



**STATE OF MISSOURI  
SINGLE AUDIT  
YEAR ENDED JUNE 30, 2003**

**From The Office Of State Auditor  
Claire McCaskill**

**Report No. 2004-16  
March 5, 2004  
[www.auditor.mo.gov](http://www.auditor.mo.gov)**

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2004

**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 Single Audit includes the federal awards expended by all state agencies, except for the public universities and various financing authorities which provide their financial information directly to the federal government. State agencies expended \$7.9 billion of federal grant funds during the year ended June 30, 2003. Expenditures of federal awards have increased significantly over the past five years. Although all sixteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (95 percent). These six departments are: Social Services, Transportation, Labor and Industrial Relations, Elementary and Secondary Education, Health and Senior Services, and Public Safety. Overall, the state expended federal awards in 296 different programs.**

Expenditures reported on the original schedule of expenditures of federal awards prepared by the Department of Health and Senior Services (DHSS) were understated by approximately \$9.5 million. Many of the understatements resulted from the incorrect compilations of data reported on the department's internal accounting system. In addition, the DHSS does not reconcile its internal accounting system to the statewide accounting system (SAM II). (page 25)

The DHSS and the State Emergency Management Agency need to improve monitoring of subrecipients. Various federal regulations establish the requirements that must be met when state agencies provide federal funds to subrecipients. (page 27 and 29)

The Department of Social Services (DSS), Family Support Division (FSD) improperly charged an employee's salary, benefits, and related indirect costs to the Refugee and Entrant Assistance-State Administered Programs grant. We questioned costs of \$30,418. (page 30)

The DSS, Childrens' Division (CD) made Adoption Assistance payments after contract authorizations had expired. Also, invoices or other supporting documentation for some payments could not be located. We questioned costs of \$5,996. (page 31)

Indirect costs related to DSS-CD training expenses were charged to the Foster Care - Title IV-E grant at an incorrect rate of 75 percent rather than 50 percent, resulting in an overpayment of \$34,161. Additionally, residential treatment center training costs were improperly charged to the Foster Care-Title IV-E grant. The federal share of these costs

(over)

YELLOW SHEET

that were questioned totaled \$429,208. We also could not locate invoices or other adequate supporting documentation for some payments. The federal share of these expenditures questioned totaled \$6,344. (page 32)

On March 18, 2003, the Missouri State Auditor's Office issued audit report No. 2003-25, ***Department of Social Services Foster Care Program***. The report noted concerns regarding in-home visits of foster children and the tracking inventory system for foster children. Additionally, family support team meetings did not occur as often as required and often did not include all required parties or the foster child. Also, the division does not always initiate termination of parental rights action on a timely basis and foster parent background checks can be improved and expanded. (page 33)

On December 5, 2003, the Missouri State Auditor's Office issued audit report No. 2003-115, ***Department of Social Services Foster Care Program***. This audit found that residential facilities were overpaid \$22,000 for children that had run away. In addition, social workers did not promptly update a child's placement status in the computer system to runaway, causing overpayments. Division workers disregarded criminal convictions documented in background checks and inappropriately licensed three foster parents. Only one of these three foster parents received any federal funds from the state. (page 38)

The DSS, Division of Medical Services charged salary and fringe benefit costs totaling \$194,875 (federal share \$97,438) for five employees to the Medical Assistance Program, even though these employees are primarily responsible for working with a state program called Missouri Senior Rx. As there were no time sheets or other documentation maintained to identify actual time spent on each program, there is no existing support to justify the salary and fringe benefit costs charged to the Medical Assistance Program. (page 40)

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## INTRODUCTION AND SUMMARY

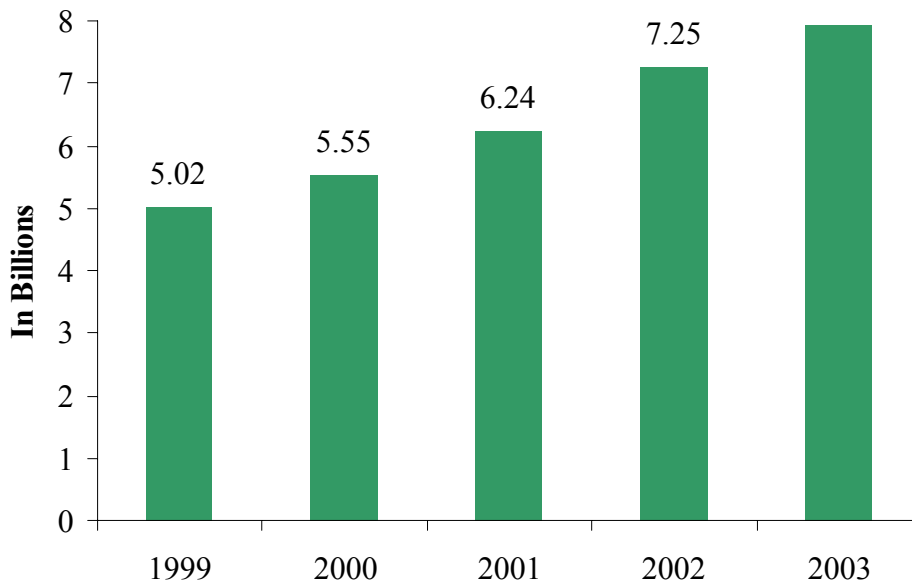
## INTRODUCTION AND SUMMARY

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. The 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.

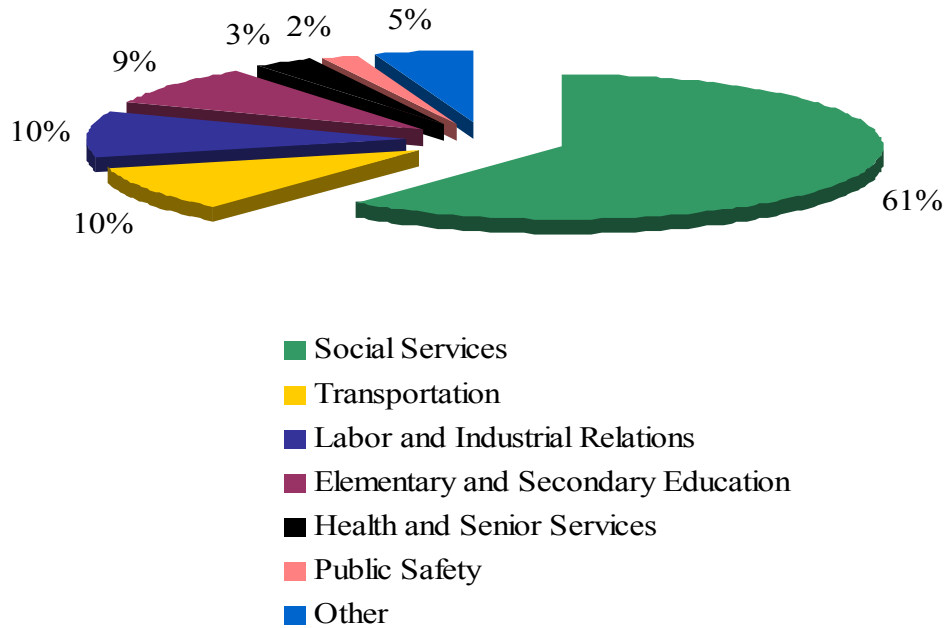
The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended \$7.9 billion in federal awards during the year ended June 30, 2003. Expenditures of federal awards have increased significantly over the past five years.

**Total Expenditures of Federal Awards  
Five Year Comparison**



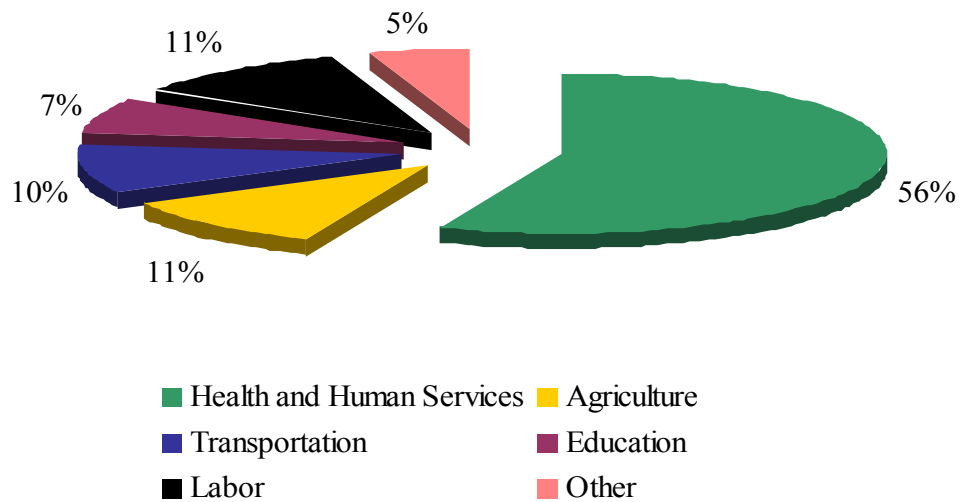
Although all sixteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (95 percent).

### Expenditures of Federal Awards by State Department



The state received federal awards from 20 different federal agencies. Most of the federal awards (95 percent) came from five federal agencies.

### Expenditures of Federal Awards by Federal Department

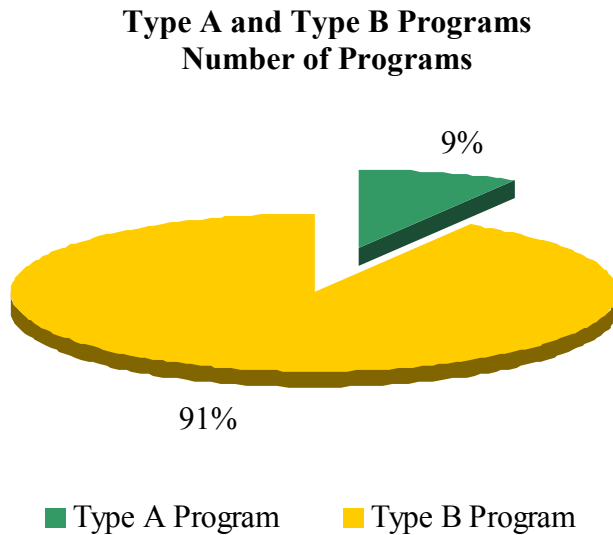




Overall, the state expended federal awards in 296 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold to distinguish between Type A programs and Type B programs at three-tenths of one percent (.003) of total awards expended.

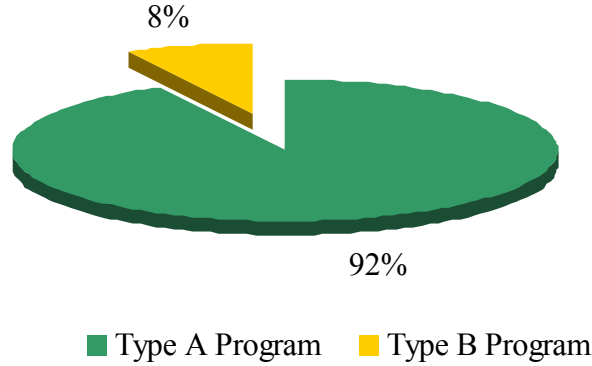
<b>Determination of Type A Programs</b>	
Total expenditures of federal awards	\$ 7,942,913,924
Three-tenths of one percent	.003
<b>Dollar Threshold</b>	<b>\$ 23,828,742</b>

We rounded the dollar threshold to \$23.8 million. Programs with federal expenditures over \$23.8 million are Type A programs and the programs under \$23.8 million are Type B programs. Of the 296 different federal award programs, 26 were Type A programs and 270 were Type B programs.



The 26 Type A programs had expenditures of federal awards totaling \$7.3 billion, which was 92 percent of the total expenditures for all programs. The 270 Type B programs had expenditures of federal awards totaling \$597 million, which was only 8 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 use a risk-based approach to determine which federal award programs to audit as major programs. We performed a risk assessment on each Type A program and determined that 8 of the 26 Type A programs were low risk and did not need to be audited as major, based on the guidance in OMB Circular A-133.

OMB Circular A-133 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 that are 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 (\$7.94 billion times .0003 = \$2.38 million). We performed risk assessments on the 59 larger Type B programs that were over \$2.38 million and determined that 5 of them were high risk. In accordance with OMB Circular A-133, we audited 4 (over one-half) of these 5 high risk Type B programs as major. As a result of the risk-based approach required under OMB Circular A-133, we audited 18 Type A programs and 4 Type B programs as major.

