# Thomas A. Schweich

**Missouri State Auditor**

# State of Missouri

# Single Audit

# Year Ended June 30, 2010


**March 2011**

**Report No. 2011-11**

**http://auditor.mo.gov**

March 2011

**Thomas A. Schweich**
**Missouri State Auditor**

# CITIZENS SUMMARY

## Findings in the Fiscal Year 2010 Statewide Single Audit

| | |
|---|---|
| Single Audit Background | The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Act requires an audit of the state's financial statements and its use of federal awards.<br><br>The Single Audit reports the federal awards spent by all state agencies, except component units of the state, which are audited by other auditors. Single Audit guidelines require audit work be conducted on "major" programs and utilize a risk-based approach to determine which specific programs are major. Using this methodology, for the fiscal year ended June 30, 2010 (FY2010), our Single Audit involved audit work on 30 major programs at 10 departments, encompassing $13.46 billion (91 percent) of the total federal awards spent. The 30 major programs audited also account for approximately 98.5 percent ($2.57 billion) of all American Recovery and Reinvestment Act of 2009 (ARRA) funds spent during FY2010. |
| 2010 Federal Awards | Nineteen different state departments or offices spent federal awards, but 4 state departments spent 91 percent of the federal awards, and 96 percent of the federal awards received came from just 5 federal agencies.<br><br>The state spent approximately $14.79 billion in federal awards through 341 different federal programs during FY2010. Included in this figure is approximately $2.61 billion in federal awards through ARRA, expended through 61 programs at 12 state departments. Total state expenditures of federal awards have increased $6.1 billion over the last 4 years. |
| Monitoring of Recovery Act Funds<br>DESE | As of December 31, 2010, the Department of Elementary and Secondary Eductation (DESE) had not done any monitoring of the ARRA portion of its existing programs. As such, DESE did not know whether the schools understand their requirements and had not identified and addressed any problems that might have existed. DESE disagrees with this finding. |
| Eligibility Reassessments<br>DHSS | Of the 66 cases reviewed, the Department of Health and Senior Services (DHSS) did not perform mandatory annual reassessment of eligibility for 74 percent of the Medicaid recipients receiving State Plan Personal Care or the Aged and Disabled Waiver program services. As a result, DHSS could not demonstrate payments were only made on behalf of eligible persons. |
| State Fiscal Stabilization Fund<br>DHE | The Department of Higher Education (DHE) disbursed approximately $134 million of ARRA funds to 23 colleges and universities through the State Fiscal Stabilization Fund to restore state support. DHE had no monitoring policies and procedures in place to ensure compliance with federal regulations and initially was not aware it had monitoring responsibilities. |
| Child Care Eligibility and Payments<br>DSS-Children's Division | The Department of Social Services (DSS)-Children's Division lacked adequate controls to ensure that payments from the Child Care and Development Fund (CCDF) were proper and benefiting only eligible clients. |

Of the 60 cases reviewed, 22 percent lacked eligibility documentation, including 6 case files that were missing entirely, and of the 60 payments reviewed, 50 percent lacked adequate documentation and/or were not in compliance with DSS policies. Previous state audits noted similar concerns in the DSS Child Care program, and a recent internal review by DSS of the Child Care program revealed a 43 percent error rate. DSS needs to increase oversight to address the high error rate and poor case record management.

## Unallowable Costs and Maintenance of Effort DSS-Family Support Division

The DSS-Family Support Division lacks a formal and comprehensive system for evaluating whether costs charged to or counted toward the Temporary Assistance for Needy Families (TANF) program are allowable. The DSS criteria have changed at least twice in the last 4 years. DSS charged certain state-funded costs as prior approved program costs and used costs related to educational and scholarship programs to meet the maintenance of effort (MOE) requirements, but it appears these costs may not meet the TANF criteria. Once audit staff questioned DSS about these costs, DSS moved the scholarship program costs for fiscal year 2011 from MOE to direct costs, but it still did not determine if the TANF criteria were met.

## Additional Comments

The audit also found that several agencies (DESE, DHE, the Department of Natural Resources and DSS) lacked the controls and procedures necessary to ensure that required quarterly ARRA reports (Section 1512 reports) are complete and accurate. In addition, DESE did not ensure prevailing wages were paid by subrecipients and did not ensure School Improvement Grant payments were made in accordance with approved budgets or expended appropriately. DHSS did not adequately control voided checks in the Women, Infants and Children (WIC) program, and over 2,000 voided checks were later redeemed. DHE failed to monitor teacher loan forgiveness claim payments for timeliness. The Department of Labor and Industrial Relations (DLIR) is still working to resolve over 2,000 cases of potential restored balances due to overpayments, an issue identified in the 2009 Statewide Single Audit. DLIR was also unable to adequately track ARRA funds and its financial records and reports were inaccurate and untimely; audit staff reviewed payments made to 25 claimants and found that 56 percent contained one or more errors. During FY2010, the DSS-Missouri HealthNet Division and the Department of Mental Health received $26.8 million as the federal share of billed costs for comprehensive waiver services before obtaining formal federal approval, which has now been denied. The federal authority has not yet indicated how it expects to resolve this issue. The Department of Public Safety-Adjutant General did not adequately account for or protect its capital assets. Recommendations were also made to DSS in the areas of cost and payment allocations, documentation and verification of eligibility and participation, management of reimbursements and salary certifications. No findings were made with respect to the Missouri Department of Transportation or the Department of Economic Development.

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

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Common Abbreviations

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

# INTRODUCTION AND SUMMARY

## INTRODUCTION AND SUMMARY

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

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

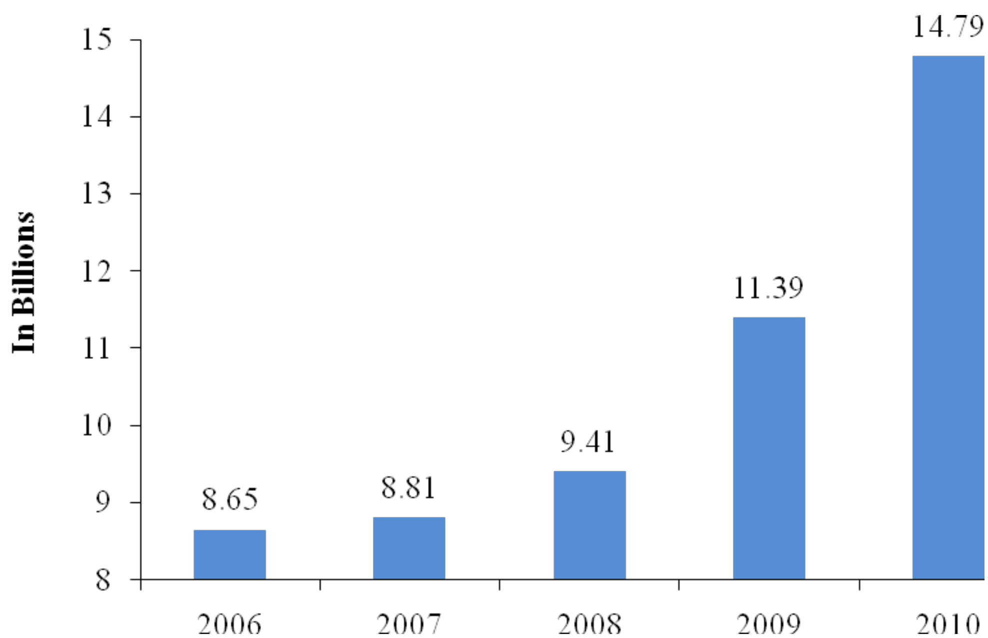
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.

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

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

The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended $14.79 billion in federal awards during the year ended June 30, 2010. Expenditures of federal awards have increased over the past 5 years.

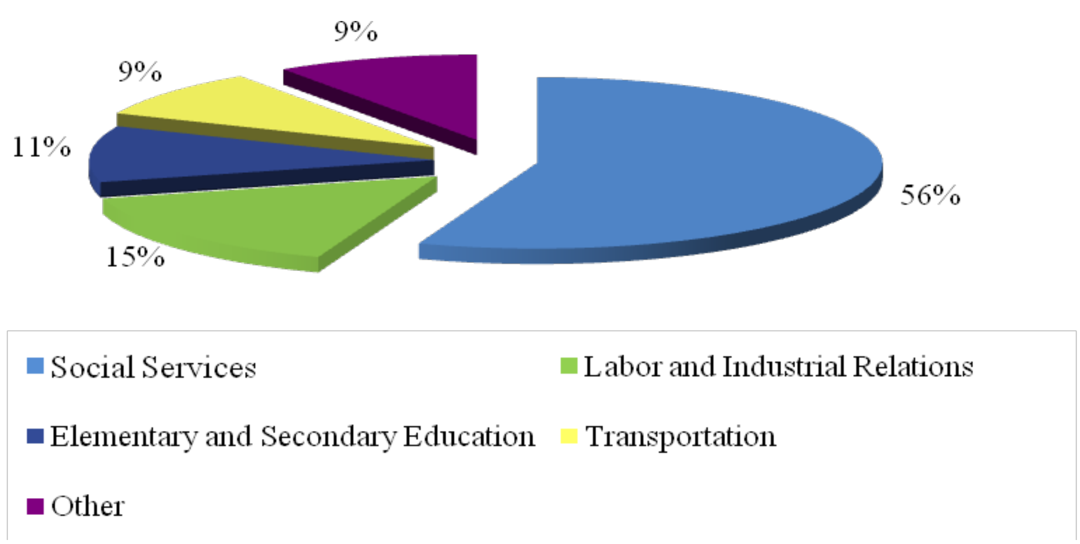
**Total Expenditures of Federal Awards**
**Five Year Comparison**




A contributing factor to the increase in total expenditures of federal awards during the year ended June 30, 2010, was the additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA).

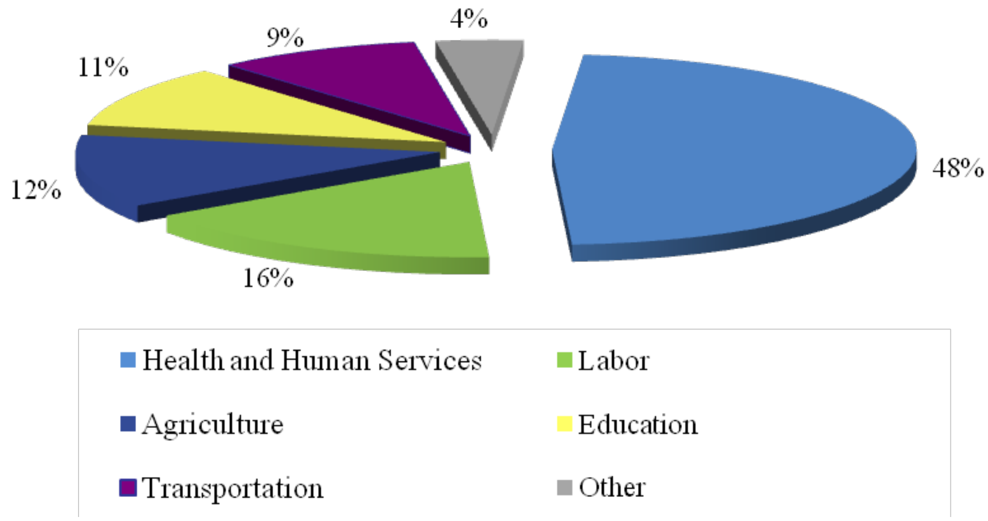
Although 19 state departments and other state offices expended federal awards, 4 state departments expended the bulk of the federal awards (91 percent).

**Expenditures of Federal Awards by State Department**



The state received federal awards from 22 different federal agencies. Most of the federal awards (96 percent) came from 5 federal agencies.

**Expenditures of Federal Awards by Federal Department**

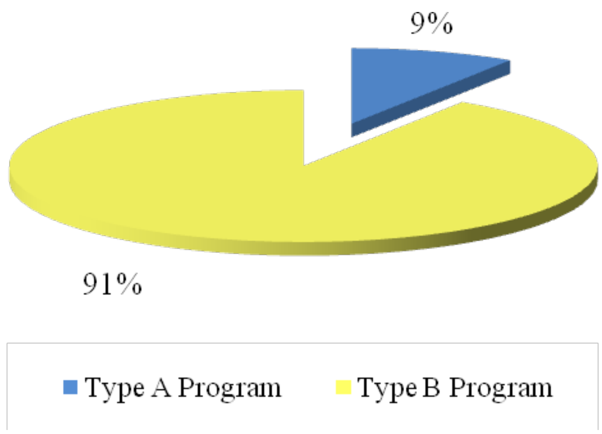



Overall, the state expended federal awards in 341 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program as the larger of $30 million or fifteen-hundredths of one percent (0.0015) of federal awards expended.

| **Determination of Type A Programs** | | |
|---|---|---|
| Larger of: | | $30,000,000 |
| | | or |
| Total expenditures of federal awards | 14,794,700,194 | |
| Fifteen-hundredths of one percent | .0015 | |
| | | 22,192,050 |
| Dollar Threshold | | $30,000,000 |

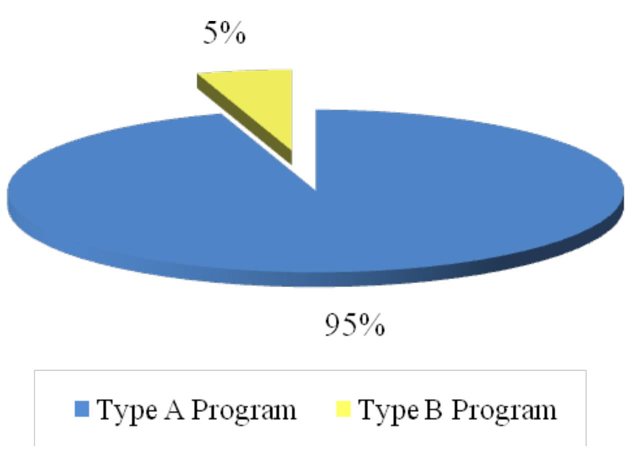
Programs with federal expenditures over $30 million are Type A programs and the programs under $30 million are Type B programs. Of the 341 different federal award programs, 31 were Type A programs and 310 were Type B programs.

**Type A and Type B Programs**
**Number of Programs**




The 31 Type A programs had expenditures of federal awards totaling $14 billion, which was 95 percent of the total expenditures for all programs. The 310 Type B programs had expenditures of federal awards totaling $737 million, which was only 5 percent of the total expenditures for all programs.

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



OMB Circular A-133 requires the auditor to perform risk assessments on Type A programs and to audit as major each Type A program assessed as high risk based on various risk factors. To ensure a high level of accountability over ARRA funds, Appendix VII of the 2010 Compliance Supplement included additional criteria to consider when determining risk for the Type A programs containing ARRA funds due to the inherently higher risk of these funds. We performed a risk assessment on each Type A program and determined 8 of the 31 Type A programs were low risk and did not need to be audited as major. In accordance with OMB Circular A-133, we audited the 23 Type A programs assessed as high risk as major.

OMB Circular A-133 also requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs which were not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended ($14.79 billion times .0003 = $4,438,410). We performed risk assessments on the 45 larger Type B programs and determined 13 of them were high risk. In accordance with OMB Circular A-133, we audited 7 (one-half) of these 13 high risk Type B programs as major.

**Major and Non-major Programs**

| Audit Coverage by Type of Program | Number of Programs | | Expenditures | Percentage of Expenditures |
|---|---|---|---|---|
| Type A major programs | 23 | $ | 13,326,416,301 | |
| Type B major programs | 7 | | 137,037,687 | |
| Total major programs | 30 | $ | 13,463,453,988 | 91% |
| Type A non-major programs | 8 | $ | 731,276,335 | |
| Type B non-major programs | 303 | | 599,969,871 | |
| Total all programs | 311 | $ | 1,331,246,206 | 9% |
| | 341 | $ | 14,794,700,194 | 100% |

## American Recovery and Reinvestment Act of 2009

As noted above, the state of Missouri expended a total of approximately $2.61 billion in federal awards during the year ended June 30, 2010. Of that total, approximately $2.61 billion (17.6 percent) was expended in ARRA awards. The ARRA awards relate to 61 existing or new federal programs with expenditures at 12 different state agencies. We audited 25 of these programs as major, covering about $2.57 billion, or 98.5 percent of total expenditures of ARRA awards.

