



Claire McCaskill

Missouri State Auditor

March 2005

State of Missouri

Single Audit

Year Ended

June 30, 2004



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2005

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 \$8.3 billion of federal grant funds during the year ended June 30, 2004. 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 (94 percent). These six departments are: Social Services, Transportation, Labor and Industrial Relations, Elementary and Secondary Education, Health and Senior Services, and Office of Administration. Overall, the state expended federal awards in 313 different programs.

The state of Missouri did not comply with requirements regarding eligibility that are applicable to its State Children's Insurance and Medical Assistance programs. Compliance with such requirements is necessary, in the opinion of the State Auditor, for the state of Missouri to comply with the requirements applicable to that program. On April 27, 2004, the Missouri State Auditor's Office issued audit report No. 2004-29, *Department of Social Services Medicaid Eligibility*. We found Family Support Division (FSD) caseworkers were not performing annual eligibility redeterminations as required by federal and state regulations. As of June 30, 2003, the FSD had not redetermined eligibility within a year or more for 383,004 of 934,453 recipients (41 percent). We question costs totaling \$767,270 for Medicaid and \$174,693 for SCHIP.

We also noted matters involving the internal control over compliance that we consider to be reportable and material problems.

The current loan servicer used in the Federal Family Education Loan Program has not established procedures to provide that collections are adequately secured and that all collections are fully reconciled to the accounting system and tracked. The loan servicer also has not established an adequate quality control review process regarding paid claims. Required federal reports appear to be inaccurate and lack adequate supporting documentation.

The State Emergency Management Agency has not established adequate internal controls to ensure subrecipient monitoring is properly performed.

(over)

YELLOW SHEET

Eligibility and payment documentation could not be located for some Department of Social Services (DSS)-Children's Division (CD) Foster Care Title IV-E cases reviewed. We reviewed eligibility documentation for 60 Foster Care benefit recipients. Their Foster Care assistance totaled \$205,579 during the year ending June 30, 2004. We could not locate invoices or other adequate supporting documentation for some payments on 62 percent of cases reviewed. We questioned costs of \$6,857. A similar condition was also noted in our prior report. In addition, the CD does not verify that residential facility and day care contractors paid more than \$25,000 are not suspended or debarred from participating in federal government programs.

On January 13, 2004, the Missouri State Auditor's Office issued audit report No. 2004-01, ***Oversight Controls and Management in the State's Managed Care Program***. Officials with the Division of Medical Services (DMS) cannot measure the utilization of covered services provided to managed care recipients and do not know if the state's total cost truly measured healthcare costs. Additionally, the DMS did not profile the managed care population to determine if capitation payments were made for potentially ineligible recipients, or if the absence of encounter claim records was an indication of problems with access to medical services. Also, fraud detection activities were not performed in the managed care program even though required by federal Medicaid rules.

The DSS-CD made Adoption Assistance payments exceeding contract limits. Also, invoice or other supporting documentation for some payments could not be located. We questioned costs of \$12,112. Similar conditions were also noted in our two prior reports.

Also included in the single audit report are recommendations related to subrecipient monitoring in the Department of Mental Health and the Department of Health and Senior Services. Recommendations regarding the Vocational Rehabilitation program, interest calculation errors, and managed care program complaint and grievance reports are also included.

All reports are available on our website: www.auditor.mo.gov

STATE OF MISSOURI
SINGLE AUDIT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION AND SUMMARY	1-6
Summary information, charts, and graphs of Expenditures of Federal Awards	2-6
STATE AUDITOR'S REPORTS.....	7-12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	8-9
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance and on the Supplementary Schedule of Expenditures of Federal Awards in accordance with OMB Circular A-133	10-12
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	13-23
Notes to the Schedule of Expenditures of Federal Awards	22-23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	24-51
Schedule of Findings and Questioned Cost, Year Ended June 30, 2004.....	25-51
Section I - Summary of Auditor's Results.....	25
Section II- Financial Statement Findings.....	26
Section III - Federal Award Findings and Questioned Costs.....	26
<u>Number</u>	<u>Description</u>
2004-1.	<u>Department of Elementary and Secondary Education</u> Vocational Rehabilitation
	26
2004-2.	<u>Department of Health and Senior Services</u> Subrecipient Monitoring – CDC Grant.....
	30
2004-3.	<u>Department of Higher Education</u> Federal Family Education Loan Program
	31
2004-4.	<u>Department of Mental Health</u> Subrecipient Monitoring – SAPT Block Grant.....
	35

STATE OF MISSOURI
SINGLE AUDIT

TABLE OF CONTENTS

	<u>Page</u>
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	24-51
2004-5. <u>Department of Public Safety</u> Subrecipient Monitoring – Equipment Support Program	35
2004-6. <u>Department of Social Services</u> Cash Management – Interest Calculation Errors	37
2004-7. Eligibility for Adoption Assistance Payments	38
2004-8. Foster Care Compliance.....	40
2004-9. Managed Care Program – Complaint and Grievance Reports	42
2004-10. Managed Care Program	42
2004-11. Medicaid Eligibility	46
 FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	 52-53
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS IN ACCORDANCE WITH OMB CIRCULAR A-133	 54-77

INTRODUCTION AND SUMMARY

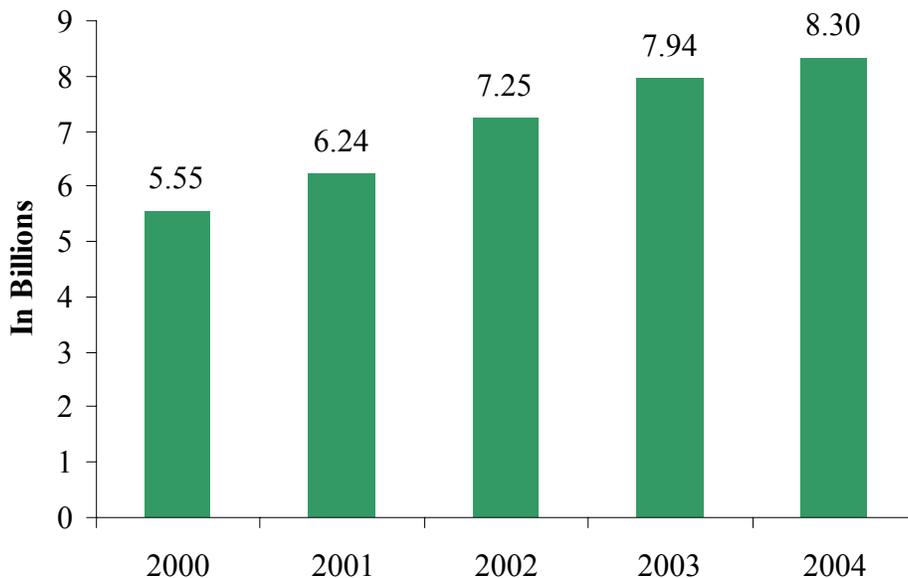
INTRODUCTION AND SUMMARY

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.

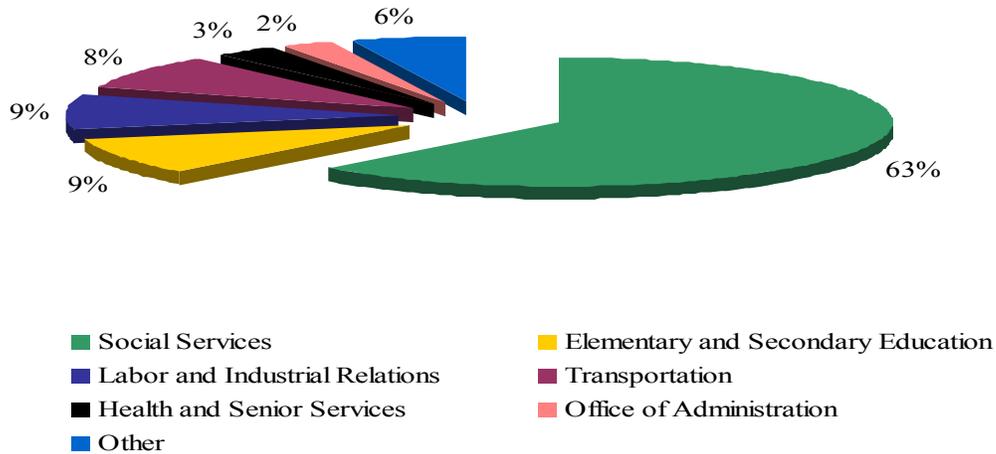
The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended \$8.3 billion in federal awards during the year ended June 30, 2004. Expenditures of federal awards have increased significantly over the past five years.

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



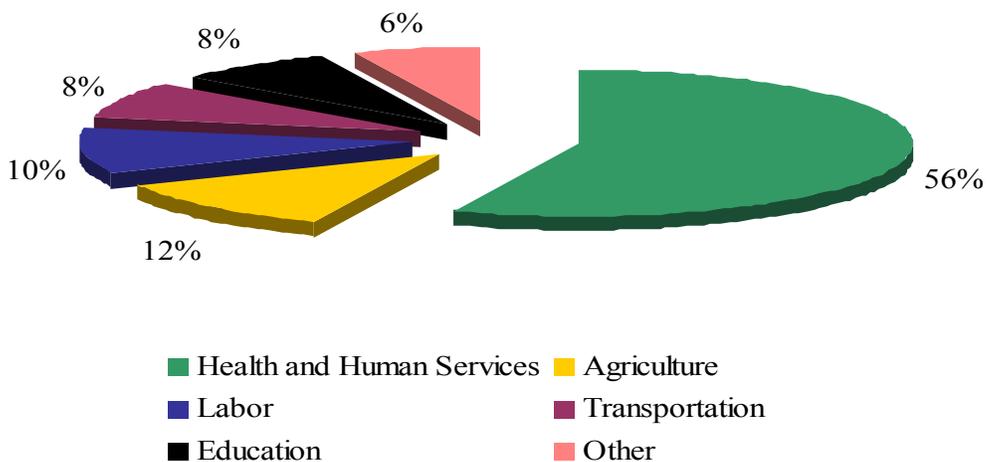
Although all sixteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (94 percent).

Expenditures of Federal Awards by State Department



The state received federal awards from 21 different federal agencies. Most of the federal awards (94 percent) came from five federal agencies.

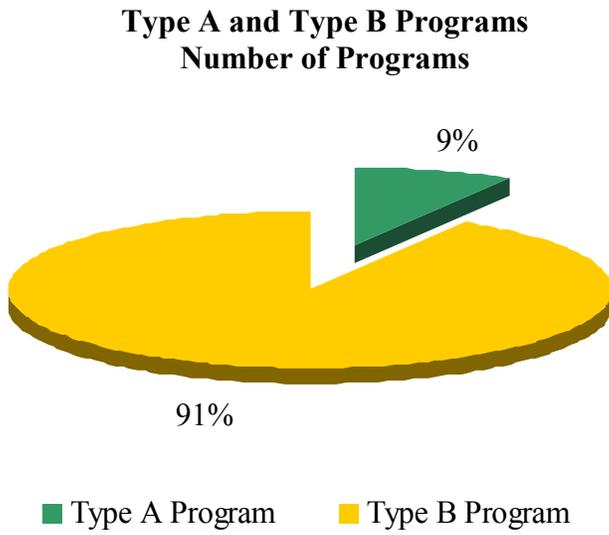
Expenditures of Federal Awards by Federal Department



Overall, the state expended federal awards in 313 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.

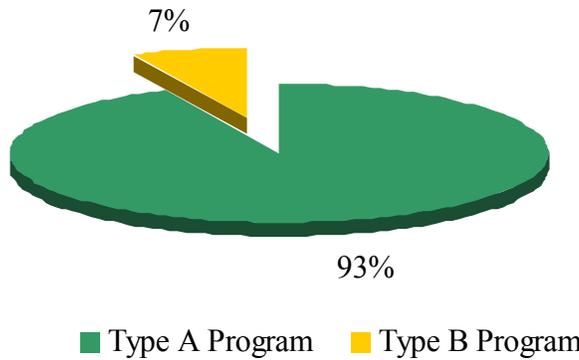
Determination of Type A Programs	
Total expenditures of federal awards	\$ 8,299,122,329
Three-tenths of one percent	.003
Dollar Threshold	\$ 24,897,367

We rounded the dollar threshold to \$24.8 million. Programs with federal expenditures over \$24.8 million are Type A programs and the programs under \$24.8 million are Type B programs. Of the 313 different federal award programs, 27 were Type A programs and 286 were Type B programs.



The 27 Type A programs had expenditures of federal awards totaling \$7.7 billion, which was 93 percent of the total expenditures for all programs. The 286 Type B programs had expenditures of federal awards totaling \$585 million, which was only 7 percent of the total expenditures for all programs.