**Major and Non-major Programs**

<b>Audit Coverage by Type of Program</b>	<b>Number of Programs</b>	<b>Expenditures</b>	<b>Percentage of Expenditures</b>
Type A major programs	18	\$ 6,479,183,646	
Type B major programs	4	70,693,120	
Total major programs	22	6,549,876,766	82%
Type A non-major programs	8	866,344,790	
Type B non-major programs	266	526,692,368	
Total non-major programs	274	1,393,037,158	18%
Total all programs	296	\$ 7,942,913,924	100%

STATE OF MISSOURI  
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
	Food Stamp Cluster:		
10.551	Food Stamps	Agriculture	\$ 536,152,147
10.561	State Administrative Matching Grants for Food Stamp Program	Agriculture	42,046,932
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	29,739,604
10.555	National School Lunch Program	Agriculture	109,744,063
10.556	Special Milk Program for Children	Agriculture	369,454
10.559	Summer Food Service Program for Children	Agriculture	6,309,625
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	67,461,040
10.558	Child and Adult Care Food Program	Agriculture	34,538,576
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	33,392,484
17.225	Unemployment Insurance	Labor	785,091,679
	Workforce Investment Act Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	16,009,697
17.259	Workforce Investment Act - Youth Activities	Labor	18,465,650
17.260	Workforce Investment Act - Dislocated Workers	Labor	18,187,509
20.205	Highway Planning and Construction	Transportation	742,400,383
66.458	Capitalization Grants for State Revolving Funds	Environmental Protection Agency	57,940,502
83.544	Public Assistance Grants	Federal Emergency Management Agency	57,272,321
84.010	Title I Grants to Local Educational Agencies	Education	152,324,305
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	140,955,926
84.173	Special Education - Preschool Grants	Education	8,963,536
84.032	Federal Family Education Loans	Education	56,940,614
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	66,262,477
84.367	Improving Teacher Quality State Grants	Education	38,746,200
93.268	Immunization Grants	Health and Human Services	24,848,696
93.558	Temporary Assistance for Needy Families	Health and Human Services	181,806,210
93.563	Child Support Enforcement	Health and Human Services	43,015,623
93.568	Low-Income Home Energy Assistance	Health and Human Services	41,800,000
	Child Care Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	57,190,911
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	54,849,434
93.658	Foster Care - Title IV-E	Health and Human Services	66,133,087
93.667	Social Services Block Grant	Health and Human Services	54,879,017
93.767	State's Children's Insurance Program	Health and Human Services	69,387,399
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	837,692
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	12,768,764
93.778	Medical Assistance Program	Health and Human Services	3,659,207,561
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services	26,775,051
96.001	Social Security - Disability Insurance	Social Security Administration	32,714,267
	Total Type A Programs (expenditures greater than \$23.8 million)		7,345,528,436
	Total Type B Programs (expenditures less than \$23.8 million)		597,385,488
	Total Expenditures of Federal Awards		\$ <u>7,942,913,924</u>

STATE AUDITOR'S REPORTS



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH  
OMB CIRCULAR A-133 AND ON COMPLIANCE AND INTERNAL CONTROL  
OVER FINANCIAL REPORTING

Honorable Bob Holden, Governor  
and  
Members of the General Assembly

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2003, which collectively comprise the state's basic financial statements, and have issued our report thereon dated December 19, 2003. We did not audit the financial statements of the Missouri Department of Transportation, the Consolidated Health Care Plan, the State Employees' Insurance Plan, the Transportation Employees' and Highway Patrol Insurance Plan, and the Transportation Self-Insurance Plan, which represent 79 percent and 12 percent of the assets and operating revenues, respectively, of the governmental activities. We did not audit the State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 60 percent and 58 percent of the assets and revenues, respectively, of the business-type activities. We did not audit the component units. We did not audit the pension trust funds and the Public Employees' Deferred Compensation Plan, which represent 94 percent and 95 percent of the assets and additions, respectively, of the fiduciary funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to these amounts, are based on the reports of the other auditors. Our report expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the state of Missouri taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The state of Missouri has excluded federal award expenditures of public universities from the accompanying Schedule of Expenditures of Federal Awards. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the exclusion of federal award expenditures of public universities, is fairly presented in all material respects, in relation to the basic financial statements.

### Compliance

As part of obtaining reasonable assurance about whether the financial statements of the state of Missouri are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the state of Missouri, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The State Auditors office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements. Our reports of these conditions do not modify our report dated December 19, 2003, on the basic financial statements.

This report is intended for the information and use of the management of the state of Missouri and federal awarding agencies. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

December 19, 2003 (fieldwork completion date)



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE

Honorable Bob Holden, Governor  
and  
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

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 Nonprofit 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 other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the state's compliance with those requirements.



In our opinion, the state of Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 items 2003-4, 2003-5, 2003-6, and 2003-9.

#### Internal Control over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the state's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-2 and 2003-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the state's management; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill  
State Auditor

February 6, 2004 (fieldwork completion date)

SUPPLEMENTARY SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07	HIDTA	\$ 2,089,906	1,384,940
	Total Office of National Drug Control Policy	<u>2,089,906</u>	<u>1,384,940</u>
Department of Agriculture			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	114,139	13,700
10.064	Forestry Incentives Program	1,461	0
10.069	Conservation Reserve Program	24,181	0
10.156	Federal-State Marketing Improvement Program	11,784	0
10.163	Market Protection and Promotion	3,511	0
10.250	Agricultural and Rural Economic Research	69,152	0
10.435	State Mediation Grants	295,396	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	271,955	0
10.550	Food Donation	15,383,279	14,537,302
10.551	Food Stamps	536,152,147	0
10.553	School Breakfast Program	29,739,604	29,739,604
10.555	National School Lunch Program	109,744,063	108,412,590
10.556	Special Milk Program for Children	369,454	369,454
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)	67,461,040	12,660,108
10.558	Child and Adult Care Food Program	34,538,576	34,028,776
10.559	Summer Food Service Program for Children	6,309,625	6,102,987
10.560	State Administrative Expenses for Child Nutrition	2,318,686	339,622
10.561	State Administrative Matching Grants for Food Stamp Program	42,046,932	160,880
10.565	Commodity Supplemental Food Program	373,430	300,695
10.568	Emergency Food Assistance Program (Administrative Costs)	992,483	944,414
10.569	Emergency Food Assistance Program (Food Commodities)	9,316,907	9,316,907
10.570	Nutrition Services Incentive	4,229,731	4,229,731
10.572	WIC Farmers' Market Nutrition Program (FMNP)	206,445	171,534
10.576	Senior Farmers' Market Nutrition Program	259,488	240,262
10.600	Foreign Market Development Cooperator Program	59,073	0
10.664	Cooperative Forestry Assistance	1,284,857	248,742
10.665	Schools and Roads - Grants to States	3,190,555	3,190,555
10.672	Rural Development through Forestry	27,184	0
10.769	Rural Business Enterprise Grants	15,024	0
	Total Department of Agriculture	<u>864,810,162</u>	<u>225,007,863</u>
Department of Defense			
12	Troops to Teachers	114,373	66,623
12.104	Flood Plain Management	10,902	0
12.112	Payments to States in Lieu of Real Estate Taxes	882,853	882,853
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	772,069	0
12.401	National Guard Military Operations and Maintenance Projects	15,919,814	0
12.AAG	Drug Interdiction & Counter Drug Activities (Note 4)	111,213	111,213
12.unknown	Formally Utilized Sites Remedial Action Program	282,993	0
	Total Department of Defense	<u>18,094,217</u>	<u>1,060,689</u>
Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program	33,392,484	32,583,189
14.231	Emergency Shelter Grants Program	1,493,134	1,493,134
14.238	Shelter Plus Care	3,440,373	3,440,373
14.241	Housing Opportunities for Persons with AIDS	459,966	459,966
14.401	Fair Housing Assistance Program - State and Local	475,465	0
	Total Department of Housing and Urban Development	<u>39,261,422</u>	<u>37,976,662</u>
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	408,013	0
15.252	Abandoned Mine Land Reclamation Program	1,255,843	629,833
15.605	Sport Fish Restoration	5,180,391	0
15.611	Wildlife Restoration	5,360,379	0
15.615	Cooperative Endangered Species Conservation Fund	153,605	16,845
15.616	Clean Vessel Act	16,845	0
15.622	Sportfishing and Boating Safety Act	116,123	116,123
15.623	North American Wetlands Conservation Fund	1,218,950	0
15.634	State Wildlife Grants	601,520	0
15.808	U.S. Geological Survey - Research & Data Acquisition	5,940	0

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
15.810	National Cooperative Geologic Mapping Program	207,235	0
15.904	Historic Preservation Fund Grants-In-Aid	1,025,242	230,899
15.916	Outdoor Recreation - Acquisition, Development and Planning	378,386	353,804
15.921	Missouri Lewis & Clark Interpretive Signage & Information	9,916	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	435,193	0
15.FFB	Webless Migratory Game Bird Research Program	34,360	0
Total Department of the Interior		16,407,941	1,347,504
Department of Justice			
16	Marijuana Eradication Program	410,735	0
16.007	State Domestic Preparedness Equipment Support Program	2,828,128	2,820,689
16.202	Offendor Reentry Program	66,722	0
16.523	Juvenile Accountability Incentive Block	3,430,056	3,366,881
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,589,493	1,544,031
16.542	National Institute for Juvenile Justice and Delinquency Prevention	2,568,826	0
16.543	Missing Children's Assistance	14,443	0
16.548	Title V Delinquency Prevention Program	365,001	365,001
16.549	Part E State Challenge Activities	115,247	115,247
16.554	National Criminal History Improvement Program	934,115	465,453
16.564	Crime Laboratory Improvement_Combined Offender DNA Index System Backlog Reduction	232,446	152,990
16.575	Crime Victim Assistance	6,810,857	6,712,222
16.576	Crime Victim Compensation	1,525,311	0
16.579	Byrne Formula Grant Program	7,229,531	7,069,497
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	256,553	28,169
16.585	Drug Court Discretionary Grant Program	42,605	0
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	1,424,033	0
16.588	Violence Against Women Formula Grants	2,080,465	2,000,461
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	68,287	68,287
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	169,831	110,580
16.592	Local Law Enforcement Block Grants Program	801,227	799,405
16.593	Residential Substance Abuse Treatment for State Prisoners	2,005,947	956,972
16.606	State Criminal Alien Assistance Program	121,310	0
16.607	Bulletproof Vest Partnership Program	1,765	1,765
16.610	Mid-States Organized Crime Information Center	3,260,343	3,260,343
16.710	Public Safety Partnership and Community Policing Grants	5,390,271	23,242
16.727	Enforcing Underage Drinking Laws Program	493,862	490,035
16.733	National Incident Based Reporting System	135,977	58,634
Total Department of Justice		44,373,387	30,409,904
Department of Labor			
17.002	Labor Force Statistics	1,713,564	0
17.005	Compensation and Working Conditions	172,397	16
17.203	Labor Certification for Alien Workers	107,828	0
17.207	Employment Service	14,785,578	53,150
17.225	Unemployment Insurance (Note 3)	785,091,679	0
17.235	Senior Community Service Employment Program	2,245,887	2,223,681
17.245	Trade Adjustment Assistance - Workers	11,621,419	0
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	5,591	1,294
17.253	Welfare-to-Work Grants to States and Localities	3,112,024	2,993,306
17.255	Workforce Investment Act	561,405	234,820
17.258	Workforce Investment Act - Adult Program	16,009,697	14,554,757
17.259	Workforce Investment Act - Youth Activities	18,465,650	15,575,486
17.260	Workforce Investment Act - Dislocated Workers	18,187,509	16,071,156
17.261	Employment & Training Administration	23,785	0
17.264	Migrant & Seasonal Farm Workers	257,091	33,369
17.266	Work Incentives Grant	82,369	0
17.504	Consultation Agreements	886,017	0
17.600	Mine Health and Safety Grants	274,259	0
17.801	Disabled Veterans' Outreach Program	1,436,022	0
17.804	Local Veterans' Employment Representative	1,588,063	0
Total Department of Labor		876,627,834	51,741,035
Department of Transportation			
20.02-154-AL-1	154/164 Transfer Funds	6,456,746	6,456,746

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
20.106	Airport Improvement Program	10,724,870	10,532,255
20.205	Highway Planning and Construction	742,400,383	79,296,087
20.218	National Motor Carrier Safety	2,367,570	1,051,985
20.219	Recreational Trails Program	841,584	816,992
20.500	Federal Transit Capital Investment Grants	5,880,682	5,880,682
20.505	Federal Transit Metropolitan Planning Grants	836,060	756,595
20.509	Formula Grants for Other Than Urbanized Areas	6,550,489	6,227,669
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	2,440,543	2,356,709
20.516	Job Access Reverse Commute	1,200,475	1,200,475
20.600	State and Community Highway Safety	2,143,119	2,037,322
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	970,881	970,881
20.602	Occupant Protection	63,598	63,598
20.603	Federal Highway Safety Data Improvements Incentive Grants	241,816	241,816
20.604	Safety Incentive Grants for use of Seatbelts	957,760	957,760
20.700	Pipeline Safety	276,768	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	286,184	286,184
Total Department of Transportation		<u>784,639,528</u>	<u>119,133,756</u>
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	382,187	0
Total Equal Employment Opportunity Commission		<u>382,187</u>	<u>0</u>
General Services Administration			
39.003	Donation of Federal Surplus Personal Property (Note 4)	1,876,328	1,430,204
Total General Services Administration		<u>1,876,328</u>	<u>1,430,204</u>
National Foundation of Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	471,530	154,335
45.310	State Library Program	2,794,685	1,391,236
Total National Foundation of Arts and the Humanities		<u>3,266,215</u>	<u>1,545,571</u>
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	11,690,038	0
64.015	Veterans State Nursing Home Care	20,791,987	0
64.123	Vocational Training for Certain Veterans Receiving VA Pension	501,059	0
64.203	State Cemetery Grants	10,796,627	0
Total Department of Veterans Affairs		<u>43,779,711</u>	<u>0</u>
Environmental Protection Agency			
66.034	Surveys, Studies, Investigations and Special Purpose Activities Relating to the Clean Air Act	9,016	0
66.433	State Underground Water Source Protection	140,285	0
66.438	Construction Management Assistance	1,005	0
66.454	Water Quality Management Planning	316,905	185,281
66.458	Capitalization Grants for State Revolving Funds	57,940,502	38,312,473
66.460	Nonpoint Source Implementation Grants	2,686,195	901,565
66.461	Wetlands Grants	171,442	0
66.463	Water Quality Cooperative Agreements	78,088	7,006
66.468	Capitalization Grants for Drinking Water SRF	20,779,674	18,811,708
66.474	Water Protection Grants to the States	86,860	0
66.605	Performance Partnership Grants	11,279,382	1,845,110
66.606	Surveys, Studies, Investigations and Special Purpose Grants	3,239,812	1,714,474
66.608	State Information Grants	280,551	0
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	144,163	0
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	281,957	507
66.708	Pollution Prevention Grants Program	71,743	0
66.709	Capacity Building Grants and Cooperative Agreements for States and Tribes	81,214	56,765
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	2,195,170	37,958
66.805	Leaking Underground Storage Tank Trust Fund Program	1,547,108	0
Total Environmental Protection Agency		<u>101,331,072</u>	<u>61,872,847</u>
Department of Energy			
81.039	National Energy Information Center	5,648	0
81.041	State Energy Program	1,133,505	15,294
81.042	Weatherization Assistance for Low-Income Persons	5,010,936	4,737,624
81.092	Weldon Springs Site Remedial Action Project	274,943	0

