 7 of 60 (12 percent) cases reviewed. For one case, the DSS could not locate any original signed information and provided only reprinted information from the FAMIS system. The remaining six files included information related to other benefit programs or child care information for other time periods; however, child care eligibility information for the audit period was missing. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2013, totaled $47,147. We question the federal share of $34,889 (74 percent).

- Eligibility documentation was not sufficient to support a valid need for child care for 11 of 60 (18 percent) cases reviewed. For two cases, the client provided information at the time of application or redetermination for the child care or another assistance program that showed the client was employed less than an average of 20 hours per week or not employed and had no other valid need for services. For one case, the DSS obtained wage information in December 2012 showing the client quit employment in October 2012. The DSS closed the case as of December but did not request repayment for the prior two months. For one case, the client did not report all sources of income, and the additional income made her ineligible for benefits. The DSS identified the additional income while processing case files for our review. For two cases, there was no documentation supporting the need for child care while enrolled in an educational or training program. For three other cases, the FSD eligibility specialist authorized child care for periods which were not verified with educational course documentation or proof of continued enrollment at the institution.

For the remaining two cases, the clients were reported as not meeting the TANF MWA program work requirements and the DSS did not close the child care cases after sanctioning the clients' TANF benefits for noncompliance. The DSS does not consider the clients to have a valid need for child care because they were not working.

Payments totaling $46,507, made on behalf of the children and their siblings, during the year ended June 30, 2013, were unallowable and/or unsupported by adequate documentation. We question the federal share of $34,415 (74 percent).

- Child care payments made on behalf of 20 of 60 (33 percent) children reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Some attendance records were not provided by child care providers upon our request, some attendance records were not signed by the parent and/or provider, and some provider invoices did not agree to the corresponding attendance records. One provider billed for services provided approximately one week after the facility closed and the provider voluntarily relinquished its license. Three providers claimed absences on a day the center was closed for business after exhausting their annual allotment of holidays, allowing them to circumvent the limit on annual paid holidays. In addition for two payments, the provider submitted a paper invoice and the CD entered and/or calculated the payment incorrectly. Of these payments, five were for cases that also lacked eligibility documentation and were included in the questioned costs above. Payments for the remaining 15 cases totaled an additional $3,435. We question the federal share of $2,542 (74 percent).

During the fiscal year ended June 30, 2013, there was a lack of overall quality control for the Child Care program. The various errors noted above occurred because the DSS lacks sufficient controls to ensure eligibility determinations are accurate and payments are proper and adequately supported. At least three significant factors contributed to the weak control system including: limited supervisory review of child care eligibility determinations, failure to perform on-site contract compliance reviews of child care providers and minimal other procedures in place to review provider attendance records, and poor case management and document retention.

In response to deficiencies identified in previous audits, the DSS implemented new controls over eligibility determinations. Effective March 1, 2012, the DSS requires all FSD eligibility supervisors to review a minimum of three child care cases each month in the case review system. While the new procedures improve controls over eligibility determinations, there are no requirements for random case selection and only limited procedures to ensure the monthly case reviews are performed. In addition, eligibility reviews may not be sufficient to detect errors. The DSS performed eligibility reviews for the month eligibility was determined on all 60 cases we selected, prior to providing the case files, and did not detect two ineligible cases questioned above.

The DSS needs to review and strengthen policies and procedures to ensure child care payments are made only on behalf of eligible clients, invoices agree to the corresponding attendance records, attendance records are complete, payments are in accordance with department policy, and appropriate child care services are authorized. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified. Complete and accurate case records are critical in properly administering the program.

Payments associated with known questioned costs represented approximately 38 percent of payments reviewed. If similar errors were made on the remaining population of child care payments, questioned costs could be significant.

B. Some payment edit checks in the FAMIS system are not operating effectively. As a result, some providers were paid for more than the authorized number of days or more than the allowed number of absences and/or holidays.

DSS officials indicated it is not uncommon to process multiple payments to a provider for a child during the same month, depending on the end date of the child's service authorization. The DSS paid child care providers multiple times for the same child and service month for about 12,600 children during state fiscal year 2013. To test the effectiveness of system controls intended to limit payment to the maximum authorized amount, we reviewed payments to child care providers made on behalf of 40 of these children. We selected one service month for each child and compared the amount invoiced and paid to the child's authorization. The DSS made multiple payments for these children because a child care authorization ended during the month and a new authorization period subsequently began that same month. We noted the following issues:

- For 4 of the 40 (10 percent) payments reviewed, the FAMIS system paid the provider for more than the child's authorized number of days for the calendar month. For example, the DSS paid one provider for 30 days of care for September 2012 when the child was only authorized for 22 days total. This occurred because the FAMIS system allowed 21 units for the authorization period that ended on September 21 and 9 units for the new authorization period that began on September 22. For two of the four payments, the provider submitted a paper invoice for the CD to enter, but the CD did not detect the invoiced days were in excess of the authorized amount when entering the payment.

- For 5 of the 40 (13 percent) payments reviewed, the FAMIS system paid the provider more than the allowed number of absences and/or holidays. For example, the DSS paid one provider for seven absences and one holiday in

May 2013 because the FAMIS system allowed up to five absences and/or holidays for the child's authorization period that ended on May 22 and also the new authorization period that began on May 23. Providers are limited to a maximum of three or five absences and holidays combined, per calendar month, depending on the child's authorized level of care.

System edit checks did not identify excess payments because the edit checks did not consider the entire calendar month and instead considered each authorization period separately. Overpayments due to the above identified system errors totaled $556. We question the federal share, or $411 (74 percent). Without adequate controls and procedures in place, including appropriate computer system edits, the DSS is unable to effectively prevent and detect improper payments.

WE RECOMMEND the DSS through the CD and FSD, resolve the questioned costs with the grantor agency and:

A. Review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

B. Improve system controls to ensure payments are limited to authorized days and payments for absences and holidays are limited in accordance with policy.

AUDITEE'S RESPONSE

A. We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

B. We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2013-010. Child Care Provider Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2012 - G1201MOCCDF and 2013 - G1301MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2012 - G1201MOCCDF and 2013 - G1301MOCCDF
State Agency:	Department of Social Services (DSS) - Children’s Division (CD) and Family Support Division (FSD)
Questioned Costs:	$21,146

The DSS does not have adequate controls and procedures in place to ensure certain child care providers participating in the Child Care Development Fund (Child Care) subsidy program comply with statutory requirements for license-exempt status. By statute, child care providers are exempt from licensing requirements if they care for four or less unrelated children, known as "four-or-less" (FOL) registered providers. The DSS did not properly classify some children as unrelated or could not verify the relationship between some FOL providers and children in their care. During the year ended June 30, 2013, the DSS paid over 4,100 FOL child care providers approximately $24.4 million for child care services.

Child care providers must be licensed, or be exempt from licensure by statute, to participate in the program. FOL providers must sign a registration agreement attesting they understand the health and safety requirements of the program, will comply with such requirements, and will report true and accurate information. Once the provider registers with the DSS, clients participating in the Child Care subsidy program may request their children be authorized for care with the provider. The Child Care policy manual specifies the information the FSD eligibility specialist (ES) should review to verify the relationship between the children and the FOL providers. Examples specified include Missouri electronic birth records accessible via the Family Assistance Management Information System (FAMIS) eligibility and payment system, paper birth certificates for individuals born in other states, marriage licenses, and other documents. The policy does not specify that the ES is required to document how they perform verification procedures, though the policy indicates the ES may not accept the parent's statement as the only verification. The FAMIS system has built-in edits that only allow the ES to authorize a maximum of four unrelated children to a FOL provider at any given time. However, if the correct relationship code is not used, the edit will not prevent payment for more than four unrelated children.

We selected ten FOL providers paid during fiscal year 2013 and reviewed the relationship of all children listed as relatives and claimed for reimbursement during a selected month. The DSS paid each provider for 7 to 22 related and unrelated children for the month reviewed, 162 children in total. We asked the CD to verify the relationships using information available in FAMIS or available from the local FSD offices responsible for managing the cases.

For 8 of 10 (80 percent) providers reviewed, the relationships between some of the children and their providers could not be verified or the ES did not use the correct relationship code. The eligibility specialists entered a relationship code specifying the relationship as aunt for 9 of the 15 related and unrelated children for one provider and 3 of the 11 related and unrelated children for another provider. The providers are actually the great-aunt of the children and should be considered as unrelated persons based on the statutory and DSS policy definitions of a relative. For the remaining six providers, the eligibility specialists did not document how they originally verified the relationship, and the DSS was unable to confirm the relationship upon our request. As a result, these eight providers may have cared, and been paid by the DSS, for more than the four unrelated children allowed during the month tested. If so, these eight providers operated in violation of state child care licensing laws and were ineligible for the program. The DSS paid these eight providers $28,576 during the month reviewed. We question the federal share of $21,146 (74 percent). If similar errors in the classification of relatives and inability to verify relationships were made for the remaining 1,050 FOL providers paid for more than four children, questioned costs could be significant.

An eligible provider for the Child Care program is defined by 45 CFR Section 98.20 as a provider for child care services for compensation that is licensed, regulated, or registered under applicable state or local law and satisfies state and local requirements, including health and safety requirements. Section 210.211.1, RSMo, states it is unlawful for any person to establish, maintain, or operate a child care facility without a valid license issued by the Missouri Department of Health and Senior Services unless the provider meets one of the listed exemptions. Section 210.211.1(1), RSMo, exempts from licensure any person who is caring for four or fewer unrelated children. Children related to the provider by blood, marriage, or adoption within the third degree are not considered in the total number of children being provided care.

Adequate documentation of the verification of a child's relationship to a FOL provider is necessary to ensure compliance with DSS policy and state law. In addition, documentation would allow supervisors to better review relationship determinations for children authorized to FOL providers.

WE RECOMMEND the DSS, through the CD, resolve questioned costs with the grantor agency and improve controls and procedures to ensure child care providers participating in the subsidy program are in compliance with state licensing requirements. These procedures should include maintaining adequate documentation to demonstrate verification of a child's relationship to the provider at the time of authorization.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2013-011.	**Foster Care Payment Coding**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.658 Foster Care - Title IV-E 2012 - G1201MO1401 and 2013 - G1301MO1401 93.659 Adoption Assistance 2012 - G1201MO1407 and 2013 - G1301MO1407
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS) and Children's Division (CD)
Questioned Costs:	$1,146,008

DSS controls and procedures over the establishment and monitoring of assigned accounting system coding for assistance payments are inadequate. Coding errors occurred and went undetected, and as a result, some payments to residential facilities were incorrectly allocated to the Adoption Assistance program instead of the Foster Care program. These costs are not allowable expenditures for the Adoption Assistance program.

The DSS contracts with residential facilities to provide room, board, and supervision for children in state custody. Several times each month, the DFAS processes payments to residential facilities from the Family and Children's Electronic System (FACES). Personnel in the DFAS Accounts Payable Unit enter the total of the payments into the statewide accounting system (SAM II) using predetermined coding that designates how the expenditures will be allocated to federal programs. FACES payment information is included in a report identifying FACES expenditure totals by type of service and FACES fund code. The FACES fund code denotes the child's eligibility for various federal programs and the types of services paid. For example, FACES fund code 22 is assigned to a child in a residential facility placement that is eligible for the Foster Care program. The appropriate related SAM II coding designates the expenditures as eligible to claim for the federal Foster Care program.

DFAS and CD personnel establish how FACES payments should be coded in SAM II and create the coding template used by DFAS Accounts Payable Unit staff. CD officials indicated the established SAM II coding is updated as needed if there are significant changes to FACES coding or federal program provisions. However, there is no documented supervisory review of established coding or coding changes to ensure the accuracy of coding used or changes made. According to DFAS officials, DFAS and CD personnel discussed coding of residential facility payments (fund code 22) at a meeting in October 2011. The DFAS employee responsible for updating the established SAM II coding misinterpreted comments made during the meeting and changed the designated SAM II coding to an Adoption Assistance program code. As a result, FACES fund code 22 payments were incorrectly coded in SAM II to the Adoption Assistance program rather than the Foster Care program, and subsequently claimed incorrectly as Adoption Assistance program expenditures on federal reports. To be an allowable Adoption Assistance program cost, the payments would have to be made on behalf of legally adopted children for whom the DSS has a signed Adoption Subsidy agreement pursuant to 42 USC 673 and 45 CFR Section 1356.40. Payments for children coded to FACES fund code 22 would not meet these requirements.

Since October 2011, the DSS incorrectly claimed $3,857,991 in residential facility payments to the Adoption Assistance program ($2,408,911 federal share), including $1,850,490 for the year ended June 30, 2013. We question the federal share of fiscal year 2013 payments claimed incorrectly, or $1,146,008 (61.93 percent). We notified DSS officials of the apparent coding error in September 2013. DSS officials agreed and made changes at that time to correct future coding. Additionally, the DFAS determined the dollar amount of claiming errors for state fiscal years 2012, 2013, and the first quarter of state fiscal year 2014. The DFAS has since processed adjustments to correct erroneous claims made between January 1, 2012 and September 30, 2013.

SAM II coding established by CD and DFAS personnel dictates how the majority of payments made on behalf of foster and adoptive children through the FACES system are claimed for federal reimbursement. However, there is no periodic supervisory review of the established coding or the coding templates used by DFAS Accounts Payable Unit staff. The lack of review allowed the above errors to go undetected by the DSS. Good internal controls require adequate procedures to ensure amounts charged to federal programs are accurate. Without proper controls to periodically review the SAM II coding, the DSS cannot ensure only allowable costs are charged to the various federal programs.

WE RECOMMEND the DSS, through the CD and the DFAS, resolve questioned costs with the grantor agency and develop controls and procedures to ensure appropriate coding is established and expenditures are claimed to the appropriate federal program. Controls and procedures should include a periodic supervisory review of coding.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2013-012. Foster Care Cost Allocation Procedures

Federal Agency:	Department of Health and Human Services
Federal Program:	93.658 Foster Care - Title IV-E 2012 - G1201MO1401 and 2013 - G1301MO1401
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$30,143

DFAS controls and procedures over the allocation and calculation of the federal portion of costs for the Title IV-E Foster Care program need improvement and as a result, errors were not prevented and/or detected. The DFAS claimed some federal costs at an incorrect rate.

The DFAS has procedures to identify, measure, and allocate all costs to the programs administered by the department. Costs are allocated quarterly using comprehensive cost allocation spreadsheets. The spreadsheets contain formulas to apportion costs to the various programs to determine amounts to be claimed for reimbursement on federal financial reports. As part of this process, the DSS calculates the federal portion of Title IV-E Foster Care expenditures by first calculating the federally eligible expenditures and then applying the appropriate federal financial participation (FFP) rates to these expenditures based on the following expenditure types: assistance; training; or administrative. For training and some administrative expenditures, the DSS calculates the federally eligible expenditures by multiplying the total expenditure amount by the percentage of federally eligible children in foster care (approximately 66 percent in state fiscal year 2013). DFAS personnel perform supervisory reviews of the cost allocation spreadsheets, but do not document their reviews or specifically review FFP percentages applied to expenditures.

The DSS contracts with four state universities to provide educational assistance to students preparing for a Master's Degree in Social Work (MSW) and reimburses the universities for both direct and indirect costs. An audit performed by the Department of Health and Human Services (DHHS) - Office of Inspector General (OIG), *Review of the Missouri Department of Social Services Claim for Title IV-E Training Costs for Long-Term Training*, released in February 2010, noted the DSS incorrectly claimed indirect costs related to the MSW program contracts at the 75 percent enhanced training FFP rate rather than the 50 percent administrative FFP rate.

In response to the OIG audit, the DSS created two reporting category codes in the statewide accounting system during state fiscal year 2011 to separately identify the direct and indirect portion of the MSW payments. While the amounts were separately identified in the accounting system, DFAS personnel improperly combined these amounts on the cost allocation spreadsheets during the first three quarters of state fiscal year 2013. DFAS personnel calculated the federal portion by multiplying the federally eligible expenditure amount by the enhanced training FFP rate. As a result, the DSS incorrectly claimed MSW contract indirect costs at the 75 percent enhanced training FFP rate rather than the 50 percent administrative FFP rate. The incorrect calculations involved indirect costs totaling approximately $183,000 reimbursed to the universities. We question $30,143, the amount of federal costs claimed in excess of the appropriate federal share.

After our review, the DFAS Fiscal and Administrative Manager revised the cost allocation spreadsheet to separately calculate the FFP for MSW indirect costs for the fourth quarter of state fiscal year 2013. For the errors noted above, correcting adjustments were included on the Title IV-E Foster Care federal financial report filed for the quarter ended June 30, 2013. The Fiscal and Administrative Manager, who reviews the cost allocation spreadsheets, stated she was aware the DSS created separate reporting category codes but was unaware why this change occurred and the need to use different FFP percentages for the direct and indirect MSW costs.

According to 45 CFR Section 1356.60(b)(3) and 42 USC 674(a)(3)(A), costs for short-term and long-term training at educational institutions and in-service training may be claimed at the enhanced 75 percent FFP rate for training of personnel employed by or preparing for employment with the state agency. The DHHS - Departmental Appeals Board (DAB) issued DAB No. 2159 in 2008 stating the enhanced rate is not available for indirect costs that were developed from cost pools consisting of both allowable training costs and other administrative costs.

Good internal controls require adequate procedures to ensure the federal portion of expenditures is correctly calculated by applying the appropriate FFP rate in cost allocation spreadsheets. Inadequate supervisory reviews of the spreadsheets could hinder the ability to manage federal funds effectively and to comply with federal regulations.

WE RECOMMEND the DSS, through the DFAS, resolve questioned costs with the grantor agency and implement controls to ensure indirect costs are claimed at the proper federal financial participation rate. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2013-013. Foster Care Residential Facility Training Reimbursements

Federal Agency:	Department of Health and Human Services
Federal Program:	93.658 Foster Care - Title IV-E 2012 - G1201MO1401 and 2013 - G1301MO1401
State Agency:	Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs:	$17,055

As noted in two previous audit reports, the CD has not established sufficient procedures to monitor residential facility training reimbursements. As a result, reimbursements to these facilities continue to be unsupported and/or unallowable.

Residential facilities provide specialized care for children who need more structure and intervention than a foster home can provide. The DSS contracts with 29 of the 75 residential facility operators to reimburse part of the costs of training facility staff. The contracts outline specific allowable and unallowable training activities as provided by federal regulations and guidelines. Facilities must submit a training report of total claims for reimbursement by type including travel, salaries, and materials.

The DSS reimburses the residential facilities a percentage of training costs claimed, based on an allocation methodology outlined in the contracts. During state fiscal year 2013, this percentage was approximately 60 percent in the first quarter and a portion of the second quarter, and approximately 65 percent for the remainder of the fiscal year. Training reimbursements to the facilities totaled approximately $315,000 during fiscal year 2013.

In response to Report No. 2011-11, *State of Missouri, Single Audit, Year Ended June 30, 2010*, issued in March 2011, finding number 2010-19, the DSS sent a letter to residential facilities to inform them of the need to clearly document training expenses and provide rationale that shows the expenditures meet Foster Care program requirements for allowability. The DSS requires contractors to classify all training courses under one of the sixteen allowable Foster Care program topics described in Section 8.1h of the Department of Health and Human Services, Administration of Children and Families Child Welfare Manual. Contractors must also provide written rationale or justification for Foster Care reimbursement of the course costs. However, the CD review procedures are still not sufficient to prevent and/or detect some unsupported and/or unallowable reimbursements.