**Type A and Type B Programs
Expenditures of Federal Awards**



OMB Circular A-133 requires the auditor to 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 13 of the 27 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 (\$8.30 billion times .0003 = \$2.48 million). We performed risk assessments on the 60 larger Type B programs that were over \$2.48 million and determined that 4 of them were high risk. In accordance with OMB Circular A-133, we audited 2 (one-half) of these 4 high risk Type B programs as major. As a result of the risk-based approach required under OMB Circular A-133, we audited 14 Type A programs and 2 Type B programs as major.

Major and Non-major Programs

Audit Coverage by Type of Program	Number of Programs	Expenditures	Percentage of Expenditures
Type A major programs	14	\$ 4,554,300,113	
Type B major programs	2	18,859,806	
Total major programs	16	4,573,159,919	55%
Type A non-major programs	13	3,159,353,045	
Type B non-major programs	284	566,609,365	
Total non-major programs	297	3,725,962,410	45%
Total all programs	313	\$ 8,299,122,329	100%

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
	Food Stamp Cluster:		
10.551	Food Stamps	Agriculture	\$ 651,322,055
10.561	State Administrative Matching Grants for Food Stamp Program	Agriculture	38,621,134
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	32,319,040
10.555	National School Lunch Program	Agriculture	118,750,566
10.556	Special Milk Program for Children	Agriculture	362,716
10.559	Summer Food Service Program for Children	Agriculture	7,058,117
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	73,779,334
10.558	Child and Adult Care Food Program	Agriculture	36,281,171
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	34,113,252
17.225	Unemployment Insurance	Labor	731,309,365
	Workforce Investment Act Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	13,944,363
17.259	Workforce Investment Act - Youth Activities	Labor	15,718,026
17.260	Workforce Investment Act - Dislocated Workers	Labor	29,148,214
20.205	Highway Planning and Construction	Transportation	660,314,376
21	Jobs and Growth Tax Relief Reconciliation Act of 2003	Treasury	190,266,337
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	55,345,894
84.010	Title I Grants to Local Educational Agencies	Education	173,158,697
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	165,766,016
84.173	Special Education - Preschool Grants	Education	5,658,752
84.032	Federal Family Education Loans	Education	60,727,167
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	56,908,211
84.367	Improving Teacher Quality State Grants	Education	48,778,921
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Health and Human Services	27,375,173
93.558	Temporary Assistance for Needy Families	Health and Human Services	160,908,334
93.563	Child Support Enforcement	Health and Human Services	41,255,341
93.568	Low-Income Home Energy Assistance	Health and Human Services	43,738,760
	Child Care and Development Fund Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	64,331,048
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	53,709,076
93.658	Foster Care - Title IV-E	Health and Human Services	51,401,765
93.659	Adoption Assistance	Health and Human Services	25,669,062
93.667	Social Services Block Grant	Health and Human Services	55,291,823
93.767	State's Children's Insurance Program	Health and Human Services	77,790,918
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	748,066
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	12,183,155
93.778	Medical Assistance Program	Health and Human Services	3,842,564,362
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Health and Human Services	25,354,111
96.001	Social Security - Disability Insurance	Social Security Administration	31,680,440
	Total Type A Programs (expenditures greater than \$24.8 million)		7,713,653,158
	Total Type B Programs (expenditures less than \$24.8 million)		585,469,171
	Total Expenditures of Federal Awards		\$ <u>8,299,122,329</u>

STATE AUDITOR'S REPORTS



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2004, which collectively comprise the state's basic financial statements, and have issued our report thereon dated December 8, 2004. 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, the Transportation Self-Insurance Plan, and the Conservation Employees' 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 39 percent and 59 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 (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represents 92 percent and 97 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Missouri's 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 caused by error or fraud 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.

Compliance and Other Matters

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

The State Auditor's 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 8, 2004, on the basic financial statements.

This report is intended for the information and use of the management of the state of Missouri; 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

December 8, 2004 (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 AND ON THE SUPPLEMENTARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Matt Blunt, 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, 2004. 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 such 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 of the state's compliance with those requirements.

As described in item 2004-11 in the accompanying schedule of findings and questioned costs, the state of Missouri did not comply with requirements regarding eligibility that are

applicable to its State Children's Insurance and Medical Assistance programs. Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2004. The results of our auditing procedures also disclosed other 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 2004-7 through 2004-8.

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 the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-2, 2004-3, 2004-5, and 2004-8 through 2004-10.

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 the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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, of the reportable conditions described above, we consider items 2004-3, 2004-5, 2004-8, and 2004-10 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended

June 30, 2004, which collectively comprise the state's basic financial statements, and have issued our report thereon dated December 8, 2004. 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, the Transportation Self-Insurance Plan, and the Conservation Employees' 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 39 percent and 59 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 (and other employee benefit) trust funds and Missouri Department of Transportation Local Fund, which represents 92 percent and 97 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the management of the state of Missouri; 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

January 28, 2005 (fieldwork completion date)

SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07	HIDTA	\$ 1,980,193	1,436,128
Total Office of National Drug Control Policy		<u>1,980,193</u>	<u>1,436,128</u>
Department of Agriculture			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	549,974	0
10.069	Conservation Reserve Program	60,396	0
10.153	Market News	3,097	0
10.156	Federal-State Marketing Improvement Program	88,540	38,359
10.163	Market Protection and Promotion	8,844	0
10.200	Grants For Agricultural Research, Special Research Grants	4,893	0
10.435	State Mediation Grants	443,606	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	449,084	0
10.477	Meat, Poultry, and Egg Products Inspection	3,262	0
10.550	Food Donation	18,601,689	17,977,670
10.551	Food Stamps	651,322,055	0
10.553	School Breakfast Program	32,319,040	32,319,040
10.555	National School Lunch Program	118,750,566	117,379,553
10.556	Special Milk Program for Children	362,716	362,716
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	73,779,334	12,618,363
10.558	Child and Adult Care Food Program	36,281,171	35,830,586
10.559	Summer Food Service Program for Children	7,058,117	6,819,829
10.560	State Administrative Expenses for Child Nutrition	2,653,210	1,923,197
10.561	State Administrative Matching Grants for Food Stamp Program	38,621,134	432,260
10.565	Commodity Supplemental Food Program	545,008	475,342
10.568	Emergency Food Assistance Program (Administrative Costs)	1,205,668	980,764
10.569	Emergency Food Assistance Program (Food Commodities)	8,610,320	8,610,320
10.570	Nutrition Services Incentive	5,712,897	4,119,413
10.572	WIC Farmers' Market Nutrition Program (FMNP)	247,491	230,870
10.574	Team Nutrition Grants	45,114	0
10.576	Senior Farmers' Market Nutrition Program	269,447	268,995
10.600	Foreign Market Development Cooperator Program	57,862	0
10.664	Cooperative Forestry Assistance	1,943,194	252,017
10.665	Schools and Roads - Grants to States	2,816,359	2,816,359
10.672	Rural Development, Forestry, and Communities	54,570	0
10.769	Rural Business Enterprise Grants	33,137	0
Total Department of Agriculture		<u>1,002,901,795</u>	<u>243,455,653</u>
Department of Defense			
12	Troops to Teachers	104,365	73,764
12.005	Drug Interdiction & Counter Drug Activities	264,984	264,984
12.104	Flood Plain Management	2,726	0
12.106	Flood Control Projects	1,181,987	0
12.112	Payments to States in Lieu of Real Estate Taxes	1,050,555	1,050,555
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	902,673	0
12.401	National Guard Military Operations and Maintenance Projects	18,379,840	0
Total Department of Defense		<u>18,379,840</u>	<u>1,389,303</u>
Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program	34,113,252	33,331,768
14.231	Emergency Shelter Grants Program	1,255,641	1,255,641
14.238	Shelter Plus Care	4,366,019	4,366,019
14.241	Housing Opportunities for Persons with AIDS	533,900	533,900
14.401	Fair Housing Assistance Program - State and Local	478,415	0
Total Department of Housing and Urban Development		<u>40,747,227</u>	<u>39,487,328</u>

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	119,899	0
15.252	Abandoned Mine Land Reclamation Program	1,649,680	0
15.605	Sport Fish Restoration	5,775,628	0
15.611	Wildlife Restoration	5,235,909	0
15.615	Cooperative Endangered Species Conservation Fund	137,163	0
15.616	Clean Vessel Act	4,112	4,112
15.622	Sportfishing and Boating Safety Act	17,037	17,037
15.633	Landowner Incentive	29,597	0
15.634	State Wildlife Grants	1,634,622	0
15.807	Earthquake Hazards Reduction Program	9,360	0
15.808	U.S. Geological Survey - Research & Data Acquisition	21,197	0
15.810	National Cooperative Geologic Mapping Program	171,745	0
15.904	Historic Preservation Fund Grants-In-Aid	743,873	181,275
15.916	Outdoor Recreation - Acquisition, Development and Planning	1,546,156	1,450,320
15.921	Rivers, Trails and Conservation Assistance	87,107	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	218,717	0
15.FFB	Webless Migratory Game Bird Research Program	21,903	0
Total Department of the Interior		17,423,705	1,652,744
Department of Justice			
16	Marijuana Eradication Program	402,878	0
16.202	Offender Reentry Program	364,037	0
16.523	Juvenile Accountability Incentive Block Grants	4,860,400	4,798,397
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,441,810	1,318,276
16.542	Part D - Research, Evaluation, and Technical Assistance and Training	2,218,521	0
16.543	Missing Children's Assistance	90,722	0
16.548	Title V - Delinquency Prevention Program	385,998	385,998
16.549	Part E - State Challenge Activities	193,734	193,734
16.550	State Justice Statistics Program For Statistical Analysis Centers	25,235	0
16.554	National Criminal History Improvement Program	877,383	305,339
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	77,500	77,500
16.564	Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	292,958	136,055
16.575	Crime Victim Assistance	7,398,809	7,241,259
16.576	Crime Victim Compensation	756,098	0
16.579	Byrne Formula Grant Program	7,482,435	7,273,394
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	741,608	456,623
16.585	Drug Court Discretionary Grant Program	48,620	0
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	1,457,672	0
16.588	Violence Against Women Formula Grants	2,363,047	2,260,243
16.589	Rural Domestic Violence and Child Victimization Enforcement Grant Program	95,450	95,450
16.592	Local Law Enforcement Block Grants Program	778,385	775,652
16.593	Residential Substance Abuse Treatment for State Prisoners	1,227,000	1,227,000
16.606	State Criminal Alien Assistance Program	35,697	0
16.610	Regional Information Sharing Systems	3,317,726	3,317,726
16.710	Public Safety Partnership and Community Policing Grants	2,320,295	0
16.727	Enforcing Underage Drinking Laws Program	582,878	561,741
16.733	National Incident Based Reporting System	98,823	12,152
Total Department of Justice		39,935,719	30,436,539

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Labor			
17.002	Labor Force Statistics	1,696,831	0
17.005	Compensation and Working Conditions	199,745	0
17.203	Labor Certification for Alien Workers	138,369	0
17.207	Employment Service	12,834,764	182,234
17.225	Unemployment Insurance (Note 3)	731,309,365	0
17.235	Senior Community Service Employment Program	2,139,551	2,098,321
17.245	Trade Adjustment Assistance - Workers	12,536,640	0
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	2,776	2,776
17.253	Welfare-to-Work Grants to States and Localities	1,570,630	1,437,990
17.255	Workforce Investment Act	1,210	95
17.258	Workforce Investment Act - Adult Program	13,944,363	12,729,077
17.259	Workforce Investment Act - Youth Activities	15,718,026	13,195,029
17.260	Workforce Investment Act - Dislocated Workers	29,148,214	24,729,259
17.261	Employment and Training Administration Pilots, Demonstrations, and Research Projects	47,476	0
17.264	Migrant & Seasonal Farm Workers	380,347	138,334
17.266	Work Incentives Grant	449,851	0
17.504	Consultation Agreements	1,265,311	0
17.600	Mine Health and Safety Grants	348,459	0
17.801	Disabled Veterans' Outreach Program	1,203,154	9,069
17.804	Local Veterans' Employment Representative	1,452,166	9,069
Total Department of Labor		826,387,248	54,531,253
Department of Transportation			
20.106	Airport Improvement Program	9,497,393	9,297,140
20.205	Highway Planning and Construction	660,314,376	87,387,869
20.217	Motor Carrier Safety	130,696	0
20.218	National Motor Carrier Safety	2,949,744	822,323
20.219	Recreational Trails Program	741,410	696,237
20.500	Federal Transit - Capital Investment Grants	5,986,668	5,986,668
20.505	Federal Transit - Metropolitan Planning Grants	3,128,159	3,038,030
20.509	Formula Grants for Other Than Urbanized Areas	5,690,960	5,373,816
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,527,698	1,452,682
20.516	Job Access - Reverse Commute	1,575,407	1,575,407
20.600	State and Community Highway Safety	2,974,497	1,477
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	1,188,340	1,059,890
20.602	Occupant Protection	105,557	0
20.603	Federal Highway Safety Data Improvements Incentive Grants	114,903	6,665
20.604	Safety Incentive Grants for Use of Seatbelts	1,385,583	679,816
20.607	Alcohol Open Container Requirements	7,302,539	7,055,372
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	167,107	144,326
20.700	Pipeline Safety	286,865	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	253,501	217,311
Total Department of Transportation		705,321,403	124,795,029
Department of the Treasury			
21	Jobs and Growth Tax Relief Reconciliation Act of 2003	190,266,337	0
Total Department of the Treasury		190,266,337	0
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	607,920	0
Total Equal Employment Opportunity Commission		607,920	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	1,609,877	1,269,034
39.011	Election Reform Payments	158,952	0
Total General Services Administration		1,768,829	1,269,034
National Foundation of Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	543,714	240,750
45.026	Promotion of the Arts - Leadership Initiatives	10,000	10,000
45.310	State Library Program	3,119,340	1,807,241
Total National Foundation of Arts and the Humanities		3,673,054	2,057,991