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
81.117	Energy Efficiency & Renewable Energy Information Dissemination, Outreach, Training, & Technical Analysis/Assistance	58,599	41,262
81.119	State Energy Program Special Projects	265,521	139,364
81.902	State Environmental Oversight & Monitoring	254,247	0
Total Department of Energy		7,003,399	4,933,544
Federal Emergency Management Agency			
83.012	Hazardous Materials Assistance Program	9,000	0
83.105	Community Assistance Program - State Support Services Element	136,965	0
83.536	Flood Mitigation Assistance	30,986	30,486
83.541	Disaster Unemployment Assistance	78,930	0
83.543	Individual and Family Grants	244,462	239,056
83.544	Public Assistance Grants	57,272,321	57,158,849
83.548	Hazard Mitigation Grant	1,747,794	1,741,594
83.550	National Dam Safety Program	114,907	0
83.552	Emergency Management Performance Grants	2,616,963	2,616,963
83.555	Cooperating Technical Partners	81,400	0
83.562	State and Local All Hazards Emergency Operations Planning	52,181	0
83.564	Citizen's Corps	63,707	41,252
83.859	Crisis Counseling	32,093	30,861
Total Federal Emergency Management Agency		62,481,709	61,859,061
Department of Education			
84.002	Adult Education - State Grant Program	11,572,994	9,661,412
84.010	Title I Grants to Local Educational Agencies	152,324,305	150,189,258
84.011	Migrant Education - Basic State Grant Program	1,766,231	1,766,231
84.013	Title I Program for Neglected and Delinquent Children	933,298	870,019
84.027	Special Education - Grants to States	140,955,926	136,961,172
84.032	Federal Family Education Loans	56,940,614	0
84.048	Vocational Education - Basic Grants to States	23,275,223	22,246,733
84.069A	Leveraging Educational Assistance Partnership	1,323,297	0
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	66,262,477	110,596
84.154	Public Library Construction and Technology Enhancement	182,538	182,538
84.158	Secondary Education and Transitional Services for Youth with Disabilities	842,765	858,162
84.162	Immigrant Education	244,257	244,257
84.169	Independent Living - State Grants	90,602	90,602
84.173	Special Education - Preschool Grants	8,963,536	8,963,536
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	625,652	0
84.181	Special Education - Grants for Infants and Families with Disabilities	8,025,478	8,025,478
84.185	Byrd Honors Scholarships	886,750	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	7,655,925	7,176,873
84.187	Supported Employment Services for Individuals with Severe Disabilities	822,177	0
84.196	Education for Homeless Children and Youth	702,118	702,118
84.213	Even Start - State Educational Agencies	3,749,791	3,749,791
84.215	Fund for the Improvement of Education	313,711	272,610
84.224	Assistive Technology	546,382	0
84.235	Rehabilitation Services Demonstration and Training: Special Demonstration Programs	484,128	0
84.243	Tech-Prep Education	2,229,892	2,191,334
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	198,373	0
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	111,733	113,846
84.278	School To Work State Implementation Grants	1,334,541	1,280,006
84.281	Eisenhower Professional Development State Grants	5,121,722	4,845,372
84.282	Charter Schools	815,331	713,034
84.287	Twenty-First Century Community Learning Centers	989,775	901,896
84.298	Innovative Education Program Strategies	6,205,786	5,422,864
84.310	Parental Assistance Centers	105,360	0
84.318	Technology Literacy Challenge Fund Grants	7,680,033	7,310,701
84.323	Special Education-State Program Improvement Grants for	1,093,476	1,093,476
84.326	Special Education-Technical Assistance and Dissemination to	138,456	138,456
84.330	Advanced Placement Incentive Program	2,183	2,183
84.331	Grants to States for Incarcerated Youth Offenders	292,693	0
84.332	Comprehensive School Reform Demonstration	4,995,907	4,991,097
84.334S	Gaining Early Awareness and Readiness for Undergraduate Programs	965,530	504,579
84.336	Teacher Quality Enhancement Grants	126,000	126,000
84.340	Class Size Reduction	4,486,386	4,486,386

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.346	Occupational and Employment Information State Grants	169,977	0
84.348	Title I Accountability Grants	1,721,531	1,721,531
84.352	School Renovation Grants	7,874,644	7,874,644
84.358	Rural Education Achievement Program	1,862,828	1,760,463
84.365	English Language Acquisition State Formula Grant Program	1,209,214	1,082,596
84.367	Improving Teacher Quality State Grants	38,746,200	38,266,842
84.RN94-13-6026	National Cooperative System Program	34,648	0
Total Department of Education		578,002,394	436,898,692
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	102,915	102,915
Total National Archives and Records Administration		102,915	102,915
Department of Health and Human Services			
93	Mammography Inspections	179,548	0
93.003	Public Health and Social Services Emergency Fund	1,651,166	1,453,807
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	19,013	0
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	69,119	68,924
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	324,184	80,720
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	376,678	376,678
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,407,885	6,721,997
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,213,952	11,213,952
93.051	Alzheimer's Disease Demonstration Grants to States	319,669	315,680
93.052	National Family Caregiver Support	2,685,090	2,685,090
93.103	Food and Drug Administration Research	90,401	0
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	892,594	878,379
93.110	Maternal and Child Health Federal Consolidated Programs	506,490	420
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	457,864	86,590
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	23,366	0
93.130	Primary Care Services - Resource Coordination and Development	195,615	70,000
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	131,205	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,335,295	371,677
93.150	Projects for Assistance in Transition from Homelessness (PATH)	570,173	570,173
93.161	Health Program for Toxic Substances and Disease Registry	202,255	21,056
93.165	Grants for State Loan Repayment	31,500	31,500
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	564,725	270,414
93.206	Human Health Studies - Applied Research and Development	12,794	0
93.226	Research on Healthcare Costs, Quality and Outcomes	850,351	526,874
93.230	Consolidated Knowledge Development and Application (KD&A) Program	544,061	436,600
93.234	Traumatic Brain Injury - State Demonstration Grant Program	117,250	62
93.235	Abstinence Education	1,103,065	0
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	763,781	555,658
93.239	Policy Research and Evaluation Grants	194,801	0
93.240	State Capacity Building	330,216	69,314
93.241	State Rural Hospital Flexibility Program	329,950	110,000
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	110,017	109,285
93.251	Universal Newborn Hearing Screening	246,554	606
93.259	Rural Access to Emergency Devices Grant	6,230	0
93.268	Immunization Grants (Note 4)	24,848,696	22,468,493
93.277-98-6020	Prevention Needs Assessment	103,252	103,252
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	17,932,784	5,148,371
93.283-95-0026	Uniform Alcohol and Drug Abuse Grants	91,117	91,117
93.301	Small Rural Hospital Improvement Grants	276,221	268,469
93.556	Promoting Safe and Stable Families	8,183,355	0
93.558	Temporary Assistance for Needy Families	181,806,210	0
93.563	Child Support Enforcement	43,015,623	11,363,367

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2003

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.566	Refugee and Entrant Assistance - State Administered Programs	2,958,634	0
93.568	Low-Income Home Energy Assistance	41,800,000	20,274,943
93.569	Community Services Block Grant	18,653,221	18,491,091
93.570	Community Services Block Grant - Discretionary Awards	29,960	0
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	79,299	0
93.575	Child Care and Development Block Grant	57,190,911	0
93.576	Refugee and Entrant Assistance - Discretionary Grants	1,328,561	864,879
93.584	Refugee and Entrant Assistance - Targeted Assistance	827,206	0
93.585	Empowerment Zones Program	100,000	100,000
93.586	State Court Improvement Program	199,570	34,279
93.590	Community-based Family Resource and Support Grants	125,000	125,000
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	54,849,434	0
93.597	Grants to States for Access and Visitation Programs	174,425	0
93.600	Headstart	222,463	222,463
93.603	Adoption Incentive Payments	149,997	0
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,373,876	886,829
93.643	Children's Justice Grants to States	163,141	0
93.645	Child Welfare Services - State Grants	5,995,018	0
93.652	Adoption Opportunities	310,041	0
93.658	Foster Care - Title IV-E	66,133,087	0
93.659	Adoption Assistance	23,279,327	0
93.667	Social Services Block Grant	54,879,017	0
93.669	Child Abuse and Neglect State Grants	521,996	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,578,376	0
93.674	Chafee Foster Care Independent Living	4,398,436	0
93.767	State Children's Insurance Program	69,387,399	0
93.768	Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	222,097	0
93.769	Demonstration to Maintain Independence and Employment	88,043	0
93.775	State Medicaid Fraud Control Units	837,692	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	12,768,764	39,342
93.778	Medical Assistance Program	3,659,207,561	0
93.779	Health Information Counseling and Assistance Grant Program	312,958	0
93.865	Center for Research for Mothers and Children	296,401	293,903
93.913	Grants to States for Operation of Offices of Rural Health	98,775	0
93.917	HIV Care Formula Grants	10,108,506	10,108,506
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	1,282,429	912,477
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to	366,252	108,538
93.940	HIV Prevention Activities - Health Department Based	4,013,080	2,544,671
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance	601,064	171,210
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,793,676	396,516
93.952	Improving EMS/Trauma Care in Rural Areas	2,782	0
93.958	Block Grants for Community Mental Health Services	8,150,334	7,811,686
93.959	Block Grants for Prevention and Treatment of Substance Abuse	26,775,051	24,288,329
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,193,208	617,152
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	310,108	55,626
93.991	Preventive Health and Health Services Block Grant	3,325,813	610,327
93.994	Maternal and Child Health Services Block Grant to the States	12,441,496	6,547,110
Total Department of Health and Human Services		4,462,018,600	161,973,402
Corporation for National Service			
94.003	State Commissions	211,750	0
94.004	Learn and Serve America - School and Community Based Programs	377,709	301,630
94.006	AmeriCorps	2,649,351	2,649,351
94.007	Planning and Program Development Grants	88,798	88,387
94.009	Training and Technical Assistance	95,575	0
Total Corporation for National Service		3,423,183	3,039,368
Social Security Administration			
96.001	Social Security - Disability Insurance	32,714,267	0
96.008	Social Security - Benefits, Planning, Assistance, and Outreach Program	227,547	0



STATE OF MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2003

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Total Social Security Administration		32,941,814	0
Total Expenditures of Federal Awards		\$ 7,942,913,924	1,201,717,957

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

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*. The circular requires a schedule of expenditures of federal awards showing total expenditures for each federal financial assistance program as identified in the catalog of federal domestic assistance (CFDA), and identification of federal financial assistance programs which have not been assigned a CFDA number.

The accompanying schedule includes all federal financial assistance programs administered by the state of Missouri, except for those programs administered by public universities which are legally separate component units of the state of Missouri. Federal financial assistance provided to public universities has been excluded from this audit. The public universities 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 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, Type A programs are those which exceed \$23.8 million in disbursements, expenditures, or distributions. The determination of major and nonmajor 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. Special Supplemental Nutrition Program for Women, Infants and Children Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling \$27,354,248, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants and Children Program (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) 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.

3. Unemployment Insurance Expenditures

Expenditures of federal awards for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$741,187,371 and \$43,904,308 funded by federal grants.

4. Nonmonetary Assistance

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Grants program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled \$20,768,496.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program. Property distributions totaled \$8,052,910 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 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program. Property distributions totaled \$477,307 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 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2003

**Section I - Summary of Auditor's Results**

**Financial Statements**

The auditor's report on the financial statements was qualified.

The audit did not note any reportable conditions in the internal control over financial reporting.

The audit did not note any noncompliance material to the financial statements.

**Federal Awards**

The auditor's report on compliance on the major programs was unqualified.

The audit identified reportable conditions in the internal controls over major programs.

None of these reportable conditions were considered to be material weaknesses.

The audit identified findings related to compliance on major programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

The state of Missouri did not qualify as a low-risk auditee under the provisions of OMB Circular A-133.

The dollar threshold to distinguish between Type A programs and Type B programs was **\$23,800,000**.