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Grantor Agency | Federal Awards Expended |
|---|---|---|---|
| | SNAP Cluster: | | |
| 10.551 | Supplemental Nutrition Assistance Program | Agriculture | $ 1,334,093,306 |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | Agriculture | 55,582,179 |
| 10.561 | ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | Agriculture | 3,654,050 |
| | Total SNAP Cluster | | 1,393,329,535 |
| | Child Nutrition Cluster: | | |
| 10.553 | School Breakfast Program | Agriculture | 58,005,880 |
| 10.555 | National School Lunch Program | Agriculture | 202,320,684 |
| 10.556 | Special Milk Program for Children | Agriculture | 541,422 |
| 10.559 | Summer Food Service Program for Children | Agriculture | 11,375,206 |
| | Total Child Nutrition Cluster | | 272,243,192 |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | Agriculture | 85,482,038 |
| 10.558 | Child and Adult Care Food Program | Agriculture | 46,107,238 |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects | Defense | 51,381,955 |
| 12.401 | ARRA - National Guard Military Operations and Maintenance (O&M) Projects | Defense | 622,178 |
| | CDBG - State-Administered Small Cities Program Cluster: | | |
| 14.228 | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | Housing and Urban Development | 39,209,847 |
| 14.255 | ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | Housing and Urban Development | 1,131,364 |
| | Total CDBG - State-Administered Small Cities Program Cluster | | 40,341,211 |
| 17.225 | Unemployment Insurance | Labor | 1,679,488,308 |
| 17.225 | ARRA - Unemployment Insurance | Labor | 573,123,808 |
| | WIA Cluster: | | |
| 17.258 | Workforce Investment Act - Adult Program | Labor | 16,935,178 |
| 17.258 | ARRA - Workforce Investment Act - Adult Program | Labor | 8,328,916 |
| 17.259 | Workforce Investment Act - Youth Activities | Labor | 19,463,914 |
| 17.259 | ARRA - Workforce Investment Act - Youth Activities | Labor | 20,227,326 |
| 17.260 | Workforce Investment Act - Dislocated Workers | Labor | 24,388,532 |
| 17.260 | ARRA - Workforce Investment Act - Dislocated Workers | Labor | 19,097,506 |
| | Total WIA Cluster | | 108,441,372 |
| | Highway Planning and Construction Cluster: | | |
| 20.205 | Highway Planning and Construction | Transportation | 971,934,640 |
| 20.205 | ARRA - Highway Planning and Construction | Transportation | 272,693,765 |
| 20.219 | Recreational Trails Program | Transportation | 527,790 |
| | Total Highway Planning and Construction Cluster | | 1,245,156,195 |
| 64.015 | Veterans State Nursing Home Care | Veterans Affairs | 40,433,415 |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds | Environmental Protection Agency | 12,857,269 |
| 66.458 | ARRA - Capitalization Grants for Clean Water State Revolving Funds | Environmental Protection Agency | 28,365,778 |
| | Title I, Part A Cluster: | | |
| 84.010 | Title I Grants to Local Educational Agencies | Education | 190,809,777 |
| 84.389 | ARRA - Title I Grants to Local Educational Agencies, Recovery Act | Education | 68,645,150 |
| | Total Title I, Part A Cluster | | 259,454,927 |

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Grantor Agency | Federal Awards Expended |
|---|---|---|---|
| | Special Education Cluster (IDEA): | | |
| 84.027 | Special Education - Grants to States | Education | 201,924,439 |
| 84.173 | Special Education - Preschool Grants | Education | 5,900,040 |
| 84.391 | ARRA - Special Education Grants to States, Recovery Act | Education | 107,482,111 |
| 84.392 | ARRA - Special Education - Preschool Grants, Recovery Act | Education | 1,148,795 |
| | Total Special Education (IDEA) Cluster | | 316,455,385 |
| 84.032 | Federal Family Education Loans | Education | 148,917,739 |
| | Vocational Rehabilitation Cluster: | | |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States | Education | 56,845,099 |
| 84.390 | ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act | Education | 8,745,020 |
| | Total Vocational Rehabilitation Cluster | | 65,590,119 |
| 84.367 | Improving Teacher Quality State Grants | Education | 39,006,989 |
| | State Fiscal Stabilization Fund Cluster: | | |
| 84.394 | ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | Education | 530,036,219 |
| 84.397 | ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act | Education | 86,639,554 |
| | Total State Fiscal Stabilization Fund Cluster | | 616,675,773 |
| 93.069 | Public Health Emergency Preparedness | Health and Human Services | 39,929,827 |
| | Immunization Cluster: | | |
| 93.268 | Immunization Grants | Health and Human Services | 55,113,022 |
| 93.712 | ARRA - Immunization | Health and Human Services | 2,286,736 |
| | Total Immunization Cluster | | 57,399,758 |
| | TANF Cluster: | | |
| 93.558 | Temporary Assistance for Needy Families | Health and Human Services | 173,005,808 |
| 93.714 | ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs | Health and Human Services | 290,000 |
| | Total TANF Cluster | | 173,295,808 |
| 93.563 | Child Support Enforcement | Health and Human Services | 28,076,900 |
| 93.563 | ARRA - Child Support Enforcement | Health and Human Services | 16,916,859 |
| 93.568 | Low-Income Home Energy Assistance | Health and Human Services | 115,557,157 |
| | CSBG Cluster: | | |
| 93.569 | Community Services Block Grant | Health and Human Services | 15,581,601 |
| 93.710 | ARRA - Community Services Block Grant | Health and Human Services | 20,651,595 |
| | Total CSBG Cluster | | 36,233,196 |
| | CCDF Cluster: | | |
| 93.575 | Child Care and Development Block Grant | Health and Human Services | 73,235,681 |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | Health and Human Services | 57,667,602 |
| 93.713 | ARRA - Child Care and Development Block Grant | Health and Human Services | 2,265,756 |
| | Total CCDF Cluster | | 133,169,039 |

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Grantor Agency | Federal Awards Expended |
|---|---|---|---|
| 93.658 | Foster Care - Title IV-E | Health and Human Services | 56,043,470 |
| 93.658 | ARRA - Foster Care - Title IV-E | Health and Human Services | 1,539,309 |
| 93.659 | Adoption Assistance | Health and Human Services | 35,061,102 |
| 93.659 | ARRA - Adoption Assistance | Health and Human Services | 2,951,175 |
| 93.667 | Social Services Block Grant | Health and Human Services | 65,656,226 |
| 93.767 | Children's Health Insurance Program | Health and Human Services | 108,083,288 |
| | Medicaid Cluster: | | |
| 93.775 | State Medicaid Fraud Control Units | Health and Human Services | 1,133,450 |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | Health and Human Services | 16,340,279 |
| 93.778 | Medical Assistance Program | Health and Human Services | 5,264,411,388 |
| 93.778 | ARRA - Medical Assistance Program | Health and Human Services | 727,726,725 |
| | Total Medicaid Cluster | | 6,009,611,842 |
| | Disability Insurance/SSI Cluster: | | |
| 96.001 | Social Security - Disability Insurance | Social Security Administration | 37,697,942 |
| | Total Disability Insurance/SSI Cluster | | 37,697,942 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Homeland Security | 116,995,314 |
| | Total Type A Programs (expenditures greater than $30,000,000) | | 14,057,692,636 |
| | Total Type B Programs (expenditures less than $30,000,000) | | 737,007,558 |
| | Total Expenditures of Federal Awards | | $ 14,794,700,194 |

STATE AUDITOR'S REPORTS

# THOMAS A. SCHWEICH
**Missouri State Auditor**


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

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

We have audited 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, 2010, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 25, 2011. Our report includes a reference to other auditors. Our report also 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.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, the Conservation Employees' Insurance Plan, the Transportation Self-Insurance Plan, the Missouri State Employees' Insurance Plan, the Missouri Consolidated Health Care Plan, and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 78 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 35 percent of both the assets and revenues of the business-type activities.

3. The component units.



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

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

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

As described in Note 2 to the financial statements presented in the *Missouri Comprehensive Annual Financial Report*, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the state's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 auditing procedures to be applied in our audit of the basic financial statements. Our reports of these conditions do not modify our report dated January 25, 2011, 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, this report is a matter of public record and its distribution is not limited.

Thomas A Schweich

Thomas A. Schweich
State Auditor

January 25, 2011

**THOMAS A. SCHWEICH**
**Missouri State Auditor**

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

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

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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.

Our compliance audit, described below, did not include the operations of the component units and related organizations that expended federal financial assistance during the year ended June 30, 2010, because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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.



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As described in finding numbers 2010-2, 2010-6, 2010-8, 2010-10, 2010-16, and 2010-21 in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding allowable activities or allowable costs and cost principles applicable to the School Improvement Grants Cluster, eligibility requirements applicable to the Medical Assistance Program, subrecipient monitoring requirements applicable to the State Fiscal Stabilization Fund Cluster, reporting requirements applicable to the Unemployment Insurance Program, allowable activities or allowable costs and cost principles and eligibility requirements applicable to the Child Care and Development Fund Cluster, and allowable activities or allowable costs and cost principles and level of effort requirements applicable to the Temporary Assistance for Needy Families Program. Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 finding numbers 2010-4, 2010-5, 2010-7, 2010-9, 2010-12, 2010-15, 2010-17 through 2010-20, 2010-22, 2010-23, and 2010-25.

Internal Control Over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

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

A deficiency in the state's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2010-1, 2010-3, 2010-4, 2010-6, 2010-8 through 2010-11, 2010-13, 2010-16, 2010-21, 2010-22, 2010-24, and 2010-25 to be significant deficiencies.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented or detected and corrected on a timely basis. Of the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider finding numbers 2010-6, 2010-8, 2010-10, 2010-16, and 2010-21 to be material weaknesses.

The responses of the state of Missouri to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the state's responses and, accordingly, we express no opinion on them.

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, this report is a matter of public record and its distribution is not limited.

Thomas A Schweich

Thomas A. Schweich
State Auditor

February 18, 2011

**THOMAS A. SCHWEICH**
**Missouri State Auditor**

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

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

We have audited 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, 2010, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 25, 2011. Our report includes a reference to other auditors. Our report also 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.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, the Conservation Employees' Insurance Plan, the Transportation Self-Insurance Plan, the Missouri State Employees' Insurance Plan, the Missouri Consolidated Health Care Plan, and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 78 percent and 13 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 35 percent of both the assets and revenues of the business-type activities.

3. The component units.



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

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

As described in Note 2 to the financial statements presented in the *Missouri Comprehensive Annual Financial Report*, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*; Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*; and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

Our audit was conducted for the purpose of forming our 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 and other component units 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 by us and the other auditors in the audit of the basic financial statements and, in our opinion, except for the effects of the exclusion of federal award expenditures of public universities and other component units, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Thomas A Schweich

Thomas A. Schweich
State Auditor

January 25, 2011

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| Office of National Drug Control Policy | | | |
| 07.UNKNOWN | HIDTA | $ 3,554,770 | 2,498,596 |
| | Total Office of National Drug Control Policy | 3,554,770 | 2,498,596 |
| | | | |
| Department of Agriculture | | | |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | 1,033,253 | 0 |
| 10.069 | Conservation Reserve Program | 121,969 | 215 |
| 10.072 | Wetlands Reserve Program | 186,801 | 0 |
| 10.086 | ARRA - Aquaculture Grants Program (AGP) | 109,942 | 109,942 |
| 10.156 | Federal-State Marketing Improvement Program | 27,296 | 25,296 |
| 10.163 | Market Protection and Promotion | 49,164 | 44,363 |
| 10.169 | Specialty Crop Block Grant Program | 77,684 | 61,384 |
| 10.170 | Specialty Crop Block Grant Program - Farm Bill | 286,552 | 249,613 |
| 10.435 | State Mediation Grants | 16,894 | 0 |
| 10.475 | Cooperative Agreements with States for Intrastate Meat and Poultry Inspection | 724,936 | 0 |
| 10.479 | Food Safety Cooperative Agreements | 6,725 | 0 |
| 10.550 | Food Donation | 32,959 | 32,959 |
| | SNAP Cluster: | | |
| 10.551 | Supplemental Nutritional Assistance Program | 1,334,093,306 | 0 |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutritional Assistance Program | 55,582,179 | 0 |
| 10.561 | ARRA - State Administrative Matching Grants for the Supplemental Nutritional Assistance Program | 3,654,050 | 3,654,050 |
| | Total SNAP Cluster | 1,393,329,535 | 3,654,050 |
| | Child Nutrition Cluster: | | |
| 10.553 | School Breakfast Program | 58,005,880 | 58,005,879 |
| 10.555 | National School Lunch Program | 202,320,684 | 202,207,477 |
| 10.556 | Special Milk Program for Children | 541,422 | 541,422 |
| 10.559 | Summer Food Service Program for Children | 11,375,206 | 10,969,250 |
| | Total Child Nutrition Cluster | 272,243,192 | 271,724,028 |
| | | | |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | 85,482,038 | 20,150,878 |
| 10.558 | Child and Adult Care Food Program | 46,107,238 | 45,462,600 |
| 10.560 | State Administrative Expenses for Child Nutrition | 2,534,501 | 706,309 |
| 10.565 | Commodity Supplemental Food Program | 649,407 | 583,512 |
| | Emergency Food Assistance Cluster: | | |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | 1,426,499 | 1,426,499 |
| 10.568 | ARRA - Emergency Food Assistance Program (Administrative Costs) | 647,127 | 0 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 11,492,472 | 0 |
| 10.569 | ARRA - Emergency Food Assistance Program (Food Commodities) | 1,085,889 | 1,085,889 |
| | Total Emergency Food Assistance Cluster | 14,651,987 | 2,512,388 |
| | | | |
| 10.572 | WIC Farmers' Market Nutrition Program (FMNP) | 92,557 | 77,689 |
| 10.574 | Team Nutrition Grants | 137,593 | 7,879 |
| 10.578 | WIC Grants to States (WGS) | 106,839 | 106,839 |
| 10.578 | ARRA - WIC Grants to States (WGS) | 604,536 | 0 |
| 10.579 | Child Nutrition Discretionary Grants Limited Availability | 1,806,467 | 1,806,417 |
| 10.582 | Fresh Fruit and Vegetable Program | 1,164,918 | 1,164,917 |
| 10.664 | Cooperative Forestry Assistance | 1,409,786 | 298,894 |
| | Schools and Roads Cluster: | | |
| 10.665 | Schools and Roads - Grants to States | 6,845,948 | 6,845,948 |
| | Total Schools and Roads Cluster | 6,845,948 | 6,845,948 |
| | | | |
| 10.678 | Forest Stewardship Program | 4,604 | 0 |
| 10.680 | Forest Health Protection | 106,393 | 0 |
| 10.688 | ARRA - Wildland Fire Management | 37,682 | 0 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| 10.769 | Rural Business Enterprise Grants | 13,459 | 8,459 |
| 10.902 | Soil and Water Conservation | 83,474 | 0 |
| 10.912 | Environmental Quality Incentives Program | 37,988 | 0 |
| Total Department of Agriculture | | 1,830,124,317 | 355,634,579 |
| | | | |
| Department of Commerce | | | |
| | Public Works and Economic Development Cluster: | | |
| 11.307 | ARRA - Economic Adjustment Assistance | 391,062 | 0 |
| | Total Public Works and Economic Development Cluster | 391,062 | 0 |
| | | | |
| 11.468 | Applied Meteorological Research | 122,600 | 122,600 |
| 11.555 | Public Safety Interoperable Emergency Communications Grant Program | 2,530,352 | 34,621 |
| Total Department of Commerce | | 3,044,014 | 157,221 |
| | | | |
| Department of Defense | | | |
| 12.AAG | Drug Interdiction and Counter Drug Activities | 59,735 | 0 |
| 12.UNKNOWN | Troops to Teachers | 145,541 | 45,375 |
| 12.112 | Payments to States in Lieu of Real Estate Taxes | 1,425,626 | 1,425,626 |
| 12.113 | State Memorandum of Agreement Program for the Reimbursement of Technical Services | 907,007 | 28,808 |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects | 51,381,955 | 0 |
| 12.401 | ARRA - National Guard Military Operations and Maintenance (O&M) Projects | 622,178 | 0 |
| 12.404 | National Guard Challenge Program | 16,163 | 0 |
| Total Department of Defense | | 54,558,205 | 1,499,809 |
| | | | |
| Department of Housing and Urban Development | | | |
| | CDBG - State-Administered Small Cities Program Cluster: | | |
| 14.228 | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 39,209,847 | 38,163,429 |
| 14.255 | ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 1,131,364 | 1,013,907 |
| | Total CDBG - State-Administered Small Cities Program Cluster | 40,341,211 | 39,177,336 |
| | | | |
| 14.231 | Emergency Shelter Grants Program | 1,649,793 | 1,649,793 |
| 14.238 | Shelter Plus Care | 8,947,448 | 8,947,448 |
| 14.241 | Housing Opportunities for Persons with AIDS | 341,356 | 341,356 |
| 14.257 | ARRA - Homelessness Prevention and Rapid Rehousing Program | 3,934,329 | 3,934,329 |
| 14.401 | Fair Housing Assistance Program - State and Local | 601,483 | 0 |
| Total Department of Housing and Urban Development | | 55,815,620 | 54,050,262 |
| | | | |
| Department of the Interior | | | |
| 15.FFB | Webless Migratory Game Bird Research Program | 117,097 | 0 |
| 15.250 | Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining | 198,464 | 0 |
| 15.252 | Abandoned Mine Land Reclamation (AMLR) Program | 1,673,195 | 947,180 |
| 15.255 | Applied Science Program Cooperative Agreements Related to Coal Mining and Reclamation | 18,803 | 0 |
| | Fish and Wildlife Cluster: | | |
| 15.605 | Sport Fish Restoration Program | 7,401,433 | 0 |
| 15.611 | Wildlife Restoration | 8,401,940 | 0 |
| | Total Fish and Wildlife Cluster | 15,803,373 | 0 |
| | | | |
| 15.608 | Fish and Wildlife Management Assistance | 14,708 | 0 |
| 15.615 | Cooperative Endangered Species Conservation Fund | 112,946 | 0 |
| 15.616 | Clean Vessel Act | 111,516 | 111,516 |
| 15.623 | North American Wetlands Conservation Fund | 332,866 | 0 |
| 15.633 | Landowner Incentive Program | 293,437 | 0 |
| 15.634 | State Wildlife Grants | 1,345,531 | 0 |