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	6,394,908	0
64.123	Vocational Training for Certain Veterans Receiving VA Pension	429,695	0
64.203	State Cemetery Grants	861,666	0
Total Department of Veterans Affairs		<u>7,686,269</u>	<u>0</u>
Environmental Protection Agency			
66.032	State Indoor Radon Grants	162,731	0
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	544,892	3,814
66.433	State Underground Water Source Protection	144,631	0
66.438	Construction Management Assistance	10,385	0
66.454	Water Quality Management Planning	141,196	100,965
66.458	Capitalization Grants for Clean Water State Revolving Funds	55,345,894	49,090,560
66.460	Nonpoint Source Implementation Grants	4,316,685	3,045,588
66.461	Wetlands Grants	86,658	21,084
66.463	Water Quality Cooperative Agreements	88,013	0
66.468	Capitalization Grants for Drinking Water State Revolving Funds	12,751,733	11,164,754
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	39,333	0
66.474	Water Protection Grants to the States	133,483	0
66.500	Environmental Protection - Consolidated Research	339,378	238,108
66.605	Performance Partnership Grants	10,234,866	791,279
66.606	Surveys, Studies, Investigations and Special Purpose Grants	3,639,437	2,064,308
66.608	Environmental Information Exchange Network Grant Program	271,907	0
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	134,298	0
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	243,664	204
66.708	Pollution Prevention Grants Program	35,873	0
66.709	Capacity Building Grants and Cooperative Agreements for States and Tribes	27,620	19,335
66.717	Source Reduction Assistance	2,316	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,910,116	89,030
66.805	Leaking Underground Storage Tank Trust Fund Program	1,417,996	0
66.817	State and Tribal Response Program Grants	624,383	0
Total Environmental Protection Agency		<u>92,647,488</u>	<u>66,629,029</u>
Department of Energy			
81.039	National Energy Information Center	7,255	0
81.041	State Energy Program	999,387	172,263
81.042	Weatherization Assistance for Low-Income Persons	5,532,343	5,219,815
81.092	Weldon Springs Site Remedial Action Project	425,018	0
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	38,823	14,567
81.119	State Energy Program Special Projects	101,568	82,447
81.902	State Environmental Oversight & Monitoring	89,641	0
Total Department of Energy		<u>7,194,035</u>	<u>5,489,092</u>

STATE OF MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2004

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Education			
84.002	Adult Education - State Grant Program	9,223,639	8,833,807
84.010	Title I Grants to Local Educational Agencies	173,158,697	172,059,217
84.011	Migrant Education - State Grant Program	1,491,185	1,488,491
84.013	Title I Program for Neglected and Delinquent Children	879,619	867,439
84.027	Special Education - Grants to States	165,766,016	163,132,814
84.032	Federal Family Education Loans	60,727,167	0
84.048	Vocational Education - Basic Grants to States	23,169,790	22,182,505
84.069	Leveraging Educational Assistance Partnership	634,739	0
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	56,908,211	212,308
84.169	Independent Living - State Grants	363,110	303,515
84.173	Special Education - Preschool Grants	5,658,752	5,658,752
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	560,144	0
84.181	Special Education - Grants for Infants and Families with Disabilities	7,799,274	7,799,274
84.184	Safe and Drug-Free Schools and Communities - National Programs	15,326	15,326
84.185	Byrd Honors Scholarships	828,220	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	7,383,395	7,182,634
84.187	Supported Employment Services for Individuals with Severe Disabilities	621,433	0
84.196	Education for Homeless Children and Youth	930,612	928,678
84.213	Even Start - State Educational Agencies	3,812,841	3,701,846
84.215	Fund for the Improvement of Education	597,236	596,145
84.216	Capital Expenses	114,422	114,422
84.224	Assistive Technology	526,020	0
84.235	Rehabilitation Services Demonstration and Training Programs	432,359	0
84.243	Tech-Prep Education	2,169,523	2,127,601
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	68,972	0
84.278	School To Work State Implementation Grants	675,705	672,999
84.281	Eisenhower Professional Development State Grants	547,300	523,927
84.282	Charter Schools	380,656	378,516
84.287	Twenty-First Century Community Learning Centers	6,291,609	6,132,731
84.298	State Grants for Innovative Programs	6,107,786	6,107,786
84.318	Education Technology State Grants	9,199,114	9,199,114
84.323	Special Education - State Program Improvement Grants for Children With Disabilities	1,246,702	1,246,702
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children With Disabilities	173,057	173,057
84.330	Advanced Placement Program	10,339	10,339
84.331	Grants to States for Incarcerated Youth Offenders	302,598	0
84.332	Comprehensive School Reform Demonstration	4,033,431	4,033,431
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	856,261	470,866
84.336	Teacher Quality Enhancement Grants	282,638	270,747
84.346	Vocational Education - Occupational and Employment Information State Grants	1,206	0
84.348	Title I Accountability Grants	625,816	625,816
84.352	School Renovation Grants	7,536,040	7,536,040
84.357	Reading First State Grants	8,430,610	8,356,939
84.358	Rural Education	2,236,007	2,236,007
84.365	English Language Acquisition Grants	2,378,974	2,195,731
84.367	Improving Teacher Quality State Grants	48,778,921	48,169,042
84.369	Grants for State Assessments and Related Activities	941,209	696,056
84.RN94-13-6026	National Cooperative System Program	49,434	0
Total Department of Education		<u>624,926,115</u>	<u>496,240,620</u>
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	3,952	1,677
Total National Archives and Records Administration		<u>3,952</u>	<u>1,677</u>

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Health and Human Services			
93	Mammography Inspections	187,130	0
93.003	Public Health and Social Services Emergency Fund	2,978,033	2,394,863
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	103,110	1,268
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	153,776	153,776
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	217,085	27,751
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	432,386	432,386
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,934,042	7,308,177
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,371,089	11,371,089
93.048	Special Programs for the Aging - Title IV and Title II Discretionary Projects	16,350	16,350
93.051	Alzheimer's Disease Demonstration Grants to States	361,286	356,732
93.052	National Family Caregiver Support	2,837,340	2,837,340
93.103	Food and Drug Administration Research	63,430	0
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,396,671	1,273,587
93.110	Maternal and Child Health Federal Consolidated Programs	535,137	39,684
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	560,335	123,026
93.127	Emergency Medical Services for Children	10,070	0
93.130	Primary Care Services - Resource Coordination and Development	245,883	90,000
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	43,304	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,065,098	231,324
93.150	Projects for Assistance in Transition from Homelessness (PATH)	585,028	584,176
93.161	Health Program for Toxic Substances and Disease Registry	75,853	6,100
93.162	National Health Service Corps Loan Repayment Program	128,125	128,125
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	652,309	286,839
93.206	Human Health Studies - Applied Research and Development	74,024	2,005
93.226	Research on Healthcare Costs, Quality and Outcomes	696,877	405,487
93.230	Consolidated Knowledge Development and Application (KD&A) Program	903,006	775,317
93.234	Traumatic Brain Injury - State Demonstration Grant Program	23,192	78
93.235	Abstinence Education	562,217	0
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	628,943	264,332
93.239	Policy Research and Evaluation Grants	704	0
93.240	State Capacity Building	440,906	71,562
93.241	State Rural Hospital Flexibility Program	498,250	347,599
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	624,202	358,422
93.251	Universal Newborn Hearing Screening	292,221	0
93.256	State Planning Grant - Health Care Access for the Uninsured	365,943	220,299
93.259	Rural Access to Emergency Devices Grant	421,588	401,812
93.260	Family Planning - Personnel Training	7,252	0
93.268	Immunization Grants	24,455,434	20,042,952
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	27,375,173	9,749,685
93.283-95-0026	Uniform Alcohol and Drug Abuse Grants	75,668	75,668
93.301	Small Rural Hospital Improvement Grants	298,517	282,080
93.556	Promoting Safe and Stable Families	9,390,010	0
93.558	Temporary Assistance for Needy Families	160,908,334	0
93.563	Child Support Enforcement	41,255,341	13,584,863
93.566	Refugee and Entrant Assistance - State Administered Programs	2,281,451	0
93.568	Low-Income Home Energy Assistance	43,738,760	19,612,433
93.569	Community Services Block Grant	17,729,064	17,587,408
93.570	Community Services Block Grant - Discretionary Awards	9,960	0
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	91,905	0
93.575	Child Care and Development Block Grant	64,331,048	0
93.576	Refugee and Entrant Assistance-Discretionary Grants	733,726	464,592
93.584	Refugee and Entrant Assistance - Targeted Assistance	1,506,910	0
93.585	Empowerment Zones Program	25,000	25,000
93.586	State Court Improvement Program	120,656	0
93.590	Community-based Family Resource and Support Grants	426,563	426,563
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	53,709,076	0
93.597	Grants to States for Access and Visitation Programs	200,851	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.599	Chafee Education and Training Vouchers Program (ETV)	58,231	0
93.600	Head Start	191,116	187,902
93.603	Adoption Incentive Payments	1,320,367	0
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,297,460	809,179
93.643	Children's Justice Grants to States	346,856	0
93.645	Child Welfare Services - State Grants	5,886,389	0
93.652	Adoption Opportunities	432,297	0
93.658	Foster Care - Title IV-E	51,401,765	0
93.659	Adoption Assistance	25,669,062	0
93.667	Social Services Block Grant	55,291,823	0
93.669	Child Abuse and Neglect State Grants	286,624	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,538,352	0
93.674	Chafee Foster Care Independent Living	2,828,001	0
93.767	State Children's Insurance Program	77,790,918	0
93.768	Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	242,440	0
93.769	Demonstration to Maintain Independence and Employment	259,959	0
93.775	State Medicaid Fraud Control Units	748,066	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	12,183,155	2,118
93.778	Medical Assistance Program	3,842,564,362	0
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	421,036	42,034
93.865	Child Health and Human Development Extramural Research	132,003	125,919
93.913	Grants to States for Operation of Offices of Rural Health	140,916	8,350
93.917	HIV Care Formula Grants	8,482,608	8,482,608
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	136,237	71,841
93.940	HIV Prevention Activities - Health Department Based	3,915,359	2,410,150
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance	748,867	189,471
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,311,897	35,035
93.952	Improving EMS/Trauma Care in Rural Areas	6,440	0
93.958	Block Grants for Community Mental Health Services	7,214,022	6,959,937
93.959	Block Grants for Prevention and Treatment of Substance Abuse	25,354,111	22,822,102
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,042,917	690,312
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	478,961	48,484
93.991	Preventive Health and Health Services Block Grant	3,110,052	580,575
93.994	Maternal and Child Health Services Block Grant to the States	10,714,446	5,062,890
Total Department of Health and Human Services		<u>4,630,702,757</u>	<u>160,889,657</u>
Corporation for National Service			
94.003	State Commissions	263,101	0
94.004	Learn and Serve America - School and Community Based Programs	333,152	270,961
94.006	AmeriCorps	1,774,471	1,774,471
94.007	Planning and Program Development Grants	62,825	62,825
94.009	Training and Technical Assistance	267,286	267,286
Total Corporation for National Service		<u>2,700,835</u>	<u>2,375,543</u>
Social Security Administration			
96.001	Social Security - Disability Insurance	31,680,440	0
96.008	Social Security - Benefits Planning, Assistance, and Outreach Program	275,118	0
Total Social Security Administration		<u>31,955,558</u>	<u>0</u>

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Homeland Security			
97.004	State Domestic Preparedness Equipment Support Program	15,740,466	14,803,107
97.008	Urban Areas Security Initiative	1,139,066	1,139,066
97.021	Hazardous Materials Assistance Program	3,616	3,616
97.023	Community Assistance Program - State Support Services Element	186,886	16,345
97.029	Flood Mitigation Assistance	105	105
97.032	Crisis Counseling	22,052	20,695
97.034	Disaster Unemployment Assistance	143,911	0
97.035	Individual and Family Grants	15,319	15,319
97.036	Public Assistance Grants	17,106,786	17,016,142
97.039	Hazard Mitigation Grant	8,258,868	8,252,779
97.041	National Dam Safety Program	12,284	0
97.042	Emergency Management Performance Grants	3,483,688	3,483,688
97.045	Cooperating Technical Partners	80,000	80,000
97.047	Pre-Disaster Mitigation	91,221	91,221
97.051	State and Local All Hazards Emergency Operations Planning	1,623,203	1,623,203
97.052	Emergency Operations Centers	73,301	0
97.053	Citizen Corps	359,804	242,570
97.054	Community Emergency Response Teams	64,184	49,149
Total Department of Homeland Security		<u>48,404,760</u>	<u>46,837,005</u>
Total Expenditures of Federal Awards		<u>\$ 8,299,122,329</u>	<u>1,278,973,625</u>

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 \$24.8 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 \$29,433,034, 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 \$687,598,078 and \$43,711,287 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 \$20,207,918.