The following programs were audited as major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
17.225	Unemployment Insurance
20.205	Highway Planning and Construction
66.458	Capitalization Grants for State Revolving Funds
83.544	Public Assistance Grants

- 84.010 Title I Grants to Local Educational Agencies
- Special Education Cluster:
  - 84.027 Special Education – Grants to States
  - 84.173 Special Education – Preschool Grants
- 84.032 Federal Family Education Loans
- 84.048 Vocational Education – Basic Grants to States
- 84.298 Innovative Education Program Strategies
- 84.367 Improving Teacher Quality State Grants
- 93.268 Immunization Grants
- 93.283 Centers for Disease Control and Prevention – Investigations and Technical Assistance
- 93.558 Temporary Assistance for Needy Families
- 93.563 Child Support Enforcement
- Child Care 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
- 93.659 Adoption Assistance
- 93.667 Social Services Block Grant
- 93.767 State Children's Insurance Program
- Medicaid Cluster:
  - 93.775 State Medicaid Fraud Control Units
  - 93.777 State Survey and Certification of Health Care Providers and Suppliers
  - 93.778 Medical Assistance Program

**Section II - Financial Statement Findings**

This section includes no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

**Section III - Federal Award Findings and Questioned Costs**

**2003-1 Schedule of Expenditures of Federal Awards**

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

Federal Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children  
 93.268 Immunization Grants  
 93.283 Centers for Disease Control and Prevention - Investigations and Technical Assistance

State Agency: Department of Health and Senior Services (DHSS)

Expenditures reported on the original schedule of expenditures of federal awards (SEFA) prepared by the DHSS were understated by a net amount of approximately \$9.5 million. Listed below are the programs with misstatements.

<b>CFDA #</b>	<b>Program</b>	<b>Overstated/ (Understated)</b>
93.777	State Survey and Certification of Health Care Providers and Suppliers	\$8,439,780
93.778	Medical Assistance Program (Passed-through from state Department of Social Services)	(8,439,780)
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	(5,557,781)
93.268	Immunization Grants	(3,971,331)
93.048	Special Programs for the Aging - Title IV and Title II - Discretionary Projects	319,669
93.051	Alzheimer's Disease Demonstration Grants to States	(319,669)

The majority of the errors resulted from the incorrect compilation of data reported on the department's internal accounting system. The DHSS uses its internal accounting system to track expenditures of federal programs and to prepare the SEFA.

In addition, the DHSS does not reconcile its internal accounting system to the statewide accounting system (SAM II). The prior Statewide Single Audit noted two WIC program rebates, totaling approximately \$5.6 million, were recorded in the SAM II system but had not been recorded in the internal accounting system, which contributed to the misstatement of the WIC federal expenditures in fiscal year 2002. DHSS made correcting entries for these errors to fiscal year 2003 internal accounting records instead of to fiscal year 2002 records, which caused the fiscal year 2003 federal expenditures to be understated by \$5.6 million. A reconciliation of the internal accounting records to the SAM II records could have detected this understatement and helped ensure the schedule of expenditures of federal awards was accurate.

Because the expenditures for the Immunization Grants and Special Programs for the Aging – Title IV and Title II – Discretionary Projects involved amounts provided to subrecipients, the errors noted above caused the amounts provided to subrecipients to be understated on the SEFA by a net amount of approximately \$3.7 million.

Although the summary schedule of prior audit findings prepared by the DHSS indicates corrective action was taken, we noted similar concerns in our current audit. While some improvement was noted from the prior year, additional improvement is needed in the preparation of the SEFA. DHSS made revisions to the schedule after our review.

Section .310(b) of OMB Circular A-133 requires the DHSS to prepare a schedule of expenditures of federal awards showing the financial activity for each federal program. The DHSS needs to establish effective procedures to ensure the schedule is complete and accurate. To be effective, the procedures should include a detailed supervisory review.

**WE RECOMMEND** the DHSS implement procedures to ensure the schedule of expenditures of federal awards is complete and accurate.

**AUDITEE'S RESPONSE**

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

**2003-2**

**Subrecipient Monitoring**

Federal Agency: Department of Agriculture  
Federal Program: 10.557 Special Supplemental Nutritional Program for Women, Infants, and Children (WIC)  
State Agency: Department of Health and Senior Services (DHSS)

The DHSS needs to improve its monitoring of subrecipients of the WIC program. The DHSS awards grants to 119 local WIC providers to certify applicants' eligibility for benefits and to deliver benefits to eligible persons. The DHSS provided approximately \$12.6 million to subrecipients for these services during fiscal year 2003. The DHSS is required by federal regulations to conduct an on-site monitoring review of each subrecipient at least once every two years.

- A. The DHSS does not always notify the subrecipient on a timely basis about the findings noted in the on-site monitoring review. Federal regulation 7 CFR 246.19(b)(4) requires the DHSS to promptly notify a subrecipient of any instances of noncompliance with program requirements. The DHSS's WIC Operational Manual indicates it will mail a finding letter within 21 days of the on-site monitoring visit. For 13 of 40 (33 percent) reviews we tested, the finding letter had not been sent within the 21-day requirement. In one instance, the finding letter was mailed 254 days after the on-site monitoring visit.
- B. The DHSS does not adequately ensure that subrecipients take corrective action on findings. Federal regulation 7 CFR 246.19(b)(4) provides that the state must require the subrecipient to submit a corrective action plan within 60 days if a monitoring review reports findings of program non-compliance. The WIC Operational Manual states it will require subrecipients to file a corrective action plan within 21 days after receipt of the finding letter, and DHSS internal procedures indicate it will approve the corrective action plan within 21 days of receipt. For 3 of 40 (8 percent) reviews we tested, the corrective action plan was not received within the 60-day time period required by federal regulation. Also, for 12 of 40 (30 percent) reviews we tested, the corrective action plan was not approved within 21 days of receipt of the corrective action plan.



- C. The DHSS does not adequately monitor and document the implementation of the corrective action plans. The WIC Operations Manual states that the DHSS will monitor the subrecipients' corrective action within six to twelve months after approval of the corrective action plan. Federal regulation 7 CFR 246.19(b)(1) provides that the state should monitor the subrecipients' corrective action and document the results. The only documentation of monitoring the implementation the DHSS provides is a check box on a review worksheet that indicates if the findings were resolved; however, these worksheets are prepared only during the on-site monitoring every two years. As a result, there is no assurance that follow-up is performed within the required six to twelve month time frame.
- D. The DHSS has not established adequate internal controls to ensure subrecipient monitoring is adequately completed and documented. DHSS internal procedures state that a complete monitoring packet is to be submitted to the DHSS Compliance Unit Coordinator within 14 calendar days of submitting the corrective action plan approval letter. A completed monitoring packet is to include the following:
- Monitor report routing form.
  - The corrective action plan approval letter.
  - Correspondence used to clarify or provide recommendations.
  - Corrective action plan.
  - Monitoring team cover letter with combined findings letter.
  - Monitoring worksheets.

For 29 of 40 (73 percent) reviews we tested, the monitoring packet was not fully completed. For 28 of these 29 reviews, the monitor report routing form was either not completed or was not in the file. For four of these 29 reviews, the file did not include the corrective action plan, and for three of these 29 reviews, the file did not include the corrective action plan approval letter.

Similar concerns were noted in our prior audit. While the summary schedule of prior audit findings prepared by the DHSS indicates they are in the process of implementing these recommendations, additional improvements are needed in these areas.

**WE RECOMMEND** the DHSS:

- A. Submit finding letters to subrecipients on a timely basis.
- B. Ensure that subrecipients file a corrective action plan within 21 days of the finding letter and approve the corrective action plan within 21 days of receipt.



2003-4.

**Employee Cost Allocation**

Federal Agency:	Department of Health and Human Services	<u>Questioned Costs</u>
		\$30,418
Federal Program:	93.566 Refugee and Entrant Assistance – State Administered Programs	
State Agency:	Department of Social Services – Family Support Division (FSD)	

During our review of the department's procedures for assigning employee costs to federal grants, we noted charges for one employee have been in error for almost a year.

To minimize the record keeping burden for allocating payroll costs for such direct employee time, OMB Circular A-87, Attachment B, Section 11.h.(3) indicates that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and related costs are to be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semi-annually and are to be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Our review of the certifications for April 1, 2002 to September 30, 2002, noted an employee's salary, benefits, and related indirect costs were improperly charged to the Refugee and Entrant Assistance - State Administered Programs grant. Based on discussions with division personnel, the employee has never worked for the program. Although the employee was not certified to be working for the program after September 30, 2002, the employee's salary, benefits, and related indirect costs for October 2002 to May 2003 were also improperly charged to the grant. A similar condition was noted in our prior report.

We question the federal share of \$30,418 (100 percent) for salaries, benefits, and indirect costs improperly charged to the Refugee and Entrant Assistance - State Administered Programs grant from July 2002 through May 2003.

**WE RECOMMEND** the FSD resolve the questioned costs with the grantor agency.

**AUDITEE'S RESPONSE**

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

**2003-5.**

**Eligibility for Adoption Assistance Payments**

Federal Agency:	Department of Health and Human Services	
Federal Program:	93.659 Adoption Assistance	<u>Questioned Costs</u>
State Agency:	Department of Social Services (DSS) – Children's Division (CD)	\$ 5,996

During the year ending June 30, 2003, the CD provided Adoption Assistance benefits totaling approximately \$34 million for 6,864 adopted children with special needs. To qualify for the benefits, the child must be eligible for Title IV-E foster care benefits, Temporary Assistance for Needy Families (TANF) benefits, or Social Security Income (SSI) benefits, as required by 42 USC 673(a)(2)(A). In addition, the nature of services to be provided and nonrecurring expenses to be paid must be stated in the subsidy contract between the CD and the adoptive parents, as required by 42 USC 675(3) and 45 CFR 1356.41(a), respectively. Subsidized costs may include maintenance, tutoring, clothing, day care, respite care, legal expenses, etc.

To test compliance with these requirements, we reviewed eligibility documentation, subsidy contracts, and expenditure documentation for 60 Adoption Assistance recipients. The 60 recipients received Adoption Assistance totaling \$266,032 during the year ending June 30, 2003. Payments were made after contract authorization expired for two of sixty (3 percent) cases reviewed. Authorization for the payments expired in February and March 2002, respectively. In addition, we could not locate invoices or other supporting documentation for some payments on nine of thirty-one (29 percent) cases reviewed. Division personnel determined the payment for one case was a \$40 overpayment, and initiated corrective action to recoup the payment. The expenditures related to the remaining errors totaled \$9,829 for March 2002 through June 2003. We question the federal share of \$5,996 (61 percent). Similar conditions were noted in our prior report.

The CD should ensure adoption assistance payments are not made after contract authorization expires and ensure all payments are supported by adequate documentation.

**WE RECOMMEND** the CD resolve the questioned costs with the grantor agency. In addition, the CD should ensure payments are not made after contract authorization expires and ensure all payments are supported by adequate documentation.

**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.*

Federal Agency:	Department of Health and Human Services	
Federal Program:	93.658 Foster Care - Title IV-E	<u>Questioned Costs</u>
State Agency:	Department of Social Services – Children's Division (CD)	\$ 469,713

- A. Indirect costs related to training expenses were charged to the Foster Care - Title IV-E grant at an incorrect rate. During the three quarters ending March 31, 2003, these indirect costs totaling \$136,646 were charged to the Foster Care – Title IV-E grant at the federal financial participation (FFP) rate of 75 percent authorized for training costs. The amount charged to the federal grant was \$102,484 (75 percent). However, under 45 CFR 1356.60(c), indirect costs are considered administrative costs, which are reimbursable at the FFP rate of 50 percent. Thus, it appears only \$68,323 (50 percent) should have been claimed for the indirect costs. Indirect training costs for the quarter ending June 30, 2003, were correctly charged to the Foster Care – Title IV-E grant at the 50 percent FFP rate.

We question the overpayment of \$34,161 for indirect costs erroneously charged to the Foster Care Title IV-E grant at the FFP rate of 75 percent, instead of 50 percent, from July 2002 through March 2003.

- B. Residential treatment center training costs were improperly charged to the Foster Care – Title IV-E grant. During the year ending June 30, 2003, residential treatment center training costs totaling \$572,278 were charged to the Foster Care – Title IV-E grant. The federal share of the costs claimed was \$429,208 (75 percent). However, costs for residential treatment center training were not included in the Title IV-B training plan for the year ending June 30, 2003.

Federal regulation 45 CFR 1356.60(b)(2) requires that all training activities and costs funded under Title IV-E be included in the state agency's training plan for Title IV-B. Residential treatment center training costs have been included in the Title IV-B training plan for the year ending June 30, 2004.

We question the federal share of \$429,208 (75 percent) for residential treatment center training costs improperly charged to the Foster Care Title IV-E grant.

- C. During the year ending June 30, 2003, the CD provided Foster Care benefits totaling approximately \$37 million for 10,401 foster children. To qualify for benefits, the child must be eligible for Temporary Assistance for Needy Families (TANF) benefits, and eligibility ceases at age 18, unless the child is expected to graduate from a secondary education institution before his or her nineteenth birthday, as required by 42 USC 672(a). Benefits may include subsidies for maintenance, clothing, day care, respite care, legal expenses, transportation, etc.