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| 15.656 | ARRA - Habitat Enhancement, Restoration and Improvement | 12,946 | 0 |
| 15.807 | Earthquake Hazards Reduction Program | 66,584 | 0 |
| 15.808 | U.S. Geological Survey - Research and Data Collection | 35,060 | 0 |
| 15.810 | National Cooperative Geologic Mapping Program | 122,417 | 0 |
| 15.814 | National Geological and Geophysical Data Preservation Program | 1,438 | 0 |
| 15.904 | Historic Preservation Fund Grants-In-Aid | 819,976 | 61,096 |
| 15.916 | Outdoor Recreation - Acquisition, Development and Planning | 494,075 | 453,938 |
| 15.921 | Rivers, Trails and Conservation Assistance | 10,164 | 0 |
| 15.978 | Upper Mississippi River System Long Term Resource Monitoring Program | 354,097 | 0 |
| Total Department of the Interior | | 21,938,693 | 1,573,730 |
| | | | |
| Department of Justice | | | |
| 16.UNKNOWN | Domestic Cannabis Eradication | 334,188 | 0 |
| 16.017 | Sexual Assault Services Formula Program | 44,221 | 34,662 |
| 16.202 | Prisoner Reentry Initiative Demonstration (Offender Reentry) | 378,650 | 0 |
| 16.523 | Juvenile Accountability Block Grants | 729,563 | 643,617 |
| 16.540 | Juvenile Justice and Delinquency Prevention - Allocation to States | 796,949 | 623,597 |
| 16.542 | Part D - Research, Evaluation, Technical Assistance and Training | 88,234 | 0 |
| 16.543 | Missing Children's Assistance | 95,520 | 0 |
| 16.548 | Title V - Delinquency Prevention Program | 49,749 | 49,749 |
| 16.554 | National Criminal History Improvement Program (NCHIP) | 428,287 | 255,787 |
| 16.560 | National Institute of Justice Research, Evaluation, and Development Project Grants | 228,109 | 228,109 |
| 16.575 | Crime Victim Assistance | 6,527,735 | 6,386,304 |
| 16.576 | Crime Victim Compensation | 2,985,806 | 2,985,806 |
| 16.580 | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 118,890 | 75,000 |
| 16.588 | Violence Against Women Formula Grants | 1,901,280 | 1,785,914 |
| 16.588 | ARRA - Violence Against Women Formula Grants | 1,072,132 | 1,037,091 |
| 16.590 | Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program | 147,339 | 37,493 |
| 16.593 | Residential Substance Abuse Treatment for State Prisoners | 75,140 | 75,140 |
| 16.606 | State Criminal Alien Assistance Program | 124,424 | 0 |
| 16.610 | Regional Information Sharing Systems | 5,406,586 | 5,406,586 |
| 16.710 | Public Safety Partnership and Community Policing Grants | 2,785,268 | 2,178,404 |
| 16.726 | Juvenile Mentoring Program | 251,653 | 233,255 |
| 16.734 | Special Data Collections and Statistical Studies | 37,304 | 0 |
| 16.735 | Protecting Inmates and Safeguarding Communities Discretionary Grant Program | 45,881 | 0 |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | 2,783,129 | 2,404,938 |
| 16.740 | Statewide Automated Victim Information Notification (SAVIN) Program | 72,095 | 0 |
| 16.741 | Forensic DNA Backlog Reduction Program | 484,120 | 0 |
| 16.750 | Support for Adam Walsh Act Implementation Grant Program | 54,235 | 0 |
| 16.801 | ARRA - State Victim Assistance Formula Grant Program | 792,989 | 760,691 |
| 16.802 | ARRA - State Victim Compensation Formula Grant Program | 951,498 | 951,498 |
| 16.803 | ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories | 8,763,816 | 8,606,481 |
| 16.810 | ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program | 881,513 | 0 |
| Total Department of Justice | | 39,436,303 | 34,760,122 |
| | | | |
| Department of Labor | | | |
| 17.002 | Labor Force Statistics | 1,312,631 | 0 |
| 17.005 | Compensation and Working Conditions | 208,528 | 0 |
| | Employment Service Cluster: | | |
| 17.207 | Employment Service/Wagner-Peyser Funded Activities | 12,789,225 | 103,052 |
| 17.207 | ARRA - Employment Service/Wagner-Peyser Funded Activities | 7,374,553 | 686,281 |
| 17.801 | Disabled Veterans' Outreach Program (DVOP) | 887,233 | 0 |
| 17.804 | Local Veterans' Employment Representative Program | 2,372,251 | 0 |
| | Total Employment Service Cluster | 23,423,262 | 789,333 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| 17.225 | Unemployment Insurance | 1,679,488,308 | 0 |
| 17.225 | ARRA - Unemployment Insurance | 573,123,808 | 0 |
| 17.235 | Senior Community Service Employment Program | 2,717,653 | 2,636,824 |
| 17.235 | ARRA - Senior Community Service Employment Program | 548,237 | 538,199 |
| 17.245 | Trade Adjustment Assistance | 23,688,715 | 0 |
| | WIA Cluster: | | |
| 17.258 | Workforce Investment Act - Adult Program | 16,935,178 | 15,203,434 |
| 17.258 | ARRA - Workforce Investment Act - Adult Program | 8,328,916 | 8,328,916 |
| 17.259 | Workforce Investment Act - Youth Activities | 19,463,914 | 17,051,195 |
| 17.259 | ARRA - Workforce Investment Act - Youth Activities | 20,227,326 | 20,174,148 |
| 17.260 | Workforce Investment Act - Dislocated Workers | 24,388,532 | 20,048,210 |
| 17.260 | ARRA - Workforce Investment Act - Dislocated Workers | 19,097,506 | 18,889,954 |
| | Total WIA Cluster | 108,441,372 | 99,695,857 |
| 17.261 | Workforce Investment Act - Pilots, Demonstrations, and Research Projects | 16,286 | 16,286 |
| 17.266 | Work Incentive Grants | 221,426 | 220,692 |
| 17.267 | Incentive Grants - WIA Section 503 | 752,940 | 681,061 |
| 17.268 | H-1B Job Training Grants | 8,199,177 | 8,196,409 |
| 17.271 | Work Opportunity Tax Credit Program (WOTC) | 371,545 | 0 |
| 17.273 | Temporary Labor Certification for Foreign Workers | 99,720 | 0 |
| 17.275 | ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors | 274,507 | 116,444 |
| 17.504 | Consultation Agreements | 1,082,486 | 0 |
| 17.505 | OSHA Data Initiative | 38,924 | 0 |
| 17.600 | Mine Health and Safety Grants | 312,317 | 0 |
| Total Department of Labor | | 2,424,321,842 | 112,891,105 |
| Department of Transportation | | | |
| 20.UNKNOWN | National Highway Traffic Safety Administration | 58,509 | 0 |
| 20.106 | Airport Improvement Program | 20,861,921 | 20,670,113 |
| 20.106 | ARRA - Airport Improvement Program | 5,039,442 | 5,039,442 |
| | Highway Planning and Construction Cluster: | | |
| 20.205 | Highway Planning and Construction | 971,934,640 | 102,821,793 |
| 20.205 | ARRA - Highway Planning and Construction | 272,693,765 | 24,499,225 |
| 20.219 | Recreational Trails Program | 527,790 | 464,109 |
| | Total Highway Planning and Construction Cluster | 1,245,156,195 | 127,785,127 |
| 20.217 | Motor Carrier Safety | 2,914,374 | 682,881 |
| 20.218 | National Motor Carrier Safety | 1,372,537 | 1,308,466 |
| 20.231 | Performance and Registration Information Systems Management | 100,791 | 0 |
| 20.237 | Commercial Vehicle Information Systems and Networks | 227,297 | 0 |
| 20.240 | Fuel Tax Evasion - Intergovernmental Enforcement Efforts | 15,419 | 0 |
| 20.317 | Capital Assistance to States - Intercity Passenger Rail Service | 2,512,332 | 2,512,332 |
| | Federal Transit Cluster: | | |
| 20.500 | Federal Transit - Capital Investment Grants | 5,447,233 | 5,446,682 |
| | Total Federal Transit Cluster | 5,447,233 | 5,446,682 |
| 20.505 | Metropolitan Transportation Planning | 5,396,630 | 5,195,278 |
| 20.509 | Formula Grants for Other Than Urbanized Areas | 12,416,284 | 11,697,802 |
| 20.509 | ARRA - Formula Grants for Other Than Urbanized Areas | 13,626,099 | 13,626,099 |
| | Transit Services Programs Cluster: | | |
| 20.513 | Capital Assistance Program for Elderly Persons and Persons with Disabilities | 3,075,347 | 2,932,919 |
| 20.516 | Job Access - Reverse Commute | 547,298 | 542,810 |
| 20.521 | New Freedom Program | 235,718 | 235,718 |
| | Total Transit Services Programs Cluster | 3,858,363 | 3,711,447 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| | Highway Safety Cluster: | | |
| 20.600 | State and Community Highway Safety | 5,200,300 | 3,834,235 |
| 20.601 | Alcohol Impaired Driving Countermeasures Incentive Grants I | 3,661,459 | 2,593,446 |
| 20.604 | Safety Incentive Grants for Use of Seatbelts | 1,781 | 1,781 |
| 20.610 | State Traffic Safety Information System Improvement Grants | 591,087 | 407,566 |
| 20.611 | Incentive Grant Program to Prohibit Racial Profiling | 186,188 | 186,188 |
| 20.612 | Incentive Grant Program to Increase Motorcyclist Safety | 144,860 | 0 |
| 20.613 | Child Safety and Child Booster Seats Incentive Grants | 614,202 | 215,554 |
| | Total Highway Safety Cluster | 10,399,877 | 7,238,770 |
| | | | |
| 20.607 | Alcohol Open Container Requirements | 9,820,706 | 5,248,676 |
| 20.614 | National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants | 279,486 | 79,272 |
| 20.615 | E-911 Grant Program | 118,493 | 118,493 |
| 20.700 | Pipeline Safety Program Base Grants | 713,375 | 0 |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | 522,310 | 357,986 |
| 20.721 | PHMSA Pipeline Safety Program One Call Grant | 10,048 | 0 |
| Total Department of Transportation | | 1,340,867,721 | 210,718,866 |
| | | | |
| Equal Employment Opportunity Commission | | | |
| 30.002 | Employment Discrimination - State and Local Fair Employment Practices Agency Contracts | 668,611 | 0 |
| Total Equal Employment Opportunity Commission | | 668,611 | 0 |
| | | | |
| General Services Administration | | | |
| 39.003 | Donation of Federal Surplus Personal Property | 1,641,070 | 1,256,438 |
| 39.011 | Election Reform Payments | 628,576 | 298,729 |
| Total General Services Administration | | 2,269,646 | 1,555,167 |
| | | | |
| National Foundation on the Arts and the Humanities | | | |
| 45.025 | Promotion of the Arts - Partnership Agreements | 746,643 | 434,747 |
| 45.025 | ARRA - Promotion of the Arts - Partnership Agreements | 274,014 | 274,014 |
| 45.301 | Museums for America | 63,675 | 0 |
| 45.310 | Grants to States | 3,330,276 | 1,757,221 |
| 45.312 | National Leadership Grants | 293 | 0 |
| Total National Foundation on the Arts and the Humanities | | 4,414,901 | 2,465,982 |
| | | | |
| Department of Veterans Affairs | | | |
| 64.005 | Grants to States for Construction of State Home Facilities | 847,625 | 0 |
| 64.005 | ARRA - Grants to States for Construction of State Home Facilities | 561,664 | 0 |
| 64.015 | Veterans State Nursing Home Care | 40,433,415 | 0 |
| 64.024 | VA Homeless Providers Grant and Per Diem Program | 361,898 | 361,898 |
| 64.123 | All-Volunteer Force Educational Assistance | 697,620 | 0 |
| 64.203 | State Cemetery Grants | 4,757,501 | 0 |
| Total Department of Veterans Affairs | | 47,659,723 | 361,898 |
| | | | |
| Environmental Protection Agency | | | |
| 66.032 | State Indoor Radon Grants | 140,878 | 0 |
| 66.034 | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 635,341 | 163,283 |
| 66.039 | National Clean Diesel Emissions Reduction Program | 403,786 | 216,802 |
| 66.039 | ARRA - National Clean Diesel Emissions Reduction Program | 247,385 | 146,882 |
| 66.040 | State Clean Diesel Grant Program | 223,167 | 88,968 |
| 66.040 | ARRA - State Clean Diesel Grant Program | 949,149 | 898,553 |
| 66.180 | Chemical Emergency Preparedness and Prevention Technical Assistance | 29,876 | 0 |
| 66.202 | Congressionally Mandated Projects | 101,048 | 0 |
| 66.419 | Water Pollution Control State, Interstate, and Tribal Program Support | 121,355 | 54,880 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| 66.433 | State Underground Water Source Protection | 133,345 | 0 |
| 66.454 | Water Quality Management Planning | 534,531 | 322,393 |
| 66.454 | ARRA - Water Quality Management Planning | 38,723 | 38,723 |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds | 12,857,269 | 12,857,269 |
| 66.458 | ARRA - Capitalization Grants for Clean Water State Revolving Funds | 28,365,778 | 26,339,490 |
| 66.460 | Nonpoint Source Implementation Grants | 3,034,880 | 1,519,280 |
| 66.461 | Regional Wetland Program Development Grants | 244,253 | 8,604 |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | 4,533,822 | 1,642,484 |
| 66.468 | ARRA - Capitalization Grants for Drinking Water State Revolving Funds | 16,580,552 | 16,580,552 |
| 66.471 | State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs | 363,723 | 250,750 |
| 66.474 | Water Protection Grants to the States | 82,222 | 0 |
| 66.605 | Performance Partnership Grants | 13,420,943 | 1,063,934 |
| 66.608 | Environmental Information Exchange Network Grant Program and Related Assistance | 18,928 | 0 |
| 66.707 | TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | 333,085 | 0 |
| 66.709 | Multi-Media Capacity Building Grants for States and Tribes | 54,779 | 0 |
| 66.802 | Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 1,433,760 | 140,365 |
| 66.804 | Underground Storage Tank Prevention, Detection, and Compliance Program | 612,122 | 0 |
| 66.805 | Leaking Underground Storage Tank Trust Fund Corrective Action Program | 1,167,436 | 254,130 |
| 66.805 | ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program | 3,101,652 | 2,873,944 |
| 66.810 | Chemical Emergency Preparedness and Prevention (CEPP) Technical Assistance Grants Program | 40,364 | 40,000 |
| 66.817 | State and Tribal Response Program Grants | 1,088,566 | 137,594 |
| 66.818 | Brownfields Assessment and Cleanup Cooperative Agreements | 112,190 | 64,271 |
| 66.940 | Environmental Policy and State Sustainability Grants | 30,764 | 0 |
| Total Environmental Protection Agency | | 91,035,672 | 65,703,151 |
| | | | |
| Department of Energy | | | |
| 81.039 | National Energy Information Center | 2,848 | 0 |
| 81.041 | State Energy Program | 591,954 | 26,123 |
| 81.041 | ARRA - State Energy Program | 1,059,321 | 264,269 |
| 81.042 | Weatherization Assistance for Low-Income Persons | 5,141,144 | 4,603,323 |
| 81.042 | ARRA - Weatherization Assistance for Low-Income Persons | 21,210,481 | 20,624,294 |
| 81.089 | Fossil Energy Research and Development | 13,100 | 0 |
| 81.092 | Weldon Springs Site Remedial Action Project | 357,138 | 22,382 |
| 81.104 | Office of Environmental Waste Processing | 136,332 | 0 |
| 81.119 | State Energy Program Special Projects | 200,876 | 148,994 |
| 81.122 | Electricity Delivery and Energy Reliability, Research, Development and Analysis | 86,266 | 0 |
| 81.122 | ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis | 3,267 | 0 |
| 81.127 | ARRA - Energy Efficient Appliance Rebate Program (EEARP) | 2,523,572 | 2,489,730 |
| 81.128 | ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) | 578,146 | 520,634 |
| 81.902 | State Environmental Oversight and Monitoring | 54,942 | 0 |
| Total Department of Energy | | 31,959,387 | 28,699,749 |
| | | | |
| Department of Education | | | |
| 84.UNKNOWN | Cooperative System Grant | 45,862 | 0 |
| 84.002 | Adult Education - Basic Grants to States | 9,554,559 | 9,190,377 |
| | Title I, Part A Cluster: | | |
| 84.010 | Title I Grants to Local Educational Agencies | 190,809,777 | 188,439,625 |
| 84.389 | ARRA - Title I Grants to Local Educational Agencies, Recovery Act | 68,645,150 | 68,645,150 |
| | Total Title I, Part A Cluster | 259,454,927 | 257,084,775 |
| | | | |
| 84.011 | Migrant Education - State Grant Program | 1,359,760 | 1,335,112 |
| 84.013 | Title I State Agency Program for Neglected and Delinquent Children | 988,411 | 975,114 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| | Special Education Cluster (IDEA): | | |
| 84.027 | Special Education - Grants to States | 201,924,439 | 198,523,774 |
| 84.173 | Special Education - Preschool Grants | 5,900,040 | 5,900,040 |
| 84.391 | ARRA - Special Education Grants to States, Recovery Act | 107,482,111 | 107,482,111 |
| 84.392 | ARRA - Special Education - Preschool Grants, Recovery Act | 1,148,795 | 1,148,795 |
| | Total Special Education (IDEA) Cluster | 316,455,385 | 313,054,720 |
| 84.032 | Federal Family Education Loans | 148,917,739 | 0 |
| 84.048 | Career and Technical Education - Basic Grants to States | 22,181,990 | 21,148,329 |
| 84.069 | Leveraging Educational Assistance Partnership | 1,286,496 | 1,286,496 |
| | Vocational Rehabilitation Cluster: | | |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States | 56,845,099 | 3,000 |
| 84.390 | ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act | 8,745,020 | 0 |
| | Total Vocational Rehabilitation Cluster | 65,590,119 | 3,000 |
| 84.144 | Migrant Education - Coordination Program | 69,444 | 59,924 |
| | Independent Living - State Grants Cluster: | | |
| 84.169 | Independent Living - State Grants | 304,444 | 267,116 |
| 84.398 | ARRA - Independent Living - State Grants, Recovery Act | 227,089 | 0 |
| | Total Independent Living - State Grants Cluster | 531,533 | 267,116 |
| | Independent Living Services for Older Individuals Who Are Blind Cluster: | | |
| 84.177 | Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind | 14,453 | 0 |
| | Total Independent Living Services for Older Individuals Who Are Blind Cluster | 14,453 | 0 |
| | Early Intervention Services (IDEA) Cluster: | | |
| 84.181 | Special Education - Grants for Infants and Families | 11,597,340 | 11,597,340 |
| 84.393 | ARRA - Special Education - Grants for Infants and Families, Recovery Act | 666,289 | 666,289 |
| | Total Early Intervention Services (IDEA) Cluster | 12,263,629 | 12,263,629 |
| 84.185 | Byrd Honors Scholarships | 736,500 | 0 |
| 84.186 | Safe and Drug-Free Schools and Communities - State Grants | 4,499,097 | 4,046,654 |
| 84.187 | Supported Employment Services for Individuals with the Most Significant Disabilities | 426,246 | 0 |
| | Education for Homeless Children and Youth Cluster: | | |
| 84.196 | Education for Homeless Children and Youth | 621,133 | 598,683 |
| 84.387 | ARRA - Education for Homeless Children and Youth, Recovery Act | 358,239 | 358,239 |
| | Total Education for Homeless Children and Youth Cluster | 621,133 | 598,683 |
| 84.213 | Even Start - State Educational Agencies | 926,023 | 896,153 |
| 84.224 | Assistive Technology | 521,047 | 342,829 |
| 84.243 | Tech-Prep Education | 1,909,738 | 1,909,433 |
| 84.265 | Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training | 113,331 | 0 |
| 84.287 | Twenty-First Century Community Learning Centers | 16,634,825 | 16,374,413 |
| 84.298 | State Grants for Innovative Programs | 48,240 | 48,239 |
| | Educational Technology State Grants Cluster: | | |
| 84.318 | Education Technology State Grants | 2,301,749 | 2,175,990 |
| 84.386 | ARRA - Education Technology State Grants, Recovery Act | 5,684,935 | 5,684,935 |
| | Total Educational Technology State Grants Cluster | 7,986,684 | 7,860,925 |
| 84.323 | Special Education - State Personnel Development | 982,599 | 982,599 |
| 84.326 | Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 186,452 | 0 |
| 84.330 | Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) | 105,000 | 105,000 |
| 84.331 | Grants to States for Workplace and Community Transition Training for Incarcerated Individuals | 576,133 | 0 |
| 84.357 | Reading First State Grants | 6,347,516 | 6,253,295 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| 84.358 | Rural Education | 2,718,477 | 2,718,477 |
| 84.365 | English Language Acquisition Grants | 3,218,990 | 3,218,990 |
| 84.366 | Mathematics and Science Partnerships | 3,426,654 | 3,426,000 |
| 84.367 | Improving Teacher Quality State Grants | 39,006,989 | 38,406,305 |
| 84.369 | Grants for State Assessments and Related Activities | 7,670,596 | 400,000 |
| | Statewide Data Systems Cluster: | | |
| 84.372 | Statewide Data Systems | 1,954,316 | 0 |
| | Total Statewide Data Systems Cluster | 1,954,316 | 0 |
| | School Improvement Grants Cluster: | | |
| 84.377 | School Improvement Grants | 5,817,996 | 5,264,366 |
| 84.388 | ARRA - School Improvement Grants, Recovery Act | 400,000 | 400,000 |
| | Total School Improvement Grants Cluster | 6,217,996 | 5,664,366 |
| 84.378 | College Access Challenge Grant Program | 1,219,412 | 1,078,508 |
| | State Fiscal Stabilization Fund Cluster: | | |
| 84.394 | ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 530,036,219 | 530,036,219 |
| 84.397 | ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act | 86,639,554 | 86,639,554 |
| | Total State Fiscal Stabilization Fund Cluster | 616,675,773 | 616,675,773 |
| 84.902 | National Assessment of Educational Programs | 130,379 | 0 |
| Total Department of Education | | 1,563,932,692 | 1,328,033,473 |
| National Archives and Records Administration | | | |
| 89.003 | National Historical Publications and Records Grants | 18,277 | 9,504 |
| Total National Archives and Records Administration | | 18,277 | 9,504 |
| Elections Assistance Commission | | | |
| 90.401 | Help America Vote Act Requirements Payments | 920,806 | 115,940 |
| Total Elections Assistance Commission | | 920,806 | 115,940 |
| Department of Health and Human Services | | | |
| 93.006 | State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program | 139,925 | 0 |
| 93.041 | Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93,314 | 45,942 |
| 93.042 | Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals | 307,154 | 76,007 |
| 93.043 | Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services | 447,939 | 447,939 |
| | Aging Cluster: | | |
| 93.044 | Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 8,357,543 | 7,258,126 |
| 93.045 | Special Programs for the Aging - Title III, Part C - Nutrition Services | 12,896,460 | 12,896,460 |
| 93.053 | Nutrition Services Incentive Program | 4,178,929 | 4,178,929 |
| 93.705 | ARRA - Aging Home-Delivered Nutrition Services for States | 512,304 | 512,304 |
| 93.707 | ARRA - Aging Congregate Nutrition Services for States | 1,040,618 | 1,040,618 |
| | Total Aging Cluster | 26,985,854 | 25,886,437 |
| 93.048 | Special Programs for the Aging - Title IV - and Title II - Discretionary Projects | 27,849 | 0 |
| 93.051 | Alzheimer's Disease Demonstration Grants to States | 198,356 | 189,760 |
| 93.052 | National Family Caregiver Support, Title III, Part E | 3,079,200 | 3,079,200 |
| 93.069 | Public Health Emergency Preparedness | 39,929,827 | 15,844,071 |
| 93.070 | Environmental Public Health and Emergency Response | 352,358 | 172,786 |
| 93.071 | Medicare Enrollment Assistance Program | 41,650 | 40,399 |
| 93.089 | Emergency System for Advance Registration of Volunteer Health Professionals | 43,983 | 0 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| 93.103 | Food and Drug Administration - Research | 458,270 | 0 |
| 93.104 | Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 3,236,840 | 3,095,148 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | 315,399 | 68,877 |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 582,929 | 120,301 |
| 93.127 | Emergency Medical Services for Children | 110,568 | 0 |
| 93.130 | Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | 215,686 | 10,000 |
| 93.134 | Grants to Increase Organ Donations | 87,915 | 0 |
| 93.135 | Centers for Research and Demonstration for Health Promotion and Disease Prevention | 42,894 | 0 |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | 662,022 | 531,278 |
| 93.150 | Projects for Assistance in Transition from Homelessness (PATH) | 786,887 | 762,047 |
| 93.161 | Health Program for Toxic Substances and Disease Registry | 63,326 | 0 |
| 93.165 | Grants to States for Loan Repayment Program | 150,000 | 150,000 |
| 93.197 | Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 491,115 | 187,265 |
| 93.226 | Research on Healthcare Costs, Quality and Outcomes | 1,609 | 0 |
| 93.230 | Consolidated Knowledge Development and Application (KD&A) Program | 159,658 | 20,876 |
| 93.234 | Traumatic Brain Injury State Demonstration Grant Program | 185,881 | 137,797 |
| 93.235 | Abstinence Education Program | 337,379 | 189,655 |
| 93.236 | Grants for Dental Public Health Residency Training | 153,782 | 58,473 |
| 93.240 | State Capacity Building | 331,987 | 0 |
| 93.241 | State Rural Hospital Flexibility Program | 517,569 | 275,577 |
| 93.243 | Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 13,758,567 | 12,464,772 |
| 93.251 | Universal Newborn Hearing Screening | 214,020 | 58,260 |
| 93.259 | Rural Access to Emergency Devices Grant | 84,485 | 0 |
| | Immunization Cluster: | | |
| 93.268 | Immunization Grants | 55,113,022 | 467,728 |
| 93.712 | ARRA - Immunization | 2,286,736 | 106,150 |
| | Total Immunization Cluster | 57,399,758 | 573,878 |
| 93.283 | Centers for Disease Control and Prevention - Investigations and Technical Assistance | 9,045,614 | 3,357,165 |
| 93.293 | Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 102,962 | 100,269 |
| 93.301 | Small Rural Hospital Improvement Grant Program | 394,188 | 375,417 |
| 93.402 | ARRA - State Loan Repayment Program | 300,000 | 300,000 |
| 93.414 | ARRA - State Primary Care Offices | 25,107 | 0 |
| 93.556 | Promoting Safe and Stable Families | 8,216,849 | 0 |
| | TANF Cluster: | | |
| 93.558 | Temporary Assistance for Needy Families | 173,005,808 | 15,416,398 |
| 93.714 | ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs | 290,000 | 0 |
| | Total TANF Cluster | 173,295,808 | 15,416,398 |
| 93.563 | Child Support Enforcement | 28,076,900 | 6,820,136 |
| 93.563 | ARRA - Child Support Enforcement | 16,916,859 | 13,239,087 |
| 93.566 | Refugee and Entrant Assistance - State Administered Programs | 2,342,577 | 0 |
| 93.568 | Low-Income Home Energy Assistance | 115,557,157 | 46,288,058 |
| | CSBG Cluster: | | |
| 93.569 | Community Services Block Grant | 15,581,601 | 15,310,694 |
| 93.710 | ARRA - Community Services Block Grant | 20,651,595 | 20,651,595 |
| | Total CSBG Cluster | 36,233,196 | 35,962,289 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| | CCDF Cluster: | | |
| 93.575 | Child Care and Development Block Grant | 73,235,681 | 2,483,317 |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 57,667,602 | 0 |
| 93.713 | ARRA - Child Care and Development Block Grant | 2,265,756 | 0 |
| | Total CCDF Cluster | 133,169,039 | 2,483,317 |
| 93.576 | Refugee and Entrant Assistance - Discretionary Grants | 1,065,198 | 735,862 |
| 93.584 | Refugee and Entrant Assistance - Targeted Assistance Grants | 389,193 | 0 |
| 93.586 | State Court Improvement Program | 659,152 | 0 |
| 93.590 | Community-Based Child Abuse Prevention Grants | 543,273 | 543,273 |
| 93.597 | Grants to States for Access and Visitation Programs | 169,898 | 0 |
| 93.599 | Chafee Education and Training Vouchers Program (ETV) | 819,034 | 0 |
| | Head Start Cluster: | | |
| 93.600 | Head Start | 180,448 | 180,448 |
| | Total Head Start Cluster | 180,448 | 180,448 |
| 93.617 | Voting Access for Individuals with Disabilities - Grants to States | 125,656 | 123,136 |
| 93.630 | Developmental Disabilities Basic Support and Advocacy Grants | 1,259,577 | 495,558 |
| 93.643 | Children's Justice Grants to States | 600,166 | 0 |
| 93.645 | Child Welfare Services - State Grants | 5,564,082 | 0 |
| 93.652 | Adoption Opportunities | 425,863 | 0 |
| 93.658 | Foster Care - Title IV-E | 56,043,470 | 0 |
| 93.658 | ARRA - Foster Care - Title IV-E | 1,539,309 | 0 |
| 93.659 | Adoption Assistance | 35,061,102 | 0 |
| 93.659 | ARRA - Adoption Assistance | 2,951,175 | 0 |
| 93.667 | Social Services Block Grant | 65,656,226 | 2,103,388 |
| 93.669 | Child Abuse and Neglect State Grants | 281,099 | 0 |
| 93.671 | Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes | 1,510,163 | 0 |
| 93.674 | Chafee Foster Care Independence Program | 3,878,950 | 0 |
| 93.717 | ARRA - Preventing Healthcare-Associated Infections | 15,366 | 0 |
| 93.719 | ARRA - State Grants to Promote Health Information Technology | 408,609 | 0 |
| 93.720 | ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative | 35,555 | 0 |
| 93.723 | ARRA - Prevention and Wellness - State, Territories and Pacific Islands | 1,725 | 0 |
| 93.767 | Children's Health Insurance Program | 108,083,288 | 0 |
| | Medicaid Cluster: | | |
| 93.775 | State Medicaid Fraud Control Units | 1,133,450 | 0 |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | 16,340,279 | 0 |
| 93.778 | Medical Assistance Program | 5,264,411,388 | 0 |
| 93.778 | ARRA - Medical Assistance Program | 727,726,725 | 0 |
| | Total Medicaid Cluster | 6,009,611,842 | 0 |
| 93.779 | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 9,638,409 | 1,063,566 |
| 93.790 | Alternate Non-Emergency Service Providers or Networks | 334,476 | 0 |
| 93.793 | Medicaid Transformation Grants | 482,605 | 0 |
| 93.889 | National Bioterrorism Hospital Preparedness Program | 9,108,833 | 6,820,521 |
| 93.913 | Grants to States for Operation of Offices of Rural Health | 179,011 | 38,301 |
| 93.917 | HIV Care Formula Grants | 14,422,250 | 13,812,305 |
| 93.919 | Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs | 2,608,664 | 222,468 |
| 93.940 | HIV Prevention Activities - Health Department Based | 4,717,639 | 2,792,371 |
| 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | 813,042 | 361,338 |
| 93.946 | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 190,359 | 40,000 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|---|---|
| 93.958 | Block Grants for Community Mental Health Services | 5,342,709 | 4,966,310 |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 25,919,628 | 23,995,435 |
| 93.977 | Preventive Health Services - Sexually Transmitted Diseases Control Grants | 1,930,282 | 270,327 |
| 93.982 | Mental Health Disaster Assistance and Emergency Mental Health | 102,951 | 101,296 |
| 93.991 | Preventive Health and Health Services Block Grant | 2,731,549 | 579,419 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | 12,746,192 | 6,304,562 |
| Total Department of Health and Human Services | | 7,063,820,229 | 254,378,765 |
| | | | |
| Corporation for National and Community Service | | | |
| 94.003 | State Commissions | 292,217 | 0 |
| 94.004 | Learn and Serve America - School and Community Based Programs | 302,242 | 286,949 |
| 94.006 | AmeriCorps | 631,981 | 631,981 |
| 94.006 | ARRA - AmeriCorps | 2,637,196 | 2,633,663 |
| 94.007 | Program Development and Innovation Grants | 75,499 | 75,499 |
| 94.009 | Training and Technical Assistance | 105,278 | 9,269 |
| Total Corporation for National and Community Service | | 4,044,413 | 3,637,361 |
| | | | |
| Social Security Administration | | | |
| | Disability Insurance/SSI Cluster: | | |
| 96.001 | Social Security - Disability Insurance | 37,697,942 | 0 |
| | Total Disability Insurance/SSI Cluster | 37,697,942 | 0 |
| Total Social Security Administration | | 37,697,942 | 0 |
| | | | |
| Department of Homeland Security | | | |
| 97.001 | Interoperable Emergency Communication Grant | 175,983 | 45,265 |
| 97.005 | State and Local Homeland Security National Training Program | 220,114 | 197,578 |
| 97.008 | Non-Profit Security Program | 74,907 | 74,907 |
| 97.012 | Boating Safety Financial Assistance | 2,405,284 | 0 |
| 97.017 | Pre-Disaster Mitigation (PDM) Competitive Grants | 6,893,084 | 6,893,084 |
| 97.023 | Community Assistance Program State Support Services Element (CAP-SSSE) | 180,657 | 0 |
| 97.027 | Emergency Management Institute (EMI) - Independent Study Program | 155,181 | 155,181 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 116,995,314 | 112,550,715 |
| 97.039 | Hazard Mitigation Grant | 9,058,326 | 9,058,326 |
| 97.041 | National Dam Safety Program | 52,360 | 0 |
| 97.042 | Emergency Management Performance Grants | 4,955,585 | 3,204,576 |
| 97.045 | Cooperating Technical Partners | 2,902,338 | 0 |
| 97.047 | Pre-Disaster Mitigation | 122,064 | 122,064 |
| 97.052 | Emergency Operations Center | 41,414 | 41,414 |
| | Homeland Security Cluster: | | |
| 97.067 | Homeland Security Grant Program | 25,426,863 | 21,129,455 |
| | Total Homeland Security Cluster | 25,426,863 | 21,129,455 |
| | | | |
| 97.070 | Map Modernization Management Support | 84,750 | 0 |
| 97.075 | Rail and Transit Security Grant Program | 926,259 | 924,041 |
| 97.078 | Buffer Zone Protection Program (BZPP) | 621,107 | 589,428 |
| 97.082 | Earthquake Consortium | 6,339 | 0 |
| 97.091 | Homeland Security Biowatch Program | 344,673 | 272,813 |
| 97.092 | Repetitive Flood Claims | 953,808 | 953,808 |
| Total Department of Homeland Security | | 172,596,410 | 156,212,655 |
| | | | |
| | | $ 14,794,700,194 | 2,614,957,935 |