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 \$6,909,342 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 \$1,137,269 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, 2004

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 qualified.

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

Some 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 **\$24,800,000**.

The following programs were audited as major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program
21	Jobs and Growth Tax Relief Reconciliation Act of 2003
45.310	State Library Program
84.032	Federal Family Education Loans
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance
93.568	Low-Income Home Energy Assistance
93.658	Foster Care – Title IV-E

93.659	Adoption Assistance
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
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security – Disability Insurance
97.004	State Domestic Preparedness Equipment Support Grant

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

2004-1

Vocational Rehabilitation

Federal Agency: Department of Education
 Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
 State Agency: Department of Elementary and Secondary Education (DESE) - Division of Vocational Rehabilitation

On February 10, 2004, the Missouri State Auditor's Office issued audit report No. 2004-12, ***Review of Vocational Rehabilitation Program***. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the internet at www.auditor.mo.gov.) The report included the following findings:

- A. Division guidance for closing cases was not followed. Counselors designated 22 of 30 (73 percent) sampled program participants "rehabilitated", or successful. However, the review disclosed 6 of the 22 (27 percent) successful employment outcomes were questionable because division guidance had not been followed.

The division's policy and procedure manual provides guidance for closing a case as successful. It states a participant with a disability must, at a minimum, have been (1) determined to be eligible for vocational rehabilitation services; (2) provided an assessment for determining eligibility and vocational rehabilitation needs, and counseling and guidance as essential vocational rehabilitation services; (3) provided appropriate and substantial rehabilitation services in accordance with an individualized plan for employment (IPE); and (4) determined to have achieved and maintained a suitable employment goal for the required period of

time (90 days). The audit noted one or more of these requirements were not met on the six cases.

- B. Employment information was not adequately supported on the 22 successfully closed cases noted above. Counselors did not adequately support closure information on the closure IPE and the closure statement. These documents are required to successfully close a case and are used to report success data to the federal government. Division guidance did not require counselors to obtain adequate support for employment information or document the source of employment information. While the guidance requires the IPE be completed to successfully close a case, it does not address how employment information is to be supported or where to obtain this information.

In addition, the closure statements on the 22 cases also disclosed counselors had not adequately supported decisions to close the cases successfully. For example, none of the 22 closure statements contained specific information describing how participants were suitably employed. Instead, 16 (73 percent) of 22 closure statements included non-specific, standard language, while the remaining 6 (27 percent) contained no information on suitability of employment. In addition, 17 (77 percent) of 22 closure statements only contained a check list of the services provided.

Division guidance requires completion of the closure statement to successfully close cases. The statement is used to document substantial services provided as well as the impact of services on the participant's employment. Division guidance requires consideration of these factors.

- C. Cases are not closed in a timely manner. The audit disclosed 10 of 30 sampled cases had not been closed in a timely manner. Delays in closing cases have occurred, in part, because of counselors' perceived need to meet success goals mandated by the federal government and high caseloads. Only closed cases are used in the success rate calculation reported to the federal government. Therefore, if inactive cases are not closed, the success rate is not affected. Division guidance does not address timeframes for closing cases when the participant cannot be located.

The division provided the auditors with a report of cases placed in interrupted status. The report disclosed 296 cases where counselors interrupted services because program participants could not be located. The average case in the report had been idle for 10 months. The audit found 12 (40 percent) of the 30 sampled cases also disclosed instances of infrequent contacts. The time between documented contacts ranged from 4 to 26 months. According to division guidance, a characteristic of good case management is carefully monitoring the progress of all cases throughout the delivery of services. However, division guidance does not specify exact time intervals between contacts.

D. Financially ineligible individuals may have been admitted to the program because counselors did not properly verify income. Federal regulations do not require the consideration of financial need, but do allow states to base eligibility on financial need. Missouri has elected to base eligibility on financial need. The audit disclosed 24 of 30 participants received services based upon financial need. Further review disclosed 12 (50 percent) of these participants received program services and assistance totaling approximately \$49,000, based on incomes that were unverified or exceeded program guidelines. While counselors are required to obtain financial information from applicants to determine eligibility based on financial need, division guidance did not require counselors to verify current income.

E. Comparable services were not considered in all applicable cases. Case managers had not documented comparable services on 17 (65 percent) of the 26 cases requiring consideration of comparable services. Services and assistance provided to the 17 participants totaled about \$61,000. The audit also noted that counselors had different explanations when defining comparable services.

Federal regulations and division guidance requires counselors to (1) determine whether comparable services and benefits exist under any other program, (2) determine whether those services and benefits are currently available to the individual, (3) utilize comparable services, and (4) obtain reimbursement for any overlap in benefits when benefits exist under any other program but are not currently available to the division. Division guidance also states each counselor must be knowledgeable of all the types of comparable services and benefits available to the participants. It also states counselors must initiate first contact, in many instances, to secure comparable services for the participant. The guidance also requires each counselor to document the search, availability, and utilization of comparable services.

F. The audit noted counselors' decisions to authorize services conflicted with division guidance. The audit disclosed 11 of 30 (37 percent) instances where counselors provided services based on decisions that conflicted with division guidance.

G. Quality control deficiencies have contributed to problems regarding case management. Division guidance required district supervisors to review at least 10 percent of each senior counselor's caseload. However, the guidance did not require supervisors to document the reviews, and program officials did not ensure reviews had been completed. In addition, review results were to be documented on quality assurance review forms. However, a program official stated the forms had not been utilized by some district supervisors. Division guidance also required district supervisors review counselors' caseload review reports each quarter to ensure participants received services in a timely manner. However, this policy had not been enforced since October 2000.

The audit also found weaknesses in quality control related to data reliability. For example, a test of 243 computer data entries disclosed 27 errors, or an error rate of 11 percent. The audit disclosed discrepancies between data shown on participant applications and the division's computer system. Nine data reliability items were tested on 27 of 30 sampled cases. There were no discrepancies noted on participant's names, genders, or birth dates. However, there were discrepancies noted on participant's income, disability classification, employment status, education level, disability, and family size. Division guidance did not address quality control procedures to ensure participant data had been correctly entered in the division's computer system.

WE RECOMMEND the DESE:

- A. Ensure division personnel adhere to division guidance in classifying case outcomes.
- B. Require division personnel adequately justify and document employment information on the closure IPE and closure statement.
- C. Develop guidance establishing timeframes for closing all cases, successful or not, and the frequency of contacts with participants.
- D. Require division personnel obtain proof of reported income and develop guidance requiring division personnel obtain proof of current income to determine eligibility of applicants.
- E. Require division personnel document the consideration of comparable services for all applicable cases and clarify guidance pertaining to supported employment services.
- F. Require division personnel adhere to division guidance when authorizing services and assistance for participants.
- G. Establish detailed guidance specifying quality control procedures to ensure periodic reviews of counselor cases are documented and are monitored for timely movement, and data on the computer system is accurate.

AUDITEE'S RESPONSE

A,C-E,G. We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

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

Federal Agency: Department of Health and Human Services
Federal Program: 93.283 Centers for Disease Control and Prevention –
Investigations and Technical Assistance
State Agency: Department of Health and Senior Services (DHSS)

The DHSS needs to improve internal controls to ensure subrecipient monitoring is properly performed.

- A. While the DHSS has a tracking system for certain subrecipients, its tracking system should be improved to ensure all applicable subrecipients obtain and submit A-133 audits to the DHSS. The tracking system focuses on other federal grant programs, and subrecipient information for Centers for Disease Control (CDC) and Prevention – Investigations and Technical Assistance was not specifically included in the tracking system. While many subrecipients of the CDC program receive federal assistance from other federal programs and were already included in the tracking system, information specific to the CDC program should be included to ensure all applicable subrecipients obtain and submit A-133 audits.

During the period included in this audit, OMB Circular A-133 required grant recipients to ensure that subrecipients obtain an A-133 audit when grant expenditures exceed \$300,000 in a fiscal year. After December 31, 2003, the requirement increased to \$500,000.

- B. The DHSS did not provide subrecipients, under its Breast and Cervical Cancer Control Program, grant award information, such as the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and amount, and the name of the federal agency or applicable compliance requirements. As a result, some federal funds provided to subrecipients may not be audited as required by federal law. Office of Management and Budget (OMB) Circular A-133, section .400(d) requires the DHSS to inform all subrecipients of the CFDA title and number, award name and amount, name of the federal agency, and applicable compliance requirements.

WE RECOMMEND the DHSS:

- A. Improve its tracking system to ensure all applicable subrecipients submit an A-133 audit.
- B. Provide all subrecipients grant award information such as the CFDA title and number, award name and amount, name of federal agency, and applicable compliance requirements.

AUDITEE'S RESPONSE

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

2004-3

Federal Family Education Loan Program

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

The current loan servicer has not established procedures to provide that collections are adequately secured or that all collections are fully reconciled to the accounting system and tracked. The loan servicer also has not established an adequate quality control review process regarding paid claims. Required federal reports appear to be inaccurate and lack adequate supporting documentation.

In October 2002, the DHE entered into a contract with a different vendor for loan servicing duties. The data conversion and system testing processes began in January 2003, and in April 2004, the vendor assumed loan servicing duties from the state's previous contractor. The contract requires the loan servicer to provide various services, including processing loan guaranty applications, approving and paying lender claims on loans, assigning defaulted loans for collection activities, processing payments, record maintenance, and federal reporting. Based upon the federal reports filed for the six months ended September 30, 2004, the new loan servicer paid approximately 3,300 claims totaling \$19 million and processed receipt transactions totaling approximately \$20 million during that period. These transactions include cash and non-cash transactions related to borrower payments, loan consolidations, repurchases, wage garnishments, and tax refund offsets.

A. From April through September 2004, the new loan servicer processed cash transactions of approximately \$10 million. The cash transactions include receipts (currency and checks) handled by the loan servicer and direct wire transfers from the collection agencies. All cash transactions are initially deposited into one bank account and then all deposits are wired daily to DHE. Loan servicer personnel also post the payments to the related borrower records on the computerized accounting system. Our review noted the following concerns over the processing of these transactions by the new loan servicer:

- 1) The loan servicer has not developed a system to ensure all cash transactions have been posted to the computerized accounting system and reconciled to a cash balance. In addition, DHE has not developed a system to monitor the posting and reporting of all transactions. As of September 2004, the loan servicer was reconciling cash receipts and wire transfers to bank deposits, but was not completely reconciling the receipts

to postings to borrower records on the accounting system. As a result some cash receipts, which the loan servicer refers to as either unidentified or un-posted, were not included in the reconciliation process or accounted for fully.

Unidentified transactions are transactions which have been posted to the accounting system, but have not been identified with a specific borrower or posted to the borrower's underlying loan records. Queries from the loan servicer's accounting system track the cumulative unidentified transactions, but the transactions are not included in the daily reconciliation process and these reports are not given to DHE unless requested. Un-posted transactions are transactions which have not been accepted by the accounting system for a variety of reasons. The loan servicer maintains no cumulative records of un-posted transactions. As a result, these transaction are not adequately included in the reconciliation process or reported to DHE.