We reviewed selected training reports and supporting documentation for reimbursements made to eight residential facilities during fiscal year 2013. Of the $72,334 in reimbursements reviewed, payments totaling $22,741 (31 percent) were unsupported and/or unallowable, of which we question $17,055 claimed as the 75 percent federal share.

Some training reports and supporting documentation were not sufficient to show the training and related costs were for allowable Foster Care training activities. Examples of these costs include salaries and benefits, travel expenses, conference registration fees, and professional memberships. DSS residential training contracts do not require the facilities to submit documentation supporting the training costs claimed. We noted most facilities attached various types of supporting documentation including invoices, receipts, programs or agendas, and attendance logs to the training reports; however, the level of detail and overall organization of the documentation varied. For example, one facility only submitted a credit card invoice to support a lodging expense while other facilities submitted the original lodging invoice which included the room rate, arrival and departure dates, and other applicable charges. OMB Circular A-87, Attachment A, Section C.1.j states costs must be adequately documented to be allowable.

In addition, some training activities reimbursed appeared unallowable. For example, one facility was reimbursed for staff to attend regular administrative staff meetings. The CD reimbursed another facility for unallowable expenses incurred while attending an out-of-state conference. These questionable expenditures included sponsorship of a conference refreshment break, travel expenses for non-facility employees, lodging and meal expenses for days before and after the conference, and the purchase of alcoholic beverages and souvenirs. The CD reimbursed a third facility for lodging expenses which exceeded the maximum amount allowed by state travel policy. The residential facility contract prohibits these unallowable costs and requires each facility to abide by the current State of Missouri Travel Regulations published by the Office of Administration, which specify the maximum reimbursable amount for meals, lodging, and mileage. Training activities must be closely related to one of the examples cited in 45 CFR Section 1356.60; however, these training activities do not appear reimbursable under this guidance.

The reimbursements we reviewed contained no indication CD staff requested additional information or documentation supporting the training costs claimed. Without sufficient monitoring procedures and adequate supporting documentation, the CD cannot ensure residential facility training costs claimed are for allowable Foster Care activities. The CD should ensure training activities are in compliance with federal regulations, and supported by sufficient documentation.

WE RECOMMEND the DSS, through the CD, resolve questioned costs with the grantor agency and improve residential facility monitoring procedures to ensure training costs reimbursed are for allowable activities outlined in federal regulations and are adequately supported.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2013-014.	**Section 1512 Reporting**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.719 ARRA - State Grants to Promote Health Information Technology 2009 - 90HT001201
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

The DSS did not report the identity of vendors paid by the subrecipient for the ARRA - Health Information Technology (HIT) program as required for Section 1512 reporting. The DSS passes through the majority of HIT funds to a single subrecipient, the Missouri Health Connection (MHC). During state fiscal year 2013, the DSS disbursed approximately $3.7 million in ARRA funds to the MHC.

Section 1512 of the ARRA requires comprehensive reporting for certain ARRA awards to promote transparency and accountability over the use of such funds. This section requires various data elements to be reported on a quarterly basis by prime recipients detailing the use of ARRA funds including the total grant award, the amount received and expended, and certain elements for vendor payments and subawards. Additionally, prime recipients are required to report on planned projects and activities, including the status of project completion and an estimate of direct jobs created or retained. Prime recipients may solicit information for some data elements from subrecipients and vendors to help meet Section 1512 reporting requirements. For any payments greater than $25,000, the subrecipient must report the identity of the vendor. In some cases, prime recipients may delegate certain direct reporting duties to their subrecipients, although the state of Missouri, as the prime recipient of these funds, has not delegated such responsibilities.

On a quarterly basis, the MHC submits required information to the DFAS such as jobs created and the status of the project; however, the MHC does not submit detailed expenditure data, including payments to vendors in excess of $25,000. DFAS personnel combine the amount disbursed to the MHC during the quarter with information submitted by the MHC and enter the information into the state's Section 1512 reporting system (STIM 360). However, payments from the MHC to vendors exceeding $25,000 were not reported to the DSS and subsequently were not included in Section 1512 reports as required. The DFAS employee responsible for entering data into Section 1512 reports indicated she was not aware of this requirement.

The MHC prepared a narrative budget for the program's four-year project period. The budget narrative indicates the MHC planned to spend approximately $7.4 million, or 48 percent of the total budgeted expenditures, on contractual expenses throughout the project period. Based on budgeted expenditures, it appears the MHC routinely processes payments to vendors exceeding $25,000; however, the number of vendors this includes is unknown because the DSS does not require the MHC to report, and the MHC does not report, detailed expenditure information.

OMB Memorandum M09-21 states the DSS, as prime recipient, is ultimately responsible for the reporting of all data required by Section 1512 of the ARRA. Additionally, the prime recipients, as owners of the data submitted, have principal responsibility for the quality of the information submitted.

The HIT program ended on February 7, 2014. Public Law 113-76 Section 627(b) repealed Section 1512 reporting effective February 1, 2014; however, previously filed reports may need to be amended to reflect data elements required but not reported.

WE RECOMMEND the DSS, through the DFAS, work with the grantor agency to determine if Section 1512 reports should be amended to reflect the required data elements not previously reported.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2013-015. Eligibility and TANF Assistance Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2012 - G1202MOTANF and 2013 - G1302MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$3,451

The FSD did not act promptly or properly on information affecting recipients' eligibility and did not maintain complete eligibility documentation for one Temporary Assistance for Needy Families (TANF) recipient reviewed. In addition, the FSD did not impose sanctions on some recipients who failed to cooperate with Child Support Enforcement (CSE) procedures. During the state fiscal year ended June 30, 2013, the DSS expended federal funding of about $181 million for the TANF program, including about $87 million in basic assistance payments to families. Similar conditions were noted in our prior two audits.

A. The FSD paid TANF benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received. We sampled 60 recipients, with payments totaling $102,855 for the year ended June 30, 2013, and noted concerns with 5 (8 percent) of the recipients tested. The purpose of the test was to determine whether proper eligibility determinations were made, and whether payments were calculated in accordance with program requirements, including obtaining any required documentation. Our test disclosed the following:

- The FSD identified unreported income or other changed circumstances for four recipients tested and took action to close the cases; however, the FSD did not establish claims for recoupment of the improper benefits until we inquired about these cases. The FSD determined improper benefits for these cases totaled $1,405. We question the amount of the improper benefits identified totaling $1,405 (100 percent federal share).

  Under 45 CFR Section 206.10, an individual's eligibility must be reconsidered or redetermined: (1) when required on the basis of information the agency has obtained previously about anticipated changes in the individual's situation; (2) promptly, after a report is obtained which indicates changes in the individual's circumstances that may affect the amount of assistance to which he is entitled or may make him ineligible; and (3) periodically, within agency established time standards, but not less frequently than every 12 months for certain other eligibility factors subject to change. Additionally, prompt determination of overpayments and establishment of claims are necessary since amounts recovered offset future program costs.

- The FSD did not maintain adequate documentation for one recipient tested. The recipient's assistance application/eligibility statement and system-generated interview summary were printed in January 2013, but not signed by the recipient until August 2013, after we requested the case file. The recipient began receiving benefits in February 2013. The assistance application/eligibility statement and interview summary contain questions concerning income, reasons for need, and required federal prohibitions and requirements, and must be promptly signed by the applicant certifying compliance with the requirements and attesting to the accuracy of the information provided.

  Under 45 CFR Section 206.10(a)(1)(ii), applications for program participation must be in writing on an agency prescribed form and signed by the applicant or an appropriate representative. In addition, 45 CFR Section 205.60(a) requires the agency to maintain records for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and other pertinent information obtained.

Because the FSD did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. Payments made for this recipient during the year ended June 30, 2013, totaled $920, for which we question the entire amount (100 percent federal share).

B. The FSD did not act upon some notices of non-cooperation from the CSE Unit to sanction recipients, and the CSE Unit did not always notify the FSD of non-cooperating clients. We obtained a listing of CSE cases flagged in the child support case management system for non-cooperation during the year ended June 30, 2013, and matched it against a listing of TANF cases. There were 2,808 TANF cases flagged for non-cooperation, with payments totaling more than $5.3 million during the fiscal year ended June 30, 2013. We tested 60 of these TANF recipients to determine whether the FSD was properly sanctioning recipients who were not cooperating with CSE procedures. TANF payments for the fiscal year for the 60 recipients totaled about $114,000. For 30 of the 60 recipients (50 percent) tested, either the CSE Unit did not promptly notify the FSD of the non-cooperation or the FSD did not act to sanction the recipient upon notification.

- The CSE Unit did not properly notify the FSD of 18 non-cooperating clients tested. When non-cooperation occurs, the CSE Unit is to alert the FSD eligibility specialist via email comments or by sending a notice of non-cooperation form. For two cases, the notifications occurred about 5 months and 2 months after the non-cooperation began, delaying the imposition of sanctions, resulting in overpayments totaling $438 during the year ended June 30, 2013. For 16 cases, neither the FSD nor the CSE Unit had documentation the FSD had received a notice of non-cooperation. No notification was sent for 12 of the 16 cases because, according to a CSE official, there was no active TANF case at the time of the non-cooperation (10 cases), the custodial parent was excluded from the TANF household (1 case), and the custodial parent was homeless (1 case). Of the remaining 4 cases, another sanction was already in place on 3 cases and no explanation for non-notification was apparent on the other case. For 1 of the 10 cases with no active TANF case during non-cooperation, the recipient subsequently began receiving benefits and sanctions were not imposed, resulting in overpayments totaling $212 during the year ended June 30, 2013. As a result of the failure of the CSE Unit to notify the FSD of non-cooperation, sanctions were not entered or not entered timely into the Family Assistance Management Information System (FAMIS) system. We question the federal share of overpayments totaling $650 (100 percent federal share).

- The FSD did not sanction 12 recipients when notified of referral for non-cooperation. For two recipients, the active TANF case was not sanctioned by the FSD, resulting in overpayments totaling $336 during the year ended June 30, 2013. The TANF cases for the other 10 recipients were inactive when the notifications were received, and consequently the FSD entered no sanctions for non-cooperation in the FAMIS system. As a result, no sanctions would be in effect if the cases were later re-activated. For 2 of these 10 cases, the recipient subsequently began receiving benefits with no sanctions imposed, resulting in overpayments totaling $140 during the year ended June 30, 2013. We question the federal share of overpayments, totaling $476 (100 percent federal share).

Under 45 CFR Section 264.30, the FSD must refer to the CSE Unit all appropriate individuals in the family of a child for whom paternity has not been established or for whom a child support order needs to be established, modified, or enforced. Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child. If the CSE Unit determines an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the CSE Unit, the FSD, or federal law, the CSE Unit must notify the FSD promptly. The FSD must then take appropriate action by either deducting an amount equal to at least 25 percent from the TANF assistance that would otherwise be provided to the family of the individual or denying the family assistance entirely. The DSS has determined the sanction will be 25 percent of the assistance amount. Additionally, 13 CSR 40-2.330 requires sanctions for applicants and recipients of TANF assistance who are not cooperating with the CSE Unit. It appears applicants who have failed to cooperate in the past should be sanctioned upon re-opening of their TANF cases unless or until they begin cooperating as required.

The FSD and the CSE Unit did not have a system to track cases requiring notification of non-cooperation and ensuring the notifications were sent and received. As a result, the FSD could not ensure or demonstrate compliance with federal requirements related to sanctioning of recipients who were not cooperating with CSE program requirements. Notifications should be sent and sanctions entered on all non-cooperating cases, including inactive cases and cases sanctioned for other reasons, so the sanction can be applied if the TANF case becomes active or the other sanctions expire. Effective July 2012, the FSD began requiring the eligibility specialists maintain a log for tracking requests for sanction and notating when the sanctions were added to FAMIS, and in April 2013 the FSD began requiring the CSE Unit notify both the eligibility specialist and the eligibility specialist's supervisor by email of requests for sanction and notify the eligibility specialist even when other sanctions are in place. However, our review indicates these procedures were not effective in ensuring compliance.

WE RECOMMEND the FSD resolve the questioned costs with the grantor agency and:

A. Strengthen controls to ensure proper and timely action is taken regarding the recoupment of overpayments. In addition, the FSD should maintain required eligibility documentation in all case files.

B. Develop additional controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with CSE program requirements.

AUDITEE'S RESPONSE

A. We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

B. We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2013-016. TANF Work Participation and Sanctions

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2012 - G1202MOTANF and 2013 - G1302MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned costs:	$612

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2013 and, as a result, the FSD has less assurance the data used to calculate the work participation rate is accurate. In addition, controls were not adequate to ensure recipients were sanctioned when they were not in compliance with federal and state requirements.

The FSD contracted with 10 community organizations for the 19 regions in the Missouri Work Assistance (MWA) program to perform many of the required TANF work activity functions. These duties include case management, enrollment and assistance to TANF recipients who are required to participate in eligible work activities, and reporting recipient noncompliance and hours of participation to the FSD. Payments to the contracted community organizations for the MWA program totaled about $14.1 million during the year ended June 30, 2013.

The FSD has adopted procedures to monitor the performance of the MWA contractors for compliance with the Work Verification Plan policies and procedures. Those procedures include periodic reviews of 3 to 5 percent of cases for proper handling, and quarterly testing of a sample of cases with no recorded hours of work activity for proper sanctioning. The FSD has also provided training to the MWA contractors based on the case testing results. Additionally, during state fiscal year 2013, the FSD and the Division of Finance and Administration performed on-site reviews at three of the MWA contractors. However, our review indicates monitoring activities and training were not effective in ensuring adequate contractor compliance. As a result, the FSD did not ensure MWA contractors complied with the state Work Verification Plan and policies for reporting recipients who do not comply with work requirements.

Under 45 CFR Section 265.3, states are required to submit quarterly TANF Data Reports which provide information regarding TANF recipients and work activities. The Department of Health and Human Services, Administration for Children and Families uses the TANF Data Reports to calculate the state work participation rate each fiscal year. In addition, under 45 CFR Section 261.62, the FSD is required to have a Work Verification Plan which includes requirements to maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In doing so, the FSD must have in place procedures to identify TANF recipients who are work-eligible, identify work activities that may count for work participation rate purposes, determine how to count and verify reported hours of work, and control internal data transmission and accuracy.

A. The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2013. A similar condition was noted in our prior three audit reports.

We obtained a February 2013 listing of those TANF recipients referred to the MWA contractors which included data on the status of each recipient's compliance with the work participation requirements and number of hours of participation in the various work related activities. Of the 20,913 TANF recipients included in the report, 4,401 recipients had at least an hour of work activity reported. We selected 60 recipients with reported work activity for testing and obtained their case files. We noted for 20 (33 percent) of the cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan. In two instances, the errors led to incorrectly reporting the recipient as meeting or not meeting the work participation requirements. These errors offset and resulted in no net misstatement to the work participation compliance rate for this group of 60 individuals. However, our test results indicate there are a significant number of cases for which the reported work participation hours are not accurate and as a result, the FSD has less assurance the state's work participation rate requirement is being met.

The failure to maintain adequate controls to ensure accurate data is reported for measurement of work participation could result in a penalty, under 45 CFR Section 261.65, of not less than 1 percent and not more than 5 percent of the annual grant amount.

B. The FSD did not have adequate procedures in place to ensure MWA contractors notified the FSD when TANF recipients failed to meet work participation requirements or ensure timely investigation of notices from MWA contractors of incorrect addresses for recipients. As a result, many TANF recipients who failed to meet work participation requirements were not sanctioned and continued to receive full benefits. A similar condition was noted in our prior two audit reports.

Of 20,913 individuals on the February 2013 listing of TANF recipients referred to the MWA contractors, there were 16,512 recipients for which no work activities were reported. About 3,300 of these recipients were not subject to sanction due to various allowable waivers and exemptions, leaving about 13,200 recipients who were not participating in work activities and subject to sanction. We sampled 60 of the 13,200 cases and noted 9 (15 percent) of the recipients were not appropriately sanctioned for non-compliance with work participation requirements. Twenty-five recipients were appropriately sanctioned and the remainder were not subject to sanction during February 2013 due to various reasons, such as the recipient began participation or the FSD or recipient closed the case. The DSS has established the sanction at 25 percent of the monthly benefit amount. We question the amount of the sanctions that were not imposed on these 9 recipients for the month of February 2013, which totaled $612 (100 percent federal share).

For the cases with errors, MWA program contractors had multiple contacts with the recipients to get them engaged with the program and/or to reschedule missed appointments. However, the contractors did not timely place the recipients in conciliation or report them to the FSD to begin the sanctioning process. In 2 instances, the FSD did not act upon notification from the MWA contractor of an incorrect address for the recipient.

Under 45 CFR Section 261.14, for an individual who refuses to engage in work required under Section 407 of the Social Security Act, the state must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the state may establish. The state has determined the sanction shall be 25 percent of the monthly benefit. A state that fails to impose penalties on individuals in accordance with the provisions of Section 407(e) of the Social Security Act may be subject to penalty. Under 45 CFR Section 261.54, the federal agency may impose a penalty amount for a fiscal year of no less than 1 percent and no more than 5 percent of the annual grant amount.

The failure to maintain adequate controls to ensure recipients who are not in compliance with the work requirements are appropriately sanctioned has resulted in overpayment of benefits totaling $612.

In 2010 and 2011, the Department of Health and Human Services, Administration for Children and Families (ACF) determined the state did not meet the overall work participation rates for federal fiscal years 2008 and 2009 and indicated the state was subject to potential penalties totaling $44.4 million. The DSS appealed the ACF's determinations and the matter is currently pending the DSS's development of a corrective action plan. In 2013, the ACF determined the state met the overall work participation rate for federal fiscal year 2010. Failure to comply with the requirements regarding data accuracy and imposition of sanctions for failure to meet work requirements increases the risk additional penalties may be imposed.

WE RECOMMEND the FSD:

A. Develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

B. Develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2013-017. Child Support Enforcement

Federal Agency:	Department of Health and Human Services
Federal Program:	93.563 Child Support Enforcement 2012 - G1204MO4005 and 2013 - G1304MO4005
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) - Child Support Enforcement (CSE) and Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$307,569

The FSD did not identify unallowable personnel severance costs included in a reimbursement request from one county providing child support services. In addition, the DFAS did not properly record costs for one vendor invoice resulting in unallowable costs charged to the program. During the year ended June 30, 2013, the federal share of CSE expenditures totaled about $60 million.

A. The FSD reimbursed unallowable personnel severance costs totaling $200,960 to one county providing child support services. The FSD failed to identify the unallowable costs included on the county's invoice for October 2012 and did not require the county provide supporting documentation for the unusually large amount of personnel costs claimed for some employees.

The county's invoice listed each employee and his/her monthly salary, including additional compensation for leave paid upon termination and employer-paid fringe benefits. The monthly salary expense listed for 15 employees, excluding the unit director, ranged from over $8,100 to $41,806 per employee. The monthly salaries listed for the other 41 employees only ranged from about $2,000 for a clerk to about $8,200 for the unit director. After our inquiries about the increased costs, the CSE Unit requested the county prosecutor's child support office provide an explanation. An official in that county prosecutor's office indicated, in response to significant funding cuts imposed by the DSS, the county offered employees a voluntary retirement/resignation incentive program not normally provided to county employees. Under the incentive program, county employees could receive severance pay equal to their base salary for 6 weeks to 14 weeks, depending on their years of service. The county billed the FSD severance costs totaling $200,960 for all 15 employees electing to participate. The FSD approved and paid the entire claim for reimbursement. An FSD official indicated the FSD was generally aware the county planned to reduce its workforce and provide severance pay to employees, but the FSD did not require documentation explaining the severance costs or addressing the allowability of those costs for reimbursement by the CSE program.