To test compliance with these requirements, we reviewed eligibility and expenditure documentation for 60 Foster Care benefit recipients. The 60 recipients received Foster Care assistance totaling \$149,568 during the year ending June 30, 2003. We could not locate invoices or other adequate supporting documentation for some payments on twenty-five of fifty (50 percent) cases reviewed. The expenditures related to these errors totaled \$10,400. We question the federal share of \$6,344 (61 percent).

The CD should ensure all payments are supported by adequate documentation.

**WE RECOMMEND** the CD resolve the questioned costs with the grantor agency and ensure all payments are supported by adequate documentation.

### **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.*

**2003-7.**

### **Foster Care Monitoring**

Federal Agency: Department of Health and Human Services  
Federal Program: 93.658 Foster Care - Title IV-E  
State Agency: Department of Social Services (DSS) – Children's Division (CD)

On March 18, 2003, the Missouri State Auditor's Office issued audit report No. 2003-25, ***Department of Social Services Foster Care Program***. (A copy of the complete audit report can be obtained from: Missouri State Auditors Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at [www.auditor.mo.gov](http://www.auditor.mo.gov).) The report included the following findings:

- A. In-home visits were not always made according to division policy. Social workers only made the required twice-a-month, in-home visits in 4 of 170 cases reviewed. Division workers did not visit 14 children within 6 months of the audit review date and 3 children in over 1 year from the review date. Another 24 children had no record of any in-home visits by division workers. Only 26 percent of the cases reviewed had a visit within 30 days of the audit review.

The audit also noted large time spans between visits. One child had not been visited since December 2001. Another child was placed with a relative in Texas and neither Missouri nor Texas officials visited the child for 3 years until their guardianship was finalized. A second test of 170 cases indicated that 13 cases had 6-12 months between visits, 1 case had more than a year between visits, 6 cases had only 1 prior visit in the year before the last visit, and 3 cases had only 2 prior visits in the year before the last visit.

Home visits are a necessary part of a quality control system, even if the worker has seen the child in other circumstances such as supervising a natural parent visit or a school visit. However, the audit noted some workers inappropriately replaced home visits with these other contact situations. Routine visits to the foster home ensure the home meets state standards and help assess a child's progress towards adjusting to the new living arrangement. During these visits, division officials observe the home's condition and meet with the foster parents and foster child. The visits also confirm the child is present in the home.

Division policy states that the workers are to make at least two home visits per month. Section 475(5)(B) of the Social Security Act provides that the status of each child is to be reviewed periodically, but not less frequently than once every six months.

- B. Division staff do not have a clear understanding of who is responsible for visiting children placed in counties outside their home counties and discrepancies were found in documentation of visits. For example, an infant from one county (home county) had been placed in a foster home in another county (service county) for approximately 9 months, but the service county worker did not realize she needed to visit the child.

One file recorded a home visit which never occurred and dates of visits recorded in case file narratives did not match visit dates cited on travel reimbursement statements for 31 of 61 (51 percent) applicable case files tested. In addition, audit tests showed 45 of 176 (26 percent) files reviewed did not adequately document the home visits in the case narrative.

Adequate documentation of home visits is necessary to ensure the visits were performed in accordance with division policy.

- C. Local division offices have no central tracking process to determine the number and location of foster children. A tracking system organized by child could show the child's name, date in custody, assignment (foster home, residential facility, etc.), date out of custody, and pertinent telephone numbers and addresses. Such a system maintained in the local offices would represent a critical management control, could be maintained perpetually, kept current, and better assure a known location for each foster child.
- D. Several problems were noted with the inventory of foster children. The need for an inventory of foster children was discussed with division management in October 2002. Shortly after that, division officials directed all area offices to find and certify face-to-face contact with all foster children. As of February 18, 2003, 120 foster children still had not been visited. Division personnel failed to correct problems encountered in the study until they were questioned by the auditors. In addition, errors were noted in the inventory results. Most of the errors were due to the division's computer system not being updated in a timely manner to

accurately reflect the child's current placement status. The division should ensure all problems or inconsistencies identified are corrected and ensure foster child status changes are recorded on a timely basis.

- E. Family support team meetings did not occur as often as required and often did not include all required parties or the foster child. The family support team is responsible for monitoring the foster child's and biological parent's progress and assessing needed services.

For 124 of 187 (66 percent) applicable files tested, the family support team meetings were not held in the time frames set by policy. In addition, the review of case files in selected counties disclosed documentation intended to show identification of attendees at these team meetings was not complete in 59 of 185 (32 percent) cases, which made it impossible to determine who attended and whether each agreed or disagreed with the decision. Also, in 14 of 73 (19 percent) applicable cases tested, the age appropriate foster child did not attend the family support team meetings, as required. As a result, the team meeting could not effectively be considered a tool for face-to-face attestation of the location of the child.

According to policy and division management, the teams are required to meet within 72 hours of the child entering foster care. Subsequent meetings should occur at 30, 60, 90 days and every 6 months, or more often if needed, throughout the child's tenure in foster care. In addition, division policy states the minimum accepted participants for team meetings are the parents or guardian, placement provider, child (if age appropriate), and social worker.

- F. Runaway foster children are not consistently managed by social workers. In addition, social workers did not always follow up with foster families to understand why the youth fled.

As of October 2002, division personnel classified 167 children as runaways; most were teenagers (97 percent). In 34 of 137 (25 percent) runaway cases, a sporadic effort by social workers to find the runaway was disclosed. Some social workers spent time and effort trying to locate the child while others (9 of 34, or 26 percent) waited for them to return on their own or be brought back into custody by law enforcement. Social workers stated some runaways regularly call in to report to the social worker but refuse to say where they are. In addition, social workers did not follow-up with the foster family in 16 of the 34 (47 percent) applicable cases to understand why the youth fled.

Some social workers had the opportunity to help return the runaways to state custody but instead took various other actions. For example, older foster children are paid to attend an Independent Living Class as preparation for life after foster care and some children attended the classes while on runaway status. In one of these runaway cases, division personnel said a social worker called the police to



take a child into custody; while, in other cases, workers allowed the child to attend the class and leave. Policies regarding the management of runaways should be consistently enforced.

- G. The division does not always initiate termination of parental rights action on a timely basis. Audit tests showed parental rights terminations were not initiated for 76 of 144 (53 percent) test cases for children who had been in care for 15 of the last 22 consecutive months. For 30 of the 76 (39 percent) cases without timely initiation of termination, the required compelling reason for not terminating was not documented in the file as required. During fiscal year 2001, the average length of time for a child to stay in alternative care is 24.6 months which exceeded the time allotted in the Adoption and Safe Families Act.

According to federal law, 45 CFR 1356.21(i), the division is required to begin terminating parental rights if the child has been in division custody 15 of the last 22 months. This law and concurrent planning are intended to help avoid children remaining in the foster care system and more promptly find the child a permanent home. Under concurrent planning, division workers continue to help the natural parents try to preserve the family unit and reunite the family; however, at the same time, workers also try to avoid future delays to parental rights termination and the adoption process (if it becomes necessary).

- H. Foster parent background checks can be improved and expanded. A review of foster parent files noted 15 of 44 (34 percent) applicable tested foster parent files did not contain current (within the last two years) criminal and child abuse and neglect record checks.

However, the division does not search available Missouri Circuit Court records for potential problem indicators such as orders of protection issued against the prospective foster parent or foster parent needing to be re-licensed. These court records are not identified in the current background checks and could indicate a foster parent has a history of family violence or is unable to control his or her behavior. Audit tests matching all licensed foster parents against available computerized court records identified two active foster parents who have had orders of protection against them.

Division policies and 45 CFR 1356.30(a) and (b) require prospective foster parents undergo and pass background checks, which include a limited check for criminal convictions and child abuse and neglect histories. Checks of these records must be made on a regular basis to help ensure the safety of children in care. Division policy provides that foster parents are to be re-licensed every two years and background checks should be obtained before the license is renewed.

**WE RECOMMEND** the Children's Division:

- A. Ensure social workers make foster child home visits frequently enough to ensure the children are safe and are progressing appropriately in their adjustment to their foster home setting. If workers are unable to comply with the required twice monthly visit schedule, management should take proper steps to ensure gaps between visits are kept to a minimum.
- B. Ensure social workers assume their responsibilities for visits for children placed in their counties from other counties and make appropriate reports back to the home counties. In addition, management should ensure workers adequately document details of the child's progress found during each home visit.
- C. Develop and establish a centralized tracking process for use at all local offices. The process should be designed to continuously identify and track the status and location of each child brought into state custody.
- D. Reassess the results of the division's statewide inventory to ensure all problems or inconsistencies identified are corrected, and take steps to improve the timeliness of system updates to accurately show the current status of each child.
- E. Improve the process of arranging and scheduling team meetings to achieve better attendance and documentation. One method could include establishing focus groups of the primary stakeholders to obtain appropriate input.
- F. Ensure local offices follow consistent policy when dealing with foster children who have run away from foster homes. The policy to be followed should include giving appropriate considerations to the child's continuing safety, reasons for leaving the assigned foster home, and reporting a runaway child for custody apprehension.
- G. Where appropriate, take steps to ensure local offices increase the timeliness for requesting termination of parental rights and where not appropriate, ensure the case records document the required compelling reason for not requesting termination. In addition, greater emphasis should be given to concurrent planning to ensure the stage is properly set for beginning the termination process in a timely fashion if it becomes necessary.
- H. Augment the foster parent background checking process by adding a step to review circuit court records for indications of possible problems as identified by having orders of protection recorded against the foster parent.

**AUDITEE'S RESPONSE**

A,B,D,

E,G,H. *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 finding.*

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

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

**2003-8.**

**Foster Care Compliance**

Federal Agency: Department of Health and Human Services

Federal Program: 93.658 Foster Care - Title IV-E

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

Questioned Costs

\$2,175

On December 5, 2003, the Missouri State Auditor's Office issued audit report No. 2003-115, ***Department of Social Services Foster Care Program***. (A copy of the complete audit report can be obtained from: Missouri State Auditors Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at [www.auditor.mo.gov](http://www.auditor.mo.gov).) The report included the following findings:

A. Division personnel overpaid residential facilities by over \$22,000 for 246 days of service for 27 children who had ran away from residential care facilities as of October 14, 2002. At that time, there were 137 runaways in Jasper, Jackson, Greene, and St. Louis counties and the city of St. Louis, 27 of whom ran from residential facilities.

When a child runs away from a residential facility, division policy allows payment for up to 7 extra days of care if the facility officials agree to hold the opening and accept the child upon return. Consequently, this policy compensates the residential facility without reciprocal value. None of the 27 runaways in the analysis returned to their residential facilities. The daily reimbursement rates range from \$56.28 for children in emergency care to \$118.20 for children in psychiatric care.

B. Social workers did not promptly update the child's placement status in the computer system to runaway, which caused overpayments. Audit tests showed providers received 117 payments for the 137 runaways (discussed above) for the month the child ran away and for part of the subsequent month. Forty of 117

payments were paid in violation of the division policy, (noted above) and payments continued up to 20 days after the child ran away.

Retrieving overpayments create unnecessary workloads because the division officials deduct these amounts from one or more future payments. If the provider is no longer receiving payments from the division, the local county office must pursue the needed repayment. The division is preparing to implement system improvements to identify payment errors more quickly. These changes should help decrease the amount and number of overpayments and speed up the error corrections; however, errors will not be decreased significantly until social workers promptly update the system.

- C. Division workers disregarded criminal convictions documented in background checks and inappropriately licensed three foster parents. The auditors matched court records to foster parent records. Based on the match results, the division found three inappropriately licensed foster parents. Background checks in the division's files disclosed one foster parent had assault and stealing charges and two foster parents had drug convictions within five years. Two of the foster parents received no federal funding and one received funding totaling \$3,565. Timely supervisory review of the three foster parent applications could have prevented these problem. We question the federal share of \$2,175 (61 percent).

Under 45 CFR 1356.30(a), the state must provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents and under 45 CFR 1356.30(b) state officials cannot approve or license a foster parent with convictions, such as child abuse, spousal abuse, or crimes against a child or children. Also, under CFR 1356.30(c), persons convicted of a physical assault or a drug-related crime within the last five years may be not licensed. The regulation prohibits the use of federal funds to pay foster parents having such convictions.

- D. Although the division conducts a series of background checks for prospective new social workers, staff do not use the Family Care Registry. This registry would identify if the applicant was excluded from working for the Department of Health and Senior Services or Department of Mental Health because of their previous history.

A worker considered unacceptable for working with the elderly or mentally ill should also receive more careful consideration before being accepted to serve as a children's social worker.

**WE RECOMMEND** the Children's Division:

- A. Discontinue reimbursing residential facilities for runaway children during their flight status. Take action to amend current contracts if feasible, and delete the contract language in future contract bids.
- B. Ensure social workers promptly initiate and enter child placement changes into the tracking system.
- C. Resolve the questioned costs with the grantor agency and pursue reimbursement from the foster parent. In addition, the division should ensure foster parents who fail to meet the applicable licensing criteria are not licensed and ensure worker licensing decisions are promptly reviewed by supervisors.
- D. Expand the background check of social workers to include a review of the Family Care Registry to identify workers who are not considered acceptable to work with children, the elderly or the mentally ill.