Based upon our comparison of deposits to related transactions posted to the loan servicer's accounting system for the six months ended September 30, 2004, it appears un-posted transactions totaled approximately \$78,000 at that date. In addition, queries from the accounting system showed cumulative unidentified transactions fluctuated greatly from one month to the next, totaling approximately \$469,000 at June 30, 2004, to approximately \$63,000 at September 30, 2004. Our review also noted that un-posted and unidentified transactions were not included in the monthly financial report to the United States Department of Education (USDE).

A proper reconciliation by the loan servicer, and monitoring of the reconciliation process by DHE, is necessary to ensure all transactions have been posted to the related borrower's records on the computer system, reconciled to cash, and accurately reported to USDE.

- 2) The loan servicer has not developed adequate written policies and procedures for processing cash receipts and issuing refunds. A draft report of an onsite review performed by DHE staff in September 2004 noted concerns with these policies and procedures. These concerns included the observation of checks without restrictive endorsements and checks left unattended on employees' desks, the lack of an initial daily receipt log, payments posted inaccurately, and a lack of procedures to proactively search for and return overpayments.

Good internal controls require adequate written policies, procedures, and physical security to ensure all receipts and refunds are processed properly and to reduce the risk of theft or misuse.

- B. DHE did not ensure the new loan servicer developed a quality control review process to verify that claims paid (such as for defaults, disability, bankruptcy, and death) were valid and met federal program requirements for reinsurance. In addition, DHE also did not randomly test claims paid for validity, other than a limited sample performed during the September 2004 onsite review. Currently, several loan servicer employees review and approve filed claims without a secondary, independent review to ensure the validity of approved claim. The previous loan servicer's quality review process reviewed 100 percent of all approved claims because of the complexity of the federal requirements and the large amounts paid and claimed by DHE for reinsurance. Though it may not be deemed necessary to review 100 percent of paid claims, a quality control review process, and monitoring by DHE, is necessary to ensure the validity of claims paid and the resulting claim for reinsurance filed with the federal government.

The documented quality control review should at least include verifying critical loan history dates (i.e. date of default, date of claim, loan disbursements, in-school dates, the date of lender's request for default aversion assistance, and other dates related to due diligence) and principal and interest amounts, reviewing the promissory notes, and reviewing necessary death, disability, or bankruptcy certifications or documentation, as applicable. In addition, the quality control reviewer should verify all claim payment data has been correctly entered into the computerized payment system.

- C. The new loan servicer did not develop written policies and procedures and adequate supporting documentation for the preparation and review of required federal reports (known as Form 2000 reports). The lack of such policies, procedures, and supporting documentation appears to have contributed to the reports being incomplete and inaccurate. Additionally, due to the lack of supporting information, DHE has not yet developed its own written policies and procedures for vouching the reasonableness and accuracy of the federal reports.

The monthly Form 2000 reports serve as the basis for calculating amounts due to or from the USDE and include, but are not limited to, monthly activity data on claims paid, borrower refunds, borrower status changes, treasury offsets, repurchases, rehabilitations, consolidations, wage garnishments, and default/bankruptcy collections. The annual Form 2000 report includes, but is not limited to, cumulative data on loans, such as amounts guaranteed, consolidated, paid in full by the borrower, claims paid and loans in deferment, as well as other financial information on revenues and expenditures of the Federal Fund and Guaranty Agency Operating Fund. While the contract with the servicer required the preparation of accurate reports and adequate supporting documentation, this requirement has not yet been met. Based upon discussions with DHE staff, it appears DHE has been aware of the problems with the federal reporting process since May 2004 but has not yet been successful in getting the contractor to resolve the issues.

DHE's concerns were based upon comparison of monthly activity reported by the loan servicer with the prior year's monthly activity reported by the previous loan servicer. While the previous loan servicer provided DHE the supporting documentation and supplementary reports needed to verify the accuracy of the federal reports, the new loan servicer has not yet been able to provide all such necessary supporting documentation. As a result, as of November 2004, DHE has only been able to review the reported claims paid amount for accuracy. USDE regulations do not permit the filing of revised reports; rather adjustments must be netted on future reports. The September 2004 report contained adjustments for April through August, 2004.

Written policies and procedures for preparing and vouching federal reports, as well as adequate supporting documentation, are necessary to ensure the reports' completeness and accuracy. Inaccurate data reported on the monthly and annual Form 2000 report can adversely affect DHE's performance measures and rankings compared to other guaranty agencies.

WE RECOMMEND the DHE:

- A.1. Ensure the loan servicer develops a system to ensure all transactions are posted to the accounting system and reconciled to a cash balance. In addition, DHE should monitor the posting of transactions to ensure un-posted and unidentified transactions are resolved in a timely manner and accounted for fully.
2. Ensure the loan servicer develops adequate policies and procedures for processing cash receipts and issuing refunds.
- B. Ensure the loan servicer develops a quality control review process to verify the validity of claims paid. DHE should also monitor the process to ensure it is operating effectively.
- C. Continue working with the loan servicer to develop written policies and procedures and produce adequate supporting documentation for the preparation and vouching of the federal reports. In addition, DHE should develop written policies and procedures for verifying the reasonableness and accuracy of the federal reports.

AUDITEE'S RESPONSE

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

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

2004-4

Subrecipient Monitoring – SAPT Block Grant

Federal Agency: Department of Health and Human Services
Federal Program: 93.959 Block Grants for Prevention and Treatment of Substance Abuse
State Agency: Department of Mental Health (DMH)

The DMH did not provide some subrecipients grant award information, such as the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and amount, and name of the federal agency or applicable compliance requirements. The DMH only provided this information to those subrecipients receiving more than \$500,000 in federal assistance from the DMH. As a result, some federal funds provided to subrecipients may not be audited as required by federal law. Office of Management and Budget (OMB) Circular A-133, section .400(d) requires the DMH to inform all subrecipients of the CFDA title and number, award name and amount, name of the federal agency, and applicable compliance requirements.

WE RECOMMEND the DMH provide all subrecipients grant award information such as the CFDA title and number, award name and amount, name of federal agency, and applicable compliance requirements.

AUDITEE'S RESPONSE

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

2004-5

Subrecipient Monitoring – Equipment Support Program

Federal Agency: Department of Homeland Security
Federal Program: 97.004 State Domestic Preparedness Equipment Support Program
State Agency: Department of Public Safety – State Emergency Management Agency (SEMA)

The SEMA has not established adequate internal controls to ensure subrecipient monitoring is properly performed.

- A. The SEMA has not established a tracking system to monitor and ensure program subrecipients obtain and submit A-133 audits to the SEMA, when applicable. As a result, the SEMA did not obtain and review A-133 audits from applicable subrecipients.

During the period included in this audit, OMB Circular A-133 required grant recipients to ensure that subrecipients obtain an A-133 audit when grant

expenditures exceed \$300,000 in a fiscal year. After December 31, 2003, the requirement increased to \$500,000.

B. On May 8, 2004, the Missouri State Auditor's Office issued audit report No. 2004-37, **Department of Public Safety, State Emergency Management Agency**. (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.) The report indicated the SEMA has expended State Domestic Preparedness Equipment Support Program funds to equip and train twenty-two Homeland Security Response Teams (HSRT's) and six Forward Regional Response Teams (FRRT's) located throughout the state. The report included the following findings:

1. A lack of clear, written minimum staffing level requirements has resulted in understaffing on some teams. SEMA officials indicated the amount of equipment provided correlates to the level of staffing; thus, indicating minimum staffing level requirements. Despite the existence of implied staffing level requirements, SEMA did not obtain, nor require information regarding the teams staffing levels. As a result of this lack of information, SEMA accepted several teams into the program that did not meet the minimum staffing level requirements. Such understaffing could effect team performance in the event of an incident. In addition, because EMA equips teams based on the Basic Equipment List, the understaffed teams have more equipment than is necessary.

SEMA should establish clear, written minimum staffing level requirements for the teams. Such requirements should be enforced when additional teams apply for inclusion in the program. In addition, SEMA should take the necessary steps to ensure existing teams meet minimum staffing level requirements.

2. a) SEMA has not established an adequate monitoring system for the State Domestic Preparedness Equipment Support Program. Currently, SEMA does not possess complete or accurate information regarding team equipment and personnel resources. As a result, the state has a reduced ability to coordinate and direct activities of the teams in the event of an incident.

SEMA does not know how much equipment each team has in total or if the equipment is adequately insured. Although SEMA indicated they monitor equipment resources through use of tracking spreadsheets, these spreadsheets do not reflect team equipment resources on a cumulative, perpetual basis. In addition, the spreadsheets were not always complete and accurate. Finally, SEMA has not conducted site visits of all the teams or obtained

and reviewed inventory and insurance records to ensure compliance.

- b) While SEMA has continued efforts to obtain certain statistical information about team personnel, the information currently on hand is incomplete and appears inaccurate. Some teams have yet to submit their statistical information, some teams have submitted incomplete reports, and some inaccuracies appear to exist on other reports.

SEMA should continue to work on establishing an adequate system to monitor the program, including the development of equipment and personnel resource listings. Not knowing the statewide personnel and equipment resources available and the overall abilities of the teams could hamper SEMA's ability to perform one of its basic functions, coordinating and directing activities of the state and teams in the event of a significant incident. In addition, section .400(d)(3) of OMB Circular A-133 requires the SEMA to monitor subrecipients "... to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

WE RECOMMEND the SEMA:

- A. Ensure all subrecipients submit an A-133 audit, when applicable.
- B.1. Establish and enforce clear, written minimum staffing level requirements for the teams. In addition, the SEMA should take the necessary steps to ensure existing teams meet minimum staffing level requirements.
- 2. Continue to work on establishing an adequate system to monitor the program, including the development of equipment and personnel resource listings and ensuring compliance with team contract provisions.

AUDITEE'S RESPONSE

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

2004-6	Cash Management – Interest Calculation Errors
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 93.767 State Children's Insurance Program 93.778 Medical Assistance Program
State Agency:	Department of Social Services (DSS) – Division of Budget and Finance (DBF)

The DBF has not established adequate procedures to ensure interest earned on federal grants is calculated correctly. The federal Cash Management Improvement Act requires each state to enter into an agreement with the federal Department of the Treasury covering the rules and procedures for the transfer of federal funds to the state for specific federal programs covered in the agreement. The state will owe interest to the federal government or the federal government will owe interest to the state based on the drawdown and expenditure clearing patterns for these monies.

For fiscal year 2004, the Temporary Assistance for Needy Families (TANF), State Children's Insurance Program (CHIP), and Medical Assistance (MA) programs were covered by the cash management agreement. The DBF calculated the interest earned for these programs incorrectly. The revenue total used to calculate the TANF interest liability was incorrect and the average number of days between receipt and disbursement was miscalculated for CHIP and MA. In addition, the spreadsheet used to calculate the interest liability for MA contained errors and omissions. The various errors and omissions were not detected during the supervisory review of the interest calculations. As a result, the interest amount reported in the annual report to the federal Department of the Treasury was understated by \$28,026. The errors were corrected when we brought them to the attention of DSS management. The DBF should implement adequate procedures to ensure interest calculations are accurate.

WE RECOMMEND the DBF implement adequate procedures to ensure interest calculations are accurate. For example, the interest calculation methods should be reasonable and consistent, and the spreadsheets should be reviewed for completeness and accuracy.

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.

2004-7	Eligibility for Adoption Assistance Payments
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.659 Adoption Assistance
State Agency:	Department of Social Services (DSS) – Children's Division (CD)
Questioned Costs:	\$12,112

Subsidy contracts, adoption decrees, and supporting documentation for some payments could not be located and some payments exceeded contract limits. During the year ended June 30, 2004, the CD provided Adoption Assistance benefits totaling approximately \$37 million for 7,619 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 \$299,315 during the year ended June 30, 2004. We could not locate adoption decrees for 3 of 60 (5 percent) cases reviewed. In addition, for cases that an adoption decree was available, we could not locate subsidy contracts for 2 of 57 (3 percent) cases reviewed. Non-recurring legal fees paid exceeded the amount authorized in the subsidy contract by \$3,540, including a \$2,520 duplicate payment, for one case reviewed. We could not locate invoices or other supporting documentation for some payments on five of twenty-eight (18 percent) cases reviewed. We did not question costs for the missing adoption decrees because the case files contained other information supporting the adoptions. The expenditures related to the remaining errors totaled \$19,856. We question the federal share of \$12,112 (61 percent).

Similar conditions were also noted in our two prior reports.

The CD should ensure adoption subsidy contracts are signed prior to the adoption, all subsidy contracts and adoption decrees are retained, adoption subsidy payments do not exceed contract limits, and all payments are supported by adequate documentation. In addition, the CD should pursue reimbursement of the overpayment and ensure that duplicate payments do not occur.