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

1. <u>Significant Accounting Policies</u>

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the 2010 OMB Circular A-133 Compliance Supplement. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. Appendix VII of the supplement requires identifying expenditures of federal awards made under the American Recovery and Reinvestment Act of 2009 (ARRA) separately on the schedule with the inclusion of the prefix "ARRA-" in the name of the federal program.

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

B. Basis of Presentation

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

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri during the year ended June 30, 2010, Type A programs are those which exceed $30 million in disbursements, expenditures, or distributions. The determination of major and non-major programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

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

2. Supplemental Nutrition Assistance Program Expenditures

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of ARRA. The mechanism used by the United States Department of Agriculture (USDA) to make these funds available to States does not enable a State to validly disaggregate the regular and ARRA components of this figure. At the national aggregate level, however, ARRA funds account for approximately 16 percent of USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2010.

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

The state received cash rebates from an infant formula manufacturer, totaling $35,593,507, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children Program (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

4. Unemployment Insurance Expenditures

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling $2,202,671,399. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states, totaling $61,242,314, have also been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri, totaling $16,259,599, have been excluded from total expenditures.

5. Federal Loan Guarantees

The Department of Higher Education (DHE) guarantees student loans made by lenders under the Federal Family Education Loans program (CFDA 84.032). The original principal balance outstanding of all loans guaranteed by the DHE was $4,081,092,221 as of June 30, 2010. Additionally, the outstanding balance of defaulted loans (including principal and accrued interest) for which the federal government imposes continuing compliance requirements on the DHE was $299,813,377 as of June 30, 2010.

6. Nonmonetary Assistance

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled $21,192,360.

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 (CFDA No. 12.AAG). Property distributions totaled $256,375 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 ($59,735), which approximates the fair market value of the property at the time of distribution.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003). Property distributions totaled $7,043,218 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 ($1,641,070), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under Public Health Emergency Preparedness program (CFDA No. 93.069) and the Immunization Grants Cluster (CFDA No. 93.268 and 93.712). Distributions are valued at the cost of the vaccines paid by the federal government and totaled $13,610,500 and $53,223,965, respectively.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major program(s): Qualified

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

The following programs were audited as major programs:

| CFDA Number | Name of Federal Program or Cluster |
|---|---|
| | SNAP Cluster: |
| 10.551 | Supplemental Nutritional Assistance Program |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutritional Assistance Program |
| 10.561 | ARRA - State Administrative Matching Grants for the Supplemental Nutritional Assistance Program |

| | |
|---|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects |
| 12.401 | ARRA - National Guard Military Operations and Maintenance (O&M) Projects |
| | CDBG - State-Administered Small Cities Program Cluster: |
| 14.228 | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |
| 14.255 | ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |
| | Employment Service Cluster: |
| 17.207 | Employment Service/Wagner-Peyser Funded Activities |
| 17.207 | ARRA - Employment Service/Wagner-Peyser Funded Activities |
| 17.801 | Disabled Veterans' Outreach Program (DVOP) |
| 17.804 | Local Veteran's Employment Representative Program |
| 17.225 | Unemployment Insurance |
| 17.225 | ARRA - Unemployment Insurance |
| | WIA Cluster: |
| 17.258 | Workforce Investment Act - Adult Program |
| 17.258 | ARRA - Workforce Investment Act - Adult Program |
| 17.259 | Workforce Investment Act - Youth Activities |
| 17.259 | ARRA - Workforce Investment Act - Youth Activities |
| 17.260 | Workforce Investment Act - Dislocated Workers |
| 17.260 | ARRA - Workforce Investment Act - Dislocated Workers |
| 20.106 | Airport Improvement Program |
| 20.106 | ARRA - Airport Improvement Program |
| | Highway Planning and Construction Cluster: |
| 20.205 | Highway Planning and Construction |
| 20.205 | ARRA - Highway Planning and Construction |
| 20.219 | Recreational Trails Program |
| 20.509 | Formula Grants for Other Than Urbanized Areas |
| 20.509 | ARRA - Formula Grants for Other Than Urbanized Areas |
| 64.015 | Veterans State Nursing Home Care |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |
| 66.458 | ARRA - Capitalization Grants for Clean Water State Revolving Funds |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds |
| 66.468 | ARRA - Capitalization Grants for Drinking Water State Revolving Funds |
| 81.042 | Weatherization Assistance for Low-Income Persons |
| 81.042 | ARRA - Weatherization Assistance for Low-Income Persons |
| | Title I, Part A Cluster: |
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.389 | ARRA - Title I Grants to Local Educational Agencies, Recovery Act |

| | |
|---|---|
| | Special Education Cluster (IDEA): |
| 84.027 | Special Education - Grants to States |
| 84.173 | Special Education - Preschool Grants |
| 84.391 | ARRA - Special Education - Grants to States, Recovery Act |
| 84.392 | ARRA - Special Education - Preschool Grants, Recovery Act |
| 84.032 | Federal Family Education Loans |
| | Vocational Rehabilitation Cluster: |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States |
| 84.390 | ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act |
| | Educational Technology State Grants Cluster: |
| 84.318 | Education Technology State Grants |
| 84.386 | ARRA - Education Technology State Grants, Recovery Act |
| | School Improvements Grants Cluster: |
| 84.377 | School Improvement Grants |
| 84.388 | ARRA - School Improvement Grants, Recovery Act |
| | State Fiscal Stabilization Fund Cluster: |
| 84.394 | ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act |
| 84.397 | ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act |
| 93.069 | Public Health Emergency Preparedness |
| | Immunization Cluster: |
| 93.268 | Immunization Grants |
| 93.712 | ARRA - Immunization |
| | TANF Cluster: |
| 93.558 | Temporary Assistance for Needy Families |
| 93.714 | ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program |
| 93.563 | Child Support Enforcement |
| 93.563 | ARRA - Child Support Enforcement |
| | CSBG Cluster: |
| 93.569 | Community Services Block Grant |
| 93.710 | ARRA - Community Services Block Grant |
| | CCDF Cluster: |
| 93.575 | Child Care and Development Block Grant |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund |
| 93.713 | ARRA - Child Care and Development Block Grant |
| 93.658 | Foster Care - Title IV-E |
| 93.658 | ARRA - Foster Care - IV-E |
| 93.767 | Children's Health Insurance Program |

Medicaid Cluster:

| | |
|---|---|
| 93.775 | State Medicaid Fraud Control Units |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare |
| 93.778 | Medical Assistance Program |
| 93.778 | ARRA - Medical Assistance Program |

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

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

**Section II - Financial Statement Findings**

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**

**2010-1. Davis-Bacon Act**

| | |
|---|---|
| Federal Agency: | Department of Education |
| Federal Program: | 84.377 School Improvement Grants<br>2009 - S377A080027 and 2010 - S377A090026<br>84.388 ARRA - School Improvement Grants, Recovery Act<br>2010 - S388A090026<br>84.010 Title I Grants to Local Educational Agencies<br>2009 - S010A080025 and 2010 - S010A090025<br>84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act<br>2010 - S389A090025 |
| State Agency: | Department of Elementary and Secondary Education (DESE) |

The DESE does not ensure prevailing wages are paid by subrecipients when necessary. School Improvement Grant (SIG) and Title I Grant funds are allowed to be used by subrecipients (school districts) for minor remodeling projects, defined as minor alterations in previously completed buildings. Minor remodeling is not building construction, structural alterations to a building, building maintenance, or repairs.