**AUDITEE'S RESPONSE**

*A-D. We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.*

<b>2003-9</b>	<b>Allowable Costs</b>
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Federal Agency: Department of Health and Human Services  
Federal Program: 93.778 Medical Assistance Program  
State Agency: Department of Social Services - Division of  
Medical Services (DMS)  
Questioned Costs: \$97,438

The total salary and fringe benefit costs for five employees were charged to the Medical Assistance Program even though these employees are primarily responsible for working with a state program called Missouri Senior Rx. These employees work with obtaining state rebates from drug manufacturers similar to how the Medical Assistance Program processes rebates from drug manufacturers and similar duties are performed for each program. However, no time sheets or other documentation is maintained by these employees to identify actual time spent on each program. Therefore, no support exists to justify the salary and fringe benefit costs charged to the Medical Assistance Program for these employees.

During the year ended June 30, 2003, salary and fringe benefit costs of \$194,875 for these five employees were charged to the Medical Assistance Program. As a result, we question costs totaling \$97,438, which is the federal share of salary and fringe benefit costs.

Office of Management and Budget (OMB) Circular A-87 requires that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages has to be supported by personnel activity reports or equivalent documentation. Such documentary support is required where employees work on a federal award and a non-federal award.

**WE RECOMMEND** the DMS resolve the questioned costs with the grantor agency. In addition, the DMS should comply with the provisions of OMB Circular A-87 and allocate costs based on the actual time spent on the various federal and state programs.

**AUDITEE'S RESPONSE**

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

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

STATE OF MISSOURI  
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the State of Missouri, on the applicable findings in the prior audit report issued for the year ended June 30, 2002.

1. Internal Control Plans

Seventeen state agencies had not submitted an internal control plan as of March 12, 2003.

Recommendation:

The Office of Administration (OA) make further attempts to obtain an internal control plan from all state agencies.

Status:

Partially implemented. Additional internal control plans were received by the OA. However, a few agencies still have not submitted an internal control plan. Although not repeated in the current report, our recommendation remains as stated above.

2. Accounts Receivable Estimates

The OA did not have procedures for state agencies to follow in preparing accounting estimates for accounts receivable and/or uncollectible accounts.

Recommendation:

The OA implement procedures to ensure state agencies use an appropriate process to calculate estimates for accounts receivable and uncollectible accounts.

Status:

Not implemented. As stated in the prior report response, the auditee believes that each agency is in the best position to make the final determination if the estimates are realistic, especially by specific revenue type. Although not repeated in the current report, our recommendation remains as stated above.



3. Fixed Assets and Accumulated Depreciation

- A. The Department of Revenue, the House of Representatives, the Senate, and the Department of Conservation had not converted their fixed assets to the SAM II system.
- B. Several agencies did not perform periodic reconciliations between the general ledger and the fixed asset subsystem in accordance with SAM II procedures.
- C. The Department of Corrections, the Department of Social Services, most of the facilities within the Department of Mental Health, the Department of Natural Resources, and 3 of the 11 divisions within the Department of Public Safety did not perform a physical inventory during 2002.
- D. The OA issued guidance in SAM II that allowed agencies to decide the estimated useful life and salvage value for fixed asset items which resulted in unnecessary inconsistencies. The SAM II guidance also appeared to be unnecessarily complicated.
- E. Accumulated depreciation and the corresponding expense, as calculated by the SAM II system, were not accurate.

Recommendation:

The OA:

- A. Make further attempts to get all state agencies to convert fixed assets to the SAM II system.
- B. Ensure state agencies perform periodic reconciliations between the general ledger and fixed asset subsystem.
- C. Ensure state agencies perform an annual physical inventory.
- D. Consider simplifying the guidance on estimated useful lives and consider establishing a statewide policy on salvage value.
- E. Determine if changes are needed to the SAM II system to ensure depreciation is calculated correctly.

Status:

A&E. Implemented.

- B. Partially implemented. Several agencies still were not able to fully reconcile their fixed asset balances. However, OA has finalized their development of a

reconciliation report to aid agencies in their monthly reconciliations for fiscal year 2004. Although not repeated in the current report, our recommendation remains as stated above.

- C. Partially implemented. Improvement was made although some agencies still had not completed their 2003 inventory. Although not repeated in the current report, our recommendation remains as stated above.
- D. Not implemented. No changes were made to simplify the guidance on estimated useful lives and a statewide policy on salvage value was not established. Although not repeated in the current report, our recommendation remains as stated above.

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, 2002, and the findings from the prior audits for the years ended June 30, 2001 and 2000, 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 that 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, 2001 is as follows:

Findings numbered 1, 2, 3A, 4A, 4B, 4C, 4E, 5, 6, 7, 8, 9, 11, 17, 18, 20, 21, 23, 25, and 28 were corrected.

Findings numbered 3B, 4D, 10, 12, 13, 14, 15, 16, 19, 22, 24, 26 and 27 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2000, all of the findings were corrected, no longer valid, or did not warrant further action.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Finding 2001-3B.**     Subrecipient Monitoring

**Federal Agency:**     Housing and Urban Development  
**Federal Program:**    14.238 - Shelter Plus Care  
**State Agency:**        Department of Mental Health (DMH)

On May 2, 2001, the federal Department of Housing and Urban Development issued their report resulting from a review of the program, which noted several concerns on compliance with grant requirements.

**Recommendation:**

The DMH resolve these issues with the grantor agency and implement procedures to ensure compliance with grant requirements.

**Status of Finding:**

*We have continued to pursue resolution of this issue with HUD and to date we have not received a response.*

**Contact Person:**    Janet Gordon  
**Phone number:**     (573) 751-8050

**Finding 2001-4D.**     Accounting and Reporting Procedures

**Federal Agency:**     Environmental Protection Agency  
**Federal Program:**    66.458 - Capitalization Grants for State Revolving Funds  
**State Agency:**        Department of Natural Resources (DNR)

Administration fees are unnecessarily being held by the trustee banks.

**Recommendation:**

The DNR establish procedures to ensure the trustee banks remit administration fees to the DNR when received from each community.

**Status of Finding:**

*We continue to work with the Trustee to ensure the Trustee does not hold administration fees unnecessarily. We have established a spreadsheet to monitor submittal and our new accounting and project management system enhances this monitoring.*

**Contact Person:**    Carrie Schulte  
**Phone Number:**     (573) 526-8403

**Finding 2001-10.**     Sponsored Alien Reimbursement Claims

**Federal Agency:**     Department of Agriculture  
                              Department of Health and Human Services

**Questioned Costs**

**Federal Program:**    10.551 - Food Stamps                             \$ 3,364  
                              93.558 - Temporary Assistance for Needy Families     3,510

**State Agency:**       Department of Social Services – Division of Family Services (DFS)

The DFS has not established policies and procedures to pursue reimbursement of public assistance benefits to sponsored aliens. During our testing of Temporary Assistance case files, we noted the DFS provided a sponsored alien \$5,580 in Temporary Assistance benefits and \$3,364 in Food Stamp benefits over a period of nearly 24 months. We questioned the federal share of \$3,364 for Food Stamps (100 percent) and \$3,510 for Temporary Assistance (60 percent).

**Recommendation:**

The DFS resolve the questioned costs with the grantor agencies and pursue reimbursement from the sponsor. In addition, the DFS should establish policies and procedures to ensure identification of sponsors and reimbursement of benefits.

**Status of Finding:**

*The Family Support Division (FSD) issued policies pertaining to sponsored aliens: Memorandum #IM-27 was released February 19, 2003, discussing Temporary Assistance sponsored alien eligibility, and Memorandum #IM-122 (dated September 12, 2003) addresses policy manual revisions as they relate to immigrants. Memorandum IM-56 (dated April 18, 2003) discusses at length immigrant Food Stamp policy changes, which includes sponsor deeming and sponsor liability. Additionally, the Food Stamp section issued IM Memorandum 132 (October 9, 2003) discussing system data code entries by staff.*

**Status of Questioned Costs:**

*As to the State Auditor's Office's (SAO's) questioned cost for Food Stamps (FS) overpayment, the case-holding county is effecting a claim against the client. The Federal Food and Nutrition Service (FNS) will review the claim when it is in place and issue a position as to whether that suffices for reconciliation.*

*The claim will include the SAO's questioned TANF costs; the Federal Health and Human Services (HHS)/Administration for Children and Families (ACF) sustained the questioned cost (federal portion) in a statement issued in August 2003, but has not yet approached the FSD to resolve the matter. Likely, when (they) do, if the implemented claim itself does not suffice to address the erroneous payments issue, then the FSD will work with the HHS to offset any due amount.*

**Contact Person:** D. Wayne Osgoode  
**Phone number:** (573) 526-0967

**Finding 2001-12.**     Management of Outstanding Felony Warrants

**Federal Agency:**     Department of Agriculture  
                              Department of Health and Human Services

**Federal Program:**    10.551 - Food Stamps  
                              93.558 - Temporary Assistance for Needy Families

**State Agency:**       Department of Social Services – Division of Family Services (DFS)

On August 16, 2001, the Missouri State Auditor's Office issued audit report No. 2001-63, ***Management of Outstanding Felony Warrants***. The audit matched the Missouri State Highway Patrol's (MSHP's) database of outstanding warrants to the DFS database of benefit recipients. The audit reported 802 individuals with outstanding felony warrants were collecting Food Stamp and/or Temporary Assistance benefits. We determined 605 individuals collected an estimated \$192,712 in improper Food Stamp benefits and 197 individuals collected an estimated \$479,928 in improper Temporary Assistance benefits. The federal share of the Temporary Assistance benefits is \$287,956 (60 percent) and the Food Stamp benefits are \$192,712 (100 percent).

**Recommendation:**

The DFS coordinate with the Missouri Highway Patrol to develop a system to routinely match benefit payments on federal programs to felony warrants data and use the results to stop payments to ineligible individuals. In addition, the DFS should establish recoupment claims where appropriate.

**Status of Finding:**

*Due to the complexity of implementation and severe resource limits (current budget and staffing concerns), the FSD has not been able to move forward in partnership with the MSHP to routinely implement a warrant-match program as recommended by the SAO. Until fiscal and staffing concerns are situated, the FSD cannot responsibly project for when such a program could viably be in place.*

*The FSD notes that policy (IM memorandum #53 dated May 2, 2002) was issued, in-line with the USDA's position, discussing addressing a household containing a member alleged to have an outstanding warrant; when the FSD has received notice that a possible fleeing felon is part of a household's assistance group, the policy outlines the formal procedure for working with the household regarding eligibility. IM memorandum #116 (issued September 18, 2002) discusses establishing claims on individuals determined to have been ineligible for benefits received due to their status regarding outstanding warrants.*

*The FSD notes that (exception) cases identified as having had erroneous assistance payments issued to household member(s) are in the process of being reviewed. Where those reviews support the SAO declaration of overpayment, an appropriate claim – as recommended by the SAO -- is (or will be) implemented. The FSD cannot, at present, project when this project could be completed due to the amount of time each of the 800+ exception cases (involving the Food Stamp program and/or the TANF program) demands*

*for thorough review (and subsequent case actions as warranted) and in consideration of the limited available time from staff assigned to work on the task.*

**Contact Person:** D. Wayne Osgoode  
**Phone number:** (573) 526-0967

**Finding 2001-13.**     Eligibility – Out of State Recipients

**Federal Agency:**     Department of Agriculture  
                              Department of Health and Human Services

**Questioned Costs**

<b>Federal Program:</b>	93.767 - State Children's Insurance Program (SCHIP)	\$     87
	93.778 - Medical Assistance Program	67,861

**State Agency:**     Department of Social Services – Division of Family Services (DFS)  
                              Division of Medical Services (DMS)

Inadequate procedures for changing the eligibility and benefit status for Medicaid and SCHIP recipients that move out of the state resulted in unnecessary managed care payments of at least \$111,312 (federal share \$67,948).

**Recommendation:**

The DSS resolve the questioned costs with the grantor agency. In addition, the DSS should improve procedures to ensure recipients that move out of the state are timely removed from eligibility or the managed care program. The DSS should review the eligibility status for all other managed care program recipients with out of state addresses and recoup improper managed care payments.

**Status of Finding:**

*The FSD IM section worked with the DMS to resolve questioned costs relating to exception cases identified by the SAO; the DMS has recouped capitation payments erroneously made to managed care vendors on behalf of ineligible IM clients identified by the SAO. Additionally, the FSD IM worked with the DMS to ensure that the DMS receives a quarterly listing identifying managed care recipients who relocate from Missouri and remain case-active; this is a result of Missouri's participation in the multi-state PARIS match. The FSD IM section issued a memo (dated 02-28-03) to staff reiterating, when it is established that a Medicaid-covered client has relocated to another state while in active status in Missouri, the case should be reviewed as to whether it is a managed care case and acted upon accordingly.*

**Status of Questioned Costs:**

*Identified over-paid capitation payments have been recouped.*

**Contact Person:** D. Wayne Osgoode  
**Phone number:** (573) 526-0967



**Finding 2001-14.**     Eligibility - Recipient Social Security Numbers

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.767 - State Children's Insurance Program (SCHIP)  
                              93.778 - Medical Assistance Program

**State Agency:**        Department of Social Services (DSS)

During July 2001, there were nearly 57,000 recipients (7 percent of the total 838,000 recipients) that were eligible for Medicaid or SCHIP benefits without social security numbers or with invalid numbers on the state's computer systems.

**Recommendation:**

The DSS improve procedures to ensure social security numbers are received from all Medicaid and SCHIP eligible recipients, validated with the Social Security Administration, and entered into the state's computer systems.