WE RECOMMEND the CD resolve the questioned costs with the grantor agency. In addition, the CD should ensure subsidy contracts are signed prior to the adoption, all subsidy contracts and adoption decrees are retained, payments do not exceed contract limits, and all payments are supported by adequate documentation. In addition, the CD should pursue reimbursement of the overpayment and ensure that duplicate payments do not occur.

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
State Agency: Department of Social Services (DSS) -
Children's Division (CD)
Questioned Costs: \$6,857

- A. Eligibility and payment documentation could not be located for some cases reviewed. During the year ended June 30, 2004, the CD provided foster care benefits totaling approximately \$36 million for 10,127 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) and 45 CFR 233.90(b)(3), respectively. In addition, the child must be removed from his or her home by means of a judicial determination or pursuant to a voluntary placement agreement, as required by 45 CFR 1356.21 and 45 CFR 1356.22(b), respectively. Furthermore, 45 CFR 1356.21(i) indicates the state must file a petition to terminate the parental rights of parents whose child has been in foster care under the responsibility of the state for 15 of the most recent 22 months, unless the child is being cared for by a relative or the state has documented a compelling reason that terminating parental rights would not be in the best interest of the child. Benefits may include subsidies for maintenance, clothing, day care, respite care, legal expenses, and transportation.

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 \$205,579 during the year ended June 30, 2004. In four cases selected, there was no placement of a child outside of the family and, as a result, the family was the benefit recipient. Judicial determinations or voluntary placements agreements were not located for 3 of 56 (5 percent) applicable cases reviewed. Efforts to pursue termination of parental rights or compelling reasons for not pursuing the termination were not documented for 2 of 22 (9 percent) cases reviewed. In addition, we could not locate invoices or other adequate supporting documentation for some payments on 37 of 60 (62 percent) cases reviewed. The expenditures related to the abovementioned errors totaled \$11,241. We question the federal share of \$6,857 (61 percent).

A similar condition was also noted in our prior report.

The CD should ensure Foster Care placements are supported by a judicial determination or a voluntary placement agreement, petitions to terminate parental rights are filed for parents whose children are in custody for 15 of the most recent 22 months or compelling reasons for not filing the petition are documented, and all payments are supported by adequate documentation.

- B. The CD does not verify residential facility and day care contractors paid more than \$25,000 are not suspended or debarred from participating in federal government programs. During the year ended June 30, 2004, the CD paid a total of \$6,745,339 to 31 residential facilities and \$1,024,411 to 26 day care providers that were each paid more than \$25,000 to care for foster children. Federal Regulation 45 CFR 76.300 requires recipients of federal awards to verify contractors paid more than \$25,000 are not suspended or debarred by reviewing the Excluded Parties List System (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the contract with the entity.

The CD should implement procedures to ensure all Foster Care contractors paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

WE RECOMMEND the CD:

- A. Resolve the questioned costs with the grantor agency and ensure Foster Care placements are supported by a judicial determination or a voluntary placement agreement, petitions to terminate parental rights are filed for parents whose children are in custody for 15 of the most recent 22 months or compelling reasons for not filing the petition are documented, and all payments are supported by adequate documentation.
- B. Implement procedures to ensure all Foster Care contractors paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

AUDITEE'S RESPONSE

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

2004-9

Managed Care Program – Complaint and Grievance Reports

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
Medical Services (DMS)

The DMS did not review all quarterly complaint and grievance reports submitted by managed care health plans during the year ended June 30, 2004. These health plans provide healthcare benefits to recipients in the managed care program. Federal regulation 42 CFR 438.416 and the State's 1915(b) Waiver require the state to review health plan submitted complaint and grievance information as part of the state's quality and improvement strategy.

Quarterly complaint and grievance reports for the quarters ended December 31, 2003, and March 31 and June 30, 2004, were not reviewed by the DMS. It appears these reports were not reviewed due to the turnover of staff within the DMS. The quarterly complaint and grievance reports serve as a method to ensure quality care is received by recipients and to identify reasons for recipient dissatisfaction regarding the managed care health plans. The lack of review lessens the assurance of DMS that health plans are resolving recipient complaints and grievances in an effective and timely manner.

WE RECOMMEND the DMS review the quarterly complaint and grievance reports of each health plan in accordance with state and federal regulations.

AUDITEE'S RESPONSE

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

2004-10

Managed Care Program

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
Medical Services (DMS)

On January 13, 2004, the Missouri State Auditor's Office issued audit report No. 2004-01, ***Oversight Controls and Management in the State's Managed 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.) The following is a summary of this report's findings:

- A. Officials with the DMS cannot measure the utilization of covered services provided to managed care recipients and do not know if the state's total cost truly measured healthcare costs. This situation exists due to incomplete and inaccurate encounter claim data. Encounter claims serve as records of health care services provided to recipients in the managed care program. Managed care health plans pay providers and are required to submit monthly encounter claim data to the DMS.

According to the U. S. Department of Health and Human Services - Centers for Medicare and Medicaid Services, encounter claim data is critical to monitor service utilization, evaluate access, comparability and quality of care, update and evaluate capitation payment rates, and monitor health plan and provider performance. Officials with the DMS have not placed a high priority on obtaining complete and accurate encounter claim data from the health plans, and agree encounter claim records may be incomplete and may contain duplicate claim records. Officials with the DMS indicated they have not attempted to estimate the accuracy or completeness of encounter claim records and do not have procedures to do so.

The audit also disclosed additional concerns with the lack of controls over encounter claims data:

- During the year ended June 30, 2002, rejected encounter claims were not analyzed and there were no procedures, incentives or sanctions in place to encourage health plans to make corrections and resubmit rejected claims.
- During the year ended June 30, 2002, 29 percent of all encounter claims were rejected and 55 percent of dental encounter claims were rejected as status 6 errors indicating the claims were accepted for processing and later rejected.
- Faulty computer system edits allowed \$440,000 in duplicate inpatient hospital payments since 1999. The duplicate payments occurred when the DMS and the health plan both paid a provider for the same services occurring on the same day for a recipient. DMS personnel indicated the faulty edits will be corrected and they will attempt to recoup the duplicate payments.

Rejected encounter claims were returned to the health plans with error codes explaining why the claims were rejected, but no further procedures were in place to ensure the claims were corrected and resubmitted. Without complete and accurate encounter claim data, the managed care program cannot be effectively monitored to control costs or ensure quality of care.

B. The DMS did not profile the managed care population to determine if capitation payments were made for potentially ineligible recipients, or if the absence of encounter claim records was an indication of problems with access to medical services. Under the managed care program, the state pays the health plans a per person amount each month to cover all health and dental benefits (capitation payments). The state is not at risk for healthcare costs beyond the monthly capitation payment, which is paid even if recipients do not receive services. Audit tests performed on approximately 25,000 recipients, enrolled during the year ended June 30, 2002, who had no encounter claims, but for whom capitation payments were made each month, identified that the DMS paid:

- Over \$1.5 million in capitation payments for 990 managed care recipients who did not have social security numbers recorded on the state's computer systems.
- Nearly \$48,000 in capitation payments for 40 recipients with out-of-state addresses. Also, in April 2003, the DMS identified an additional \$85,000 in capitation payments were paid for 33 recipients with out-of-state addresses in previous years.
- Over \$91,000 in capitation payments since enrollment for 32 managed care recipients with invalid social security numbers recorded on the state's computer systems.

Social workers at the Family Support Division (formerly Division of Family Services) determine eligibility for applicants applying for medical benefits. Social security numbers are to be obtained and recorded on the state's computer systems at the time of application, or when re-determination of eligibility is performed. Federal regulation 42 CFR 435.916 and state regulation 13 CSR 40-2.020 require a re-determination of eligibility at least every 12 months. Family Support Division officials indicated if recipients do not or cannot provide social security numbers at the time of re-determination, the recipients become ineligible for benefits.

Routine eligibility re-determinations were discontinued due to increased workloads and staffing problems and were not considered a high priority. Instead, data matches with other agencies are relied on to provide information regarding income, resources and age to determine the likelihood a recipient's eligibility status has changed. Only recipients with identified changes will have their eligibility re-determined. Since missing social security numbers will not trigger eligibility re-determination, the 990 recipients without social security numbers could remain enrolled in managed care with capitation payments continuing despite possibly being ineligible. The audit noted the DMS is attempting to recoup the unnecessary capitation payments for the identified recipients with out-of-state addresses. In addition, the Family Support Division discontinued

enrollment in managed care for those recipients with invalid social security numbers.

- C. Fraud detection activities were not performed in the managed care program even though required by federal Medicaid rules. According to DMS officials, fraud detection activities are not performed in the managed care program because of a lack of resources and because the encounter claim data is not reliably complete.

Health plans contracting with the state are required to have formal procedures for detecting fraud and notifying the DMS of cases of suspected fraud by recipients or providers. However, following reorganization of the DMS in 2001, the DMS has not updated written procedures to clearly set forth a process to record, investigate, or refer these cases, or to document the eventual disposition of the suspected fraud cases identified by the health plans.

The audit noted an official with the U. S. Department of Health and Human Services indicated all states should perform Medicaid fraud detection work on managed care programs. The federal official also indicated by not monitoring the managed care program for fraudulent activity, the DMS cannot be sure if the levels of capitation payments reflect the true cost of services, which could eventually result in higher costs to the state.

WE RECOMMEND the Division of Medical Services:

- A. Evaluate and establish "best practice" procedures to improve the quality and reliability of encounter data. Such procedures could include performing annual encounter data validation studies, working with health plans to improve the acceptance rate of submitted claims, and implementing financial penalties for rejected encounter data.
- B. Work with the Family Support Division to identify managed care recipients with missing or invalid social security numbers in the state's computer systems at least annually so eligibility can be re-determined, since current eligibility re-determination procedures will most likely miss these recipients.
- C. Develop and implement fraud detection activities in the managed care program, as required by law, and implement procedures to improve evaluation of suspected fraud activity reported by health plans.

AUDITEE'S RESPONSE

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

Federal Agency:	Department of Health and Human Services	
		<u>Questioned Cost</u>
Federal Program:	93.767 State Children's Insurance Program (SCHIP)	\$174,693
	93.778 Medical Assistance Program	767,270
State Agency:	Department of Social Services – Family Support Division (FSD)	
	Children's Division (CD)	
	Division of Medical Services (DMS)	

On April 27, 2004, the Missouri State Auditor's Office issued audit report No. 2004-29, ***Department of Social Services Medicaid Eligibility***. (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.) The report included the following findings which have been summarized:

- A. FSD caseworkers were not performing annual eligibility redeterminations as required by federal and state regulations. Federal regulation 42 CFR 435.916 and state regulation 13 CSR 40-2.020 require a redetermination of eligibility at least every 12 months. As of June 30, 2003, the FSD had not redetermined eligibility within a year or more for 383,004 of 934,453 recipients (41 percent). FSD officials indicated caseworkers could not keep up with their current workload given staffing available under current budget limits. Instead, the FSD caseworkers were to use various computer-generated data matches and exception reports to identify income, resources, institutional residence, and age changes for recipients that could impact eligibility and caseworkers were to focus on those cases. However, the audit identified the following weaknesses in the data match and report processes:
- An exception report for caseworkers listing recipients who did not furnish social security numbers or furnished invalid social security numbers was inadvertently discontinued by a computer program change.
 - Matches with state Department of Labor and Industrial Relations' wage and unemployment records were discontinued in July 2000.
 - Death record matches used incomplete data.
 - Caseworkers did not receive some exception reports timely or at all.
 - Caseworkers did not review cases listed on exception reports.
 - A system edit was stopped in 2000 which resulted in failure to identify some recipients' eligibility start dates preceded their birth dates.

- B. Audit tests on food stamp cases closed during the year ended June 30, 2003, indicated 9 of 35 recipients (26 percent) had active Medicaid cases which should have closed at the time the food stamp cases closed. These recipients received medical care and had claims of approximately \$19,000 after they should have lost their eligibility. While eligibility criteria for the food stamp and the Medicaid programs differ, changes that result in closing a food stamp case increase the risk the recipient's Medicaid case may also need to close. Federal regulation requires recertification of eligibility for most food stamp recipients every 6 months. FSD caseworkers indicated they do not always update the Medicaid case information when reviewing food stamp eligibility. We question costs of \$11,767, which is the federal share of Medicaid payments.
- C. Caseworkers are not obtaining valid social security numbers on all applicable recipients. Federal regulation 42 CFR 435.910 requires caseworkers to obtain social security numbers for each recipient and validate those numbers with the Social Security Administration. The audit identified that as of June 30, 2003, the FSD's and the CD's computer systems listed 43,116 and 1,637 (totaling 44,753) active Medicaid recipients, respectively (totaling 5 percent of approximately 949,000 recipients), who did not have a social security number or had an invalid social security number.