At the beginning of each school fiscal year, school districts submit a budget and plan for each of these grant funds. The remodeling projects, which may require prevailing wages to be paid in accordance with the Davis-Bacon Act, and equipment purchases greater than $1,000, are recorded by school districts as capital outlays on their budgets and plans. The school districts are required by the DESE to indicate the purpose of the capital outlays in the school district plan; however, the DESE does not review the reported purpose for capital outlays to ensure remodeling projects are clearly identified. In addition, the DESE does not ensure prevailing wages are paid during monitoring reviews conducted.

During fiscal year 2010, 551 school districts received approximately $257.1 million through the Title I Grant programs. Of that amount, 200 districts recorded approximately $11.2 million in capital outlays on their budgets. Through the SIG programs, 21 school districts received approximately $4.5 million, with approximately $869,000 in capital outlays recorded on the budgets of 6 districts.

We reviewed the budgets and plans of 14 school districts with the largest recorded capital outlays in these programs. This included the six school districts responsible for all of the recorded SIG capital outlays and eight school districts responsible for 36 percent of the Title I Grant capital outlays. All school districts reviewed either failed to adequately report the purpose of capital outlays or did not document the purpose. The DESE was unable to clearly determine from the budgets or school plans whether capital outlays were for minor remodeling versus equipment and the DESE did not follow-up with the school districts for more information on the use of those capital outlay funds. As a result, the DESE could not ensure prevailing wages were paid on applicable projects in compliance with federal requirements.

The Davis-Bacon Act requires all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of $2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the U.S. Department of Labor (40 USC 3141-3144, 3146, and 3147).

**WE RECOMMEND** the DESE establish procedures to clearly identify funds expended by subrecipients which may require prevailing wages to be paid, and monitor those subrecipients to ensure compliance with the Davis-Bacon Act.

***AUDITEE'S RESPONSE***

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

## 2010-2. School Improvement Grants

| | |
|---|---|
| Federal Agency: | Department of Education |
| Federal Program: | 84.377 School Improvement Grants<br>2009 - S377A080027 and 2010 - S377A090026<br>84.388 ARRA - School Improvement Grants, Recovery Act<br>2010 - S388A090026 |
| State Agency: | Department of Elementary and Secondary Education (DESE) |
| Questioned Cost: | $225,680 |

The DESE did not always ensure payments were made to subrecipients in accordance with approved budgets and DESE written policies, and budget amendments were not adequately documented. In addition, the DESE did not question a school district's ability to spend grant monies timely, as required. During state fiscal year 2010, expenditures for the School Improvement Grants (SIG) program totaled approximately $6.2 million with approximately $4.5 million disbursed to 21 school districts.

The objective of the SIG program is to improve student achievement in Title I school districts identified for improvement, corrective action, or restructuring to enable those school districts to make adequate yearly progress and exit school improvement status. At the beginning of each fiscal year, the DESE substantially approves each school district's budget for SIG funds. DESE written policies allow school districts to begin to obligate these grant funds as of the substantial approval date. The school districts typically submit reimbursement requests to the DESE as the funds are expended. DESE written policies allow for variances of expenditures in approved budget categories without documented approval up to 10 percent of the total grant amount budgeted. The DESE also requires school districts receiving federal funds to indicate the funds have already been spent or will be spent within 3 days of receipt, to help ensure compliance with federal Cash Management Improvement Act requirements to minimize the time elapsing between receipt and disbursement of federal funds.

We reviewed payments made to 10 school districts totaling $1,936,638 or 31 percent of total grant funds expended. We noted concerns with a payment made to one school district.

A. The DESE approved a $695,200 payment to a school district which was not adequately documented or supported by a budget. The DESE substantially approved a SIG budget for this school district in May 2009, for $615,200, with $400,000 budgeted in the purchased services expenditure category. In June 2009, the DESE approved an increase in expenditures of $80,000 for a total amended budget of $695,200; however, there was no documentation of the expenditure category the amendment affected. The school district requested payment of $695,200, entirely from the purchased services expenditure category of the budget. The request was approved and paid by the DESE in September 2009, although only a portion of the original budget had been authorized in this category. Based on the original approved budget and the DESE budget amendment policy, it appears the maximum allowable expenditures in the purchased services budget category was $469,520 ($400,000 original purchased services budget line plus 10 percent of the total amended budget). We question the federal share of the payment made in excess of the documented approved budget category, or $225,680 (100 percent).

   The SIG requirements within 34 CFR Subtitle B, Chapter II, provides school districts shall implement a budget of sufficient size and scope to ensure the school district can implement the required improvement plans. Also, OMB Circular A-87, Section A.3.e.(3) indicates a State must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of OMB Circular A-87, and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure funds are used in compliance with all applicable federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a state or its subrecipients.

B. The DESE did not question the ability of the school district to spend the requested monies within 3 days of receipt as required. The school district requested payment from the DESE on September 3, 2009, and received the funds on September 21, 2009, for the entire grant amount of $695,200. The request for payment document indicated the school district had not previously expended any of these funds. It appeared unlikely that the school district could spend this entire grant in such a limited time frame. At our request, the DESE obtained documentation from the school district to support this payment. We noted the following concerns with the supporting documentation provided by the school district:

- The school district did not expend $93,060 within 3 days of receipt of grant funds from the DESE. The school district expended these funds between September 29, 2009 and January 20, 2010.

- The school district issued a $293,195 check on September 15, 2009, to a vendor for services yet to be performed from October 2009 through February 2010. Approximately $201,000 of the disbursement was reimbursed to the school through the payment request. By paying for these services in advance, the school district's options to compel satisfactory completion of the contract were reduced.

In addition to requiring recipients to establish procedures to minimize the time elapsing between receipt and disbursement of federal funds, OMB Circular A-133, Compliance Supplement Part 3, requires recipients (the DESE) to establish similar procedures for its subrecipients when funds are drawn in advance, rather than as a reimbursement. It also requires the DESE to monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

**WE RECOMMEND** the DESE:

A. Ensure all payments are made in accordance with the approved budget, federal guidelines, and written policies, and budget amendments are adequately documented. In addition, the DESE should resolve the questioned costs with the grantor agency.

B. Establish procedures to ensure school districts appropriately expend funds received within the required time-frame.

***AUDITEE'S RESPONSE***

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

| **2010-3.** | **Monitoring of Recovery Act Funds** |
|---|---|

Federal Agency: Department of Education
Federal Program: 84.386 ARRA - Education Technology State Grants, Recovery Act
2010 - S386A090025
84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
2010 - S389A090025
84.391 ARRA - Special Education Grants to States, Recovery Act
2010 - H391A090040
84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act
2010 - S397A090026
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not monitor ARRA funds provided to school districts on a timely basis. ARRA funds for the programs noted above totaling approximately $664 million were provided to school districts through new and existing programs during state fiscal year 2010.

A. The DESE could have more timely monitored school district use of ARRA funds received under previously established programs. ARRA funds totaling approximately $182 million were provided to school districts through the Education Technology, Title I, and Special Education programs during fiscal year 2010. ARRA funds were allocated to eligible districts based on various program requirements and not all districts received funding under each program.

The DESE has an ongoing system of annual program reviews (including onsite and desk reviews) for monitoring school districts based on a 5-year rotational basis. Onsite reviews, as well as desk reviews, are used to assess whether expenditures are allowable and reasonable in nature. Supporting documentation of district expenditures is reviewed during onsite reviews, while only summary information provided by each school district is reviewed during desk reviews. Onsite reviews are performed of school districts the DESE has assessed as high risk. Districts may also be included in an onsite review, based on the risk assessment performed by the DESE, regardless of the 5-year rotation. The reviews performed by the DESE in fiscal year 2010 covered only fiscal year 2009 expenditures, which had no ARRA program expenditures. School districts began incurring fiscal year 2010 expenditures under the Education Technology, Title I, and Special Education programs in July 2009. As of December 2010, the DESE had still not performed monitoring activities for these expenditures. The ARRA funds for these programs must be spent by September 30, 2011.

In addition, the DESE utilizes checklists for both onsite and desk reviews for each program to monitor school district use of federal funds. While the DESE has added a step to the checklist to require ARRA expenditures be reviewed during the fiscal year 2011 reviews, the DESE has not established the number or percentage of expenditures to be reviewed to ensure adequate coverage of ARRA expenditures. DESE officials indicated they did not change or expedite the monitoring for these ARRA funds because the purpose of these funds were the same as other grants schools had received in the past, school plans and budgets for the funds had been approved by DESE, and no guidance was received from the U.S. Department of Education (USDE) regarding additional monitoring of these ARRA funds.

B. The DESE did not monitor the State Fiscal Stabilization Fund (SFSF) monies provided to school districts on a timely basis to ensure compliance with federal guidelines. In March 2010, the DESE adopted a plan to monitor these new program monies; however, monitoring activities were not started until after significant expenditures were incurred and fiscal year 2010 had ended. The SFSF programs were new in state fiscal year 2010, and SFSF monies totaling approximately $482 million were provided to 551 school districts during the fiscal year.

Each school district was allocated SFSF monies at the beginning of the fiscal year based on the basic school funding formula, and the funds were disbursed to each school district monthly. These funds were allocated for general school district operations with few restrictions on use. However, these funds cannot be used for maintenance costs, stadiums or other facilities primarily used for athletic events, purchases or upgrades of vehicles, improvement of stand-alone administrative offices, and certain school modernization. Quarterly reports are prepared by the DESE identifying the total expenditures by budget category based on information provided by school districts. If applicable, jobs and vendor information is also provided by the school districts for the quarterly reports; however, supporting documentation is not required to be submitted.

The annual monitoring plan adopted by the DESE for the 551 school districts receiving SFSF monies called for onsite reviews of 11 higher risk school districts (2 percent); desk reviews of 111 school districts (20 percent), and reviews of the independent audit reports for all school districts. Supporting documentation of district expenditures is reviewed during onsite reviews, while only summary information provided by each school district is reviewed during desk reviews. A detailed risk assessment was performed of each school district to determine which districts will receive onsite or desk reviews. The risk assessment included factors such as the amount of SFSF monies received by the school district, the school district's financial stability, and whether federal program findings were identified in the school district's independent audit reports.

Although the DESE began expending the SFSF in July 2009, the DESE did not perform a risk analysis of these funds until September 2010, or begin monitoring until November 2010. The majority of the monitoring planned for these programs had still not been completed almost 6 months after the end of the fiscal year. As of December 15, 2010, all 11 onsite reviews had been performed, but the desk reviews had not started. In addition, as of January 12, 2011, 539 of the 551 school districts had submitted independent audit reports, but only 119 of the audit reports had been reviewed by the DESE.

OMB Circular A-133, section .400(d)(3), requires the DESE to monitor subrecipients through reporting, site visits, regular contact, or other means "…to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts and grant agreements and performance goals are achieved." In addition, the USDE issued specific guidance over the SFSF program in April 2009, indicating the DESE has oversight responsibilities and must monitor activities to ensure compliance with all applicable federal requirements. Given the magnitude of ARRA funds received, the additional federal requirements related to these funds, and heightened federal expectations of transparency and accountability, more comprehensive and timely monitoring procedures appear needed. While current review procedures performed only after the conclusion of the fiscal year may be acceptable for existing ongoing programs, they may not be adequate for the additional temporary ARRA funds. Without adequate and timely monitoring of ARRA funds, noncompliance with federal guidelines is unlikely to be detected in a timely manner and would not allow corrective action by the DESE before the end of the program.

**WE RECOMMEND** the DESE develop additional monitoring procedures to ensure ARRA expenditures are in compliance with federal guidelines. In addition, these procedures should be performed on a timely basis.

***AUDITEE'S RESPONSE***

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

| **2010-4.** | **Section 1512 Reporting** |
|---|---|

| | |
|---|---|
| Federal Agency: | Department of Education |
| Federal Program: | 84.386 ARRA - Education Technology State Grants, Recovery Act<br>2010 - S386A090025<br><br>84.388 ARRA - School Improvement Grants, Recovery Act<br>2010 - S388S090026<br>84.389 ARRA - Title I Grants to Local Education Agencies, Recovery Act<br>2010 - S389A090025<br>84.391 ARRA - Special Education Grants to States, Recovery Act<br>2010 - H391A090040<br>84.392 ARRA - Special Education - Preschool Grants, Recovery Act<br>2010 - H392A090103<br>84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act<br>2010 - S394A090026<br>84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act<br>2010 - S397A090026 |
| State Agency: | Department of Elementary and Secondary Education (DESE) |

The DESE does not have adequate controls and procedures in place to ensure Section 1512 reports are complete and accurate and payments made through the School Improvements Grants (SIG) program were not properly classified. In addition, the DESE does not have a formal written plan in place for the Section 1512 reporting process.

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

A. The DESE does not have adequate controls and procedures in place to provide assurance Section 1512 report information submitted by school districts and universities (subrecipients) is complete and accurate. During state fiscal year

2010, the DESE disbursed approximately $665 million in ARRA funds to subrecipients.

On a quarterly basis, school districts submit data specific for Section 1512 reporting through an online reporting system administered by the DESE. Once all information is received, DESE personnel compile data for each program, upload the information into the state's Section 1512 reporting system (STIM 360), and perform a review to ensure information entered into STIM 360 agrees to the online reporting system. Some elements submitted by the school districts, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated in STIM 360 from prior quarters, requiring little oversight by the DESE on a quarterly basis. For other elements, DESE personnel review information submitted for reasonableness, and compare expenditure data to SAM II and revenue data to drawdown reports; however, the DESE relies on the accuracy and completeness of much of the other information submitted by the school districts, such as jobs created or retained and vendor payments, for each quarterly report. In addition, during state fiscal year 2010, the SIG program obtained jobs data from the program's one subrecipient, a state university; all other data elements were available at the DESE. However, the DESE relied on the jobs data received from the university for Section 1512 reporting purposes.

For the Education Technology, SIG, Title I, and Special Education programs, the DESE has an ongoing system of annual program reviews, including onsite monitoring and desk reviews, for monitoring school districts based on a 5-year rotation. For the State Fiscal Stabilization Fund (SFSF) program, a new program in state fiscal year 2010, the DESE has established a monitoring plan for reviewing a percentage of school districts each year, through both onsite monitoring and desk reviews. However, for each program, monitoring procedures performed did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting. According to DESE personnel, steps were added to the SFSF monitoring checklist during state fiscal year 2011 and they are working on adding steps to their monitoring checklists for the remaining programs to include a review of certain Section 1512 data elements.

OMB Memorandum M09-21 states the DESE, as prime recipient, is ultimately responsible for the reporting of all data required by Section 1512 of the ARRA. Additionally, the prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Without adequate monitoring procedures in place over the subrecipient data, the DESE has less assurance the information included in the Section 1512 reports for the various programs is complete and accurate.

B. Payments made through the SIG program were not properly classified on the Section 1512 report. During the year ended June 30, 2010, the DESE expended

$400,000 in ARRA funds through the SIG program, all of which was disbursed to one university to provide technical and grant application assistance to school districts. Our review of the March 31, 2010, Section 1512 report for the SIG program noted payments made to the university were classified as vendor payments although the DESE indicated ARRA funds had been passed through to subrecipients on its Schedule of Expenditures of Federal Awards. According to DESE personnel, the payments were misclassified and will be correctly identified as subrecipient payments on future Section 1512 reports.

OMB Memorandum M09-21, Supplement 2, outlines the various reporting elements required to be reported, including vendor and subrecipient data. Data elements required to be reported differ if the payments are made to vendors versus subrecipients. Required data elements for subrecipients are more extensive and include items such as subaward number and amount and total amount of subawards disbursed, whereas vendor payments are only required to include a description of the product/service provided and the payment amount. Without properly classifying payments in Section 1512 reports, the DESE cannot ensure all data elements are reported as required.

C. The DESE does not have a formal written plan in place to address the Section 1512 reporting process. A formal written plan would help ensure Section 1512 reports are complete and accurate. The plan should, at a minimum, document the flow of information, define the responsibilities of subrecipients and various program personnel, and include procedures for ensuring the accuracy and completeness of all Section 1512 reporting elements. Without a formal written plan in place, the DESE has less assurance the various reporting responsibilities, such as data collection and verification, have been relayed to and understood by all parties of the reporting process.