OMB Circular A-87 Appendix B, Section 8.g(3) states abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant federal agency. Neither the county, the county child support office, nor the FSD obtained the required approval. An FSD official indicated four other counties similarly terminated employees due to funding cuts, but none of those counties billed the CSE program for severance payments. We question the amounts reimbursed for personnel costs for the 15 employees totaling $200,960 (100 percent federal share).

B. The DFAS incorrectly recorded costs from one vendor invoice for call center services provided in February 2013. While the correct allocation of service costs for the CSE and Income Maintenance (IM) programs was noted on the invoice, the DFAS entered incorrect amounts into the state's accounting system (SAM II) and federal reports, resulting in $106,609 being improperly overcharged to the CSE program rather than allocated to various IM programs. DFAS procedures and controls for review, approval, and processing of payments did not prevent or detect the error. Since these costs were not valid costs of the CSE program, we question the unallowable costs totaling $106,609 (100 percent federal share).

WE RECOMMEND the DSS, through the FSD and DFAS, resolve the questioned costs with the grantor agency and develop additional controls to:

A. Ensure costs are allowable and adequate documentation is maintained prior to issuing payment.

B. Ensure costs are properly allocated to federal programs and recorded in the state accounting system.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2013-018. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2011 - 1105MO5021 and 2012 - 1205MO5021
93.778 Medical Assistance Program
2012 - 1205MO5MAP and 1205MO5ADM
2013 - 1305MO5MAP and 1305MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $6,102,152

The MHD has periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program and the Children's Health Insurance Program (CHIP); however, the state regulation authorizing these dispensing fees has not been updated since 1988. The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD under the federally approved Medicaid and CHIP State Plans.

In addition to paying pharmacies for the cost of each prescribed drug, the MHD also pays pharmacies a base fee of $4.84 for dispensing each participant's prescription. However, this dispensing fee is higher than the $3 established under 13 CSR 70-20.060(1). In addition, in 1991 the DSS, as part of a settlement agreement, agreed to increase the Medicaid pharmacy dispensing fee to $4.09 per prescription. While the payment amount was increased as required by the agreement, neither the State Plan nor the CSRs were updated to reflect this amount. The State Plan was updated to add general wording indicating the state would pay the applicable fee at the time the prescription is filled, but again, no specific dollar amount was noted.

Federal regulation 42 CFR Section 431.10(b)(2) requires the state to establish the legal authority for the Medicaid agency to administer the Medicaid State Plan, including making rules and regulations to follow in administering the plan. In accordance with this CFR, the Medicaid State Plan lists the various statutes allowing the DSS to establish rules and regulations to administer the plan. The MHD has created CSRs, such as the one mentioned above, to administer the Medicaid program. However, failure to update the related regulations when fee structures are changed causes the MHD to be noncompliant with its own regulations in administering the Medicaid State Plan.

The MHD paid pharmacies base dispensing fees totaling $63,037,007 during the year ended June 30, 2013. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $53,268,876, a difference of $9,768,131. We question the federal share of the increased payments, or $6,102,152 (62.47 percent).

Similar findings were included in our two prior audit reports. Subsequent to the audit period, MHD personnel took action to update state regulations in response to our recommendations. The proposed rule to update state regulations was published on November 1, 2013, and became effective December 30, 2013.

WE RECOMMEND the MHD resolve questioned costs with the grantor agency and ensure any future increases in payment rates are included in state regulations.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2013-019. Cash Receipt Controls

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2011 - 1105MO5021 and 2012 - 1205MO5021 93.778 Medical Assistance Program 2012 - 1205MO5MAP and 1205MO5ADM 2013 - 1305MO5MAP and 1305MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD does not have adequate controls in place to ensure the proper management of cash receipts handled by the division, which totaled approximately $615 million during the year ended June 30, 2013. These receipts include monies received from participants, providers, and insurance companies for items such as premiums, reimbursements, and taxes related to the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP), which are administered by the MHD.

A. The MHD does not restrictively endorse checks and money orders immediately upon receipt or deposit receipts in a timely manner. Restrictive endorsement is not applied until the receipt has been posted to accounts receivable and is ready for deposit. During a count of undeposited items on August 29, 2013, we identified 697 checks and money orders totaling $263,216 which were not deposited within eight calendar days of receipt. Thirteen receipts totaling $2,466 ranged in date from April 14, 2008 to August 29, 2012, and had been held for a year or longer. Some of the items may no longer be accepted by a bank for deposit. Although a report listing undeposited checks and money orders is reconciled weekly to monies in the safe, there is no follow-up review of receipts held for a significant length of time. Failure to restrictively endorse checks and money orders immediately upon receipt and to deposit receipts in a timely manner increases the risk of misappropriation.

B. The MHD did not adequately restrict user access within the cash receipts and accounts receivable modules of the Medicaid Management Information System (MMIS), an internal MHD accounting system. Our review identified seven employees that had the ability to record receipts and update or close the related accounts receivable in the MMIS, which increases the risk of misappropriation. Proper segregation of duties for user access in the MMIS should separate duties involving custody of assets, authorizations surrounding the assets, and record keeping.

Federal regulation 2 CFR Section 215.21, requires financial management systems to provide effective control over and accountability for all funds, property and other assets. Recipients are to adequately safeguard all such assets and assure they are used solely for authorized purposes.

WE RECOMMEND the DSS:

A. Establish controls to restrictively endorse checks and money orders immediately upon receipt and deposit all receipts in a timely manner.

B. Restrict user access within the MMIS accounting system and adequately segregate duties related to record keeping and asset custody.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2013-020. Pharmacy Reimbursement Allowance Tax

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2011 - 1105MO5021 and 2012 - 1205MO5021 93.778 Medical Assistance Program 2012 - 1205MO5MAP and 1205MO5ADM 2013 - 1305MO5MAP and 1305MO5ADM

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD does not have effective controls in place to ensure or demonstrate compliance with requirements of the Pharmacy Reimbursement Allowance (PRA) program, and as a result, taxes totaling at least $104,646 were not properly assessed to a pharmacy. PRA taxes assessed to 1,316 in-state pharmacy providers for the year ended June 30, 2013 totaled approximately $98.2 million.

The PRA program imposes a tax upon licensed retail pharmacies for the privilege of providing outpatient prescription drugs in Missouri. State regulation 13 CSR 70-20.320 establishes the PRA program and the method to compute the tax owed, as allowed under 42 CFR Section 433.68(b). The tax is calculated by multiplying the pharmacy's gross retail prescription receipts by the established tax rate. Monies generated by this tax are used to provide a portion of the state match required for services related to the Medicaid pharmacy program.

Licensed retail pharmacies report gross retail sales receipts to the MHD annually. MHD personnel manually enter these reported sales receipts into a database that computes the PRA tax assessments. Using the reports of gross retail sales receipts and the PRA tax rates in effect during fiscal year 2013, we recomputed the tax assessments for selected pharmacy providers. Our review identified 1 of 40 (2.5 percent) pharmacies reviewed was not assessed the correct amount of taxes owed due to a data entry error. The error relates to a pharmacy chain that submits data for multiple stores on one gross retail sales receipt report. When entering the reported sales receipts for each location into the database, MHD personnel failed to enter the activity for one store. The error was not detected by the MHD because there is no supervisory review or other control in place to ensure accuracy of data entry. As a result, the pharmacy was not assessed or billed for $104,646 in taxes owed related to the unrecorded sales receipts.

Without proper controls to ensure the retail sales receipts are entered accurately, there is less assurance the proper amount of PRA tax is assessed and collected.

WE RECOMMEND the DSS establish controls to ensure all pharmacies are assessed and billed the correct amount of PRA taxes. In addition, the DSS should pursue collection of the $104,646 in taxes owed.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2013-021. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2012 - 1205MO5MAP and 1205MO5ADM
2013 - 1305MO5MAP and 1305MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $1,024

The MHD does not have effective controls in place for the review of some reports necessary to ensure compliance with enrollment requirements of the Medicare Buy-In program or certain claims processing requirements of the Medical Assistance Program. The Medical Assistance Program, also known as Medicaid, is administered by the MHD.

Some state Medicaid participants may also be enrolled simultaneously in the federal Medicare program, and known as dually eligible. For these participants, the Medicare program is the primary insurance, and Medicaid is the secondary insurance. This arrangement is cost-beneficial to the state because the Medicaid program is only responsible for expenses not covered by Medicare, such as deductible and coinsurance amounts. Federal regulation 42 CFR Section 433.138 requires the DSS to take reasonable measures to identify other sources of health coverage that Medicaid beneficiaries may have and to ensure such parties pay to the extent of their liability. The MHD is responsible for reviewing reports to identify dually eligible participants with recently paid Medicaid claims. The MHD ensures these participants are coded as dually eligible in the system and attempts to recover monies paid for certain services by recouping the payment from the providers and notifying them to resubmit the claims to Medicare for payment of such services.

When participants are dually eligible, they may also qualify for the Buy-In program. Under this program, the MHD may enroll certain eligible participants in Medicare Part A (hospital insurance) and Part B (medical insurance) and use Medicaid funds to pay the premiums and other charges, as allowed by federal regulations 42 CFR Section 406.26 and 42 CFR Section 431.625. Since the MHD is paying the premiums for participants in this program, it is important that only those participants that are eligible are enrolled in the program. MHD responsibilities for the Buy-In program include identifying existing Medicaid participants eligible for Buy-In, maintaining the records of Buy-In participants, removing participants when they become ineligible, and verifying payments made for Medicare premiums.

Several reports are system-generated and utilized to ensure proper handling of claims for participants who had recently become Medicare dually eligible and proper enrollment of participants in the Buy-In program. We reviewed the MHD's usage of these reports and noted the following concerns:

A. MHD personnel did not ensure timely review of a claims report for Medicaid participants who had recently become Medicare dually eligible to determine if recoupment from the provider was needed. The cumulative claims report is generated semi-monthly and includes all outstanding claims awaiting review. During the year ended June 30, 2013, there were approximately 2,900 claims on each semi-monthly report. We tested 40 of these claims to determine if claims were properly researched and providers billed when necessary. We identified 6 of 40 (15 percent) claims tested were not reviewed timely or at all. The MHD did not review five claims tested, totaling $1,325, and did not review an additional claim within the time required to act on the claim. The claim, totaling $520, was reviewed more than one year past the service date, making it ineligible for submission to Medicare. Since most of the remaining 34 claims tested had resulted in a recoupment, it is likely most of the un-reviewed claims would also have required recoupment. Timely reviews of claims reports related to participants who had recently become Medicare dually eligible are necessary to ensure compliance with federal regulations and recoupment of Medicaid monies.

B. The MHD does not have sufficient procedures to ensure reports related to Buy-In program eligibility are reviewed to determine the proper enrollment of participants. As a result, the MHD failed to add 9 participants and delete 5 ineligible participants from the Buy-In program.

MHD staff review three system-generated reports of Medicaid participants with changes that may affect eligibility for the Buy-In program. While reviewing these reports, MHD personnel are to research each participant and manually add or delete the participants to/from the Buy-In program as necessary. During the year ended June 30, 2013, there were approximately 4,700 participants on these reports each month. We tested 40 participants from each report (120 participants in total) to determine if the MHD verified and properly changed the participants' Buy-In program eligibility.

- We identified 10 participants (8 percent) that were not reviewed by MHD personnel, including 7 participants qualified for the Buy-In program that were not added to the program and 3 participants that no longer qualified but were not deleted from the program. MHD personnel indicated that due to staffing limitations, those coded for addition were considered lesser priority and were not always reviewed. The 3 participants that should have been deleted were simply overlooked during the review process.

- We identified 3 participants (2 percent) that were reviewed by MHD personnel but needed enrollment actions were not completed. The enrollment actions were submitted by MHD personnel but were rejected by the federal enrollment system, and MHD personnel were not aware the transactions failed to process. Although a report to identify errors existed, it was not reliable or accurate. Because, there was not a usable notification system or report in place to notify the MHD when transactions failed to process, no further research or resubmission was performed. In addition, we identified 1 participant that was not properly enrolled in the Buy-In program for some of the months in which the participant qualified. For this participant, the MHD incorrectly entered the period of eligibility into the federal enrollment system.

Without fully reviewing reports related to the Buy-In program and ensuring proper handling of those participants, the MHD is not able to ensure only eligible Medicaid participants are enrolled in the Buy-In program. The ineligible payments made on behalf of the participants mentioned above totaled $1,668 during the year ended June 30, 2013. We question the federal share of the ineligible payments, or $1,024 (61.37 percent).

A similar condition was reported in our previous audit report, *Report No. 2012-26, State of Missouri Single Audit, Year Ended June 30, 2011*, issued in March 2012, finding number 2011-25 part B. The recommendation related to the prior finding was subsequently implemented; however, the condition re-occurred during fiscal year 2013.

WE RECOMMEND the MHD resolve the questioned costs with the grantor agency and establish controls to ensure complete and timely review of all reports related to participants who become Medicare dually eligible and the Medicare Buy-In program. In addition, the MHD should establish controls to ensure action taken as a result of the reviews is properly applied to the participant.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2013-022. Davis-Bacon Act

Federal Agency: Department of Transportation
Federal Program: 20.319 ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants
FR-HSR-0071-11-01-00 and FR-HSR-0076-11-01-00
State Agency: Missouri Department of Transportation (MoDOT)

The MoDOT does not have adequate controls in place to ensure compliance with Davis-Bacon Act prevailing wage requirements on High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants (HSIPR) projects.

The MoDOT contracted with a railroad company for various HSIPR construction improvement projects along the Kansas City/St. Louis railroad corridor. Construction labor for each project is provided by employees of the railroad company as well as employees of its contractors and subcontractors. We reviewed two of the seven HSIPR projects with expenditures during the year ended June 30, 2013. The MoDOT paid the company approximately $13.3 million for these two projects during this period.

The MoDOT has not established controls and procedures to ensure prevailing wages are paid by the company. The MoDOT receives periodic invoices from the company for materials and labor, listing certain company employee payroll information. However, MoDOT personnel do not request and review supporting payroll documents, or perform other procedures, to ensure wages paid comply with the company's collective bargaining agreement. MoDOT officials indicated they did not monitor company wages because these union wages are contained in a collective bargaining agreement negotiated under the Railway Labor Act, which federal regulations 49 USC 24405(c)(2) and 49 USC 24312 deem to comply with the Davis-Bacon Act. While the union wage rates are deemed compliant with the Davis-Bacon Act, monitoring is necessary to ensure wages are paid in accordance with the union contract. Without monitoring wages paid by the company, the MoDOT cannot ensure compliance with Davis-Bacon Act requirements.

In addition, the company relies on a construction management firm to monitor and ensure HSIPR contractors and subcontractors comply with prevailing wage requirements. MoDOT project managers indicated the construction management firm provides a verbal report regarding contractors' and subcontractors' compliance during weekly project status meetings with MoDOT, company, contractor, and subcontractor officials. MoDOT project managers indicated they spot check contractors' and subcontractors' certified payroll documents made available by the engineering consultant at these meetings. However, documentation supporting this monitoring activity was not prepared or maintained. To demonstrate compliance with Davis-Bacon Act requirements, the MoDOT should maintain documentation of its monitoring of wages paid by the HSIPR contractors and subcontractors.

Federal regulations 40 USC 3141-3144, 3146, and 3147 require payment of prevailing wages on HSIPR projects, in accordance with the Davis-Bacon Act. OMB Circular A-133, Subpart C, Section .300(b) requires the MoDOT maintain internal controls that provide reasonable assurance of compliance with Davis-Bacon Act requirements.

WE RECOMMEND the MoDOT establish controls to monitor wages paid by the railroad company for compliance with the Davis-Bacon Act, and ensure adequate documentation of all monitoring procedures is prepared and maintained.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

Additional State Auditor's Reports:

The Missouri State Auditor's Office regularly issues audit reports on various programs, agencies, divisions, and departments of the state of Missouri. Audit reports may include issues relating to the administration of federal programs. Reports issued during fiscal year 2013 and through current were reviewed and the following reports relate to federal programs and were analyzed to determine if any issues noted in these reports were required to be reported in this Schedule of Findings and Questioned Costs in accordance with Section .510(a) of OMB Circular A-133.

Report Number	Report Name
2013-20	Social Services/Medicaid Management Information System Data Security
2013-33	Public Safety/State Emergency Management Agency
2013-46	Early Childhood Development, Education, and Care Fund
2013-50	Public Safety/Missouri State Highway Patrol
2013-63	Missouri Veterans Commission Capital Improvement Trust Fund
2013-135	Public Safety/Office of the Director
2013-136	Department of Conservation
2013-143	Social Services/Temporary Assistance for Needy Families Electronic Benefit Transfers
2013-147	Social Services/Division of Youth Services

All reports are available on the Missouri State Auditor's Office website: http://auditor.mo.gov

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 2012, and the findings from the prior audits for the years ended June 30, 2011, 2010, 2009, and 2008, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

Circular A-133 requires the auditor to follow-up on these prior audit findings; perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and report, as a current year finding, when the auditor concludes the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 2011, is as follows:

Findings numbered 2, 3A, 3B, 5, 6, 7B, 8B, 9, 10, 11B, 13, 15A-C, 21, 22B, 25B, 25C and 26 were corrected.

Findings numbered 4A, 4B, 7A, 8A, 8C, 11A, 12, 14A, 14B, 16, 17, 18A, 18B, 19A-D, 20A, 20B, 22A, 22C, 23, 24 and 25A are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2010, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 6, 15, 16A, 17, 19, 21A-D and 25, which are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2009, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 6B, 12, 15A and 18, which are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2008, all findings were corrected, no longer valid, or did not warrant further action, except for finding numbered 9A, which is included in the Summary Schedule of Prior Audit Findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2008-9A. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007 - H126A0700372 and 2008 - H126A080037
State Agency: Department of Social Services - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)
Questioned Costs: $3,444,779

The FSD did not establish procedures to ensure adequate supporting documentation was prepared for personnel costs charged to the Vocational Rehabilitation (VR) grant. Personnel costs charged to the VR grant during state fiscal year 2008 for which the supporting documentation was inadequate or not prepared totaled $4,377,102 of which we questioned the federal share of costs totaling $3,444,779 (78.7 percent).

Recommendation:
The FSD resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.

Status of Finding:
The FSD/RSB has modified and implemented the processes to ensure compliance with regulations regarding personnel cost allocations effective July 1, 2009, with more recent modifications to improve the quality management and verification of accuracy. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards as dictated in regulations. The RSB and the Division of Finance and Administrative Services continue to meet on a regular basis to improve communications, ensure compliance with regulations and documentation for auditors. The DSS received the program determination letter for the Single Audit for the period of July 1, 2007 through June 30, 2008 from the grantor agency. The DSS filed application for review with Office of Administrative Law Judges of the Department of Education.

Status of Questioned Costs:
The DSS is continuing to communicate with the grantor agency to negotiate a settlement.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2009-6B. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

AG personnel had not completed a reconciliation between the expenditure and capital asset records in the SAM II system. While a reconciliation was in progress, as of January 2010, approximately $1.2 million of the $3.8 million in capital asset expenditures from fiscal year 2002 through fiscal year 2009 had not been reconciled.