**Status of Finding:**

*Staff is periodically reminded to secure and validate Social Security Numbers prior to entering them into the system.*

**Contact Person:** D. Wayne Osgoode  
**Phone number:** (573) 526-0967

**Finding 2001-15.**     Eligibility - Redeterminations

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.767 - State Children's Insurance Program (SCHIP)  
                              93.778 - Medical Assistance Program

**State Agency:**        Department of Social Services – Division of Family Services (DFS)  
                              Division of Medical Services (DMS)

The DFS did not perform Medicaid and SCHIP eligibility redeterminations on a timely basis.

**Recommendation:**

The DFS establish procedures to ensure Medicaid and SCHIP recipient eligibility is redetermined in accordance with state and federal regulations.

**Status of Finding:**

*Our corrective action plan remains unchanged.*

*The Family Support Division (FSD) of the Department of Social Services has experienced a significant loss of veteran staff over the past two years and current economic circumstances do not allow for the hiring of additional personnel. Given this, staff have been compelled to restructure their work format in order to ensure that Missourians in need are optimally served as best as humanly possible. This restructure involves*

*prioritizing functions in the course of the work format, with routine eligibility reviews – where there is no indication of circumstantial change – being among the lowest. Of course, where staff are alerted to changes that apparently could change benefit eligibility levels, then reviews would be among the highest of priorities; clients are required under program regulations to report changes to household circumstances, and especially where that involves changes to household income. This has been outlined to staff. The FSD endeavors in every way to be in compliance with guidelines as laid out in Federal regulations.*

**Contact Person:** D. Wayne Osgoode  
**Phone number:** (573) 526-0967

**Finding 2001-16.**     Spenddown Program

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**     93.778 - Medical Assistance Program  
**State Agency:**        Department of Social Services – Division of Family Services (DFS)  
                                  Division of Medical Services (DMS)  
**Questioned Costs:**     \$2,283

The state is incurring unnecessary Medicaid costs because spenddown program policies are not in compliance with federal requirements. In five spenddown recipients tested, costs paid by the Medicaid program, which were the responsibility of the spenddown recipient, totaled \$3,741. We questioned the federal share of this amount, \$2,283.

**Recommendation:**

The DMS resolve the questioned costs with the grantor agency. In addition, the DFS should establish policies and procedures to ensure Medicaid does not pay for any portion of a recipient's spenddown obligation.

**Status of Finding:**

*DFS fully implemented required changes by 10/1/2002.*

**Status of Questioned Costs:**

*Questioned costs were resolved with the grantor agency through the Medicaid Partnership Agreement.*

**Contact Person:** Janel Luck  
**Phone number:** (573) 751-3124

**Finding 2001-19.**     School District Administrative Claiming Program

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**     93.778 - Medical Assistance Program  
**State Agency:**         Department of Social Services – Division of Medical Services (DMS)

Sufficient controls are not in place to ensure claims submitted for the School District Administrative Claiming program are accurate. The DMS did not adequately monitor the work performed by the contractor.

**Recommendation:**

The DMS strengthen procedures to evaluate the controls in place by the contractor to ensure program billings are accurate.

**Status of Finding:**

*A contract compliance plan for monitoring work performed by the contractor has been completed. The compliance plan was implemented in June 2003. The contractor has submitted data for the January-March 2003 quarter. DMS is analyzing submitted data. DMS will continue to collect and analyze data from the contractor on a quarterly basis. Adjustments to the compliance plan will be made as deemed necessary. The audit tool for review of school district compliance to program policy is in place and DMS will continue to monitor the school district's activity through such an audit tool.*

**Contact Person:** Sandra Levels  
**Phone number:** (573) 751-6926

**Finding 2001-22.**     Medicaid Eligibility Quality Control

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**     93.778 - Medical Assistance Program  
**State Agency:**         Department of Social Services – Division of Family Services (DFS)

The DFS has not completed Medicaid eligibility quality control pilot projects that cover a broad enough recipient population to meaningfully reduce the state's Medicaid error rate.

**Recommendation:**

The DFS perform additional pilot projects covering a broader Medicaid recipient population which also evaluate whether the recipient's eligibility was appropriately determined and whether the person remained eligible through appropriate redeterminations.

**Status of Finding:**

*While the Division stands behind its previous response to this finding, we have recently been contacted by Centers for Medicare and Medicaid Services (CMS) regarding our quality control waiver. They have revised their expectations to require that we perform some quality control activity every month. To meet this new requirement, we have submitted a revised plan to CMS and are now performing additional projects.*



cases reviewed, DCSE failed to take action within the required time frames, resulting in a compliance rate of 54 percent for cases tested.

- B. We randomly selected cases to review for establishment services from a population of 57,289 cases in the establishment function. Test results disclosed that for 17 of 42 establishment cases reviewed, DCSE failed to take the required actions to establish an order of support within the established timeframe, resulting in a compliance rate of 60 percent for cases tested.
- C. We randomly selected cases to review for enforcement services from a population of 287,359 cases in the enforcement function. Test results disclosed that for 13 of 55 enforcement cases reviewed, DCSE failed to initiate income withholding, or another enforcement action, within 30 days of identifying a delinquency, resulting in a compliance rate of 76 percent for cases tested.
- D. We randomly selected cases to review for medical support services from a population of 203,341 cases requiring or having medical support orders. Test results disclosed that for 28 of 101 cases reviewed, DCSE failed to take one or more required actions. For cases tested, the compliance rate for providing medical support services is 72 percent.
- E. We selected cases where interstate activity was present on the other tests for support enforcement services. For 12 of 28 cases reviewed, DCSE failed to provide interstate services as required by federal regulation, resulting in a compliance rate of 57 percent for cases tested.

**Recommendation:**

The DCSE provide services within timeframes established by federal regulation.

**Status of Finding:**

*We disagree with the finding. The DCSE does not believe the limited number of cases reviewed by the State Auditor provides a valid sample from which reliable and accurate conclusions may be drawn.*

*In a letter dated June 25, 2003, the Regional Administrator stated "I do not sustain this finding and note that we agree with the State's contention that the sample size was not adequate to serve as a basis for definitive findings. As the auditors noted, paternity establishment is included in the State Self-Assessment. The accuracy of the State's data is then verified independently as part of the Data Review Audit (DRA) process. For FY 2001, the period covered by this audit, Missouri's paternity establishment rate was 86%; the DRA found that the State's documentation supporting this rate was acceptable. While we strongly support continuing improvement in this most important area, we agree with the State that this particular finding should not be the basis for any new corrective action. This finding is resolved."*

**Contact Person:** Michael Longanecker  
**Phone number:** (573) 526-3227

**Finding 2001-27.** Reconciliations and Interest  
**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.563 - Child Support Enforcement  
**State Agency:** Department of Social Services – Division of Child Support Enforcement (DCSE)

Child support monies in a State Treasurer's account are not being reconciled to DCSE accounting records by the Division of Budget and Finance (DBF). In addition, interest totaling \$994,383 has accumulated in the Family Support Trust Fund account since October 1999, and has not been disbursed as of October 31, 2001.

**Recommendation:**

The DCSE and DBF establish procedures to reconcile accounting records to cash in State Treasurer's account. In addition, we recommend the DBF remit accumulated interest to the state's general revenue fund and adjust the quarterly report of expenditures for the federal share.

**Status of Finding:**

*The DBF has accomplished the interest transfer every quarter and the federal 396-A report has reflected the transfer since this audit. DBF and DCSE have asked for a change in the programming of the MACSS system. The results of preliminary programming changes indicate additional changes are needed to get data compatible with the SAM system.*

**Contact Person:** Michael Longanecker  
**Phone number:** (573) 526-3227

**2002-1A.** Subrecipient Monitoring

**Federal Agency:** Department of Agriculture  
**Federal Program:** 10.557 - Special Supplemental Nutritional Program for Women, Infants, and Children (WIC)  
**State Agency:** Department of Health and Senior Services (DHSS)

The DHSS did not always notify the subrecipient on a timely basis about the findings noted in the on-site monitoring review.

**Recommendation:**

The DHSS submit finding letters to subrecipients on a timely basis.

**Status of Finding:**

*A tracking database has been implemented to track all required steps of the process. The monitoring results may not be submitted on a timely basis to all subrecipients. This will*



**Status of Finding:**

*Beginning in October 2003, field staff of WIC and Nutrition Services will be expected to appropriately monitor the corrective action plans. Staff will submit documentation to be filed with the monitoring and entered into the tracking data base. A spreadsheet has been developed and is currently up to date.*

**Contact Person:** Mark Reading  
**Phone number:** (573) 751-6014

**2002-1D.** Subrecipient Monitoring

**Federal Agency:** Department of Agriculture  
**Federal Program:** 10.557 - Special Supplemental Nutritional Program for Women, Infants, and Children (WIC)  
**State Agency:** Department of Health and Senior Services (DHSS)

The DHSS has not established adequate internal controls to ensure subrecipient monitoring is adequately completed and documented.

**Recommendation:**

The DHSS ensure that routing forms are complete and accurate, and maintain adequate documentation to support each monitoring review.

**Status of Finding:**

*A routing form has not been used in the current year but will be re-established in October 2003. A coordinator was hired in December 2003 and has developed a spreadsheet, which is currently up to date.*

**Contact Person:** Mark Reading  
**Phone number:** (573) 751-6014

**2002-2.** Schedule of Expenditures of Federal Awards

**Federal Agency:** Department of Agriculture  
**Federal Program:** 10.557 - Special Supplemental Nutritional Program for Women, Infants, and Children (WIC)  
10.558 - Child and Adult Care Food Program

**State Agency:** Department of Health and Senior Services (DHSS)

Expenditures reported on the original schedule of expenditures of federal awards prepared by the DHSS were understated by approximately \$38 million.

**Recommendation:**

The DHSS implement procedures to ensure the schedule of expenditures of federal awards is complete and accurate.



**Status of Finding:**

*Corrective action was taken.*

**Contact Person:** Mark Reading

**Phone number:** (573) 751-6014

**2002-3.** Child Care Facilities Inspections and Licensing

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.575 - Child Care and Development Block Grant  
**State Agency:** Department of Health and Senior Services (DHSS)

On July 19, 2002, the Missouri State Auditor's Office issued audit report No. 2002-52, *Child Care Facilities Inspections and Licensing*. The audit noted several weaknesses in child care licensing laws and regulations, and DHSS's procedures for ensuring facilities comply with these requirements.

**Recommendation:**

The DHSS establish procedures to improve oversight of unlicensed child care facilities. In addition, the DHSS should establish written guidelines to determine the severity of rule violations and effectively assess penalties or revoke child care licenses.

In addition, the DHSS should pursue legislative action to increase the penalty that can be assessed against child care providers operating in violation of state laws and regulations, and to limit the number of related and unrelated children in child care facilities to more closely align with the National Fire Protection Association suggested limit of one adult for no more than six children.

**Status of Finding:**

*The federal agency is not currently following up with the state agency on the audit finding and does not warrant further action.*

**Contact Person:** Mark Reading

**Phone number:** (573) 751-6014

**2002-4A.** Cost Allocation Procedures

**Federal Agency:** Department of Education  
**Federal Program:** 84.032 - Federal Family Education Loans (FFEL)  
**State Agency:** Department of Higher Education (DHE)  
**Questioned Costs:** \$183,084

Approximately 30 of the department's 87 employees worked on more than one program and were required to submit time sheets. Our review of 11 of these employees indicated that time sheets either did not exist or did not support the salary amount allocated to the FFEL program. Timesheets did not exist to support \$104,484 of the allocated salary

expenses, and \$78,600 of the allocated salary expenses exceeded the amount supported by the timesheets for the prior six months. As a result, we questioned costs totaling \$183,084 which is the federal share of salary costs not supported by the time sheets.

**Recommendation:**

The DHE resolve the questioned costs with the grantor agency. In addition, the DHE should comply with the provisions of OMB Circular A-87 and allocate costs based on the actual time spent on the various federal and state programs.

**Status of Finding:**

*The Department of Higher Education developed a new timesheet procedure and revised the draft policy to further comply with Circular OMB A-87.*

**Status of Questioned Costs:**

*DHE has not received any recommendation from the U.S. Department of Education regarding the questioned costs. In addition, a subsequent examination of DHE's management, financial structure and guaranty operation of the FFEL program by the U.S. Department of Education contained no similar questioned costs.*

**Contact Person:** Janelle Jaegers  
**Phone number:** (573)751-2361

**2002-4B.** Cost Allocation Procedures

**Federal Agency:** Department of Education  
**Federal Program:** 84.032 - Federal Family Education Loans (FFEL)  
**State Agency:** Department of Higher Education (DHE)

The DHE drafted a new policy requiring every employee to fill out monthly time sheets according to each employee's salary split, as opposed to their actual time worked.

**Recommendation:**

The DHE require employees to complete time sheets that document actual time worked and require supervisors to ensure that time sheets reflect actual hours worked.

**Status of Finding:**

*The Department of Higher Education developed a new timesheet procedure and revised the draft policy to further comply with Circular OMB A-87.*

**Contact Person:** Janelle Jaegers  
**Phone number:** (573)751-2361

**2002-5.**                    Eligibility - Work Search Contracts

**Federal Agency:**     Department of Labor  
**Federal Program:**    17.225 - Unemployment Insurance (UI)  
**State Agency:**        Department of Labor and Industrial Relations -  
                                  Division of Employment Security (DES)

The DES did not have adequate procedures to ensure that individuals (claimants) receiving UI benefits met the eligibility requirements of conducting weekly work search contacts.