**WE RECOMMEND** the DESE:

A. Establish procedures to ensure the accuracy and completeness of data submitted by subrecipients for Section 1512 reporting purposes.

B. Properly classify subawards on Section 1512 reports for the SIG program.

C. Establish a formal written plan for all programs that require Section 1512 reporting.

***AUDITEE'S RESPONSE***

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

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

## 2010-5. Food Instruments

Federal Agency: Department of Agriculture
Federal Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
2007 - 07WICSPNDRFD and 3MO700754-07
2008 - 3MO700754-08
2009 - 09WIC, 09WICSPNDFWD, and 09BRSTFEDWIC
2010 - 10WIC, 10WICSPNDFWD, and 10BRSTFEDWIC
State Agency: Department of Health and Senior Services (DHSS)
Questioned Costs: $43,140

For the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the DHSS does not have adequate controls in place to ensure the disposition of voided food instruments (WIC checks) are properly accounted for as required by program regulations.

The DHSS awarded subgrants to 118 local WIC providers (LWP) to certify applicant eligibility for benefits and to deliver benefits to eligible persons (participants). Periodically, participants receive checks which list the food to be purchased from authorized dealers by quantity, size, and brand. For example, a check issued in April 2010 provided that the maximum of $12.52 could be spent to purchase 24 ounces of infant cereal, approved brands and 16, 4-ounce jars of infant fruits/veggies, approved brands. All LWPs utilize the Missouri WIC Information Network System (MOWINS) to maintain information regarding participants and WIC checks.

During the year ended June 30, 2010, these LWPs issued over 7.5 million checks to participants, totaling approximately $156.5 million. Of the checks issued, 191,380 checks, totaling $4,904,961, were identified as void in the MOWINS. Checks are voided when returned as unused by a participant or when not issued to the participant because a wrong amount or item was printed. However, the DHSS does not have established procedures to identify if voided checks in MOWINS are later redeemed. Additionally, DHSS policies/procedures provide that voided checks are to be defaced as void and destroyed as soon as possible. This was not always done by the LWPs since checks voided in MOWINS were later redeemed by participants. As a result, we determined that 2,191 (1 percent) of the voided checks in MOWINS were redeemed by participants. We question the federal share of the voided checks that were issued and redeemed, or $43,140.

According to 7 CFR Section 246.12(q), the DHSS must account for the disposition of all WIC checks as either issued or voided, and as either redeemed or unredeemed. The disposition process must be performed within 120 days of the first valid date for participant use of the check and must be conducted in accordance with the financial management requirements of 7 CFR Section 246.13.

**WE RECOMMEND** the DHSS develop controls and procedures to prevent voided checks from being redeemed. In addition, the DHSS should resolve the questioned costs with the grantor agency.

***AUDITEE'S RESPONSE***

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

## 2010-6. Eligibility Reassessments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO5048
2010 - 1005MO5MAP/XIX-MAP10 and
1005MO5ADM/XIX-ADM10
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 2010 - 1005MOARRA
State Agency: Department of Health and Senior Services (DHSS)
Questioned Costs: $598,286

The DHSS does not have effective controls in place to ensure annual reassessments to determine the eligibility of recipients receiving State Plan Personal Care (PC) or Aged and Disabled Waiver (ADW) services are conducted, as required.

The Medical Assistance Program, also known as Medicaid, is administered by the Department of Social Services (DSS), MO HealthNet Division, while the DHSS is charged with providing comprehensive assessments/reassessments and case management services for Medicaid recipients who are eligible for the PC or the ADW program services, and to authorize the services to be provided based on a plan of care. These services provide assistance to help qualifying recipients remain in or return to their home or community, and include services such as bathing, grooming, and dressing; general toileting activities; cleaning, dusting, and laundry; meal preparation and/or assistance with eating and washing dishes; and transportation for shopping/errands and medical appointments. Other services include advanced personal care, authorized nurse visits, and respite care. During the year ended June 30, 2010, over 72,500 recipients received PC and ADW services, with payments for these services totaling approximately $466 million.

We tested 66 cases randomly selected from the Medicaid cases receiving PC or ADW services for all or part of the year ended June 30, 2010. Payments for the services related to these cases for the year ended June 30, 2010 totaled approximately $990,000. We noted the DHSS did not perform annual reassessments of eligibility for 49 of 66 (74 percent) cases reviewed. The most recent reassessment for the majority of these cases was completed 2 to 4 years ago; however, the most recent reassessment for 2 cases was last completed over 10 years ago. As a result, the DHSS could not demonstrate payments related to these 49 cases were made on behalf of eligible individuals. The payments made on behalf of the recipients without annual reassessments during the year ended June 30, 2010, totaled $806,967. We question the federal share of these payments or $598,286 (74.14 percent).

Federal regulation 42 CFR Section 441.302(c) requires a reassessment of eligibility at least annually to ensure ADW recipients continue to be eligible for benefits, and the Cooperative Agreement between the DSS and the DHSS provides for periodic reassessments of the PC and ADW services to ensure the continued necessity, appropriateness, and adequacy of the services. The DHSS policy manual, section 1606.20, provides that the reassessment be completed at least annually to establish continued eligibility for services, ensure adequacy of the care plan and determine the level of client satisfaction of the provider and service delivery. The failure to perform annual reassessments as required can result in service payments being made on behalf of ineligible individuals.

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

***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.*

## 2010-7. Teacher Loan Forgiveness Payments

Federal Agency: Department of Education
Federal Program: 84.032 Federal Family Education Loans
State Agency: Department of Higher Education (DHE)
Questioned Costs: $1,408,723

The DHE did not make payments to lenders within 45 days as required by program regulations for teacher loan forgiveness (TLF) claims. During the year ended June 30, 2010, payments totaling approximately $3.83 million were made for 558 TLF claims.

The DHE is Missouri's guarantor agency for student loans generated under the Federal Family Education Loan program. The DHE contracts with a loan servicer to act on the state's behalf in processing TLF claims received from lenders for teachers requesting forgiveness of their student loans. The contractor's responsibilities include determining whether certain eligibility requirements are met, approving or denying TLF claims, and processing and paying approved claims in accordance with federal regulations.

DHE compliance personnel periodically review TLF claims processed by the loan servicer for compliance with federal regulations, which includes ensuring approved TLF claims are paid within 45 days after receiving lender requests. As noted in our prior report, the DHE review of TLF claims paid in fiscal year 2010 noted errors with the timeliness of some payments made. During our current audit, we tested 16 TLF claim payments and identified 7 that were not paid timely according to federal regulations. Although these payments appeared to be for eligible recipients, payments were made between 51 and 58 days after receiving the lenders' requests.

Of the TLF claims paid during the year ended June 30, 2010, the DHE identified 184 claims (33 percent) that were paid untimely, which includes the 7 errors noted during our review. All fiscal year 2010 TLF claim payments identified as being paid untimely occurred between July and October 2009. We question the federal share of the 184 claim payments, or $1,408,723. Both the loan servicer and the DHE indicated procedures were updated in October 2009 to use the correct date parameters and to ensure the timely payment of TLF claims. Since this change, the DHE review has not identified any errors and our review of five TLF claims paid between November 2009 and June 2010 also did not identify any errors.

Federal regulation 34 CFR 682.215(f)(3) requires the guaranty agency, within 45 days of receiving the lender's request, determine if the borrower is eligible for loan forgiveness, notify the lender of the determination, and if approved, pay the lender the amount of the claim, up to $17,500.

**WE RECOMMEND** the DHE continue monitoring to ensure TLF payments are made in a timely manner in accordance with federal regulations. In addition, the DHE should resolve the questioned costs with the grantor agency.

***AUDITEE'S RESPONSE***

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

| **2010-8.** | **State Fiscal Stabilization Fund** |
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| Federal Agency: | Department of Education |
| Federal Program: | 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act<br>2010 - S394A090026<br>84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act<br>2010 - S397A090026 |
| State Agency: | Department of Higher Education (DHE) |

The DHE does not have policies and procedures in place to monitor the State Fiscal Stabilization Fund (SFSF) monies provided to subrecipients to ensure compliance with federal guidelines. The DHE did not properly identify the source of federal funds disbursed to subrecipients or relay audit responsibilities under OMB Circular A-133 as required. In addition, the DHE does not have adequate controls and procedures in place to ensure Section 1512 reports are complete and accurate for the SFSF program.

During state fiscal year 2010, the DHE disbursed approximately $134 million of SFSF monies, awarded under the ARRA, to 23 state Institutions of Higher Education (institutions) to restore state support. Each institution was allocated SFSF monies at the beginning of the fiscal year based on amounts appropriated by the state legislature. The DHE disbursed the funds to the various institutions in 12 equal monthly payments during the fiscal year. The SFSF program monies are required to be obligated or expended by September 30, 2011, and the DHE anticipates disbursing the remainder of program funds, an estimated $41 million, to the institutions by the end of June 2011.

A. The DHE has not established a monitoring plan to review funds provided to and expended by the institutions and has not performed any monitoring of the SFSF monies, such as on-site monitoring visits, desk reviews, or obtaining OMB Circular A-133 audit reports from the various institutions. According to DHE officials, they were unaware of their monitoring responsibilities over SFSF monies and do not have or intend to establish an audit function within the DHE to fulfill such responsibilities. However, DHE personnel indicated they have recently contracted out monitoring activities over the institutions, which are set to begin during March 2011.

   OMB Circular A-133 requires the DHE to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements and that performance goals are achieved. In addition, the U.S. Department of Education issued specific guidance over this program in April 2009, indicating the DHE has oversight responsibilities and must monitor activities to ensure compliance with all federal requirements of the SFSF program. Given the magnitude of ARRA funds received, the additional federal requirements relating to these funds, and the heightened federal expectations of transparency and accountability, timely monitoring of the use of funds by the institutions is needed. Without adequate and timely subrecipient monitoring procedures, there is less assurance funds disbursed to the institutions are used for the intended purpose, and noncompliance with federal guidelines is unlikely to be detected in a timely manner and would not allow for corrective action before the program ends.

B. The DHE did not identify the federal award information to each institution at the time of subaward as required by federal regulations. While a spreadsheet was provided to each institution outlining the funding sources and monthly amounts to be received from the state, including funding from the state's Federal Budget Stabilization Fund, the spreadsheet did not identify specific federal award information such as the CFDA title and number, award year, or the federal agency. Additionally, each institution signed a Statement of Assurances outlining the specific ARRA compliance requirements and their responsibilities for meeting those requirements; however, the DHE did not communicate the responsibilities of the institutions to comply with additional SFSF program requirements or the general requirements applicable to all federal programs. Furthermore, the DHE did not communicate the responsibilities of the institutions to separately identify ARRA funds on their schedule of expenditures of federal awards (SEFA), or meet OMB Circular A-133 Single Audit requirements.

OMB Circular A-133, Section .400(d), requires the DHE, as a pass-through entity, to identify federal awards made by informing each subrecipient of the CFDA title and number, award name and number, award year, and the name of the federal agency. In addition, the pass-through entity is required to ensure that subrecipients expending $500,000 or more in federal awards during the subrecipient's fiscal year have met A-133 Single Audit requirements. OMB Circular A-133 Compliance Supplement Part VII, also requires pass-through entities to require their subrecipients to separately identify the expenditures of federal awards under the ARRA on their SEFA. Without properly identifying federal award information to institutions or communicating responsibilities, the DHE has less assurance the institutions understand their responsibilities in meeting the federal requirements.

C. The DHE does not have adequate procedures in place to provide assurance Section 1512 report information submitted by the institutions is complete and accurate. The DHE has limited procedures to ensure expenditure and subaward data is complete and accurate; however, the DHE does not perform any monitoring of institution-submitted data, through either on-site monitoring or desk reviews of supporting documentation, to ensure elements relied on for reporting purposes are adequately supported.

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

On a quarterly basis, the DHE sends out a Section 1512 report template to be completed and returned by each institution. Once all information is received, DHE personnel enter the data into the state's Section 1512 reporting system (STIM 360) and perform a review to ensure information entered agrees to the information received from the institutions. Some elements submitted by the institutions, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated in STIM 360 from prior quarters, requiring little oversight from the DHE on a quarterly basis. For the other elements, DHE personnel review information submitted for reasonableness and compare expenditure data to SAM II; however, the DHE relies on the accuracy and completeness of much of the other information submitted by the institutions, such as jobs created or retained and vendor payments, for each quarterly report. As of December 2010, institutions had not submitted any vendor payment information and the DHE could not determine whether any vendor information should have been included, although program descriptions submitted by some institutions contained plans that could involve vendor purchases.

OMB Memorandum M09-21 states the DHE, as prime recipient, is ultimately responsibility for reporting of all data required by Section 1512 of the ARRA. Additionally, the prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Without adequate monitoring procedures in place over the data submitted by the institutions, the DHE has less assurance the information included in the Section 1512 reports for the SFSF program is complete and accurate.

**WE RECOMMEND** the DHE:

A. Develop policies and procedures for the timely monitoring over the use of SFSF program monies by the institutions to ensure compliance with federal requirements.

B. Establish procedures to identify federal award information to the institutions at the time of the subaward and communicate subrecipient responsibilities under OMB Circular A-133.

C. Develop policies and procedures for the SFSF program to ensure the accuracy and completeness of data submitted by the institutions for Section 1512 reporting purposes.

***AUDITEE'S RESPONSE***

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

| 2010-9. | Benefit Payments |
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| Federal Agency: | Department of Labor |
| Federal Program: | 17.225 Unemployment Insurance |
| | 2009 - UI-18030-09-55-A-29 |
| | 2010 - UI-19592-10-55-A-29 |
| | 17.225 ARRA - Unemployment Insurance |
| | 2009 - UI-18030-09-55-A-29 |
| | 2010 - UI-19592-10-55-A-29 |
| State Agency: | Department of Labor and Industrial Relations (DLIR) |

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid or owed to claimants and in establishing overpayments. During the year ended June 30, 2010, total federal unemployment insurance benefits paid totaled over $2.2 billion.

According to 20 CFR Part 601.1, the structure of the Unemployment Insurance (UI) program is based on federal statute; however, it is implemented through state law. The UI program is funded through a combination of employer payroll taxes, employer reimbursements and federal monies, depending on the types of benefits paid. The ARRA provided additional federal funding for additional weeks of Emergency Unemployment Compensation (EUC) and Extended Benefits (EB), as well as Federal Additional Compensation (FAC) consisting of $25 weekly to supplement the unemployment benefits of eligible claimants. Further extension of these programs, which extended the program end dates, were funded with federal general revenues.

A claimant has several levels/types of benefits that can be received depending on eligibility and the timing of the benefits. Regular UI benefits are the first level against which eligible claimants can draw. After regular benefits have been exhausted, a claimant can receive EUC benefits which involves four tiers. When the First Tier benefits are exhausted, the claimant can receive benefits from the Second Tier, and so forth, if certain criteria are met. Each tier represents additional weeks of benefits that can be claimed. When triggered during times of high unemployment, a claimant can also receive benefits from the EB level after the EUC benefits are exhausted.

The DLIR has various procedures to detect unreported wages earned by claimants receiving unemployment benefits. When this occurs, a claimant may have been overpaid unemployment benefits, depending on the amount of wages unreported. If overpaid, the DLIR will establish an overpayment of benefits and take measures to recover the overpayment. Also, an overpayment can result in restoring a balance to the specific types or tiers of benefits. Thus, one level of benefits may not have been exhausted before payments were made from the next level.

Due to concerns noted in the prior report, computer programming was implemented by the DLIR to identify claimants with potential restored balances due to overpayments;

however, the DLIR indicated 2,187 such cases remained unresolved as of January 3, 2011. DLIR personnel indicated these cases have to be reviewed manually, and while four employees have been trained to resolve these issues, staff members are often pulled from this area to work on other benefit disbursement issues relating to further program extensions, which take priority. We reviewed 61 benefit payments, covering the various payments types, made to 25 claimants listed on the DLIR report of potential restored balances as of January 21, 2011. During our review, we noted 17 errors in the accounts of 14 of these claimants.

A. For eight accounts reviewed, we noted benefits from a previous level were initially exhausted; however, due to the DLIR identifying the failure of the claimants to report wages earned, overpayments of benefits totaling $3,592 were established. Since these overpayments were made from a level that had previously been exhausted, when repaid or recouped, the benefits of that previous level will no longer be exhausted. As a result, the potential exists that these benefits would not subsequently be paid to the claimants when owed. The DLIR needs to expedite efforts to resolve all overpayment cases with potential restored balances, to ensure claimants subsequently receive all applicable benefits owed.

Generally, all monies should be paid from one level before payments are made from the next level. The overpayments above were established in a prior level but benefits continued to be paid out from subsequent levels, instead of reverting back to the level where the overpayment was repaid or recouped until that level was again exhausted. As a result, the previous levels still have some benefits available to these claimants that had not been utilized. Unemployment Insurance Program Letter (UIPL) 23-08 indicates EUC is payable to individuals who have exhausted all rights to regular compensation and UIPL 23-08, Change 3, indicates an individual will qualify for Second Tier benefits when First Tier is exhausted. Also, UIPL 23-08 Change 5, indicates an individual may qualify for the next higher Tier when the Second Tier or Third Tier is exhausted.

B. For one account reviewed, an overpayment of $4,760 (which includes $500 overpayment of FAC) was not properly established on an EUC Tier 1 claim due to an oversight by DLIR personnel entering the identified overpayments. Benefit payments totaling $11,536 (which includes $1,225 of FAC) were issued for regular UI, EUC Tier I, and EUC Tier II benefit programs to a claimant initially found eligible by the Appeals Tribunal. When the DLIR Commission later reversed the decision of the Appeals Tribunal, the claimant was declared ineligible to have received these benefits and a notice was sent to the Benefit Payment Control Unit to establish the overpayments. Overpayments were properly established for the regular UI overpayment of $5,824 and the EUC Tier II overpayment of $952; however, an overpayment was not established for the EUC Tier I amount of $4,760.

Section 288.380.9(3), RSMo, provides future unemployment benefits may be offset for overpayments and Section 288.380.14, RSMo, provides recovering overpaid benefits may be pursued through billing, setoffs against state and federal tax refunds, intercepts of lottery winnings, and other collection efforts. Procedures should be reviewed to ensure all overpayments are properly established so collection can be pursued.