Recommendation:
The AG ensure the capital asset reconciliation is completed to identify all capital assets and ensure the capital asset records are accurate.

Status of Finding:
As of October 29, 2013, the only property that has not been tagged is from September and October 2013. All other capital assets have been identified and tagged. All assets from 2002 through 2013 have been identified and tagged or expensed. Of $201,886,849 worth of capital assets, only $3,373 is not entered in the SAM II Fixed Asset (FA) Subsystem. Two of the three expenditures were three-way matches, which are approved by the Office of Administration, therefore the AG Form 250 is not received during the approval process as with the other fixed assets. The $3,373 has been identified and is waiting for the completion of the AG Form 250 so items can be entered into the SAM II FA Subsystem. The new fixed asset procedures are working and items are being tagged and entered in the SAM II FA Subsystem in a timely manner. Fixed assets continued to be reconciled monthly.

Contact Person: Jill Delgado
Phone Number: 573-638-9574

2009-12. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF
2008 - G0801MOTANF
2009 - G0901MOTANF
93.658 Foster Care - Title IV-E
2008 - G0801MO1401 and 2009 - G0901MO1401

93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

Questioned Costs: $666,189

The DSS did not establish procedures to ensure all payments to Caring Communities partnerships were allowable and allocable to the various federal programs. Some of the costs associated with the partnerships were allocated through a cost pool based on the percentage of time worked by Children's Division employees on certain federal programs rather than based on actual services provided by the partnerships. As a result, we questioned $666,189, which was the federal portion of the costs allocated to these programs through the Social Services cost pool during the year ended June 30, 2009.

Recommendation:
The DSS, through the DFAS, resolve the questioned costs with the grantor agency, and establish procedures to ensure all payments to the Caring Communities partnerships are allowable and allocable to the various federal programs in accordance with OMB Circular A-87.

Status of Finding:
The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted by March 2014. The plan will be tested and finalized by June 30, 2014. The remaining portion of the plan will be implemented after successful completion of phase one.

The DSS has also assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Status of Questioned Costs:
Questioned costs were partially settled on federal reports during the quarter ended December 31, 2011. Remaining questioned costs were settled on the quarter ended September 30, 2013 federal reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2009-15A. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007 - H126A0070037
2008 - H126A0080037
2009 - H126A0090037
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $1,623,730

Adequate supporting documentation was not always prepared for personnel costs, which consisted of salaries and related fringe benefits and indirect costs, charged to the Vocational Rehabilitation (VR) grant for approximately 160 employees. Personnel costs were charged solely to the VR grant for some employees who performed duties related to other programs. Personnel costs charged to the VR grant during state fiscal year 2009 for which the supporting documentation was inadequate or not prepared totaled $2,063,188, of which we questioned the federal share of costs totaling $1,623,730 (78.7 percent).

Recommendation:
The DSS, through the FSD and DFAS, resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.

Status of Finding:
To ensure compliance with OMB Circular A-87 to document personnel salaries and wages to the benefiting grant, and to verify that dollars intended for specific costs are in fact covering those and only those costs as dictated in relevant regulations, underlying formulas used to calculate the distribution of the salaries and wages to the appropriate grant on a monthly spreadsheet used by the designated state unit (RSB) have been corrected. The RSB has also implemented a monthly verification process of comparing each person's monthly salary and wages from the RSB monthly spreadsheet to a monthly payroll extraction report from the DFAS, addressing any inconsistencies. The RSB and the DFAS continue to meet on a regular basis to improve communications, ensure compliance with federal requirements for personnel cost allocations and allocable costs, and appropriate documentation for auditors.

Status of Questioned Costs:
The DSS is awaiting determination by the grantor agency.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2009-18. Medical Assistance Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division
Questioned Costs: $1,428

A redetermination was not conducted timely to determine the eligibility of a recipient related to the Medical Assistance Program (Medicaid). The medical payments made on behalf of this client before the case was closed totaled $1,924 during the year ended June 30, 2009. We questioned the federal share of these payments or $1,428 (74.23 percent).

Recommendation:
The DSS through the FSD perform eligibility redeterminations when required to ensure compliance with applicable federal Medicaid program requirements. In addition, the FSD should resolve questioned costs with the grantor agency.

Status of Finding:
The FSD still considers timely eligibility reinvestigations a matter of priority and continues to strive for a 100 percent reinvestigation currency. As reported by the FSD Income Maintenance Section, the reinvestigation currency percentage was 98.56 percent for state fiscal year 2013, which ended June 30, 2013.

Status of Questioned Costs:
Questioned costs were adjusted on the September 30, 2010, and December 31, 2011, quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Emily Rowe
Phone Number: (573) 526-0607

2010-6. Eligibility Reassessments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO5048
2010 - 1005MO5MAP/XIX-MAP10 and
1005MO5ADM/XIX- ADM10
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 2010 - 1005MOARRA

State Agency: Department of Health and Senior Services (DHSS)
Questioned Costs: $598,286

The DHSS did not have effective controls in place to ensure annual reassessments to determine the eligibility of recipients receiving State Plan Personal Care or Aged and Disabled Waiver services were conducted, as required. The DHSS did not perform annual reassessments of eligibility for 49 of 66 cases reviewed. The payments made on behalf of the recipients without annual reassessments during the year ended June 30, 2010, totaled $806,967. We questioned the federal share of these payments or $598,286 (74.14 percent).

Recommendation:
The DHSS establish effective controls to ensure the annual reassessments are conducted as required. In addition, the DHSS should resolve the questioned costs with the grantor agency.

Status of Finding:
The fiscal year 2014 state budget includes funding for Home and Community Based Services (HCBS) providers to conduct reassessments. The ten Area Agencies on Aging will also begin conducting reassessments in fiscal year 2014. Reassessments for level of care of current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessment submitted by HCBS providers and the Area Agencies on Aging.

Status of Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2010-15. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402 and 2010 - G1001MO1402
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407
93.674 Chafee Foster Care Independence Program
2009 - G0901MO1420 and 2010 - G1001MO1420
93.778 Medical Assistance Program

2009 - 0905MO5048 and 2010 - 1005MO5ADM

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

Questioned Costs: $2,168,919

DFAS controls and procedures over the quarterly allocation of costs to federal programs were not sufficient and as a result, numerous cost allocation errors were not prevented and/or detected. Our review of selected sections of state fiscal year 2010 Children's Division and Family Support Division cost allocation spreadsheets and supporting documentation identified overstatements totaling approximately $3.3 million for 5 federal programs and understatements totaling approximately $3.2 million for 11 federal programs due to spreadsheet formula and data entry errors. We questioned the federal share of costs related to the overstatements, or $2,168,919.

Recommendation:

The DSS, through the DFAS, resolve the questioned costs with the grantor agency, and strengthen controls and procedures to ensure the accurate allocation of costs to federal programs. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

Status of Finding:

The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted by March 2014. The plan will be tested and finalized by June 30, 2014. The remaining portion of the plan will be implemented after successful completion of phase one.

The DSS has also assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Status of Questioned Costs:

Questioned costs were settled on quarter ending March 31, 2011, and quarter ending June 30, 2011, federal reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Ami Patel

Phone Number: (573) 751-2170

2010-16A. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant

2009 - G0901MOCCDF and 2010 - G1001MOCCDF

	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2009 - G0901MOCCDF and 2010 - G1001MOCCDF 93.713 ARRA - Child Care and Development Block Grant 2009 - 20091MOCCD7
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	$73,315

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers.

- Eligibility documentation such as a signed child care application or system-generated interview summary and/or income record(s) for 13 of 60 (22 percent) cases reviewed could not be located by the DSS. For six of these cases, the DSS could not locate the eligibility file. We questioned the federal share of payments made on behalf of these children and siblings of these children, or $70,092 (84 percent).

- For child care payments, 30 of 60 (50 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Of these 30 payments, 11 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 19 cases totaled an additional $3,837. We questioned the federal share, or $3,223 (84 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Status of Finding:
Corrective actions taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider.

Case Review Tool - On July 27, 2011, the FSD presented to the CD a walkthrough of the base Case Review System (CRS) to which a child care component was added. A webinar providing detail on the child care component of the system was completed with the Rushmore Group (provider of the current CRS) on August 11, 2011. On September 2, 2011, the Rushmore Group began coding child care into the existing CRS. In the spring of 2012, the CD trained 232 supervisors and program managers on the CRS. The CRS was implemented in March 2012. The CD is utilizing output reports from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement. The output reports for fiscal year 2013 have been reviewed and indicate a 95 percent accuracy rate statewide. In September 2013, a memorandum was issued to FSD staff clarifying expectations of supervisors as well as regional, program, and county managers. Local FSD leadership is expected to monitor reviews for timely submission and ensure that quality and accuracy standards are met for each child care eligibility element. It was further clarified that supervisors are to conduct case reviews on approved child care assistance cases. Closed or rejected actions should only be reviewed if there are no approval or adjustment actions for a county, for the review month. Supervisors must ensure staff take necessary action to correct any cases determined to be incorrect, including entering any client claims discovered through the case reading process.

Updates have been made to the CRS, as a result of feedback from FSD management at the local level. These updates include changes to the child care worksheet; moving transitional child care documentation above sliding fee documentation; removal of the IM-3 form as a causal factor, since it is no longer required; and changing the wording for the "Child Not Eligible" indicator to "Child Not Eligible to be Authorized."

We will continue to analyze data to identify programmatic strengths and weaknesses to determine which local FSD offices are in need of Program Enhancement Plans. A full statewide analysis is being prepared for the FSD and will be provided to FSD leadership. This analysis outlines areas for improvement with recommendations that are present statewide.

Self-Employment Training - Effective August 1, 2011 the FSD eligibility specialists (ES) and eligibility supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and eligibility supervisors were required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

The CD will be using data made available through the CRS to determine whether the training has been beneficial to staff.

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to successfully complete the online training prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component. Effective April 1, 2013, ES and Eligibility Supervisors are required to retake the online Child Care Assistance training every two years after initial completion. The CD will be using data made available through the CRS to determine whether the training has been beneficial to staff.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. The CD is currently updating the CRG.

Child Care Manual Revisions - Early Childhood and Prevention Services Program and Policy staff is continually reviewing the child care manual for clarification and revision.

Calendar Year	Policy Memorandum Updates by Section	Practice Points/Alerts
2011	40	5
2012	82	1
2013	10	4

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. From this initiative there were four project teams designated to identify deficiencies and problematic areas within the Child Care program: Eligibility, Provider Issues and Policy/Payments, Program Integrity, and Information and Systems Technology. Each team made five or six recommendations related to the team's assigned area.

Status of Questioned Costs:
The questioned costs were adjusted on the federal report for quarter ended June 30, 2011. The DSS is waiting on clearance from the grantor agency.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2010-17. Performance Based Case Management Contracts

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407
93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM

State Agency: Department of Social Services (DSS) - Children's Division (CD)

The DSS had not established procedures to ensure all payments to performance based case management contractors were properly allocated to federal programs. As a result, some contractor payments were allocated to federal programs based on unrealistic budgeted expenditure categories rather than actual expenditures.

Recommendation:
The DSS, through the CD, establish procedures to ensure all payments to performance based case management contractors are allocated to federal programs in accordance with federal regulations.

Status of Finding:
The DSS believes that its current process for claiming performance based case management contractor payments is in accordance with federal regulations. However, to validate and improve our claiming process, the DSS awarded a work order to Public Consulting Group (PCG) to review and recommend improvements to the cost allocation methodology for foster care case management (FCCM) claiming. The initial review, data analysis, and recommendations report was received in draft form on December 21, 2011 and the final report was received on February 29, 2012. As a result of the recommendations, the DSS entered into a subsequent work order with PCG to implement the recommendations.

In April 2013, a Random Moment Sampling Time Study was implemented with the FCCM agencies in order to capture their work activities. In addition, PCG worked with the FCCM agencies to develop an individual cost allocation plan for each agency. This will be incorporated into any changes made to the overall DSS Cost Allocation Plan, as applicable. The monthly expenditure report which is submitted by each FCCM agency was revised effective with the contract renewal on October 1, 2013.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2010-19. Residential Facility Training Reimbursements

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $19,467

The CD had not established sufficient procedures to review residential facility training reimbursements. As a result, reimbursements to these facilities were not always supported by sufficient documentation that training costs were allowable, and some reimbursed training costs appeared unallowable. Of the $30,656 in training reimbursements reviewed, payments totaling $25,957 (85 percent) were unsupported and/or unallowable, of which we questioned $19,467 claimed as the federal share.

Recommendation:
The DSS, through the CD, strengthen residential facility training reimbursement review procedures to ensure training activities reimbursed are for allowable activities outlined in federal regulations and are adequately supported. In addition, the DSS should resolve the questioned costs with the grantor agency.

Status of Finding:
On May 3, 2011, the CD issued to residential treatment providers reimbursed for training costs a letter outlining enhanced procedures that will ensure there is adequate documentation to support claiming those costs for Title IV-E training reimbursement. Residential treatment providers are now required to code the training course to one of a list of Title IV-E allowable topics and to provide a rationale/justification for Title IV-E reimbursement of the course costs. Additionally, the Division of Finance and Administrative Services has strengthened department quality assurance and compliance functions to provide enhanced monitoring of programs and technical assistance to staff with fiscal responsibilities.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: Sheila Tannehill
Phone Number: (573) 751-8962

2010-21A. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $29,638,870

The DSS charged unallowable state foster care, adoption assistance, and subsidized guardianship costs to the Temporary Assistance for Needy Families (TANF) program. The foster care, adoption assistance, and subsidized guardianship costs charged included non-emergency assistance, and the costs charged for emergency assistance were not separately identified; therefore, all costs were unallowable. We questioned all state fiscal year 2010 costs for foster care, adoption assistance, and subsidized guardianship charged to the TANF program, totaling $29,638,870 (100 percent federal share).

Recommendation:
The DSS ensure prior approved program costs charged to the TANF program comply with federal regulations. In addition, the DSS should resolve the questioned costs with the grantor agency.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children & Families (ACF) on February 21, 2014 addressing this finding. The ACF did not sustain the finding.

Status of Questioned Costs:
The ACF did not sustain the questioned costs.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2010-21B. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) program and, as a result, the DSS failed to meet the MOE funding requirements by at least $30.9 million.

Recommendation:
The DSS ensure expenditures claimed as MOE are allowable and resolve the potential penalty with the grantor agency.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF

MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The DSS has changed its claiming process to claim these funds as TANF, instead of TANF MOE to align its claiming with the above information.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children & Families (ACF) on February 21, 2014 addressing this finding. For Part 1 of 2 of the finding, the ACF did not sustain the finding or questioned costs. For Part 2 of 2 of the finding, the ACF agreed with the finding, accepted DSS' corrective action plan and did not sustain the questioned costs.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2010-21C. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

For the quarter ended September 30, 2010, the DSS charged costs to the Temporary Assistance for Needy Families (TANF) program, totaling $18,493,665, relating to three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships; however, the DSS had not determined and documented whether there was any correlation between these programs and the four purposes of the TANF program. As a result, these scholarship program costs charged to the TANF program in state fiscal year 2011 did not appear allowable.

Recommendation:
The DSS ensure program costs charged to the TANF program for state fiscal year 2011 comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013 to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The DSS has changed its claiming process to claim these funds as TANF, instead of TANF MOE to align its claiming with the above information.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children & Families (ACF) on February 21, 2014 addressing this finding. The ACF did not sustain the finding and will not pursue a TANF misuse of funds penalty.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2010-21D. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS control system was not effective in ensuring the types of costs charged to the Temporary Assistance for Needy Families (TANF) program or recorded as TANF maintenance of effort (MOE) met all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant.

Recommendation:
The DSS establish a formal control system to ensure the types of costs charged to the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children & Families (ACF) on February 21, 2014 addressing this finding. The ACF did sustain the finding and recommendation, but will not pursue a TANF penalty action.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2010-25. Provider Eligibility and Improper Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO5048
2010 - 1005MO5MAP/XIX-MAP10 and
1005MO5ADM/XIX- ADM10
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 2010 - 1005MOARRA
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

Questioned Costs: $122

The MHD had not established controls to detect expired Medicaid provider licenses or to prevent, detect, and correct payments to providers who were deceased prior to the date the reimbursement claim indicated medical services were provided. As a result, the MHD improperly paid $164 during the year ended June 30, 2010, for three claims submitted for one Medicaid provider who was deceased prior to the reported date of service. We questioned the federal share of the three claims paid for which the reported dates of services were after the provider's date of death, or $122 (74.43 percent). In addition, the MHD had not established controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or the Title XX service program.

Recommendation:
The MHD develop procedures to ensure providers meet required criteria to be eligible Medicaid providers, including periodically verifying provider licenses, obtaining updated provider disclosures, and ensuring timely detection of deceased providers, to aid in the prevention and correction of improper claims paid. In addition, the MHD should resolve the questioned costs with the grantor agency.

Status of Finding:
In May 2011, Missouri Medicaid Audit and Compliance (MMAC) began receiving and taking action based upon a License Not Renewed Report. MMAC personnel receive the report quarterly, and the report includes a list of all enrolled providers who hold licenses through the Department of Insurance, Financial Institutions, and Professional Registration, whose licenses were not renewed. These providers are consequently terminated from participation in the Medicaid program. Additionally, MMAC personnel now receive notifications from the various boards which comprise professional registration when an enrolled provider's license is suspended, and MMAC suspends the provider from participation in the Medicaid program.

The DSS corrective action plan includes addressing the provider's date of death issue through the current Fraud Waste and Abuse contract with Thomson Reuters. The contractor purchased a license for the Social Security Master Death File and monthly updates. Additionally, the contractor provided the information for this match and planned on assessing a monthly charge for ongoing services. However, it was determined by the DSS to not be cost effective to pay for this information given the limited effectiveness gained from this enhancement.

Thus, the DSS addressed the provider’s required criteria for eligibility in the Request for Proposal (RFP) for the Provider Enrollment/Case Management system, section 2.3.29 which states "the solution shall provide ongoing monitoring of provider eligibility by automated matching against external databases for exclusions, licenses, death records, criminal records, National Provider Identifier deactivations, sanctions, and suspensions. Suspicious data and non-matches shall generate alerts for the end user for review and possible corrective action." The collection of social security numbers from providers will make validation through an external database of death records feasible through the provider enrollment system.

The bid evaluation process has been concluded and the potential vendor selected. The RFP, the vendor response, and the Advanced Planning Document have been sent to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) for approval. MMAC is still waiting for approval of the Provider Enrollment/Case Management system from CMS.

In the meantime, MMAC relies on updates from billing agents (contractors that submit claims for providers), provider communications or any other department-wide notices that MMAC may be able to obtain that can be verified with vital records. Once providers enroll with Missouri Medicaid they are typically enrolled permanently. MMAC has proposed rules to enforce the new federal requirement for revalidation and await department approval before these can be finalized. The revalidation schedule is set for reoccurring five year periods. Also, MMAC has never required social security numbers as part of the enrollment process because many enrolling providers are corporations. The new system, if approved, will capture social security numbers on individual providers and social security numbers on ownership disclosure information for an automatic validation.

MMAC will start revalidating providers upon approval and finalization of the enrollment regulation. This regulation will not give MMAC the ability to have an automated system which checks against social security numbers, but will allow MMAC to terminate provider numbers on those who do not send in credentials for revalidation. MMAC will also have the advantage of site visits for some of the new and re-enrolling providers.