States cannot deny or delay benefits to an eligible applicant pending issuance or verification of a social security number; therefore, it is expected some recipients would not have social security numbers for a short period of time. However, approximately 67 percent (29,820 of 44,753) of these recipients' cases had been open for at least a year.

In addition, as of June 30, 2003, the FSD's computer system indicated 10,236 recipients' social security numbers were not verified by the Social Security Administration as required by federal regulations. The audit noted that there is a risk recipients who do not have a social security number or have an invalid social security number are ineligible for Medicaid benefits.

Audit tests of 60 recipients without social security numbers identified caseworkers failed to enter the reported social security number in the computer system for 42 (70 percent) of the recipients. Another audit test of 21 recipients with invalid social security numbers noted caseworkers made input errors for 10 (nearly 50 percent) of the social security numbers in the system. In addition, auditors identified 10 recipients who apparently provided fake social security number cards to support their reported social security numbers.

FSD caseworkers said they often approve recipients for Medicaid with an agreement to provide their social security numbers within 10 days. However, the FSD caseworkers said these agreements are informal and not tracked. A CD program specialist said there are no formal policies and no priority for the CD caseworkers to obtain or verify social security numbers for children in the CD's

system. Also, the CD has no policies for caseworkers to process claims for recovery of costs when recipients are determined to have been ineligible for benefits.

FSD caseworkers are not following up with the Social Security Administration to obtain a social security number for applicants or recipients when they claimed they could not remember it. Federal regulation 42 CFR 435.910 indicates that if an individual has been issued a social security number but cannot recall the number, the number must be requested from the Social Security Administration.

As noted above in Part A, a monthly exception report designed for caseworkers to identify recipients who are missing a social security number in the system or those whose social security numbers came back unverified by the Social Security Administration was inadvertently discontinued by a programming change made to the FSD computer system. The last known date this report was run was February 2001.

- D. Procedures to close cases with age ineligible children are not effective. Children reaching age 19 are normally no longer Medicaid eligible. Audit tests identified that as of July 2003, \$1,040,915 in Medicaid payments and \$237,864 in SCHIP payments were made for 950 recipients and 263 recipients, respectively, age 19 or older after the recipients became ineligible. A monthly age exception report which includes recipients who are 19 years old or older is available for caseworkers to use for reviewing eligibility. However, some caseworkers indicated they had no time to review the report while other caseworkers are not receiving the reports in a timely manner. We question costs of \$644,639 and \$173,236, which is the federal share of Medicaid payments and SCHIP payments, respectively.

In August 2003, a computer system change resulted in many of the cases with age ineligible children being reviewed. Due to additional review by caseworkers, many of the age 19 and older recipients on the age exception report were reviewed and closed. By November 2003, 70 percent of the July exception cases had been closed. However, the November exception report, which reported 3,057 recipients age 19 or older, still listed 128 recipients at least one year older than age 19.

- E. Procedures to identify recipients who have died are not as effective as possible. Audit tests identified 1,112 active recipients the FSD's death match analysis had not identified. Medicaid payments totaling at least \$142,000 and SCHIP payments totaling at least \$2,000 were made for 64 recipients and 2 recipients, respectively, after their death. We question costs of \$87,941 and \$1,457, which is the federal share of Medicaid payments and SCHIP payments, respectively. Weaknesses identified in the FSD's review process included:

- Failure to match recipients against historic death records. Currently, a monthly match is performed with the Department of Health and Senior Services – Bureau of Vital Statistics (DHSS) records of individuals who died in Missouri in the previous month. This procedure does not detect if an individual applies for assistance and reports a relative (i.e. child) who died prior to the month being tested because any death prior to the previous month is not included in the match.
- Using match criteria that allows deceased recipients to go undetected. The match criteria requires an exact match of four fields for the recipient to be considered deceased. Other analysis using less strict criteria would allow caseworkers to identify recipients whose names have misspellings or other data entry errors in FSD's or DHSS's computer data.
- Failure to always use available online inquiry systems. Caseworkers did not regularly use the DHSS or Social Security Administration online inquiry systems at initial application for benefits or during a case follow-up to identify potential deceased recipients.

By obtaining historic death data from the DHSS and using other criteria, auditors identified additional recipients who were active on Medicaid cases who were deceased. In addition, FSD officials indicated caseworkers are expected to use the Social Security Administration inquiry to verify Social Security Administration benefit information at the time of application, but there is no requirement to use this inquiry for death information. To evaluate if the inquiry would be useful to identify applicants or recipients who may be deceased, auditors tested 23 recipients previously identified as deceased in audit tests. Of the 23 tested recipients, death information was located on 15 recipients in the Social Security Administration system.

- F. Cases where children are active on Medicaid simultaneously in the FSD and the CD are not being appropriately monitored. At June 30, 2003, there were 1,082 recipients who had active Medicaid cases in both the FSD and CD systems. Caseworkers receive daily alerts when a child is removed from the home of a Medicaid family and into the custody of the CD. A monthly report of these cases is also made available to caseworkers; however, it only reports children for the month an alert was sent. The report is not cumulative as FSD officials had thought.

When a child is removed from a family's home, the Medicaid eligibility of that family as well as other types of assistance may be affected. An example of a case in which eligibility errors occurred when the CD removed the children from the home was when three children in a family home were removed and the only adult on the case was kept active on Medicaid. The adult on this case should have lost

her Medicaid eligibility but did not. The state paid \$2,014 in claims during the time the adult was ineligible. We question costs of \$1,247, which is the federal share of Medicaid payments.

- G. Matches with the Department of Labor and Industrial Relations – Division of Employment Security to verify wages and unemployment compensation on active Medicaid recipients were stopped in July 2000. As noted above in Part A, such matches were used to identify changes in recipient status that could impact eligibility. A recipient's unreported job or wage changes would likely be missed by caseworkers without these matches. Federal regulation 42 CFR 435.948 requires wages to be verified during the application period and at least on a quarterly basis. This regulation also requires verification of unemployment compensation from the time the recipient reports their loss of employment and for at least the three subsequent months or until the benefits are exhausted.
- H. Audit tests identified 111 recipients who were active on Medicaid as of June 30, 2003, whose Medicaid eligibility start date preceded their birth date. Of these 111 recipients, unnecessary costs totaling at least \$35,000 were noted for seven of these recipients. A system edit is supposed to ensure Medicaid eligibility is not started before the recipient's birth date; however, starting in March 2000, this edit was not being applied to newborns being added to the mother's case. We question costs of \$21,676, which is the federal share of Medicaid payments.

A backup control in the DMS' Medicaid information system blocks claims before a recipient's birth date, but it is only applied on fee for service recipients. Forty-seven of the 111 recipients identified were in the managed care system where the edit is not applied. Six of the recipients had an eligibility start date of exactly a year before their birth date and the rest had start dates six months or less before their birth date.

WE RECOMMEND the Department of Social Services:

- A. Ensure case redeterminations are performed in accordance with federal regulation. If staffing limits compliance with these requirements, procedures should be established to ensure cases with the most risk for potential ineligibility are reviewed timely.
- B. Resolve the questioned costs with the grantor agency. In addition, the DSS should ensure policies established for caseworkers to use relevant information obtained during other assistance eligibility redeterminations to evaluate a recipient's continued Medicaid eligibility are complete. The DSS should establish monitoring procedures to ensure those policies are complied with.
- C. Review the available options to obtain recipient social security numbers from the Social Security Administration. Procedures should be established to obtain social security numbers for all recipients and to submit those social security numbers to

the Social Security Administration for verification as federally required. In addition, the DSS should resume receiving the monthly social security number exception report.

- D. Resolve the questioned costs with the grantor agency. In addition, the DSS should establish procedures to ensure recipients reaching age eligibility limits are reviewed for potential ineligibility and age exception reports are being received by caseworkers in a timely manner.
- E. Resolve the questioned costs with the grantor agency. In addition, the DSS should revise procedures used to match Medicaid recipients to DHSS records to include a history of prior and current month death records and allow the match criteria to be more flexible to identify more possible matches of deceased recipients. Also, the DSS should ensure caseworkers are aware of and use all available inquiries which provide death information to assist in determining an applicant's initial and continued eligibility.
- F. Resolve the questioned costs with the grantor agency. In addition, the DSS should establish procedures to ensure recipients who are dually eligible under a separate CD case are reviewed for potential ineligibility. The children taken from the home report should be adjusted so the output is cumulative with cases from previous periods continuing to be reported until closed or resolved. Also, the DSS should establish policies to ensure costs are recovered on applicable cases when a CD recipient is determined to be ineligible.
- G. Resume receiving the wage and unemployment matches with the Division of Employment Security and establish procedures to ensure interagency matches are functioning as intended.
- H. Resolve the questioned costs with the grantor agency. In addition, the DSS should correct the edit which ensures a Medicaid recipient's eligibility cannot precede his or her birth date.

AUDITEE'S RESPONSE

A-H. We disagree with the auditor's findings. 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

Our prior audit report issued for the year ended June 30, 2003, included no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

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, 2003, and the findings from the prior audits for the years ended June 30, 2002 and 2001, 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, 2002 is as follows:

Findings numbered 6, 9, 11, 12, and 13 were corrected.

Findings numbered 1, 2, 3, 4, 5, 7, 8, and 10 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2001, all of the findings were corrected, no longer valid, or did not warrant further action.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 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:

Corrective action was taken.

Contact Person: Rebecca Mankin
Phone number: (573) 751-6014

Finding 2002-1B. 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 adequately ensure that subrecipients take corrective action on findings.

Recommendation:

The DHSS 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.

Status of Finding:

Corrective action was taken.

Contact Person: Rebecca Mankin
Phone number: (573) 751-6014

Finding 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: Rebecca Mankin
Phone number: (573) 751-6014

Finding 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' 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: Rebecca Mankin
Phone number: (573) 751-6014

Finding 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:

DHE developed a new timesheet procedure and revised the draft policy to further comply with Circular OMB A-87.

Status of Questioned Costs:

The Department of Education concluded the questioned costs paid the salaries of DHE employees engaged in student financial aid related activities, and, therefore, the questioned costs were allowable expenditures. The Department of Education considers the audit closed.

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

Finding 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.

In fact, U. S. Department of Labor representatives 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. Voss
Phone number: (573) 751-1135

Finding 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 51,367 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:

We disagree with this finding.

Health and Human Services/Administration for Children and Families (HHS/ACF) Region VII Administrator did not sustain this finding. In a letter dated April 19, 2004, the Region VII Administrator stated “. . . the standards applied by the state auditors are not presently valid. . .” and “. . . we agree with the State that no formal corrective action is necessary. This finding is resolved.”

Contact Person: Patrick Luebbering
Phone number: (573) 522-2664

Finding 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:

Hiring to fill vacancies has resumed, but it should be noted that it will take some time to get new staff up to optimum production/performance levels. Staffing will be at 57 percent of need (based on newly adopted caseload standards, not on any additional staff), thereby requiring continuation of workload management prioritization. The Family Support Division (formerly DFS) is currently working on developing a computer interface system that will identify reviews done in the Food Stamp program that can qualify as redeterminations that satisfy case eligibility review requirements. It is expected, once this new program is implemented, that the existing percentage of "delinquent" redetermination cases will be markedly reduced. We expect this interface to be implemented in late January 2005, and by the end of the following month, we will have statistics demonstrating its impact. This will also help to reduce the size of the pool of cases identified as review-delinquent to allow better focus on those cases that actually may require review. HHS is aware of this endeavor.

Contact Person: Patrick Luebbering
Phone number: (573) 522-2664

Finding 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:

Family Support Division (FSD) Management Services is completing the certification forms twice annually, attesting that designated federal funds are appropriately being allocated to (program) salaries.

Status of Questioned Costs:

Questioned costs were resolved with the grantor agency on May 17, 2004, by check number 9817571 A.

Contact Person: Patrick Luebbering
Phone number: (573) 522-2664

Finding 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.

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: Rebecca Mankin
Phone number: (573) 751-6014

Finding 2003-2A. Subrecipient Monitoring

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

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

Recommendation:

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

Status of Finding:

Corrective action was taken.

Contact Person: Rebecca Mankin
Phone number: (573) 751-6014

Finding 2003-2B. Subrecipient Monitoring

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

The DHSS did not adequately ensure that subrecipients took corrective action on findings.

Recommendation:

The DHSS 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.

Status of Finding:

Corrective action was taken.

Contact Person: Rebecca Mankin
Phone number: (573) 751-6014

Finding 2003-2C. Subrecipient Monitoring

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

The DHSS did not adequately monitor and document the implementation of corrective action plans.