C. For eight accounts reviewed, we noted FAC overpayments totaling $425 were not offset from other weekly benefits disbursed to claimants. DLIR personnel indicated that computer programming was implemented at the beginning of the FAC program to ensure FAC monies were only used to offset FAC overpayments. FAC overpayments were recovered from subsequent FAC benefits until the FAC program ended on December 11, 2010, at which time recovery of FAC overpayments ceased. DLIR personnel indicated they detected the FAC offset issue prior to our review and the Information Technology Services Division is currently updating computer programming to recover FAC overpayments from other allowable benefits.

UIPL 11-09 provides that FAC may only be used to offset FAC overpayments; however, it also provides a state may use other Federal Unemployment Compensation to offset FAC overpayments in that state.

Personnel indicated the U.S. Department of Labor had issued numerous implementation instructions because of the continuous program extensions and the DLIR was under very restricted time constraints to implement changes immediately.

**WE RECOMMEND** the DLIR:

A. Expedite efforts to resolve cases with restored balances and ensure any payments due to the claimants are paid.

B. Develop procedures to ensure all overpayments are properly established so collection can be pursued.

C. Implement computer programming to offset FAC overpayments from other allowable benefits.

***AUDITEE'S RESPONSE***

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

| 2010-10. | Reporting |
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| Federal Agency: | Department of Labor |
| Federal Program: | 17.225 Unemployment Insurance |
| | 2009 - UI-18030-09-55-A-29 |
| | 2010 - UI-19592-10-55-A-29 |
| | 17.225 ARRA - Unemployment Insurance |
| | 2009 - UI-18030-09-55-A-29 |
| | 2010 - UI-19592-10-55-A-29 |
| State Agency: | Department of Labor and Industrial Relations (DLIR) |

Controls and procedures over reporting are in need of improvement. Due to inadequate procedures and a lack of oversight, reports necessary to comply with federal reporting requirements were not submitted timely and some reports submitted were not accurate.

The U.S. Department of Labor (USDOL) Employment and Training Administration (ETA) requires state agencies participating in the Unemployment Insurance (UI) program to submit various reports to document program and administrative expenditures and activity. Reports may be submitted monthly, quarterly, or annually, depending on the specific report.

The DLIR has an individual that is responsible for monitoring most reports and ensuring reports are filed timely; however, no one is responsible for monitoring the timeliness of the ETA 9130 reports. The ETA 9130 Financial Report provides detailed expenditure information on the grant award activities, and numerous reports should be filed quarterly for the various activities associated with each type of grant. Of the 52 ETA 9130 reports filed for the year ended June 30, 2010, 15 (29 percent) were filed 9 to 20 days after the due date. Most of the reports required for the quarter ended March 31, 2010, and some reports for the quarter ended December 31, 2009, were not filed timely. Although the DLIR utilizes a USDOL system in place that produces a report called "reports prompt" (timely) and a report called "reports not prompt", the ETA 9130 reports are not tracked through this system.

In addition, all monthly ETA 2112 reports filed with the USDOL during fiscal year ended June 30, 2010, were inaccurate, and 1 of 12 (8 percent) of the reports was submitted 25 days late. According to the UI Reports Handbook No. 401, the ETA 2112 UI Financial Transaction Summary report is a required monthly summary of transactions in the state unemployment fund. The ETA 2112 reports included incorrect totals for ARRA and non-ARRA benefits paid. For example, we noted one error which resulted in underreporting $9.5 million of restricted ARRA monies in the Unemployment Trust Fund Account. While DLIR procedures for the review of the ETA 2112 reports required the preparer to submit the report and supporting documentation to supervisory staff for review, these procedures were not adequate to detect the errors. Also, the DLIR had known since January 2010 that ARRA and non-ARRA benefit payment amounts were not accurately segregated in the accounting records, which resulted in inaccurate ETA 2112 reports.

After receiving additional guidance from the USDOL, the computer system was reprogrammed and the DLIR began revising reports for resubmission. Once all reports are revised for the year ended June 30, 2010, the reports will be resubmitted to the USDOL. As of February 2011, corrections are still pending and reports have not been resubmitted to the USDOL.

With the lack of oversight, not utilizing the system in place to monitor timeliness of reports, and not properly recording the ARRA versus non-ARRA benefits paid, reports were not submitted timely or accurately.

**WE RECOMMEND** the DLIR improve procedures to ensure applicable reports are filed with the USDOL within the required timeframe. The DLIR should ensure adequate oversight of the reporting process to ensure reports are accurate and utilize the tracking reports to monitor the timeliness of reports.

***AUDITEE'S RESPONSE***

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

## 2010-11. Schedule of Expenditures of Federal Awards

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|---|---|
| Federal Agency: | Department of Labor |
| Federal Program: | 17.225 Unemployment Insurance |
| | 2009 - UI-18030-09-55-A-29 |
| | 2010 - UI-19592-10-55-A-29 |
| | 17.225 ARRA - Unemployment Insurance |
| | 2009 - UI-18030-09-55-A-29 |
| | 2010 - UI-19592-10-55-A-29 |
| State Agency: | Department of Labor and Industrial Relations (DLIR) |

DLIR controls and procedures are not sufficient to prevent or detect errors in accounting records and financial reports and to ensure the timely preparation of an accurate schedule of expenditures of federal awards (SEFA).

Financial accounting records consisting of cash journals, general ledgers, and trial balances, which are used in the preparation of the SEFA, were not accurate. Due to personnel changes related to an employee retirement, duties were reassigned and a different employee started preparing the records during the audit period. The employee who previously prepared the records became responsible for reviewing the records. However, the preparation and review of these records was not adequate. During our review, various errors were noted. In addition, during a significant portion of the audit period, the DLIR was unable to separately identify regular Unemployment Insurance (UI) and ARRA UI expenditure amounts relating to benefit payments, as required, on financial accounting records and reports. The DLIR indicated this was because directives issued by the U.S. Department of Labor (USDOL) in Unemployment Insurance Program Letters were unclear as to funding sources (ARRA or federal general revenue) for various program extensions, and requests to the USDOL for clarification were not answered timely. Although the DLIR reconciliation procedures detected these potential reporting discrepancies for ARRA amounts as early as January 2010, a corrective course of action was not determined until July 2010 when further guidance was obtained. After making programming changes, regenerating various financial reports, reviewing the financial reports, and making corrections to the financial reports, the DLIR was finally able to produce an accurate SEFA and supporting financial reports on December 20, 2010.

Also, because the financial accounting records and reports were not finalized in a timely manner, the DLIR was delayed in providing to the Office of Administration financial statements and related adjusting entries necessary for presentation in the state of Missouri Comprehensive Annual Financial Report. Additionally, periodic reports filed to comply with other federal UI program reporting requirements were originally based on inaccurate data, requiring the reports to be re-submitted to the USDOL.

Recipients are required to maintain records that identify adequately the source and application of ARRA awards and provide separate identification of ARRA awards in their SEFA, pursuant to 2 CFR 176.210(b). The financial management system must accurately generate the required reports and allow tracing of funds to establish ARRA and non-ARRA funds were used for authorized purposes and allowable costs. In addition, the controls over the accounting records should provide accurate data for other required federal reports.

**WE RECOMMEND** the DLIR implement procedures to prepare a complete and accurate SEFA in a timely manner. In addition, the DLIR should ensure financial accounting records and reports are prepared properly and adequately reviewed to detect and correct errors in a timely manner.

***AUDITEE'S RESPONSE***

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

## 2010-12. Comprehensive Home and Community-Based Services Waiver

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO05048
2010 - 1005MO5ADM and 1005MO5MAP
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA

State Agency: Department of Social Services - Missouri HealthNet Division (DSS-MHD), and the Department of Mental Health - Division of Developmental Disabilities (DMH-DD)

During the fall of 2009, the DMH-DD converted services provided to MO HealthNet-eligible clients at two state-operated facilities from the Intermediate Care Facilities for the Mentally Retarded (ICF/MR) Program to a Medicaid Waiver program without ensuring the related services constituted allowable home and community-based services. The federal grantor agency, U.S. Department of Health and Human Services (DHHS) Centers for Medicare and Medicaid Services (CMS), subsequently disapproved a waiver amendment request related to this action.

Pursuant to 42 CFR, Part 441(G), the DSS-MHD has obtained a waiver of statutory requirements to provide an array of home and community-based services (which may permit an individual to avoid institutionalization), including the Mental Retardation/Developmental Disabilities Comprehensive Home and Community-Based Services Waiver (MRDD comprehensive waiver). The DSS-MHD has entered into an interagency agreement with the DMH-DD to operate this waiver program. While the DSS-MHD serves as the oversight agency for the MRDD comprehensive waiver, actual operation of the waiver program is overseen by the DMH-DD since it is the statutorily-authorized agency with administrative charge and control of the provision of services to persons with mental retardation and developmental disabilities.

As a way of addressing budget cuts in state fiscal year 2010, the DMH-DD initiated the conversion of ICF/MR services provided to 315 individuals residing at the Marshall Habilitation Center (MHC) and the St. Louis Developmental Disabilities Treatment Center (SLDDTC) to MRDD comprehensive waiver services. Much of the expected savings to the state was related to the reduction or elimination of staff in the dietary and housekeeping departments at those institutions since the dietary and housekeeping needs of the clients would be provided by direct care staff and/or the clients themselves.

According to DMH-DD officials, they met and communicated with certain regional CMS officials both prior to and during this conversion, and they indicated no serious reservations were expressed by the federal officials about DMH proposed actions. The clients affected by this conversion resided in group home-style cottages at the respective facilities. The actual conversion of services at the MHC and SLDDTC occurred at various intervals between September 15, 2009, and November 15, 2009, and the billing for services began effective on the date of conversion at the respective facilities.

In February 2010, after receiving supporting information from the DMH-DD, the DSS-MHD submitted an amendment of the MRDD comprehensive waiver to the CMS to obtain formal approval for this expansion of the waiver program for the converted clients. However, in early August 2010, the Administrator of the CMS denied this waiver amendment request. In a letter disapproving the amendment request, the federal official indicated that because the proposed services were to be provided to individuals on the grounds of a large state-operated institution the state amendment did not meet the requirements of: 1) 42 CFR, Section 441.301(b)(1)(ii), which requires the state waiver request must provide that waiver services will be furnished only to recipients who are not inpatients of a hospital, nursing facility, or ICF/MR, or 2) 42 CFR, Section 441.300, which permits states to offer waiver services that individuals need in order to avoid institutionalization.

According to information provided by the DMH, approximately $36 million was billed for MRDD comprehensive waiver services provided to the applicable clients at the MHC and SLDDTC during the year ended June 30, 2010. The state received approximately $26.8 million, the federal share of billed costs, with the DMH receiving approximately $23.2 million of this amount. An additional $5.7 million was billed for waiver-related services provided at these two facilities during the first 2 months of the next fiscal year. The state received approximately $4.2 million, the federal share of billed costs, with the DMH receiving approximately $3.7 million of this amount.

As of early February 2011, DSS and DMH officials indicated the CMS has not formally communicated regarding the claims related to these services. In addition, DMH officials indicated actions have been taken to recertify the applicable beds at the MHC and SLDDTC for ICF/MR participation effective August 15, 2010.

**WE RECOMMEND** the DMH-DD work with the DSS-MHD and the DHHS-CMS to resolve this matter. In addition, the DMH-DD should ensure the services related to any future planned expansion of this program constitute home and community-based services.

***AUDITEE'S RESPONSE***

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

## 2010-13. Section 1512 Reporting

| | |
|---|---|
| Federal Agency: | Department of Energy<br>Environmental Protection Agency |
| Federal Program: | 66.458 ARRA - Capitalization Grants for Clean Water State Revolving Funds<br>2009 - 2W977080-01<br>66.468 ARRA - Capitalization Grants for Drinking Water State Revolving Funds<br>2009 - 2F977082-01<br>81.042 ARRA - Weatherization Assistance for Low-Income Persons<br>2009 - DE-EE0000151 |
| State Agency: | Department of Natural Resources (DNR) |

The DNR needs to strengthen controls and procedures in place to ensure Section 1512 reports are complete and accurate for the Weatherization Assistance for Low-Income Persons (WAP) program. In addition, the DNR does not have a formal written plan in place for the Section 1512 reporting process.

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

A. The DNR needs to strengthen controls and procedures in place to provide assurance Section 1512 report information submitted by subrecipients of the WAP program is complete and accurate. The DNR, Division of Energy is responsible for administering the WAP program for the state of Missouri. The majority of WAP funds are passed through to subrecipients, consisting of 17 Community Action Agencies and 7 other local agencies throughout the state. During the state fiscal year 2010, the DNR disbursed approximately $21 million in WAP program ARRA funds to subrecipients.

On a quarterly basis, subrecipients submit various forms to the DNR to provide required program information for Section 1512 reporting purposes, such as vendor activity, jobs created and retained, and expenditure data. Once information is received, the DNR tracks and compiles expenditure and subrecipient data and enters the data into the state's Section 1512 reporting system (STIM 360). Some elements submitted by subrecipients, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated in STIM 360 from prior quarters, requiring little oversight from the DNR on a quarterly basis. For other elements, DNR personnel review information submitted for reasonableness and compare expenditure data to SAM II; however, the DNR relies on the accuracy and completeness of much of the other information submitted by subrecipients, such as jobs created and retained and vendor payments, for each quarterly report. The DNR performs three technical and two procedural monitoring visits each year for all subrecipients to review program supporting documentation and to ensure work was completed as indicated. However, the field visits do not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting purposes.

OMB Memorandum M09-21 states the DNR, as prime recipient, is ultimately responsible for the reporting of all data required by Section 1512 of the ARRA. Additionally, the prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Strengthening monitoring procedures in place over the subrecipient data would provide the DNR more assurance the information included in the Section 1512 report for the WAP program is complete and accurate.

B. While some procedures are in place, the DNR does not have a formal written plan in place to address the Section 1512 reporting process for the WAP, Clean Water State Revolving Fund, or Drinking Water State Revolving Fund programs. The DNR currently has a spreadsheet listing all programs requiring Section 1512 reporting which documents the various data elements required, the method and source of information, and the report preparer and reviewer; however, the spreadsheet does not document a formal work plan for ensuring the accuracy and completeness of Section 1512 reports.

A formal written plan for each applicable program would help ensure Section 1512 reports are complete and accurate. The plan should, at a minimum, document the flow of information, define the responsibilities of subrecipients and various program personnel, and include procedures for ensuring the accuracy and completeness of all Section 1512 reporting elements. A formal written plan would provide the DNR more assurance the various reporting responsibilities, such as data collection and verification, have been relayed to and understood by all parties of the reporting process.

**WE RECOMMEND** the DNR:

A. Strengthen procedures for the WAP program to ensure the accuracy and completeness of data submitted by the subrecipients for Section 1512 reporting purposes.

B. Establish a formal written plan for all programs that require Section 1512 reporting.

***AUDITEE'S RESPONSE***

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

| 2010-14. | Capital Assets |
|---|---|

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2009-DAHA23-09-2-1000 and 2010-DAHA23-10-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

The AG did not maintain proper records of capital assets acquired through the above referenced program, or adequately perform periodic inventories to ensure these assets are accounted for properly. Additionally, some capital asset expenditures were not properly classified. During fiscal year ended June 30, 2010, approximately $1 million of program funds were expended on capital assets (excluding construction in process and land) for the various facilities statewide.

A. Some assets purchased during state fiscal year 2010 have not been properly accounted for in the AG internal capital asset tracking system or SAM II, Fixed Asset Subsystem, and some assets have not received a property tag and asset number. Although the AG responded in two prior audit reports that improvements had been made in tracking capital assets, more improvement is needed. AG personnel again indicated the staff position assigned responsibility for tracking capital assets was not able to keep up with the high workload, resulting in a backlog of assets not tagged or entered into the internal or SAM II capital asset tracking systems.

Our review of 42 capital asset purchases (costing $1,000 or more) made during state fiscal year 2010, totaling approximately $486,300, noted 10 assets totaling about $65,000 lacked property tag numbers. Additionally, 31 of the capital asset purchases reviewed, valued at approximately $365,700, had not been entered in the internal capital asset tracking system and 32 of the capital asset purchases reviewed, valued at approximately $324,800, had not been entered in the SAM II capital asset tracking system. Also, the AG had only performed physical inventories during fiscal year 2010 for 2 of the 56 different property books used to track assets purchased with these funds. Assets listed in these property books are at various locations throughout the state.

After we again brought these concerns to the attention of AG personnel, in an effort to alleviate the backlog of assets not tagged or entered into either capital asset tracking system, an additional staff person was assigned duties related to tracking capital assets in October 2010. Approximately $44,100 of the capital asset purchases we reviewed were subsequently added to the SAM II capital asset tracking system.

To ensure capital assets are accounted for properly, the AG should follow its current capital asset procedures, ensuring all newly purchased assets are assigned property tags and entered into both the internal and SAM II capital asset tracking systems in a timely manner, and physical inventories are performed annually. In addition, to ensure the capital asset records are complete and accurate, the AG should continue to investigate the backlog of untagged capital assets.

B. AG personnel have not completed a reconciliation between expenditure records and capital asset records in the SAM II or internal capital asset tracking systems.

- A reconciliation between expenditure records and the SAM II capital asset tracking system is in progress; however, as of October 2010, approximately $600,000 of the $4.5 million in capital asset expenditures from fiscal year 2002 through 2010 has not been reconciled.

- A reconciliation between expenditure records and the AG internal capital asset tracking system is not performed. The AG policy is to tag all capital assets with an acquisition cost or fair market value greater than $250 at the time of acquisition. This policy differs from the state policy of tagging capital assets of $1,000 or more, and the AG maintains an internal capital asset tracking system to account for all capital assets that are tagged by the AG.

A reconciliation between expenditure records and both the SAM II and internal capital asset tracking systems would ensure all acquisitions of capital assets have been identified and properly recorded in appropriate property books for annual inventory.

C. Equipment expenditures were not always properly classified to specific capital asset object codes in the SAM II accounting system. As a result, some equipment was not identified in the system for proper tracking and was subsequently omitted from all capital asset records. The following expenditures were not charged to the capital asset object codes as required.

- Computer equipment with a unit price of $4,422 and total price of $17,688 was charged to "under threshold - computer equipment".

- Uninterruptible power supplies with a unit price of $1,012 and a total price of $6,072 were charged to "under threshold - other equipment".

- Electronic security equipment costing $5,925 was charged as "electrical supplies".

The failure to record appropriate expenditures as capital assets reduces the control and accountability over capital assets and increases the potential for loss, theft, or misuse of assets.