At this time, MMAC personnel manually screen providers upon enrollment to ensure prospective providers are in good standing. Providers are also screened through the Office of Inspector General's List of Excluded Individuals and Entities, the Secretary of State's Office, and the National Sex Offender Registry.

The DSS corrective action plan also includes addressing the controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or Title XX service programs. Currently, the state of Missouri is working on a new provider enrollment system. However, forms have been updated manually to require this information from all new initial applications. Additionally, 42 CFR Section 424.514 (effective March 25, 2011) requires prospective institutional providers submitting an initial application or currently enrolled institutional providers submitting an application establishing a new practice location to submit enrollment credentials, which includes disclosure information.

Status of Questioned Costs:
An adjustment was made on the December 31, 2011, quarterly report. The DSS is waiting for clearance from the grantor agency.

Contact Person: Jessica Dresner
Phone Number: (573) 751-6967

2011-4A. Medicaid Home and Community Based Services

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2010 - 1005MO5MAP and 1005MO5ADM 2011 - 1105MO5MAP and 1105MO5ADM 93.778 ARRA - Medical Assistance Program 2009 - 0905MOARRA 2010 - 1005MOARRA 2011 - 1105MOARRA and 1105MOEXTN
State Agency:	Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs:	$387,576

The DSDS did not have effective controls in place to ensure annual reassessments were performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. The DSDS did not perform annual reassessments of eligibility for 46 of 59 (78 percent) recipients reviewed. The payments for State Plan Personal Care and Aged and Disabled Waiver services provided to these recipients without annual reassessments during the year totaled $534,219. We questioned the federal share of $387,576 (72.55 percent).

Recommendation:
The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and establish effective controls to ensure the annual reassessments are performed as required. Such controls should include diligent monitoring of reassessments, if any, performed by HCBS providers.

Status of Finding:
The fiscal year 2014 state budget includes funding for HCBS providers to conduct reassessments. The ten Area Agencies on Aging will also begin conducting reassessments in fiscal year 2014. Reassessments for level of care of current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers and the Area Agencies on Aging.

Status of Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2011-4B. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA
2011 - 1105MOEXTN

State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $4,483

The DSDS could not locate the case file with documentation supporting the authorization of services provided to 1 of 60 (2 percent) Home and Community Based Services (HCBS) recipients tested. Payments totaling $6,179 were made to State Plan Personal Care and Aged and Disabled Waiver providers on behalf of this recipient during the year ended June 30, 2011. We questioned the federal share of $4,483 (72.55 percent).

Recommendation:
The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure case files are maintained for all HCBS recipients.

Status of Finding:
HCBS case records continue to transition to a web-based electronic system (WebTool). Doing so has safeguarded records, simplified/accelerated record retrieval, and reduced the amount of paper files that must be maintained.

Status of Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2011-7A. Allowable Costs and Activities

Federal Agency: Department of Homeland Security
Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027

2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039

State Agency: Department of Public Safety - Office of the Director (OD)
Questioned Costs: $740,054

The OD did not ensure personnel related expenditures were properly supported by salary certifications and approved activity reports for the Homeland Security or the Justice Assistance Grant (JAG) programs. Salary certifications were not prepared for the eight employees working solely on the Homeland Security program or the eight employees working solely on the JAG program during the year ended June 30, 2011. We questioned the federal share of the salary costs for these 16 employees, or $671,287 (100 percent). In addition, the OD did not ensure the personnel activity reported for the 23 employees working on multiple programs was approved by the employee or the employee's supervisor. We questioned the federal share of salary costs for these employees for the month reviewed, or $68,767 (100 percent).

Recommendation:
The OD resolve the questioned costs with the grantor agency, and ensure salary certifications are prepared and approved for all employees who work solely on a single program and activities reported by employees working on multiple programs are approved as required.

Status of Finding:
Implemented.

Status of Questioned Costs:
Our federal granting agency has advised, upon our completed actions and corrective action plan submission, their portion of the audit is considered closed. The questioned costs are resolved with no further action required.

Contact Person: Bruce Clemonds
Phone Number: (573) 522-6125

2011-8A. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Federal Program: 97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
State Agency: Department of Public Safety - Office of the Director (OD)

A formal subrecipient monitoring policy for the Homeland Security program was not implemented until March 2011 and monitoring procedures could have been improved. The delay in implementing the policy resulted in the OD not performing desk monitoring reviews for the majority of subrecipients during fiscal year 2011. Additionally, the monitoring policy required the OD to perform site visits at two subrecipients per year; however, the OD had not adequately documented the criteria and methodology for selecting Homeland Security subrecipients for a site visit, or specific procedures to be performed during each site visit.

Recommendation:
The OD establish and implement policies and procedures to ensure subrecipients are adequately monitored.

Status of Finding:
Implemented.

Contact Person: Bruce Clemonds
Phone Number: (573) 522-6125

2011-8C. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034

2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039

State Agency: Department of Public Safety - Office of the Director (OD)

The OD had not established an audit tracking system or ensured Homeland Security and Justice Assistance Grant program subrecipients expending $500,000 or more in federal funds obtained independent Single Audits as required. In addition, the OD had not documented that Single Audit reports received were reviewed.

Recommendation:
The OD establish a system to track Single Audit reports expected and received from applicable subrecipients. In addition, the OD should document its review and follow-up of all subrecipient Single Audit reports received.

Status of Finding:
Implemented.

Contact Person: Bruce Clemonds
Phone Number: (573) 522-6125

2011-11A. Social Services Block Grant

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 and 2009 - 0901MOSOS2
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)
Questioned Costs: $2,507,444

The SEMA did not have adequate controls and procedures in place to ensure the Social Services Block Grant (SSBG) disaster funds were used for allowable costs and activities.

1) Documentation was not adequate to support the allowability of disbursements made for a relocation buyout program. We questioned the federal share of all payments made for the buyout, or $1,751,588 (100 percent). In addition, the SEMA did not have a written agreement with a regional planning commission documenting the funding to be provided and the responsibilities of each party.

2) Documentation was not adequate to support the allowability of payments made for 2 of 17 individual assistance projects reviewed. We questioned the federal share of the payments, or $213,949 (100 percent). In addition, several project files lacked some other required documentation.

3) Documentation was not reviewed by the SEMA to ensure payments made to a regional planning commission for individual assistance projects were allowable. We questioned the federal share of these payments, or $541,907 (100 percent).

Recommendation:
The SEMA review payments made to ensure they were adequately supported and an allowable use of the SSBG Disaster funds. In addition, the SEMA should resolve the questioned costs with the grantor agency.

Status of Finding:
Implemented. The SEMA dedicated staff and resolved the questioned costs. Staff worked on the project and ensured all documentation was filed correctly in the SEMA files.

Status of Questioned Costs:
The SEMA determined that all costs were eligible, allocable, necessary and reasonable within the grant guidelines. The SEMA has been in contact with the grantor agency on June 21, 2012, with a resolution of the audit finding.

Contact Person: Dante Gliniecki
Phone Number: (573) 526-9132

2011-12. Disaster Assistance Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2006 - FEMA-DR-1631-MO and FEMA-DR-1635-MO
2007 - FEMA-DR-1673-MO, FEMA-DR-1676-MO, FEMA-DR-1708-MO, and FEMA-DR-1728-MO
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO
2009 - FEMA-DR-1809-MO, FEMA-DR-1822-MO, and FEMA-DR-1847-MO
2010 - FEMA-DR-1934-MO
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

The SEMA did not adequately track subrecipients to ensure an independent Single Audit had been completed, when required, and submitted to the SEMA on a timely basis.

Recommendation:
The SEMA develop procedures to ensure subrecipients obtain and submit independent Single Audits when required.

Status of Finding:

Partially implemented. The SEMA has established a monitoring plan to include annual certifications for A-133 compliance by our local sub-recipients, on-site monitoring visits, and review of hard copy audits from local sub-recipients in conjunction with review of electronic audit status from the federal audit clearinghouse. Annual certification letters were mailed to the sub-recipients in late February 2013. The SEMA is in the process of reviewing Certification of Audit Requirement forms received from sub-recipients. Certification of Audit Requirement forms for fiscal year 2013 are scheduled to be mailed in February 2014.

Contact Person: LeAnn Ringwald
Phone Number: (573) 526-9130

2011-14A. Eligibility and Child Care Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $42,204

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers.

- The DSS could not locate the eligibility file for 6 of 60 cases reviewed. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2011, totaled $46,466. We questioned the federal share of $37,637 (81 percent).

- Eligibility documentation was not sufficient to support a valid need for child care for 3 of 60 cases reviewed. Payments totaling $4,610, made on behalf of these children and their siblings, were unallowable and/or unsupported by adequate documentation. We questioned the federal share of $3,734 (81 percent).

- For child care payments, 13 of 60 payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Of these 13 payments, 2 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 11 cases totaled an additional $1,028. We questioned the federal share of $833 (81 percent).

Recommendation:

The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Status of Finding:

Corrective actions taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider.

Case Review Tool - On July 27, 2011, the FSD presented to the CD a walkthrough of the base Case Review System (CRS) to which a child care component was added. A webinar providing detail on the child care component of the system was completed with the Rushmore Group (provider of the current CRS) on August 11, 2011. On September 2, 2011, the Rushmore Group began coding child care into the existing CRS. In the spring of 2012, the CD trained 232 supervisors and program managers on the CRS. The CRS was implemented in March 2012. The CD is utilizing output reports from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement. The output reports for fiscal year 2013 have been reviewed and indicate a 95 percent accuracy rate statewide. In September 2013, a memorandum was issued to FSD staff clarifying expectations of supervisors as well as regional, program and county managers. Local FSD leadership is expected to monitor reviews for timely submission and ensure that quality and accuracy standards are met for each child care eligibility element. It was further clarified that supervisors are to conduct case reviews on approved child care assistance cases. Closed or rejected actions should only be reviewed if there are no approval or adjustment actions for a county, for the review month. Supervisors must ensure staff take necessary action to correct any cases determined to be incorrect, including entering any client claims discovered through the case reading process.

Updates have been made to the CRS, as a result of feedback from FSD management at the local level. These updates include changes to the child care worksheet; moving transitional child care documentation above sliding fee documentation; removal of the IM-3 form as a causal factor, since it is no longer required; and changing the wording for the "Child Not Eligible" indicator to "Child Not Eligible to be Authorized."

We will continue to analyze data to identify programmatic strengths and weaknesses to determine which local FSD offices are in need of Program Enhancement Plans. A full statewide analysis is being prepared for the FSD and will be provided to FSD leadership. This analysis outlines areas for improvement with recommendations that are present statewide.

Self-Employment Training - Effective August 1, 2011 the FSD eligibility specialists (ES) and eligibility supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and eligibility supervisors were required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

The CD will be using data made available through the CRS to determine whether the training has been beneficial to staff.

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to successfully complete the online training prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component. Effective April 1, 2013, ES and eligibility supervisors are required to retake the online Child Care Assistance training every two years after initial completion. The CD will be using data made available through the CRS to determine whether the training has been beneficial to staff.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. The CD is currently updating the CRG.

Child Care Manual Revisions - Early Childhood and Prevention Services Program and Policy staff is continually reviewing the child care manual for clarification and revision.

Calendar Year	Policy Memorandum Updates by Section	Practice Points/Alerts
2011	40	5
2012	82	1
2013	10	4

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. From this initiative there were four project teams designated to identify deficiencies and problematic areas within the Child Care Program: Eligibility, Provider Issues and Policy/Payments, Program Integrity, and Information and Systems Technology. Each team made five or six recommendations related to the team's assigned area.

Status of Questioned Costs:

The DSS recovered some of the questioned costs via processing claims against parents or providers. The DSS completed the remaining adjustments on the March 31, 2012 quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2011-14B. Eligibility and Child Care Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $16,011

Payments were made on behalf of clients ineligible for an ARRA Child Care Initiative. We noted 9 of 49 clients reviewed were receiving Temporary Assistance for Needy Family (TANF) benefits, although the initiative provided that clients receiving TANF benefits were not eligible. We questioned the federal share of the payments made on behalf of these clients, or $16,011 (100 percent).

Recommendation:

The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and revise its methodology for identifying clients who were ineligible for non-TANF ARRA Child Care Initiative benefits and recoup any improper payments identified.

Status of Finding:

On April 29, 2011, memorandum CD11-41/OEC11-110 was sent to field staff to reinforce the use of the non-TANF job search. Along with the memo, a listing of TANF recipients who potentially received the non-TANF job search child care benefit anytime between May 2010 and March 2011 was issued to FSD eligibility staff. During the subsequent months in which the program was in effect, the CD issued to field staff a non-TANF job search list for review and potential cleanup. The non-TANF job search program ended August 2011. The CD worked with the FSD to identify cases with unallowable costs. The case reviews were completed and inappropriately claimed funds have been repaid.

Status of Questioned Costs:
The DSS recovered a portion of the questioned costs via claims against parents or providers. The DSS is in discussions with the grantor agency on how to adjust for remaining questioned costs since the ARRA grant has expired.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2011-16. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 - G1001MOSOSR and 2011 - G1101MOSOSR
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls and procedures over the allocation of costs to the Social Services Block Grant program were not sufficient and as a result, cost allocation errors were not prevented and/or detected.

Recommendation:
The DSS, through the DFAS, strengthen controls and procedures to ensure the accurate allocation of costs to the Social Services Block Grant. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

Status of Finding:
The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted by March 2014. The plan will be tested and finalized by June 30, 2014. The remaining portion of the plan will be implemented after successful completion of phase one.

The DSS has also assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Contact Person: Amy Patel
Phone Number: (573) 751-2170

2011-17. Earmarking

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant

2010 - G1001MOSOSR and 2011 - G1101MOSOSR

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

Questioned Costs: $6,461,316

Controls and procedures to ensure Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) were used for programs and services to eligible individuals were not sufficient. During preparation of the Post-Expenditure report for the year ended June 30, 2011, DFAS personnel allocated expenditures totaling $6,461,316 of TANF transfer funding to programs other than allowable case management and residential treatment. The DFAS did not have support to demonstrate the expenditures for the other programs reported were allowable. We questioned the $6,461,316 allocated in error to unapproved programs.

Recommendation:

The DSS, through the DFAS, resolve the questioned costs with the grantor agency. In addition, the DFAS should strengthen controls and procedures to ensure TANF funds transferred to the SSBG are used for programs and services to eligible individuals and transferred funds are accurately reported. These procedures should include a detailed and documented supervisory review of program reports.

Status of Finding:

The DSS does track and report funds transferred from TANF to SSBG. There was an oversight due to staff changes and reports have been revised and resubmitted to the federal agency. The DSS also provided the basis for its assurance that funds expended from TANF transfers to SSBG are used for children and their families with income less than 200 percent of the federal poverty level. The actual expenditure of funds met the requirements and was allowable; therefore, the DSS disagrees with the questioned costs.

Status of Questioned Costs:

This finding is the subject of continued discussion with the grantor agency, but no resolution has yet been finalized. Questioned costs have not been resolved with the grantor agency.

Contact Person: Ami Patel

Phone Number: (573) 751-2170

2011-18A. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services

Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $15,070

The FSD paid Temporary Assistance for Needy Family (TANF) benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received.

- For 4 of 60 recipients tested, the eligibility specialist did not act on information timely when quarterly wage matches between various federal and state databases and the TANF case management system showed significant unresolved differences in income earned during state fiscal year 2011. The FSD determined these four recipients received overpayments totaling $4,246, for which we questioned the entire amount (100 percent federal share).

- For 3 of 60 recipients tested, the FSD did not maintain adequate eligibility documentation to support payments made. Payments made for these three cases during the year ended June 30, 2011, totaled $10,824, of which we questioned the entire amount (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and strengthen controls to ensure income information is reviewed periodically and proper and timely action is taken regarding the updated income information, including case sanctions, case closures and recoupment of overpayments, if warranted. In addition, the FSD should maintain required eligibility documentation in all case files.

Status of Finding:
The FSD continues to ensure cases are thoroughly reviewed and acted upon in a timely manner for reported household income changes, at points of assistance application and identified at scheduled continued-eligibility reviews. The FSD Income Maintenance (IM) staff and Family Assistance Management Information System staff is in the process of developing a Quarterly Wage Match (QWM) report for staff. IM Memo #53 (6/25/12) was issued to staff with detailed steps to process QWM within 15 days of receipt.

Status of Questioned Costs:
Questioned costs were adjusted on the March 31, 2012, and September 30, 2012, quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Jeannie Olson
Phone Number: (573) 751-3178

2011-18B. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families

2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $1,258

The FSD did not act upon some notices of non-cooperation from the Child Support Enforcement Unit to sanction Temporary Assistance for Needy Family (TANF) recipients. For 7 of 47 recipients reviewed, the FSD did not sanction the recipient when notified. The FSD identified overpayments totaling $1,258 were made to these recipients during the year ended June 30, 2011. We questioned the federal share of these costs totaling $1,258 (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and develop additional controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with child support enforcement program requirements.

Status of Finding:
The FSD Income Maintenance (IM) section continues to work closely with the division's Child Support (CS) section to further ensure non-cooperation notifications from the CS section are promptly reviewed by IM staff for potential sanctions, and subsequently imposed as warranted. The FSD IM section implemented, with IM Memo #55 (July 3, 2012), a log to track the non-cooperation notifications received from the CS section to ensure IM staff process the requests in a timely manner. In addition, the FSD CS section notified CS staff with CS Memo #20 (April 15, 2013) about non-cooperation procedures for TANF recipients. The electronic database, which will replace the paper log, is still in development.

Status of Questioned Costs:
Questioned costs were adjusted on the March 31, 2012, and September 30, 2012, quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Jeannie Olson
Phone Number: (573) 751-3178

2011-19A. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $25,810,891

The DSS claimed unallowable state foster care, adoption assistance, and subsidized guardianship costs under the Temporary Assistance for Needy Families (TANF) program. The foster care, adoption assistance, and subsidized guardianship costs claimed included non-emergency assistance, and the costs claimed for emergency assistance were not separately identified; therefore, all costs were unallowable. We questioned all state fiscal year 2011 costs for foster care, adoption assistance, and subsidized guardianship claimed under the TANF program, totaling $25,810,891 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure prior approved program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-19B. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS included unallowable educational expenditures totaling $19,034,632 in the amounts reported for the annual maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) program.

Recommendation:
The DSS ensure expenditures claimed as MOE are allowable.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-19C. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $18,493,665

For the quarter ended September 30, 2010, the DSS claimed costs under the Temporary Assistance for Needy Families (TANF) program, totaling $18,493,665, related to three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships. The DSS had not determined and documented there was any correlation between those programs and any of the four allowable TANF purposes. We questioned the state fiscal year 2011 costs for scholarship programs that were claimed under the TANF program, totaling $18,493,665 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

DSS has changed is claiming process to claim these funds as TANF, instead of TANF MOE to align its claiming with the above information.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-19D. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS control system was not effective in ensuring the types of costs claimed under the Temporary Assistance for Needy Families (TANF) program or recorded as TANF maintenance of effort (MOE) met all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant.

Recommendation:
The DSS establish a formal control system to ensure the types of costs claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review. The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-20A. Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services - Family Support Division (FSD)

The FSD was not in compliance with certain work activity reporting requirements contained in the Temporary Assistance for Needy Families Work Verification Plan in effect for state fiscal year 2011. We noted for 17 of 60 cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan.