Recommendation:

The DHSS monitor and document the subrecipients' implementation of their corrective action plan within six to twelve months after approval of the corrective action plan.

Status of Finding:

Corrective action was taken.

Contact Person: Rebecca Mankin
Phone number: (573) 751-6014

Finding 2003-2D. Subrecipient Monitoring

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

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

Recommendation:

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

Status of Finding:

Corrective action was taken.

Contact Person: Rebecca Mankin
Phone number: (573) 751-6014

Finding 2003-3. Subrecipient Monitoring

Federal Agency: Federal Emergency Management Agency
Federal Program: 83.544 – Public Assistance Grants
State Agency: Department of Public Safety – State Emergency Management Agency (SEMA)

The SEMA had not established adequate internal controls to ensure subrecipient monitoring was properly documented.

Recommendation:

The SEMA require project status reports adequately document subrecipient monitoring and ensure all subrecipients submit an A-133 audit when applicable.

Status of Finding:

SEMA has implemented an internal system for tracking audits needed by applicants. The procedure was established and provided to section staff. When available, the audits are reviewed on-line, since the State Auditor's Office has automated their system and no longer sends hard copy documents for review. If the report is not available on-line, a hard copy is requested from the applicant.

Contact Person: Craig Rodick
Phone number: (573) 526-9106

Finding 2003-4. Employee Cost Allocation

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 – Family Support Division (FSD)
Questioned Costs: \$30,418

Our review of the department's procedures for assigning employees to federal grants noted that charges for one employee had been in error for almost a year. We questioned 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.

Recommendation:

The FSD resolve the questioned costs with the grantor agency.

Status of Finding:

FSD Management Services is completing the employee certification forms twice annually, attesting that designated federal funds are appropriately being allocated to (program) salaries.

Status of Questioned Costs:

The questioned costs have not yet been resolved with the grantor agency because the grantor agency has not yet presented a payment demand to the FSD.

Contact Person: Patrick Luebbering
Phone number: (573) 522-2664

Finding 2003-5. 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 – Children's Division (CD)
Questioned Costs: \$5,996

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 questioned the federal share of \$5,996 (61 percent).

Recommendation:

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.

Status of Finding:

The entire case file for case # 43685108 was lost; therefore, a fund recoupment was done on March 18, 2004, to repay the federal government their share of the payments. We were able to find the missing documentation for the other case files which was subsequently provided to the State Auditor's Office (SAO).

Payments made after contract authorization expired for case # 27660100 were not deducted from the childcare facility because the service was provided to the child in good faith. It was an oversight on the part of the adoption subsidy worker that the childcare authorization was not extended through 02/03 (it was only on the agreement until 02/02). The adoptive parents were not informed that the authorization had expired and continued to take the child to the childcare facility through April, 2003, since the child was age-eligible to continue to attend the program up to age 13. It is not appropriate to punish the adoptive parent for an oversight by the worker. No deductions have been made.

For payments made for case # 15925516 after contract authorization expired, deductions are being made on a monthly basis and will continue until the entire overpayment is recovered. Thus far, approximately \$800 has been deducted. The adoptive parents are currently being paid maintenance costs on 3 adoptive children each month, and the monthly deduction of approximately \$400 will continue until the balance is recovered.

Status of Questioned Costs:

A fund recoupment was done on March 18, 2004, for case # 43685108 to repay the federal government their share of the payments. We disagree with the remainder of the questioned costs since the missing documentation was located and subsequently provided to the SAO.

No deductions will be made for case # 27660100.

Deductions are currently being made for case # 15925516. Approximately \$800 has been deducted.

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

Finding 2003-6. Foster Care Matching and Activities Unallowed

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

- A. Indirect costs related to training expenses were charged to the Foster Care – Title IV-E grant at an incorrect rate. We questioned 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. We questioned 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. 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 questioned the federal share of \$6,344 (61 percent).

Recommendation:

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

Status of Finding:

A & B. The current policy was adopted July 1, 2003, and no further action is necessary.

C. A memo was sent to CD staff on April 1, 2004, instructing staff on the appropriate documentation required for payment authorizations. All county offices were instructed to attach receipts to payment authorizations and to store this information for five years. For those offices where space is of a concern, staff were instructed to send payments to state archives.

Status of Questioned Costs:

A & B. We dispute the questioned costs.

C. DSS found appropriate documentation for all cases except four. Included in the four is one with a duplicate payment for \$60 which was deducted in April of 2004. The questioned costs are being resolved for the other three cases.

Contact Person: Roger Backes and Linda Vaughan

Phone number: (573) 751-2170 and 751-8946

Finding 2003-7A. 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 – Children's Division (CD)

In-home visits were not always made according to division policy.

Recommendation:

The CD 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.

Status of Finding:

The division's current policy requires staff to meet with the child and foster/kinship family within the first week of placement (preferably the day after placement) and thereafter a minimum of every two weeks to monitor the placement. We believe our current policy reflects best practice standards. Furthermore, we recognize that staff, in lieu of adequate staffing and manageable caseloads, sometimes do not meet policy expectations. As a practical approach to managing the policy in a less-than-perfect environment, supervisors, in staff supervisory meetings, discuss with their staff the overall needs of each child in order to assess the number of visits that may be needed.

Contact Person: James C. Harrison

Phone number: (573) 751-8955

Finding 2003-7B. 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 – Children's Division (CD)

Division staff did not have a clear understanding of who was responsible for visiting children placed in counties outside their home counties and discrepancies were found in documentation of visits.

Recommendation:

The CD 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.

Status of Finding:

The division's current policy is consistent with this recommendation. Ensuring the compliance to such policy is, again, dependent on sufficient staffing and manageable caseloads. We have recently revised the CS-1, which is used to capture information on the child's current progress as well as his/her family.

Contact Person: James C. Harrison
Phone number: (573) 751-8955

Finding 2003-7C. 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 – Children's Division (CD)

Local division offices had no central tracking process to determine the number and location of foster children.

Recommendation:

The CD 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.

Status of Finding:

The division has for years utilized a central tracking system, the Alternative Care Tracking System, to identify and track the status and locations of each child in the custody or under the supervision of the division. The Alternative Care Tracking is a statewide system, but data entry and access are done at the local level. We plan to enhance this tracking system as we develop the Statewide Automated Child Welfare Information System (SACWIS) compliant automated system.

Contact Person: James C. Harrison
Phone number: (573) 751-8955

Finding 2003-7D. 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 – Children's Division (CD)

Several problems were noted with the inventory of foster children.

Recommendation:

The CD 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.

Status of Finding:

The division notes the inventory referenced in the audit report showed no missing children. We recognize that better tracking of the status and location of children can be improved by the timely and accurate updating of the Alternative Care Tracking System. Since payment to the placement provider is dependent on an accurate tracking system, staff are generally diligent in updating the child's location.

Contact Person: James C. Harrison
Phone number: (573) 751-8955

Finding 2003-7E. 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 – Children's Division (CD)

Family support team meetings did not occur as often as required and often did not include all required parties or the foster child.

Recommendation:

The CD 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.

Status of Finding:

Pursuant to the recently completed Federal Child and Family Service Review (CFSR), a Performance Improvement Plan was developed and submitted to the Administration for Children and Families (ACF) in June 2004. The division continues to be in negotiations with ACF to revise the Plan to meet with ACF approval.

Contact Person: James C. Harrison
Phone number: (573) 751-8955

Finding 2003-7F. 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 – Children's Division (CD)

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

Recommendation:

The CD 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.

Status of Finding:

The division is developing clear guidelines for staff to use when a child is in runaway status from an alternative care resource.

Contact Person: James C. Harrison
Phone number: (573) 751-8955

Finding 2003-7G. 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 – Children's Division (CD)

The division did not always initiate termination of parental rights action on a timely basis.

Recommendation:

Where appropriate, the CD should take steps to ensure local offices increase the timeliness for requesting termination of parental rights and where not appropriate, the CD should 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.

Status of Finding:

Current policy is consistent with federal and state law relating to the recommendations of termination of parental rights. Concurrent planning is also emphasized as a best

practice approach to achieving timely permanency. This recommendation was also addressed in the CFSR Performance Improvement Plan which was submitted to the ACF in June 2004.

Contact Person: James C. Harrison
Phone number: (573) 751-8955

Finding 2003-7H. 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 – Children's Division (CD)

Foster parent background checks could 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.

Recommendation:

The CD 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.

Status of Finding:

The division is in the process of implementing this recommendation. A policy memorandum was distributed on January 28, 2004, to make this a permanent part of our foster parent licensing procedures.

Contact Person: James C. Harrison
Phone number: (573) 751-8955

Finding 2003-8A. 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 – Children's Division (CD)

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.

Recommendation:

The CD discontinue reimbursing residential facilities for runaway children during their flight status. The CD should take action to amend current contracts if feasible, and delete the contract language in future contract bids.

Status of Finding:

This recommendation will require a contract amendment and will be discussed further. We are now in discussion with the Missouri Coalition of Children's Agencies and the industry in general as we negotiate the reimbursement methodology within our new performance-based contracts, as required in recently signed legislation.

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

Finding 2003-8B. 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 – Children's Division (CD)

Social workers did not promptly update the child's placement status in the computer system to runaway, which caused overpayments.

Recommendation:

The CD ensure social workers promptly initiate and enter child placement changes into the tracking system.

Status of Finding:

Payment specialists are currently successfully operating in each circuit location throughout the state (rather than only in each regional office). These staff have been provided with the ability and expectation that they resolve payment error reports sent to them on a weekly basis. These staff correct placement history issues for children in alternative care and ensure that information contained in the Alternative Care Tracking System is current. The Residential Care Payment Specialists continue to operate in each region of the state to ensure that Residential Treatment payments are current and accurate. The Children's Division continues to utilize the Office of Administration statewide contract with PRG Schulze to recover residential treatment overpayments and ensure payment accuracy to Residential Treatment Facilities.

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

Finding 2003-8C. 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 – Children's Division (CD)
Questioned Costs: \$2,175

Division workers disregarded criminal convictions documented in background checks and inappropriately licensed three 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 problems. We questioned the federal share of \$2,175 (61 percent).

Recommendation:

The CD resolve the questioned costs with the grantor agency and pursue reimbursement from the foster parent. In addition, the CD 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.

Status of Finding:

In February 2004, we implemented policy to require fingerprinting of licensed foster, adoptive, and relative caretakers. This allows for a more thorough criminal background search with the state and national data bases. We have also implemented policy which requires the search for orders of protection and other local offenses which might not be included with the state criminal data base. Finally, the need for thorough background screenings and licensing assessments will be emphasized within our performance-based contracts with the private sector.

Status of Questioned Costs:

Fund recoupments that will return the federal financial participation (FFP) to the federal agency will be completed as of 2/4/05; however, we will not pursue any reimbursement from the foster parent. This placement was court ordered by the juvenile court.

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

Finding 2003-8D. 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 – Children's Division (CD)

Although the division conducted a series of background checks for prospective new social workers, staff did not use the Family Care Registry.

Recommendation:

The CD 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.

Status of Finding:

The division currently checks the following databases: MULES, Child Abuse/Neglect System, Child Support Enforcement System, and Claims Accounting Restitution System. A more in-depth criminal justice agency employee check is conducted for certain divisions and positions within DSS. The division is currently in discussion with the Department's Human Resource Center to determine ways to expand the background checks of social workers.

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

Finding 2003-9. Allowable Costs

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 were primarily responsible for working with a state program called Missouri Senior Rx. 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 questioned costs totaling \$97,438, which is the federal share of salary and fringe benefit costs.

Recommendation:

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.

Status of Finding:

Our Corrective Action Plan remains unchanged.

The Department of Social Services/Division of Medical Services (DSS/DMS) disagrees with the State Auditor's Office (SAO) interpretation that the Office of Management and Budget (OMB) Circular A-87 requires personnel activity reports to be the only acceptable allocation method. Personnel activity reports are only one of the acceptable allocation methods. OMB Circular A-87 relies on a "benefits received" concept and provides that states enter into a cost allocation plan (CAP) that specifies how costs are allocated. Missouri's approved CAP includes a specific process whereby a portion of all Medicaid salaries is excluded from the claim for federal reimbursement based on the ratio of the cost of state-only services. DSS/DMS has documented 95% of the pharmacy rebates received directly benefit the federal Medicaid program as opposed to the state

Senior Rx program. DSS/DMS is confident the Centers for Medicare and Medicaid Services (CMS) will recognize any state-only costs are properly allocated through the CAP and the direct benefit the rebate unit provides to the federal Medicaid program.

Status of Questioned Costs:

Unchanged.

Contact Person: Michael Rehagen

Phone number: (573) 526-4383