**Recommendation:**

The DES implement additional procedures to verify claimants work search contact information and deny benefits to those claimants that do not adequately document the required information.

**Status of Finding:**

*This audit finding has not yet been resolved as the Department of Labor and Industrial Relations, Division of Employment Security (DES) disagrees with the auditor's finding. There are no provisions in the Missouri Statutes to deny unemployment insurance (UI) benefits to claimants who have failed to document in writing the specific information relating to the employers contacted as part of the work search requirement. The DES believes its procedures are correct and in compliance with the federal guidelines to verify work search requirements.*

*It is our understanding that the purpose of the Single Audit is to provide oversight for the interests of the federally funded programs by ensuring that the DES is following the federal guidelines. While the conclusions of the audit suggest that the DES is not in compliance with federal guidelines, the federal representatives of these programs have confirmed through multiple audits that the DES is in compliance with the federal guidelines. Federal representatives from the Office of Inspector General, Office of Accountability Audits and the United States Department of Labor's Employment and Training Administration's Regional Office have conducted extensive reviews of Missouri's federal guidelines for claimant work search verification requirements. At no time have any of the federal reviews generated findings of non-compliance. The DES has been found to be operating well within the federal parameters and has exceeded many of the guideline requirements. No federal reviews of the Missouri work search requirement have resulted in any corrective improvement or corrective action plans. The current procedures have presented no threat to federal funding.*

*In addition, the State Auditor's Office performance audit of the Unemployment Trust Fund, Review of the Missouri Unemployment Compensation Trust Fund, dated September 5, 2003, did not address the DES' work search requirements as a contributing factor in the Unemployment Trust Fund's insolvency.*

**Contact Person:** Rebecca A. Wills  
**Phone number:** (573) 751-1135

**2002-6.** Subrecipient Monitoring

**Federal Agency:** Environmental Protection Agency  
**Federal Program:** 66.458 - Capitalization Grants for State Revolving Funds  
**State Agency:** Department of Natural Resources (DNR)

The DNR did not adequately monitor subrecipients to ensure that an A-133 audit was performed when applicable and submitted to the DNR.

**Recommendation:**

The DNR ensure all subrecipients submit an A-133 audit.

**Status of Finding:**

*A tracking report has been in place since June 2002 and has been enhanced to track multiple years of compliance. The report is reviewed for non-complying recipients. Reminder letters are sent to these recipients and informed of an additional fee for not complying with the A-133 reporting requirement. Our new accounting and project management system will help us distinguish subrecipients needing to comply with the A-133 audit requirement.*

**Contact Person:** Carrie Schulte  
**Phone number:** (573) 526-8403

**2002-7.** Case Management Standards

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.563 - Child Support Enforcement  
**State Agency:** Department of Social Services - Division of Child Support Enforcement (DCSE)

- A. We randomly selected cases to review for paternity services from a population of 39,757 cases in the paternity function. Test results disclosed that for 9 of 67 cases reviewed, DCSE failed to take action within the required time frames, resulting in a compliance rate of 87 percent for paternity services.
- B. We randomly selected cases to review for establishment services from a population of 51,357 cases in the establishment function. Test results disclosed that for 17 of 60 cases reviewed, DCSE failed to take the required actions to establish an order of support within the established time frame, resulting in a compliance rate of 72 percent for establishment services.
- C. We randomly selected cases to review for enforcement services from a population of 294,421 cases in the enforcement function. Test results disclosed that for 7 of

48 enforcement cases reviewed, DCSE failed to initiate income withholding, or another enforcement action, within 30 days of identifying a delinquency, resulting in a compliance rate of 85 percent for enforcement services.

- D. We randomly selected cases to review for medical support services from a population of 328,939 cases requiring or having medical support orders. Test results disclosed that for 4 of 59 cases reviewed, DCSE failed to take one or more required actions. The compliance rate for providing medical support services is 93 percent for cases tested.
- E. We randomly selected cases to review for interstate services from a population of 51,546 cases requiring interstate services. For 2 of 36 initiating interstate cases reviewed, DCSE failed to provide interstate services within the required timeframes, resulting in a compliance rate of 94 percent for cases tested.

**Recommendation:**

The DCSE provide services within timeframes established by federal regulation.

**Status of Finding:**

*The DCSE refutes the State Auditor's assertion that federal regulations require corrective action.*

*No corrective action is necessary.*

**Contact Person:** Michael Longanecker  
**Phone number:** (573) 526-3227

**2002-8.** Eligibility Redeterminations

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.767 - State Children's Insurance Program (SCHIP)  
93.778 - Medical Assistance Program  
**State Agency:** Department of Social Services - Division of  
Family Services (DFS)  
Division of Medical Services (DMS)

The DFS did not have adequate procedures to ensure it performs Medicaid and SCHIP eligibility redeterminations in accordance with state and federal regulations.

**Recommendation:**

The DFS establish procedures to ensure Medicaid and SCHIP recipient eligibility is redetermined in accordance with state and federal regulations.

**Status of Finding:**

*Our corrective action plan remains unchanged.*

*The Family Support Division (FSD) of the Department of Social Services has experienced a significant loss of veteran staff over the past two years and current economic circumstances do not allow for the hiring of additional personnel. Given this, staff have been compelled to restructure their work format in order to ensure that Missourians in need are optimally served as best as humanly possible. This restructure involves prioritizing functions in the course of the work format, with routine eligibility reviews – where there is no indication of circumstantial change – being among the lowest. Of course, where staff are alerted to changes that apparently could change benefit eligibility levels, then reviews would be among the highest of priorities; clients are required under program regulations to report changes to household circumstances, and especially where that involves changes to household income. This has been outlined to staff. The FSD endeavors in every way to be in compliance with guidelines as laid out in Federal regulations.*

**Contact Person:** D. Wayne Osgoode  
**Phone number:** (573) 526-0967

**2002-9.** Schedule of Expenditures of Federal Awards

**Federal Agency:** Department of Agriculture  
Department of Health and Human Services  
**Federal Program:** 10.561 - State Administrative Matching Grants for Food Stamp Program  
93.575 - Child Care and Development Block Grant  
93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund  
93.667 - Social Services Block Grant  
93.777 - State Survey and Certification of Health Care Providers and Suppliers  
93.778 - Medical Assistance Program  
**State Agency:** Department of Social Services (DSS)

The DSS incorrectly reported expenditure amounts for some programs on the schedule of expenditures of federal awards (SEFA).

**Recommendation:**

The DSS implement procedures to ensure the SEFA is complete and accurate.

**Status of Finding:**

*Corrective action has been implemented.*

**Contact Person:** Roger Backes  
**Phone number:** (573) 751-2170

**2002-10.**                    Employee Cost Allocations

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.566 - Refugee and Entrant Assistance - State Administered Programs  
**State Agency:**        Department of Social Services - Division of Family Services (DFS)  
**Questioned Costs:**    \$88,042

Our review of employee time distribution certifications noted an employee's salary, benefits, and related indirect costs were erroneously charged to the Refugee and Entrant Assistance - State Administered Programs grant. We questioned the federal share of \$88,042 (100 percent) for salary, benefit, and indirect costs erroneously charged to the Refugee and Entrant Assistance - State Administered Programs grant from August 2000 through June 2002.

**Recommendation:**

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should ensure that the semi-annual federally funded certifications are accurate and complete.

**Status of Finding:**

*The DFS will begin completing the bi-annual federal program employee certification reporting forms beginning with the period June 30, 2003, through December 31, 2003.*

**Status of Questioned Costs:**

*Questioned Costs have not yet been resolved with the grantor agency.*

**Contact Person:**        D. Wayne Osgoode      
**Phone number:**         (573) 526-0967    

**2002-11A.**                    Duplicate Payments and Refunds

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.658 - Foster Care - Title IV-E  
                                  93.659 - Adoption Assistance  
                                  93.667 - Social Services Block Grant  
**State Agency:**        Department of Social Services (DSS) - Division of Family Services (DFS)

Weaknesses in disbursement procedures have allowed duplicate payments to occur. During our review of vendor refunds for the two years ended June 30, 2002, we identified approximately \$348,000 of refunds received by the DFS for duplicate payments issued through the Children's Services Integrated Payment System (CSIPS), including approximately \$293,000 received from one vendor.

**Recommendation:**

The DFS establish internal controls to prevent duplicate payments, including a policy requiring all payments to be supported by an original vendor invoice. In addition, the DFS should review supporting documentation for payments processed through the CSIPS to identify and correct any other duplicate payments.

**Status of Finding:**

*A Missouri Results Initiative workgroup has identified a number of enhancements to the current Children's Services Payment System and child welfare payment processes in general. One of these recommendations was to have the automated system identify, and thus, prevent, potential duplicate payments and overpayments to vendors. Systems work was implemented by July 1, 2003.*

**Contact Person:** Linda Vaughan  
**Phone number:** (573) 751-8946

**2002-11B.**            Duplicate Payments and Refunds

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

**Federal Program:**    93.658 - Foster Care - Title IV-E  
                                  93.659 - Adoption Assistance  
                                  93.667 - Social Services Block Grant

**State Agency:**        Department of Social Services (DSS) - Division of Family Services (DFS)

Vendor refunds were not always remitted to the Division of Budget and Finance (DBF) for deposit on a timely basis.

**Recommendation:**

The DFS remit receipts to the DBF for deposit on a timely basis in accordance with DSS policy.

**Status of Finding:**

*With regard to remittance of vendor refunds to the Division of Budget and Finance, procedures have already been implemented to remit the payments as soon as possible, but no longer than within 5 working days of receipt. This was implemented by April 1, 2003.*

**Contact Person:** Linda Vaughan  
**Phone number:** (573) 751-8946



**2002-12.**                    Oversight of Temporary Assistance for Needy Families

**Federal Agency:**     Department of Health and Human Services  
**Federal Program:**    93.558 - Temporary Assistance for Needy Families (TANF)  
**State Agency:**        Department of Social Services (DSS) - Division of Family Services (DFS)

On January 28, 2003, the Missouri State Auditor's Office issued audit report No. 2003-10, *Division of Family Services Oversight of Temporary Assistance for Needy Families*. The audit noted division personnel had not made and/or not documented referrals to employment assistance programs for 39 of 179 (22 percent) cases reviewed. In addition, the audit noted case managers had not stayed in contact with recipients to monitor compliance with work requirements or reevaluate exemptions from work requirements for 36 of 120 (30 percent) cases reviewed. The audit also noted case documentation was not adequate for 78 of 120 (65 percent) cases reviewed. Further, the audit noted that on July 1, 2002, the division extended temporary assistance benefits for 1,034 recipients beyond the 60-month lifetime benefit period without determining whether these recipients were entitled to receive extended benefits.

**Recommendation:** The DFS:

- A.     Establish quality controls to require periodic reviews of cases to ensure referrals are made and recipients are contacted in a timely manner.
- B.     Ensure division personnel provide adequate case documentation.

**Status of Finding:**

- A.     *Corrective action is no longer necessary due to the program being transitioned to the Department of Economic Development, Division of Workforce Development (DED-DWD).*
- B.     *Corrective action will be ongoing.*

**Contact Person:**         D. Wayne Osgoode    

**Phone number:**          (573) 526-0967    

**Status of Finding:**

- A.     *DED-DWD has set up a monitoring system to ensure that recipients are contacted in a timely manner following receipt of referral from Family Support Division (FSD). All employment and training ready Temporary Assistance recipient referrals are electronically transmitted from FSD to DWD through Missouri Toolbox. Individuals referred for services are posted to a pending call-in list, with a call-in letter to be sent within five calendar days of referral date. If that letter is not sent within the five day time period, the name will automatically be placed on a supervisor's call-in list. The supervisor is then responsible for ensuring that a call-in letter is sent within two working days.*

**Contact Person:** Steve Kraus  
**Phone number:** (573) 751-6694

**2002-13.** Eligibility for Adoption Assistance Payments

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.659 - Adoption Assistance  
**State Agency:** Department of Social Services (DSS) - Division of Family Services (DFS)  
**Questioned Costs:** \$17,804

We reviewed eligibility documentation, subsidy contracts, and expenditure documentation for 28 Adoption Assistance recipients. The 28 recipients received Adoption Assistance totaling \$132,900 during the year ending June 30, 2002. We could not locate eligibility documentation for five of twenty-eight (17 percent) cases reviewed. Some services paid were not listed in the subsidy contracts for three of twenty-eight (10 percent) cases reviewed. We could not locate invoices or other supporting documentation for some payments on eight of twenty-eight (29 percent) cases reviewed. The expenditures related to these errors totaled \$29,188 and we questioned the federal share of \$17,804 (61 percent).

**Recommendation:**

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should ensure eligibility is properly documented, ensure all services to be provided are documented in adoption subsidy contracts, and ensure all payments are supported by adequate documentation.

**Status of Finding:**

*Corrective action has been implemented.*

**Status of Questioned Costs:**

*The DFS refutes the questioned costs associated with the finding. Proper documentation for five cases noted in the audit was found and the questioned costs were all eligible and appropriate. Additionally, the State Auditor misunderstood service codes on three cases. Costs for these cases were all eligible and appropriate. Finally, supporting documentation for eight cases mentioned in the audit was located and the expenditures were appropriate. No further corrective action is necessary.*

**Contact Person:** D. Wayne Osgoode  
**Phone number:** (573) 526-0967