Recommendation:

The FSD develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

Status of Finding:

The Missouri Work Assistance (MWA) Case Management system was available for data entry June 28, 2011, and entries ceased in the Toolbox system on June 23, 2011. Inquiry access to Toolbox has continued to ensure necessary data was converted from Toolbox to the MWA System.

A Case Review form was developed for use by all MWA coordinators to provide consistency when reviewing data entries and physical files of MWA participants each contractor is serving. This tool is used by all MWA coordinators effective July 1, 2011.

A Case Review Guide was written and shared with MWA staff August 2011 (and upgraded December 2011) to ensure the MWA coordinators understand where policies regarding the form are located in the policy manual and request for proposal to assist contractors with any incorrect findings. This guide and the case review form have also been shared with MWA contractors for use when reviewing their staff case files.

Effective August 1, 2011, MWA coordinators report to the FSD program manager responsible for the MWA program (before that time coordinators reported to regional FSD staff). The change in supervision ensures that positions are dedicated to the MWA program and coordinator accountability for assigned work by the MWA FSD program manager. All field managers and coordinators continue to be dedicated to the support of the MWA program and report to the MWA unit manager.

With this change, four teams have been designated to further develop the MWA program. These teams are:

- MWA System and Data - user guides, system enhancements, reports;
- MWA Policy and Training – policy manual updates, training materials;
- MWA Contracts and Monitoring – monitoring tools, compliance; and
- Special Projects and Research – MWA webpage, research to improve the work participation rates.

Tools developed by these teams will provide contractors with information to ensure participation activities meet work verification standards and supported with adequate documentation. Resources developed will also serve to increase the work participation rate for the state and provide performance measures to the contractors.

MWA staff completed targeted case file reviews in March 2012 for individuals participating in Vocational Education as an activity. The review was conducted to ensure contractors were obtaining actual attendance sheets (work verification) for this activity rather than entering hours based on a class schedule. This review, and regular case file reviews examine if work verification standards are met.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2011-20B. Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services - Family Support Division (FSD)
Questioned Costs: $1,134

The FSD did not have adequate procedures in place to ensure contractors notified the FSD when Temporary Assistance for Needy Families (TANF) recipients failed to meet work participation requirements. As a result, many TANF recipients who failed to meet work participation requirements were not sanctioned. We noted 18 of 55 recipients tested were not appropriately sanctioned for non-compliance with work participation requirements. We questioned the amount of the sanctions that were not imposed for these recipients for the month reviewed, which totaled $1,134 (100 percent federal share). In addition, the FSD did not ensure TANF recipients referred to Missouri Work Assistance (MWA) contractors were assigned case managers.

Recommendation:
The FSD develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

Status of Finding:
The FSD continues to perform the following activities to evaluate contractor compliance with notification requirements to ensure TANF recipients are sanctioned accordingly to policy and procedure.

The case review form includes an evaluation of the conciliation and sanction referral process. This tool continues to determine appropriate and timely actions of the MWA contractors should TANF recipients fail to meet the work participation requirements.

The MWA field managers and coordinators review the mass participation screens for case managers in each office to identify those individuals that are not participating in an activity and work with the contractors to identify those that should be placed in conciliation and possibly sanctioned.

Quarterly, the MWA coordinators review a sample of participants that have no hours of participation, no conciliation activity, or no sanction in place. Individuals identified are shared with the contractor for immediate contact and initiation of the conciliation and sanctioning process to ensure participants failing to meet the work participation requirement are sanctioned as required. These reviews have continued through state fiscal year 2013. Contractors are provided with information on any case file discovered during these reviews that require attention.

Status of Questioned Costs:
An adjustment was made to the March 31, 2012, quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2011-22A. Medicaid Management Information System

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $45

Medicaid Management Information System edit override documentation was not properly completed or approved by MHD personnel for 2 of 60 override actions reviewed. The payments related to these overrides totaled $63. We questioned the federal share of the total payments, or $45 (71.61 percent).

Recommendation:
The MHD ensure the override authorizations are properly completed and approved by appropriate employees. In addition, the MHD should resolve questioned costs with the grantor agency.

Status of Finding:
On March 1, 2012, the MHD notified the fiscal agent's claims manager of the errors with instructions to return any future override claims to the MHD if the reason for override or the authorized signature was missing. Each MHD unit is responsible for monitoring and logging override requests submitted by their staff. Notification is sent to the MHD Units with a reminder to ensure requests have been signed by an authorized person and indicate the reason for the override.

Status of Questioned Costs:
A decreasing adjustment is not necessary as the documentation to support the override authorizations for the two claims in question is maintained in the Medicaid Management Information System. The documentation previously provided to the State Auditor's office was not a copy of the actual override authorizations submitted with the claim but an incomplete file copy. In addition, the documentation to support the reason for the override was maintained in the case file and not submitted with the override authorization for the claims due to the volume of the documentation. The DSS will work with the grantor agency to resolve the questioned costs.

Contact Person: Todd Meyer
Phone Number: (573) 751-7996

2011-22C. Medicaid Management Information System

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $78

The Medicaid Management Information System did not properly process certain spend down claims, allowing some participants with medical claims that extended between 2 or more calendar months to receive benefits without meeting spend down requirements in any of the months. Of nine claims reviewed for spend down participants, we noted one paid claim where the participant had not met the required monthly spend down amount. The payments related to the claim tested totaled $109. We questioned the federal share of the total payments, or $78 (71.61 percent).

Recommendation:
The MHD identify and resolve questioned costs with the grantor agency related to spend down participant claims paid in error.

Status of Finding:
The MHD identified spend down claims with dates of service extending across two or more months that did not process correctly. The claims will be reviewed and appropriation action taken as necessary.

Status of Questioned Costs:
Any action that results in an adjustment to the claim payment amount will be reflected on future CMS 64 reports based upon the quarter for when the adjustment is completed.

Contact Person: Todd Meyer
Phone Number: (573) 751-7996

2011-23. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs: $2,620

Adequate controls were not in place to ensure all required documentation was obtained and maintained supporting eligibility of participants related to the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP). The FSD did not obtain or maintain all documentation required for eligibility for 3 of 60 Medicaid and CHIP participants reviewed. The ineligible payments made on behalf of these participants totaled $3,717 during the year ended June 30, 2011. We questioned the federal share or $2,620 (70.49 percent).

Recommendation:
The DSS ensure all information required to determine participant eligibility is obtained, verified, and retained to ensure compliance with applicable federal requirements. In addition, the DSS should resolve questioned costs with the grantor agency.

Status of Finding:
The DSS has taken steps to ensure staff is following existing policy for obtaining verified Social Security Numbers, verifying citizenship, and exploring potential income sources when approving assistance applications and conducting periodic reviews. To enhance measures already in place and to continue to ensure correct case results, the corrective actions include the following:

- MHD Program and Policy has released a memorandum, IM-93 on November 27, 2012, reminding staff of required verification of citizenship, identification, and income when determining eligibility for MHD programs, IM-46 on June 1, 2012, to remind staff of the policies on citizenship and immigrant status and to apply policies appropriately, and IM-49 on August 25, 2011, to clarify reasonable opportunity to present documentary evidence of citizenship for MHD programs.

- When an applicant applies and declares to be a citizen or national, the eligibility specialist must follow policy as outlined in Income Maintenance Manual Policy Section 0110.020.02. The FSD Quality Control unit started reviewing as of November 2011, a random sampling of MO HealthNet for Families (MHF), MO HealthNet for Kids (MHK), MO HealthNet for The Aged, Blind, and Disabled (MHABD), and MO HealthNet for Pregnant Women (MPW) applications through the Payment Error Rate Measurement Reviews (PERM). If while reviewing a case for PERM, it is found that the case file does not contain the necessary documentation to verify citizenship, Quality Assurance/Quality Control will verify citizenship if possible, then forward the verification to the field office to update the case record. PERM review summaries are distributed to county of origin for follow up and corrective action. Also, FSD supervisors conduct random case readings of MHF, MHK, MHABD, and MPW cases identified on reports available on the Managed Reporting to measure eligibility specialist's performance in determining eligibility and providing correct benefits.

A request for automation of adverse actions when citizenship or ID verification has not been received within 90 days was submitted to the Family and Medical Information System (FAMIS) for inclusion on a list of planned systems enhancements. Due to the conversion currently in process from FAMIS to the Missouri Eligibility Determination and Enrollment System (MEDES), as well as budgetary constraints, the request was not completed. However, this automated function is included with the business requirements for MEDES.

Status of Questioned Costs:
An adjustment will be made on the December 31, 2013, quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Jeannie Olson
Phone Number: (573) 751-3178

2011-24. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM

93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $6,909,934

The MHD periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP); however, the state regulation authorizing these dispensing fees had not been updated since 1988 and the current rate paid exceeded a 1991 settlement agreement that increased the pharmacy dispensing fee. The MHD did not have adequate documentation to support the determination of the current dispensing fee structure. The MHD paid pharmacies base dispensing fees totaling $62,331,717 during the year ended June 30, 2011. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $52,672,877, a difference of $9,658,840. We questioned the federal share of the difference, or $6,909,934 (71.54 percent).

Recommendation:
The MHD ensure state regulations related to administration of the Medicaid program and the CHIP are updated when changes are justified, and resolve questioned costs with the grantor agency. In addition, the MHD should ensure increases in payment rates are adequately supported and actuarially sound, as required by federal guidelines.

Status of Finding:
The MHD disagreed with the finding. The MHD makes payments in accordance with the Department of Health and Human Services, Centers for Medicare and Medicaid Services approved state plan. Furthermore, pharmacy dispensing fees paid under Title XIX and CHIP are communicated in documents during the budget process and authorized by the General Assembly through the appropriations process.

The MHD will work with the grantor agency to resolve any questioned costs. The proposed rule was published on November 1, 2013, Volume 38, No. 21, page 1768, for the regulatory changes necessary to reflect the current pharmacy dispensing fee.

Status of Questioned Costs:
This finding is the subject of future discussions with the grantor agency, but no resolution has yet been finalized.

Contact Person: Rhonda Driver
Phone Number: (573) 522-9879

2011-25A. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD identified Medical Assistance Program and Children's Health Insurance Program claims requiring post-payment reviews and generated daily exception reports; however, these reports were not reviewed during the year ended June 30, 2011.

Recommendation:
The MHD review the report of claims that have been identified for post-payment reviews to ensure erroneous billings are properly recouped.

Status of Finding:
The MHD is currently working to verify the need for any exception to have a status of 4 (requiring a post-payment review). Unit program managers are being contacted to make the decision for their specific program areas. Thus far, we have received confirmation from the managers to change many status 4 exceptions to a different status because reporting the claims is not necessary. The size of the daily report has decreased from an average of 2,200 pages to 150 pages or less. Of this amount, many of the exceptions are utilized by Xerox through the CMSP contract (Clinical Management Services and System for Pharmacy Claims and Prior Authorization). The MHD is currently reviewing the CMSP exceptions to determine the need to continue using a status of 4.

One Unit (Third Party Liability) has chosen to continue to review the report for several exceptions which they feel may be of benefit to MHD. If they decide it does not benefit MHD, they will request a status change.

The next step in this process will be to submit a request to change the way GMCM6500-R018 is produced. We want to eliminate repetition of claim Internal Control Numbers (ICN) on the report. Currently, if an ICN posts more than one exception (up to 25) and any of the exceptions have a status of 4, the ICN will repeat on the report for every exception listed. For example, the report lists ICNs for EXC 715. The status of this exception was changed to 5 at the request of the pharmacy unit supervisor but still is reported because other exceptions on the same ICN posted. We only want to see the ICN reported one time.

We continue our efforts to confirm the necessity of this report as it applies to our claims processing and payment systems today. We are finding that the majority of this report is simply outdated, while newer, more advanced system tools provide the required editing for MHD.

Contact Person: Julie Creach
Phone Number: (573) 751-8985

2012-4A. Subrecipient Monitoring and Participant Data

Federal Agency: Department of Labor
Federal Program: 17.258 Workforce Investment Act - Adult Program
2010 - AA-20203-10-55-A-29
2011 - AA-21405-11-55-A-29
17.259 Workforce Investment Act - Youth Activities
2010 - AA-20203-10-55-A-29
2011 - AA-21405-11-55-A-29
17.278 Workforce Investment Act - Dislocated Workers Formula Grants
2010 - AA-20203-10-55-A-29
2011 - AA-21405-11-55-A-29
State Agency: Department of Economic Development - Division of Workforce Development (DWD)

The DWD did not establish adequate procedures to ensure subrecipients were complying with all federal requirements regarding participant enrollment. The DWD did not take action to ensure Workforce Investment Boards (WIB) were following federal guidelines which require participants be exited from the Workforce Investment Act program if no services had been provided for 90 days.

Recommendation:
The DWD continue to implement additional monitoring of WIB representatives or other staff responsible for documenting program exits to ensure compliance with federal requirements.

Status of Finding:
The July 31, 2013 final determination letter from the Department of Labor found the corrective action taken was sufficient and the finding is considered corrected.

Contact Person: Tracey Brown
Phone Number: (573) 526-8222

2012-4B. Subrecipient Monitoring and Participant Data

Federal Agency: Department of Labor
Federal Program: 17.258 Workforce Investment Act - Adult Program
2010 - AA-20203-10-55-A-29
2011 - AA-21405-11-55-A-29
17.259 Workforce Investment Act - Youth Activities
2010 - AA-20203-10-55-A-29
2011 - AA-21405-11-55-A-29
17.278 Workforce Investment Act - Dislocated Workers Formula Grants
2010 - AA-20203-10-55-A-29
2011 - AA-21405-11-55-A-29
State Agency: Department of Economic Development - Division of Workforce Development (DWD)

The DWD did not ensure participant records were complete and accurate for the Workforce Investment Act program. The DWD Central Office approved change requests to participant records which were not in compliance with federal requirements. In addition, changes made via the agency's change order process were documented with hard-copy change requests and logged separately from the electronic participant tracking system. However, the tracking system itself contained no mention or documentation of any changes to the participant records.

Recommendation:
The DWD ensure administrative changes made to participant records are appropriate, and develop or acquire the functionality to maintain adequate records of all changes made to participant records in the Toolbox Case Tracking System.

Status of Finding:
The July 31, 2013 final determination letter from the Department of Labor found the corrective action taken was sufficient and the finding is considered corrected.

Contact Person: Tracey Brown
Phone Number: (573) 526-8222

2012-5A. Vocational Rehabilitation

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2010 - H126A100036C; 2011 - H126A110036-11H and
2012 - H126A120036-12D
84.187 Supported Employment Services for Individuals with Significant Disabilities
2012 - H187A120037-12B
State Agency: Department of Elementary and Secondary Education (DESE) - Missouri Vocational Rehabilitation (MVR)

An adequate review of community rehabilitation provider (CRP) billings and other supporting documentation was not performed, and employment of some clients was not independently verified prior to payment for placement and job coaching services. As a result, 23 payments totaling $33,699 were made during the period March 2011 to July 2012 to a CRP for falsified billings, and another 14 payments totaling $12,331 made to the same CRP during the period March 2011 to May 2012 were determined questionable and may have been either billing errors or additional falsified billings. As of November 2012, the MVR received full reimbursement of these questionable payments from the CRP.

Recommendation:
The DESE continue improving procedures over the billing review process to help prevent and identify falsified or erroneous billings from CRPs in a timely manner and ensure adequate supporting documentation is obtained for all expenditures.

Status of Finding:
Corrective action was taken.

Contact Person: Pam Sandbothe
Phone Number: (573) 526-7009

2012-5B. Vocational Rehabilitation

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2010 - H126A100036C; 2011 - H126A110036-11H and
2012 - H126A120036-12D
84.187 Supported Employment Services for Individuals with Significant Disabilities
2012 - H187A120037-12B

State Agency: Department of Elementary and Secondary Education (DESE) - Missouri Vocational Rehabilitation

Procedures were not established to effectively address concerns related to inadequate client contact identified in annual performance appraisals of counselors.

Recommendation:
The DESE ensure concerns with inadequate client contact identified during annual performance appraisals are corrected timely.

Status of Finding:
Corrective action was taken.

Contact Person: Pam Sandbothe
Phone Number: (573) 526-7009

2012-6. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $297,964

The DSDS did not ensure annual reassessments were performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. Assessment documentation was tested for 60 Medicaid recipients who received State Plan Personal Care (SPPC) and/or Aged and Disabled Waiver (ADW) services during the year ended June 30, 2012. The DSDS did not perform annual reassessments of eligibility for 40 of the 58 (69 percent) recipients requiring a reassessment. The payments for SPPC and ADW services provided to these recipients without annual reassessments during the year ended June 30, 2012 totaled $468,570. We questioned the federal share, or $297,964 (63.59 percent).

Recommendation:
The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure annual reassessments are performed as required.

Status of Finding:
The fiscal year 2014 state budget includes funding for HCBS providers to conduct reassessments. The ten Area Agencies on Aging will also begin conducting reassessments in fiscal year 2014. Reassessments for level of care of current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will

review and approve all reassessments submitted by HCBS providers and the Area Agencies on Aging.

Status of Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2012-7A. Homeland Security Grant Program

Federal Agency: Department of Homeland Security
Federal Program: 97.067 Homeland Security Grant Program
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
2011 - SS - 00003
State Agency: Department of Public Safety - Office of the Director (OD)
Questioned Costs: $745,978

The OD did not ensure personnel related expenditures were properly supported by salary certifications and approved activity reports for the Homeland Security program.

1) Salary certifications were not prepared for the 17 employees working solely on the Homeland Security program from July 2011 to March 2012. We questioned the federal share of personnel costs for these employees, or $511,940 (100 percent). In addition, after the OD began preparing salary certifications, our review identified 1 of the 17 employees still lacked a salary certification for both May and June 2012 and an additional employee, newly assigned to the program in May 2012, did not prepare a salary certification until June 2012. We questioned the federal share of personnel costs for these two employees during the additional periods, or $8,762 (100 percent).

2) Documentation of employee and supervisor approval for time worked was not always maintained for employees splitting time between multiple programs. We questioned the federal share of salary costs allocated for 10 employees charging part of their time to the Homeland Security program during July 2011 to March 2012, or $215,991 (100 percent). In addition, after the OD updated procedures for approving time worked, we identified 3 of 5 employees working on multiple programs in May 2012 either did not have properly approved activity forms or the allocation made did not agree to the approved form or other supporting documentation. Two of these 3 employees had similar errors in June 2012. We

questioned the federal share for these employees during May and June, or $9,285 (100 percent).

Recommendation:
The OD resolve the questioned costs with the grantor agency, and ensure adequate records of time worked are prepared and approved by the employee and/or their supervisor to support the salary costs allocated to the program.

Status of Finding:
Implemented.

Status of Questioned Costs:
Our federal granting agency has advised, upon our completed actions and corrective action plan submission, their portion of the audit is considered closed. The questioned costs are resolved with no further action required.

Contact Person: Bruce Clemonds
Phone Number: (573) 522-612

2012-7B. Homeland Security Grant Program

Federal Agency: Department of Homeland Security
Federal Program: 97.067 Homeland Security Grant Program
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
2011 - SS - 00003
State Agency: Department of Public Safety - Office of the Director (OD)

The OD needed to improve policies and procedures to provide better assurance that subrecipients of the Homeland Security program were in compliance with applicable federal and grant requirements.

1) Although a formal subrecipient monitoring policy was implemented in March 2011 and a revised policy was issued in April 2012 for the Homeland Security program, the OD did not comply with these policies and monitoring procedures could still have been improved.

2) The OD had not established an audit tracking system or ensured Homeland Security program subrecipients expending $500,000 or more in federal funds obtained independent Single Audits as required. In addition, follow-up was not performed on findings reported in subrecipient Single Audits.

Recommendation:
The OD improve procedures to ensure subrecipients are monitored timely. In addition, a system should be established to track Single Audit reports expected and received from applicable subrecipients, and to document the review and follow-up of all subrecipient Single Audit reports received.

Status of Finding:
Implemented.

Contact Person: Bruce Clemonds
Phone Number: (573) 522-6125

2012-7C. Homeland Security Grant Program

Federal Agency: Department of Homeland Security
Federal Program: 97.067 Homeland Security Grant Program
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
2011 - SS - 00003
State Agency: Department of Public Safety - Office of the Director (OD)

The OD did not have adequate controls and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA), and, as a result, several subawards were not reported timely as required.

Recommendation:
The OD establish procedures to ensure the subaward information required to be reported per the FFATA is complete, accurate, and submitted timely.

Status of Finding:
Implemented.

Contact Person: Bruce Clemonds
Phone Number: (573) 522-6125

2012-8. Payroll Cost Allocation Procedures

Federal Agency: Department of Agriculture
Department of Health and Human Services
Federal Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

2011 - 2011IS252043, 2011IE251843, 2011CQ270343, and 2011IQ390343
2012 - 2012IS252043, 2012IE251843, and 2012IQ390343
93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.658 Foster Care - Title IV-E
2011 - G1101MO1401 and 2012 - G1201MO1401
93.659 Adoption Assistance
2011 - G1101MO1407 and 2012 - G1201MO1407
93.667 Social Services Block Grant
2011 - G1101MOSOSR and 2012 - G1201MOSOSR
93.778 Medical Assistance Program
2011 - 1105MO5ADM and 2012 - 1205MO5ADM

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $148,884

DFAS controls and procedures over the allocation of some payroll costs to federal programs were inadequate, and, as a result, several errors were not prevented and/or detected. Incorrect labor codes were assigned to some employees, resulting in payroll costs for those employees being charged to the wrong cost pools. These cost pool errors resulted in overstatements of payroll costs totaling approximately $236,000 ($148,884 federal share) and understatements totaling approximately $139,000 ($86,000 federal share) for seven federal programs for the year ended June 30, 2012. We questioned the federal share of the overstatements, or $148,884.

Recommendation:
The DSS, through the DFAS, resolve the questioned costs with the grantor agency, and establish controls and procedures to ensure payroll costs are allowable and allocable. These procedures should include a periodic documented review of labor codes assigned to employees and the purpose and definition of labor codes to ensure associated payroll costs are charged to appropriate federal programs directly or through the proper cost pool.

Status of Finding:
The DSS - DFAS is working with program staff to ensure that staff is assigned to the appropriate labor codes that correspond to their job functions. The DFAS is also currently working to revise the Public Assistance Cost Allocation Plan. Currently, the labor code is part of the position code for each employee and is used to allocate payroll costs to various federal grants or cost pools. One of the changes being made is to allocate salaries to allowable cost pools through the Labor Distribution Profile (LDPR) codes in SAM II.

The reporting categories which identify which federal grant or pool to allocate to will be part of the LDPR code in SAM II.

Status of Questioned Costs:
Questioned costs were adjusted on the September 30, 2013 quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-9. Schedule of Expenditures of Federal Awards

Federal Agency: Department of Education
Department of Health and Human Services

Federal Program:
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2011 - H126A110037 and 2012 - H126A120037
93.090 Guardianship Assistance
2012 - 1201MO1409
93.090 ARRA - Guardianship Assistance
2012 - 1201MO1408
93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
93.563 Child Support Enforcement
2010 - G1004MO4004; 2011 - G1104MO4004 and 2012 - G1204MO4005
93.568 Low-Income Home Energy Assistance Program
2011 - G11B1MOLIEA and 2012 - G12B1MOLIEA
93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
93.658 Foster Care - Title IV-E
2011 - G1101MO1401 and 2012 - G1201MO1401
93.667 Social Services Block Grant
2009 - 0901MOSOS2; 2011 - G1101MOSOSR and 2012 - G1201MOSOSR
93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021

93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
93.778 ARRA - Medical Assistance Program
2011 - 1105MOARRA, 1105MOHIMP, 1105MOINCT and 1105MOEXTN
2012 - 1205MOIMPL and 1205MOINCT

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls and procedures over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) were not sufficient, and, as a result, errors on the SEFA were not prevented and/or detected.

Recommendation:
The DSS, through the DFAS, continue to implement controls and procedures to ensure the schedule of expenditures of federal awards is complete and accurate.

Status of Finding:
The DSS has implemented procedures to ensure the SEFA is complete and accurate. The division updates the SEFA quarterly, instead of annually. The DFAS assigned a staff person outside of the Grants Management section to review the SEFA before a final review and approval by the Deputy Director over Grants Management.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-10. Reporting

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
93.568 Low-Income Home Energy Assistance Program
2011 - G11B1MOLIEA and 2012 - G12B1MOLIEA
93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.667 Social Services Block Grant
2011 - G1101MOSOSR and 2012 - G1201MOSOSR
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

The DFAS did not have adequate controls and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act of 2006 (FFATA) and, as a result, several subawards were not reported as required. For 23 of 24 subawards reviewed, totaling approximately $35.3 million, FFATA information was either not reported or not reported timely.

Recommendation:

The DSS, through the DFAS, improve controls to ensure the subaward information required to be reported per the FFATA is complete, accurate, and submitted timely. In addition, the DSS should report the 2012 subawards not yet reported as required.

Status of Finding:

The DSS DFAS has implemented procedures to ensure the accuracy of FFATA reporting. The subawards for the Low Income Home Energy Assistance amendments were reported October 2012 against the federal fiscal year 2012 grant.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-11A. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Legal Services
Questioned Costs: $55,465

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers.

- The DSS could not locate the child care eligibility file for 5 of 60 (8 percent) cases reviewed. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2012, totaled $51,884. We questioned the federal share of $42,026 (81 percent).

- Eligibility documentation was not sufficient to support a valid need for child care for 5 of 60 (8 percent) cases reviewed. Payments totaling $12,603, made on behalf of these children and their siblings, were unallowable and/or unsupported by adequate documentation. We questioned the federal share of $10,208 (81 percent).

- For child care payments, 22 of 60 (37 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Of these 22 payments, 6 were for cases which also lacked eligibility documentation and were included in the questioned costs above, or were absence and/or holiday payment errors and were questioned in Finding 2012-11B. Payments for the remaining 16 cases totaled an additional $3,989. We questioned the federal share of $3,231 (81 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Status of Finding:
Corrective actions taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider.

Case Review Tool - On July 27, 2011, the FSD presented to the CD a walkthrough of the base Case Review System (CRS) to which a child care component was added. A webinar providing detail on the child care component of the system was completed with the Rushmore Group (provider of the current CRS) on August 11, 2011. On September 2, 2011, the Rushmore Group began coding child care into the existing CRS. In the spring of 2012, the CD trained 232 supervisors and program managers on the CRS. The CRS was implemented in March 2012. The CD is utilizing output reports from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement. The output reports for fiscal year 2013 have been reviewed and indicate a 95 percent accuracy rate statewide. In September 2013, a memorandum was issued to FSD staff clarifying expectations of supervisors as well as regional, program and county managers. Local FSD leadership is expected to monitor reviews for timely submission and ensure that quality and accuracy standards are met for each child care eligibility element. It was further clarified that supervisors are to conduct case reviews on approved child care assistance cases. Closed or rejected actions should only be reviewed if there are no approval or adjustment actions for a county, for the review month. Supervisors must ensure staff take necessary action to correct any cases determined to be incorrect, including entering any client claims discovered through the case reading process.

Updates have been made to the CRS, as a result of feedback from FSD management at the local level. These updates include changes to the child care worksheet; moving transitional child care documentation above sliding fee documentation; removal of the

IM-3 form as a causal factor, since it is no longer required; and changing the wording for the "Child Not Eligible" indicator to "Child Not Eligible to be Authorized."

We will continue to analyze data to identify programmatic strengths and weaknesses to determine which local FSD offices are in need of Program Enhancement Plans. A full statewide analysis is being prepared for the FSD and will be provided to FSD leadership. This analysis outlines areas for improvement with recommendations that are present statewide.

Self-Employment Training - Effective August 1, 2011 the FSD eligibility specialists (ES) and eligibility supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and eligibility supervisors were required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

The CD will be using data made available through the CRS to determine whether the training has been beneficial to staff.

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to successfully complete the online training prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component. Effective April 1, 2013, ES and eligibility supervisors are required to retake the online Child Care Assistance training every two years after initial completion. The CD will be using data made available through the CRS to determine whether the training has been beneficial to staff.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. The CD is currently updating the CRG.

Child Care Manual Revisions - Early Childhood and Prevention Services Program and Policy staff is continually reviewing the child care manual for clarification and revision.

Calendar Year	Policy Memorandum Updates by Section	Practice Points/Alerts
2011	40	5
2012	82	1
2013	10	4

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. From this initiative there were four project teams designated to identify deficiencies and problematic areas within the Child Care program: Eligibility, Provider Issues and Policy/Payments, Program Integrity, and Information and Systems Technology. Each team made five or six recommendations related to the team's assigned area.

Status of Questioned Costs:
The DSS recovered some of the questioned costs via processing claims against parents or providers. The DSS completed the remaining adjustments on the September 30, 2013 quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2012-11B. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Legal Services
Questioned Costs: $243,382

Controls and procedures over absence and holiday payments were inadequate. Our review of DSS expenditure data determined the DSS paid at least 680 providers on behalf of at least 2,900 children for absences and/or holidays in months with no attendance reported for the child during either the month reported or the subsequent month. Identified payments made on behalf of these children with fiscal year 2012 service dates totaled $300,471. We questioned the federal share, or $243,382 (81 percent). In addition, some payment edit checks in the Family Assistance Management Information System and Child Care Online Invoicing System (CCOIS) were not in place or were not operating effectively.

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and implement procedures to ensure payments for absences and holidays are allowable and reviewed in accordance with policy. In addition, system controls should be strengthened to ensure claimed absences are limited in accordance with policy and service dates claimed are timely.

Status of Finding:
The CD clarified payment and attendance policies to identify when it is appropriate to claim absences and holidays during a service month. The policy clarification has been shared with FSD staff and child care providers.

The CD implemented system enhancements to address the absence and holiday issue in the CCOIS. System edits have been implemented in the CCOIS to disallow a provider from billing and being paid for absences and holidays in a service month when actual care has not been provided to a child. These system edits were implemented in March 2013. The CD tested the system edit using payment data from the last three months of fiscal year 2013 and the first four months of data for fiscal year 2014.

Staff identified all child care providers paid for absences and holidays with no actual attendance, during service months covering fiscal year 2012 and fiscal year 2013. Claims have been entered against these providers, if claims were not already established during previous reviews. Staff will review all child care providers paid in fiscal year 2012 and fiscal year 2013 for payment of more than the allotted amount of absences and holidays. Claims will be entered if the claims have not already been entered during previous reviews. Provider information and billing patterns will also be reviewed for possible referral to Attendance and Payment Accuracy training and/or referral to the Division of Legal Services - Welfare Investigations Unit (WIU) for investigation.

Status of Questioned Costs:
The DSS entered claims against some providers with absence and holiday overpayments and is recouping funds from active providers. The DSS completed the remaining adjustments on the September 30, 2013 quarterly report. Some providers were referred to the WIU and additional claims for absence and holiday overpayments will be entered upon identification. The DSS is waiting on clearance from the grantor agency.

Contact Person: Marianne Dawson
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2012-11C. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7

State Agency: Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Legal Services (DLS)

Controls over child care fraud investigations were not sufficient to ensure cases were investigated timely and effectively.

Recommendation:
The DSS, through the DLS, improve controls and procedures over fraud investigations, and ensure cases are investigated timely, appropriate actions are taken to recover overpayments, and eligibility is not approved when the client is not repaying.

Status of Finding:
DLS Investigations Unit management is working towards ensuring all investigations are completed in a timely manner. Management has conducted a case closing study for the period of January 2010 through September 2012 and established timeframes for closing cases and/or completing various types of investigations. The case closing study allowed management to develop new performance objectives which is expected to increase the accountability for both investigators and supervisors. These performance objectives have been added to both Investigator II and Investigator III job expectations and took effect with cases opened after March 1, 2013.

Management is currently conducting a statewide review of all open cases/investigations to address all case closing deficiencies and to ensure that all appropriate steps have been taken. Each investigation opened prior to January 1, 2011 will be reviewed and prioritized to ensure closure prior to the statute of limitations. Any case beyond the statute of limitations will be investigated and referred to the FSD or the CD for appropriate action. Management will conduct an annual review to ensure timely investigations.

As a result of the statewide review, management has been successful in identifying deficiencies in each region. The Assistant Chief of Investigations currently performs a bi-monthly review of all pending cases to ensure timely closings.

To ensure that provider child care investigations are completed timely, management created a specialized team of investigators in the St. Louis region. These designated investigators will exclusively handle provider child care fraud investigations. All open child care fraud investigations have been prioritized by opening date.

The DLS Investigations Unit has completed 23 child care provider investigations statewide from July 2012 through October 2013. Of these 23 investigations, 11 are pending claim determination, 6 have been referred for prosecution, and 6 cases were closed.

The absence and holiday investigations stemming from the results of this audit remain pending.

Contact Person: Bridget Hug
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2012-12A. Child Care Reporting and Earmarking

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls over the preparation of quarterly federal financial reports were inadequate and, as a result, some reports were inaccurate. Expenditure amounts reported on Child Care and Development Fund quarterly financial reports (ACF-696) for two quarters exceeded actual expenditures because formula errors in a supporting spreadsheet were not detected.

Recommendation:
The DSS, through the DFAS, improve controls and procedures to ensure quarterly federal financial reports are complete and accurate and reflect actual expenditures. Controls and procedures should include a supervisory review of quarterly reports sufficient to detect errors.

Status of Finding:
DSS staff review amounts to be claimed on federal reports to ensure accuracy. The DSS has revised the spreadsheets used to prepare the federal reports to change the formulas in question. In addition, the DSS is currently restructuring the cost allocation plan and is working with a contractor to develop an automated system for federal grant reporting. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted by March 2014. The plan will be tested and finalized by June 30, 2014. The remaining portion of the plan will be implemented after successful completion of Phase 1. This should considerably reduce the possibility of errors as a result of manual data entry.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-12B. Child Care Reporting and Earmarking

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS procedures needed improvement to ensure Child Care and Development Fund (CCDF) federal earmarking requirements (targeted funds) were met. As a result, the DFAS did not report meeting two of three targeted fund requirements for federal fiscal year 2012, and some reported amounts were not supported.

Recommendation:
The DSS, through the DFAS, ensure earmarking requirements are met and improve controls for tracking and reporting targeted fund expenditures. Controls should be sufficient to ensure targeted fund expenditures are allowable and supported.

Status of Finding:
Discretionary funds include targeted funds. The CCDF grant terms and conditions require states to liquidate the discretionary funds by the end of the third fiscal year. The DSS has sufficient controls in place to track and report all targeted fund expenditures, and ensure the requirements are met within the liquidation period.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-13A. Vocational Rehabilitation

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2011 - H126A110037 and 2012 - H126A120037
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)
Questioned Costs: $5,903

The RSB did not adequately review employment services (ES) provider billings and other supporting documentation and did not obtain independent verification of employment of the clients prior to payment for job placement services for the Vocational Rehabilitation (VR) program. For seven of eight cases reviewed, payments of $7,501 were made even though at least one or more of the required reports or monthly logs was not submitted by the provider. In addition, a monthly log for one case appeared to be a duplicate of the prior month's log with a client signature that was not consistent with other signatures made by the client in the file. We questioned the federal share of payments for ES services for these seven cases, or $5,903 (78.7 percent).

Recommendation:

The DSS, through the FSD and RSB, resolve the questioned costs with the grantor agency. In addition, the FSD should establish procedures to improve the billing review process for ES providers, conduct independent verification of job placement for VR clients, and ensure adequate supporting documentation is obtained for all expenditures. The RSB should also consider more closely reviewing the remainder of the billings reimbursed to this provider.

Status of Finding:

The RSB has enhanced communication procedures between counselors and rehabilitation assistants to ensure adequate supporting documentation and independent verification of job placement is obtained as part of the bill review process for ES providers. The RSB has provided training directed to vocational counselors, rehabilitation assistants, and district supervisors regarding reconciliation of invoices specifically for employment services with required reports, any other supporting documentation that services invoiced have been delivered, and resultant case record documentation prior to submitting those same invoices for processing. The DSS continues to communicate with the grantor agency to resolve the questioned costs and related federal reports.

Status of Questioned Costs:

The DSS is awaiting clearance from the grantor agency.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2012-13B. Vocational Rehabilitation

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2011 - H126A110037 and 2012 - H126A120037
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)

The RSB did not always conduct or adequately document annual reviews of Individualized Plans for Employment (IPE) for the Vocational Rehabilitation (VR) program. Documentation of the annual review was not included in the case file for 14 of 47 (30 percent) of cases tested.

Recommendation:
The DSS, through the FSD and RSB, ensure annual reviews of the IPE for VR clients are performed and documented as required.

Status of Finding:
The RSB has partnered with the current contractor maintaining the RSB electronic case management system, known as System 7, to complete a pre-defined query (PDQ) to alert/prompt vocational counselors that an annual review of progress toward the current vocational goal is due. The RSB has provided training in the use of the PDQ to vocational counselors and district supervisors. The RSB has also developed best practice guidelines and provided training to vocational counselors and district supervisors on case record documentation of the annual review of progress toward the current vocational goal. This finding has been cleared by the grantor agency.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2012-14A. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division
Questioned Costs: $32,412,572

The DSS claimed unallowable state foster care, adoption assistance, and subsidized guardianship costs under the Temporary Assistance for Needy Families (TANF) program. The foster care, adoption assistance, and the subsidized guardianship costs claimed included non-emergency assistance, and the costs claimed for emergency assistance were not separately identified; therefore, all costs were unallowable. We questioned all state fiscal year 2012 costs for foster care, adoption assistance, and subsidized guardianship claimed under the TANF program, totaling $32,412,572 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure prior approved program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two.

The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-14B. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division

The DSS included unallowable early childhood educational expenditures of the Missouri Pre-School Program totaling $14,307,089 in the amounts reported for the annual maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) program.

Recommendation:
The DSS ensure expenditures claimed as MOE are allowable.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
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2012-14C. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division
Questioned Costs: $24,213,235

For the quarter ended September 30, 2011, the DSS claimed costs under the Temporary Assistance for Needy Families (TANF) program, totaling $24,213,235, related to two scholarship programs: A+ Schools, and Bright Flight Scholarships. The DSS had not determined and documented there was any correlation between those programs and any of the four TANF purposes. We questioned the state fiscal year 2012 costs for scholarship programs that were claimed under the TANF program, totaling $24,213,235 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The DSS has changed its claiming process to claim these funds as TANF, instead of TANF MOE to align its claiming with the above information.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-14D. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS control system was not effective in ensuring the types of costs claimed under the Temporary Assistance for Needy Families (TANF) program or recorded as TANF maintenance of effort (MOE) met all federal regulatory and grant requirements which resulted in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant.

Recommendation:
The DSS establish a formal control system to ensure the types of costs claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was

finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review. The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-15A. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $18,024

The FSD paid Temporary Assistance for Needy Families (TANF) benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received.

- For 5 of 60 recipients tested, the eligibility specialist did not act promptly or properly on available information affecting recipient eligibility, resulting in payment of improper benefits. We questioned the amount of improper benefits paid to these five recipients, totaling $6,342 (100 percent federal share).

- For 4 of 60 recipients tested, the FSD identified unreported income and took action to close the case; however, the FSD did not establish claims for improper benefits until we inquired about the cases. We questioned the amount of improper benefits identified totaling $2,369 (100 percent federal share).

- For 4 of 60 recipients tested, the FSD did not maintain adequate documentation to demonstrate compliance with federal requirements related to eligibility for the TANF program. Payments made for these four cases during the year ended June 30, 2012, totaled $9,313, for which we questioned the entire amount (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and strengthen controls to ensure information affecting eligibility is properly reviewed periodically and proper and timely action is taken regarding the information, including case closures and recoupment of overpayments if warranted. In addition, the FSD should maintain required eligibility documentation in all case files.

Status of Finding:
The FSD continues to ensure cases are thoroughly reviewed and acted upon in a timely manner for reported household income changes, at points of assistance application and at scheduled continued-eligibility reviews. The FSD Income Maintenance (IM) staff and

Family Assistance Management Information System staff is in the process of developing a Quarterly Wage Match (QWM) report for staff. IM Memo #53 (June 25, 2012) was issued to staff with detailed steps to process QWM within 15 days of receipt.

Status of Questioned Costs:
An adjustment will be made on the December 31, 2013, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 526-6598

2012-15B. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $2,237

The FSD did not act upon some notices of non-cooperation from the Child Support Enforcement (CSE) Unit to sanction recipients of the Temporary Assistance for Needy Families (TANF) program, and the CSE Unit did not always notify the FSD of non-cooperating clients.

- The CSE Unit did not notify the FSD of 23 non-cooperating clients tested. Of the 23 cases reviewed, 6 recipients received overpayments totaling $1,199 during the year ended June 30, 2012. We questioned the federal share of overpayments totaling $1,199 (100 percent federal share).

- The FSD did not sanction 11 recipients when notified of referral for noncooperation, resulting in overpayments totaling $1,038 during the year ended June 30, 2012. We questioned the federal share of overpayments, totaling $1,038 (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and develop additional controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with CSE program requirements.

Status of Finding:
The FSD Income Maintenance (IM) section continues to work closely with the division's Child Support (CS) section to further ensure non-cooperation notifications from the Child Support section are promptly reviewed by IM staff for potential sanctions, and subsequently imposed as warranted. The FSD IM section implemented, with IM Memo #55 (July 3, 2012), a log to track the non-cooperation notifications received from the CS

section to ensure IM staff process the requests in a timely manner. In addition, the FSD CS section notified CS staff with CS Memo #20 (April 15, 2013) about non-cooperation procedures for TANF recipients. The electronic database, which will replace the paper log, is still in development.

Status of Questioned Costs:
An adjustment will be made on the December 31, 2013, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 526-6598

2012-16A. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2012. For 25 of the 60 cases we tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan.

Recommendation:
The FSD develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

Status of Finding:
The Missouri Work Assistance (MWA) Case Management system was available for data entry June 28, 2011, and entries ceased in the Toolbox system on June 23, 2011. Inquiry access to Toolbox has continued to ensure necessary data was converted from Toolbox to the MWA System.

A case review form was developed for use by all MWA Coordinators to provide consistency when reviewing data entries and physical files of MWA participants each contractor is serving. This tool is used by all MWA coordinators effective July 1, 2011.

A Case Review Guide was written and shared with MWA staff August 2011 (and upgraded December 2011) to ensure the MWA coordinators understand where policies regarding the form are located in the policy manual and RFP to assist contractors with any incorrect findings. This guide and the case review form have also been shared with MWA contractors for use when reviewing their staff case files.

Effective August 1, 2011, MWA coordinators report to the FSD program manager responsible for the MWA program (before that time coordinators reported to regional FSD staff). The change in supervision ensures that positions are dedicated to the MWA program and coordinator accountability for assigned work by the MWA FSD program manager. All field managers and coordinators continue to be dedicated to the support of the MWA program and report to the MWA unit manager.

With this change, four teams have been designated to further develop the MWA program. These teams are:

- MWA System and Data - user guides, system enhancements, reports;
- MWA Policy and Training - policy manual updates, training materials;
- MWA Contracts and Monitoring - monitoring tools, compliance; and
- Special Projects and Research - MWA webpage, research to improve the work participation rates.

Tools developed by these teams will provide contractors with information to ensure participation activities meet work verification standards and supported with adequate documentation. Resources developed will also serve to increase the work participation rate for the state and provide performance measures to the contractors.

MWA staff completed targeted case file reviews in March 2012 for individuals participating in vocational education as an activity. The review was conducted to ensure contractors were obtaining actual attendance sheets (work verification) for this activity rather than entering hours based on a class schedule. This review, and regular case file reviews examine if work verification standards are met.

Contact Person: Valerie Howard
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2012-16B. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $393

The FSD did not have adequate procedures in place to ensure Missouri Work Assistance (MWA) contractors notified the FSD when Temporary Assistance for Needy Families (TANF) program recipients failed to meet work participation requirements. For 6 of 57 cases tested, recipients were not appropriately sanctioned for non-compliance with work participation requirements. We questioned the amount of the sanctions that were not imposed on these six recipients for the tested month of February 2012, which totaled $393 (100 percent federal share).

Recommendation:
The FSD develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

Status of Finding:
The FSD continues to perform the following activities to evaluate contractor compliance with notification requirements to ensure TANF recipients are sanctioned according to policy and procedure.

The case review form includes an evaluation of the conciliation and sanction referral process. This tool continues to determine appropriate and timely actions of the MWA contractors should TANF recipients fail to meet the work participation requirements.

The MWA field managers and coordinators review the mass participation screens for case managers in each office to identify those individuals that are not participating in an activity and work with the contractors to identify those that should be placed in conciliation and possibly sanctioned.

Quarterly, the MWA coordinators review a sample of participants that have no hours of participation, no conciliation activity, or no sanction in place. Individuals identified are shared with the contractor for immediate contact and initiation of the conciliation and sanctioning process to ensure participants failing to meet the work participation requirement are sanctioned as required. These reviews have continued through state fiscal year 2013. Contractors are provided with information on any case file discovered during these reviews that require attention.

Status of Questioned Costs:
An adjustment will be made on the December 31, 2013, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 526-6598

2012-17. LIHEAP and CSBG Subrecipient Monitoring

Federal Agency: Department of Health and Human Services
Federal Program: 93.568 Low-Income Home Energy Assistance
2011 - G11B1MOLIEA and 2012 - G12B1MOLIEA
93.569 Community Services Block Grant
2009 - G09B1MOCOSR, 2010 - G10B1MOCOSR, and 2011 - G11B1MOCOSR
93.710 ARRA - Community Services Block Grant
2009 - 0901MOCOS2
State Agency: Department of Social Services (DSS) - Family Support Division

(FSD) - Low-Income Home Energy Assistance Program Unit and the Division of Finance and Administrative Services - Compliance and Quality Control (CQC) Unit

The DSS conducted close out reviews of the Low-Income Home Energy Assistance program (LIHEAP) and the Community Services Block Grant (CSBG) program funds provided to the Human Development Corporation of Metropolitan St. Louis (HDC), a former DSS subrecipient, following the identification of misused funds. No additional misuse of LIHEAP funds was identified by the DSS; however, the DSS identified payments for CSBG services totaling $660,239 for which the HDC lacked adequate supporting documentation. The DSS filed another claim for those costs in the HDC corporate dissolution case in August 2012. The DSS formed the CQC Unit in April 2012 to develop and implement extensive monitoring tools and processes for the fiscal review of all Community Action Agencies.

Recommendation:
The DSS continue to review its subrecipient monitoring efforts and determine if further improvements are needed.

Status of Finding:
The FSD and the DFAS completed the close out review for the HDC on August 30, 2012. DSS filed affidavits by the court established deadline of September 1, 2012, seeking recovery of funds. The DSS has provided the federal grantor agency with a copy of the close-out report for the HDC. The DSS has worked closely with the HDC to seek recovery of state property. Computer equipment and devices deemed state property are currently in the care, custody and control of the DSS. The DSS accepted responsibility for the security and preservation of the information contained on the hard drives and the removal of all information from the equipment before disposing of all equipment as deemed fit. Actions have been taken to preserve relevant information and will be taken to remove all confidential information to prepare the items for disposal according to state of Missouri property guidelines. On December 12, 2013, a check was issued to the DSS for the court ordered amount of $10,321 from the HDC liquidation funds.

The DSS strengthened its subrecipient monitoring efforts in April 2012 with the implementation of the DFAS CQC Unit. The DFAS CQC Unit continues to partner with the FSD to conduct monitoring of LIHEAP/CSBG subrecipients.

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Phone Number: (573) 751-3714

2012-18A. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021

93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM

State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)

Questioned Costs: $3,311,503

Controls were not adequate to ensure participants transferred to a new eligibility determination system were completely converted to the new system. As a result, some annual redeterminations were not conducted timely to evaluate the continued eligibility of participants in the Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP). Of 894 cases not converted in the Family Assistance Management Information System (FAMIS) as of October 2012, 747 cases did not receive a redetermination during the year ended June 30, 2012, as required. Participants in 584 of the 747 cases had payments made on their behalf after the date a redetermination was due. These ineligible payments totaled $5,207,584 for the year ended June 30, 2012. We questioned the federal share of the total payments, or $3,311,503 (63.59 percent).

Recommendation:
The DSS establish controls to ensure all participants transferred to the FAMIS are finalized in the system so annual redeterminations of eligibility will be automatically initiated. In addition, the DSS should resolve questioned costs with the grantor agency.

Status of Finding:
The FSD obtained weekly reports from the Information Technology Services Division (ITSD) listing the cases remaining in the controlled flow to be converted into the FAMIS. The cases listed on the reports were reviewed each week by MHD Program and Policy staff. After review of the cases, MHD Program and Policy staff followed up with county office staff to ensure the completion of the cases. The conversion of all cases that remained in the flow to be converted into FAMIS was completed April 8, 2013.

Local FSD office staff have completed reviews and provided documentation to FSD central office staff to verify eligibility for 270 of the 584 cases with payments made on their behalf after the date a redetermination was due. The FSD review concentrated on review of eligibility of the cases with the highest dollar amounts first, and then began review of the lower dollar amounts. Of the 270 cases receiving a full eligibility review, 232 cases were found to be eligible for payment and 38 cases were found to be ineligible for payment. Payments made on behalf of the cases that have been reviewed and determined eligible totaled $4,586,372 with $2,903,949 federal share. The FSD is continuing eligibility reviews on the remaining 314 cases.

This reduces the total federal questioned costs from $3,311,503 to $407,554. FSD can confirm that $73,243, or approximately 18 percent of the $407,554 in federal questioned costs, was ineligible for payment. The remaining $334,311, or approximately 82 percent in federal questioned costs, is still under review at this time.

Status of Questioned Costs:
The DSS will resolve the questioned costs with the grantor agency.

Contact Person: Kimberly O'Hara
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2012-18B.	Participant Eligibility
Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO5021 and 2011 - 1105MO5021 93.778 Medical Assistance Program 2011 - 1105MO5MAP and 1105MO5ADM 2012 - 1205MO5MAP and 1205MO5ADM
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs:	$219,768

The MHD identified Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP) payments made on behalf of approximately 400 children from 2009 to 2012 who were later determined to be ineligible for these programs at the time of service; however, the MHD has not taken steps to resolve these questioned costs with the grantor agency. The ineligible payments made on behalf of the 122 participants with Medicaid or CHIP payments during the year ended June 30, 2012, totaled $345,602. We questioned the federal share of the total payments, or $219,768 (63.59 percent).

Recommendation:
The DSS resolve questioned costs regarding payments for ineligible children with the grantor agency.

Status of Finding:
Further investigation of these claims was performed to determine eligibility by program type based on the dates of service. Results of this review indicate a total of $96,163 ($61,150 federal share) was paid for claims on dates of service for which the children were ineligible.

Status of Questioned Costs:
An adjustment was made on the June 30, 2013 quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Sheila Tannehill
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2012-18C. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division
Questioned Costs: $13,824

The FSD did not obtain or maintain all documentation required to support eligibility for 6 of 60 cases reviewed.

- A signed application was not obtained or retained for five participants reviewed. Payments totaling $21,414 were made on behalf of these five participants during the year ended June 30, 2012. We questioned the federal share of the payments, or $13,617 (63.59 percent).

- Citizenship was not verified during determination of eligibility for one Medicaid participant reviewed. This participant's grace period expired May 21, 2012, at which time the eligibility should have ended. The ineligible payments made on behalf of this participant after expiration of the grace period totaled $326 during the year ended June 30, 2012. We questioned the federal share of the total payments, or $207 (63.59 percent).

Recommendation:
The DSS ensure all information required to determine participant eligibility is obtained, verified, and retained to ensure compliance with applicable federal requirements. In addition, the DSS should resolve questioned costs with the grantor agency.

Status of Finding:
The FSD reviewed the case record of the five participants identified and have since located a signed application allowable for Medicaid. Therefore, no adjustment to federal reports is necessary since the cases were determined to be correct.

On March 12, 2013, the FSD issued Income Maintenance memorandum IM-31 "MO HealthNet Case Maintenance" to clarify required documentation.

Effective January 1, 2014, the FSD will electronically verify eligibility factors using the Federal Services Data Hub exchange system through the Mo Eligibility Determination & Enrollment System for households requiring eligibility determinations based on modified adjusted gross income methodology, which will eliminate much documentation.

Status of Questioned Costs:
The DSS will resolve the questioned costs with the grantor agency.

Contact Person: Kimberly O'Hara
Phone Number: (573) 751-8980

2012-18D. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - Family Support Division and MO HealthNet Division

The DSS did not ensure at least four monthly supervisory case reviews of eligibility determinations were completed as required by internal policy for 4 of 60 eligibility specialists reviewed.

Recommendation:
The DSS ensure case reviews are performed as required by internal policy. In addition, the DSS should clarify written case review policies as needed to ensure case reviews are consistently and accurately completed.

Status of Finding
To clarify written case review policies and to ensure case reviews are consistently and accurately completed, on October 2, 2013, the DSS Family Support Division issued email memorandum #064, "Clarification of Case Review Expectations". The policy includes requirements for management to ensure case reviews are performed by supervisors.

Contact Person: Kimberly O'Hara
Phone Number: (573) 751-8980

2012-19A. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD did not review daily exception reports of the Medical Assistance Program and Children's Health Insurance Program claims requiring post-payment reviews during the year ended June 30, 2012.

Recommendation:
The DSS review the report of claims that have been identified for post-payment reviews to ensure erroneous billings are properly recouped.

Status of Finding:
The MHD is currently working to verify the need for any exception to have a status of 4 (requiring a post-payment review). Unit program managers are being contacted to make the decision for their specific program areas. Thus far, we have received confirmation from the managers to change many status 4 exceptions to a different status because reporting the claims is not necessary. The size of the daily report has decreased from an average of 2,200 pages to 150 pages or less. Of this amount, many of the exceptions are utilized by Xerox through the CMSP contract (Clinical Management Services and System for Pharmacy Claims and Prior Authorization). The MHD is currently reviewing the CMSP exceptions to determine the need to continue using a status of 4.

One Unit (Third Party Liability) has chosen to continue to review the report for several exceptions which they feel may be of benefit to the MHD. If they decide it does not benefit the MHD, they will request a status change.

The next step in this process will be to submit a request to change the way report GMCM6500-R018 is produced. We want to eliminate repetition of claim Internal Control Numbers (ICN) on the report. Currently, if an ICN posts more than one exception (up to 25) and any of the exceptions have a status of 4, the ICN will repeat on the report for every exception listed. For example, the report lists ICNs for EXC 715. The status of this exception was changed to 5 at the request of the pharmacy unit supervisor but still is reported because other exceptions on the same ICN posted. We only want to see the ICN reported one time.

We continue our efforts to confirm the necessity of this report as it applies to our claims processing and payment systems today. We are finding that the majority of this report is simply outdated, while newer, more advanced system tools provide the required editing for the MHD.

Contact Person: Julie Creach
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2012-19B. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

Reports identifying participants shown as eligible to receive Medical Assistance Program and Children's Health Insurance Program benefits in both Missouri and another state were generated incorrectly and were not fully reviewed by MHD personnel during the year ended June 30, 2012.

Recommendation:
The DSS update programming for the interstate match report to ensure Missouri eligibility dates are displayed correctly. In addition, the MHD should determine the full extent of the issue and determine how much, if any, in improper claims were paid due to this programming error. The MHD should also ensure matches are properly investigated in the future.

Status of Finding:
The programming for the interstate match report was updated in September 2012 to ensure Missouri eligibility dates are displayed correctly.

The DSS reviewed information during the time in which the reporting error occurred and determined no improper claims were made.

Contact Person: Kimberly O'Hara
Phone Number: (573) 751-8980

2012-20. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $6,319,991

The MHD periodically changed the rate paid to pharmacies for dispensing prescription drugs under the Medical Assistance Program (Medicaid) and the Children's Health

Insurance Program (CHIP); however, the state regulation authorizing these dispensing fees had not been updated since 1988, and the current rate paid exceeded a 1991 settlement agreement that increased the pharmacy dispensing fee. The MHD did not have adequate documentation to support the determination of the current dispensing fee structure. The MHD paid pharmacies base dispensing fees totaling $64,137,459 during the year ended June 30, 2012. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $54,198,803, a difference of $9,938,656. We questioned the federal share of the difference, or $6,319,991 (63.59 percent).

Recommendation:
The MHD ensure state regulations related to administration of the Medicaid program and the CHIP are updated when changes are justified, and resolve questioned costs with the grantor agency. In addition, the MHD should ensure increases in payment rates are adequately supported and actuarially sound, as required by federal guidelines.

Status of Finding:
The MHD disagreed with the finding. The MHD makes payments in accordance with the Department of Health and Human Services, Centers for Medicare and Medicaid Services approved state plan. Furthermore, pharmacy dispensing fees paid under Title XIX and CHIP are communicated in documents during the budget process and authorized by the General Assembly through the appropriations process.

The MHD will work with the grantor agency to resolve any questioned costs. The proposed rule was published on November 1, 2013, Volume 38, No. 21, page 1768, for the regulatory changes necessary to reflect the current pharmacy dispensing fee.

Status of Questioned Costs:
This finding is the subject of future discussions with the grantor agency, but no resolution has yet been finalized.

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Phone Number: (573) 522-9879

2012-21. Reporting

Federal Agency: Federal Highway Administration
Federal Program: 20.205 Highway Planning and Construction
State Agency: Missouri Department of Transportation (MoDOT)

The MoDOT did not have adequate controls and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA), and as a result, subawards issued were not reported timely as required.

Recommendation:
The MoDOT continue performing the current FFATA reporting procedures to ensure subaward information is complete, accurate, and submitted timely; and to prevent future noncompliance with FFATA reporting requirements.

Status of Finding:
Corrective action has been taken.

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