The cooperative agreement between the AG and the U.S. Department of Defense, National Guard Bureau requires the state to account for and manage equipment acquired under this program. In addition, OMB Circular A-133, Compliance Supplement Part 3, indicates that a state shall use, manage, and dispose of equipment acquired under a federal grant in accordance with state laws and procedures. State regulation, 15 CSR 40-2.031, requires each department to establish and maintain a system of control and control records for capital assets, identify capital assets with a numbered tag, and perform an annual physical inventory for assets with a value of $1,000 or more. In addition, Missouri National Guard Regulation 735-1 requires all capital assets with a value greater than $250 at the time of acquisition will be tagged and accounted for properly. To ensure compliance with state and federal regulations and internal policy and to safeguard assets against loss and misuse, the AG should have adequate procedures in place to account for and track capital assets.

**WE RECOMMEND** the AG:

A. Ensure all equipment is properly assigned a property tag number and entered into both the internal and SAM II capital asset tracking systems. In addition, the AG should ensure annual physical inventories are performed, and continue to investigate the backlog of untagged capital assets.

B. Ensure capital asset reconciliations between expenditure records and capital asset records in both the SAM II and internal capital asset tracking systems are completed.

C. Ensure capital asset expenditures are charged to appropriate object codes.

***AUDITEE'S RESPONSE***

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

## 2010-15. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402 and 2010 - G1001MO1402
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407
93.674 Chafee Foster Care Independence Program
2009 - G0901MO1420 and 2010 - G1001MO1420
93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $2,168,919

DFAS controls and procedures over the quarterly allocation of costs to federal programs are not sufficient and as a result, numerous cost allocation errors were not prevented and/or detected.

The DFAS has developed procedures to identify, measure, and allocate all costs to the programs administered by the department. These procedures provide for the quarterly allocation of direct costs and cost pools to the various programs in accordance with the DSS cost allocation plan. The Fiscal and Administrative Manager enters costs from various sources into comprehensive cost allocation spreadsheets which contain formulas to allocate costs to the various programs. DFAS personnel indicated a supervisory review of the cost allocation spreadsheets is performed; however, this review is not documented and does not include a review of spreadsheet formulas or a comparison/reconciliation to supporting records.

Our review of selected sections of state fiscal year 2010 Children's Division and Family Support Division cost allocation spreadsheets and supporting documentation identified overstatements totaling approximately $3.3 million ($2.2 million federal share) for 5 federal programs and understatements totaling approximately $3.2 million ($2.2 million federal share) for 11 federal programs due to spreadsheet formula and data entry errors. Examples of errors identified include:

- Data entry and spreadsheet formula errors resulted in the allocation of only some fiscal year 2009 Single Audit costs to five federal programs, including an incorrect program. This resulted in understatements totaling approximately $95,000 and overstatements totaling approximately $15,400. We question the federal share of the overstatements, or $15,388.

- Fraud investigation costs totaling approximately $618,000 for 3 months were not allocated to the six applicable federal programs due to spreadsheet formula errors, resulting in understatements of program costs.

- In response to Report No. 2010-30, *State of Missouri, Single Audit, Year Ended June 30, 2009*, issued in March 2010, finding 2009-12, DFAS management indicated they would discontinue the allocation of certain costs (primarily payments to Caring Communities partnerships) initially charged to the Promoting Safe and Stable Families program to various other federal programs through the Social Services Cost Pool. However, during the fourth quarter of state fiscal year 2010, the Fiscal and Administrative Manager incorrectly included these costs in the cost pool, and costs totaling approximately $2.5 million were allocated to four federal programs. We question the federal share of these overstatements, or $1,612,695.

- State fiscal year 2010 third quarter Social Services Cost Pool expenditures were allocated based on second quarter random moment time study results because the third quarter cost allocation spreadsheets were not updated with the third quarter time study results. This error resulted in understatements totaling approximately $411,000 for two federal programs and overstatements totaling approximately $411,000 for three federal programs. We question the federal share of the overstatements, or $284,182.

- Seven months of payments to performance-based contractors for Foster Care assistance payments were incorrectly entered or not entered into the cost allocation spreadsheets, resulting in understatements totaling approximately $2 million and overstatements totaling approximately $365,000. We question the federal share of the overstatements, or $256,654.

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

| CFDA # | Program | Questioned Costs |
|---|---|---|
| 93.558 | Temporary Assistance for Needy Families | $ 832,764 |
| 93.658 | Foster Care Title IV-E/<br>ARRA- Foster Care Title IV-E | 1,096,236 |
| 93.659 | Adoption Assistance | 186,394 |
| 93.674 | Chafee Foster Care Independence Program | 15,388 |
| 93.778 | Medical Assistance Program | 38,137 |
| Total | | $ 2,168,919 |

Good internal controls require adequate procedures to ensure formulas and amounts entered into cost allocation spreadsheets are accurate and reliable. Inadequate supervisory reviews of the spreadsheets could hinder the ability to manage federal funds effectively and to comply with federal regulations.

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

***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.*

| **2010-16.** | **Child Care Eligibility and Payments** |
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| | |
|---|---|
| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.575 Child Care and Development Block Grant<br>2009 - G0901MOCCDF and 2010 - G1001MOCCDF<br>93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund<br>2009 - G0901MOCCDF and 2010 - G1001MOCCDF<br>93.713 ARRA – Child Care and Development Block Grant<br>2009 - 20091MOCCD7 |
| State Agency: | Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD) |
| Questioned Costs: | $76,047 |

Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. As a result, eligibility and payment documentation could not be located for many child care cases reviewed, overpayments were made to some providers, and payments were made on behalf of some ineligible clients for one ARRA Child Care initiative. During the year ended June 30, 2010, the DSS paid over 9,000 child care providers approximately $151 million for services provided to about 81,000 children.

The DSS provides funds to child care providers who serve eligible clients. Federal regulation 45 CFR, Section 98.20 provides that to be eligible for services the child must 1) be under 13 years old, or at the option of the DSS under age 19 and physically or mentally incapable of caring for himself/herself or under court supervision, 2) live with a family who meets certain income guidelines, and 3) have parents who are working or attending a job training or educational program. In addition, 45 CFR, Section 98.41 requires states to establish provider licensing requirements to protect the health and safety of children provided assistance, and Sections 210.025, 210.027, and 210.211, RSMo, require that providers be either licensed or registered based on the number of children under their care.

Parents/caregivers apply to FSD or CD case workers for participation in the program. Once approved, the parent/caregiver selects a child care provider and the DSS enters into an agreement with the provider for child care services. To comply with federal requirements, the DSS Income Maintenance manual requires that case workers set maximum authorized service units for the amount and type of care that best meets the family's need; maintain case file documentation, including the child care application or a signed system-generated interview summary and copies of income verifications (including work hours) to support eligibility determinations; and limits the number of absences and holidays eligible for reimbursement. In addition, the manual and provider agreements require that providers submit a monthly invoice either through the DSS on-line invoicing system or by a manual invoice, and maintain detailed attendance records documenting daily arrival and departure times and containing parent/caregiver signature verifying the child received the services. Although all providers are required to retain attendance records for 5 years, the DSS only requires registered (license exempt) providers who submit manual invoices to submit attendance records for payment.

In May 2010, with additional funding from the ARRA, the DSS expanded child care assistance to additional children and families. Two new initiatives were established to provide child care assistance to eligible clients participating in the Workforce Investment Act Adult or Dislocated Worker programs and to eligible clients not receiving Temporary Assistance for Needy Families (TANF) benefits who are searching for employment. These initiatives will provide child care assistance through September 30, 2011, or when ARRA funding is spent, whichever is earliest. The DSS estimates it will spend a total of $17 million in ARRA funds for the two new Child Care initiatives. Through June 30, 2010, child care assistance payments totaling approximately $146,000 were made on behalf of 573 children of 329 clients for the two new Child Care initiatives.

A. Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers. The DSS has not established procedures to review eligibility determinations and has discontinued on-site contract compliance reviews to monitor payments to providers. As a result, audits and reviews continue to identify significant child care payments made without sufficient supporting documentation.

   To test compliance with program requirements, we sampled eligibility documentation for 60 children, and reviewed provider agreements and payment documentation supporting one payment for each of these children. Payments totaling approximately $186,000 were made to child care providers on behalf of these children during state fiscal year 2010. We noted the following:

   - Eligibility documentation such as a signed child care application or system-generated interview summary and/or income record(s) for 13 of 60 (22 percent) cases reviewed could not be located by the DSS. For six of these cases, the DSS could not locate the eligibility file. Child care payments made on behalf of these children during the year ended June 30, 2010, totaled $41,736. In addition, child care payments for siblings of these children totaled $41,707 during the same period. We question the federal share, or $70,092 (84 percent).

   - For child care payments, 30 of 60 (50 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Attendance records were not provided by some child care providers upon our request, some attendance records were not signed by the parent/caregiver and/or did not include daily arrival/departure times, and some provider invoices did not agree to the corresponding attendance records. In addition, documentation supporting some authorizations for payments at enhanced evening/weekend rates could not be located, some payments were not in compliance with DSS policies for absences and holidays, and some provider license/registration documentation could not be located. Of these 30 payments, 11 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 19 cases totaled an additional $3,837. We question the federal share, or $3,223 (84 percent).

Similar errors were identified in the DSS recent Child Care program improper payment review. This internal review, which was required by federal regulations and sampled 276 cases with payments during federal fiscal year 2009, identified 43 percent of cases tested had improper authorizations for payment totaling approximately $35,000. The DSS report summarizing the results of the review indicated most of these improper authorizations were due to missing or insufficient documentation and estimates annual improper authorizations at $64 million.

The various errors noted above occurred because the DSS lacks sufficient controls to ensure eligibility determinations are accurate and payments are proper and adequately supported. There appear to be at least three significant factors contributing to the weak control system:

- There is no supervisory review of child care eligibility determinations. These determinations are made by numerous caseworkers in county offices around the state. Although the DSS has a system for monthly supervisory reviews of eligibility determinations for various other DSS assistance programs, this review system does not include the Child Care program.

- The DSS discontinued performing on-site contract compliance reviews of child care providers. These reviews, which monitored supporting documentation for payments to providers, were conducted by Division of Finance and Administrative Services contract compliance unit staff from February 2006 to October 2009, and the results of the reviews were referred to the CD for follow-up. Although the reviews often identified problems with provider invoices and attendance sheets, overpayments to providers, and other noncompliance with DSS policies, the DSS discontinued the reviews due to state budget limitations. The contract compliance unit reviewed 498 providers in the first 4 months of fiscal year 2010. Currently, DSS payment review procedures are limited to CD desk reviews of manual invoices and attendance sheets submitted by registered providers, and follow-up to provider complaints received.

- Overall, management of the case records is poor. As noted above, the DSS could not locate 6 of 60 (10 percent) case files requested, and several other case files were missing documentation to support eligibility.

The lack of controls over eligibility determinations and payments to providers can result in provider overpayments and federal reimbursements for ineligible clients and/or unallowable costs. In addition, without complete and accurate case records, adequate documentation is not available to verify the eligibility of clients, support the appropriateness of child care payments, and provide an adequate audit trail. The DSS needs to review and strengthen policies and procedures to ensure child care payments are made on behalf of eligible clients, invoices agree to the corresponding attendance records, attendance records are complete and signed by the parent/caregiver, payments are in accordance with department policy, appropriate child care services are authorized, and providers are licensed or registered. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Payments associated with known questioned costs represented approximately 25 percent of payments reviewed. If similar errors were made on the remaining population of child care payments, questioned costs could be significant.

B. Controls over eligibility for the newly established non-TANF client ARRA Child Care initiative are not sufficient to prevent and/or detect payments made on behalf of ineligible clients. As a result, 10 percent of payments during the first month of operation were for ineligible clients.

Previously, child care assistance for job search activities was only allowed for TANF clients. Through this new ARRA initiative, non-TANF clients engaged in job search activities may qualify for child care assistance for a maximum of 8 consecutive weeks, as outlined in the DSS Child Care State Plan approved by the U.S Department of Health and Human Services, Administration of Children and Families. Clients may not participate in this initiative if they are currently receiving or applying for TANF benefits.

To test compliance with the non-TANF eligibility requirement for this initiative, we reviewed the Family Assistance Management Information System (FAMIS) for all 82 clients receiving child care assistance under this initiative. This assistance totaled approximately $35,400 on behalf of 155 children during June 2010, the first month of payments. We noted 8 (10 percent) of these clients were receiving TANF benefits, although the initiative provides that clients receiving TANF benefits are not eligible. We question the federal share of the payments made on behalf of these clients, or $2,732 (100 percent).

The payments to child care providers for ineligible clients resulted from incorrect coding of client child care need in the FAMIS. The DSS established a new child care need code (NTA) to authorize child care assistance under this new initiative and provided written guidance to case workers regarding the new initiative and child care need code. However, controls were not established to ensure case workers entered the NTA code only for non-TANF clients.

Due to the significance of planned initiative expenditures and the error rate noted of payments made for ineligible clients, future questioned costs could be significant if internal control weaknesses are not corrected. The DSS needs to promptly improve controls to ensure payments under the non-TANF client ARRA Child Care initiative are made only for eligible clients in accordance with the Child Care State Plan. In addition, the DSS should review fiscal year 2011 payments already made under this initiative, and recoup any additional payments improperly made from ARRA funds.

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

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

B. Improve controls to ensure payments under the non-TANF client ARRA Child Care initiative are made for eligible clients in accordance with the Child Care State Plan. In addition, the DSS should review fiscal year 2011 payments under this initiative, and recoup any additional payments improperly made from ARRA funds.

***AUDITEE'S RESPONSE***

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

## 2010-17. Performance Based Case Management Contracts

| | |
|---|---|
| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.558 Temporary Assistance for Needy Families<br>2009 - G0901MOTANF and 2010 - G1002MOTANF<br>93.658 Foster Care - Title IV-E<br>2009 - G0901MO1401 and 2010 - G1001MO1401<br>93.659 Adoption Assistance<br>2009 - G0901MO1407 and 2010 - G1001MO1407 |

93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM
State Agency: Department of Social Services (DSS) - Children's Division (CD)

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

The DSS contracts with ten performance based case management contractors, each a consortium of multiple local agencies, to provide case management and room and board for children in state custody. The performance based case management contracts were originally awarded in 2008 and have been renewed each year. Some contracts were amended in October 2009 due to decreased caseloads. Contractors are paid a monthly fixed price for 1) case management/administration, 2) room and board, and 3) residential treatment for a pre-established caseload. The DSS paid these contractors approximately $58 million during the year ended June 30, 2010, of which approximately $15 million was paid from federal funds.

While contractor costs associated with room and board and residential treatment are allocated to applicable federal programs based on actual costs incurred by the contractors, the costs associated with case management/administration are allocated based on the original budgets submitted by the contractors in their 2008 requests for proposal. Each contractor budget separates case management/administration costs into six categories and the CD allocates these costs to several federal programs. Case management services and resource development costs are allocated to the Foster Care administration and training programs, respectively. Treatment services, crisis fund expenses, and special expenses are allocated to the Social Services Block Grant (SSBG) program. Finally, general administration costs are allocated to the Social Services cost pool for distribution to several federal programs (Temporary Assistance for Needy Families, Foster Care, Adoption Assistance, Medical Assistance, and SSBG). Of $58 million paid to the contractors during the year ended June 30, 2010, approximately $27 million ($13 million federal funds) was for case management/ administration services.

Although contractors submit monthly reports of actual costs, the DSS does not use this information to allocate case management/administration costs to the specific federal programs as noted above. The DSS did not re-evaluate their cost allocation methodology during subsequent contract renewal periods and has not performed procedures to determine if budget-based allocations are representative of actual costs incurred. Our review of all state fiscal year 2010 monthly expenditure reports for three contractors noted the budgeted cost allocations did not appear representative of actual costs. Each contractor spent more than budgeted for some cost categories and less than budgeted for other cost categories. For example, our review of one contractor noted $333,904 was allocated to the Foster Care (training) program during state fiscal year 2010 for resource development costs, while the contractor reported actual expenditures for that activity totaling only $165,336. As a result, in state fiscal year 2010, $168,568 ($76,702 federal share) more was allocated to the Foster Care program than actually spent by this contractor for that category. The DSS did not review or adjust the allocations for this contractor to ensure future allocations are more representative of actual costs.

A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received, pursuant to OMB Circular A-87, Attachment A, Section C. Costs charged to a federal program in excess of that program's allocable share would be questionable; however, such costs may be allocable to another federal program(s). As a result, questioned costs resulting from these allocation procedures are likely but were not determined. Without periodically analyzing actual cost data and allocating costs based on such data, the DSS cannot ensure the costs are allowable and allocable to the various federal programs.

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

***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.*

## 2010-18. Foster Care Eligibility and Assistance Payments

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| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.658 Foster Care - Title IV-E |
| | 2009 - G0901MO1401 and 2010 - G1001MO1401 |
| | 93.658 ARRA-Foster Care - Title IV-E |
| | 2009 - G0901MO1402 and 2010 - G1001MO1402 |
| State Agency: | Department of Social Services (DSS) - Children's Division (CD) |
| Questioned Costs: | $8,192 |

Controls over eligibility and maintenance payments are not sufficient; and as a result, payments were made on behalf of ineligible children, and some payments were not allowable or not supported by adequate documentation. During the year ended June 30, 2010, the DSS made Foster Care maintenance payments totaling over $23 million for children in state custody. These payments were made on behalf of an average of 2,970 children each month.

The Foster Care program provides 24-hour substitute care for children under the jurisdiction of the state who need temporary placement and care outside their homes. To be eligible for benefits under the program, requirements outlined at 42 USC 672 must be met. Pursuant to 42 USC 675(4)(A), funds may be expended for Foster Care maintenance payments to licensed foster parents and residential facilities on behalf of eligible children. These maintenance payments cover costs including food, clothing, shelter, daily supervision including child care, school supplies, personal incidentals, liability insurance, and certain transportation. The U.S. Department of Health and Human Services, Administration of Children and Families (ACF), Child Welfare Policy Manual provides that the costs of medical care are not allowable Foster Care expenses. In addition, payments must comply with OMB Circular A-87, Attachment A, which requires costs to be adequately documented.

To test compliance with these requirements, we sampled eligibility, expenditure, and foster parent/residential facility license documentation for 60 Foster Care children. We reviewed all state fiscal year 2010 payments made on behalf of these children, except for child care payments for which we reviewed one payment for each applicable child. Maintenance payments totaling approximately $348,600 were made on behalf of these children during fiscal year 2010. We noted the following:

A. For 2 of 60 (3 percent) cases reviewed, payments were made on behalf of children ineligible for Foster Care benefits due to inaccurate eligibility determinations made by the DSS Family and Children Electronic System (FACES). For these cases, DSS eligibility specialists entered various eligibility data in the FACES and determined the children were ineligible for benefits. However, based on this data, the FACES incorrectly concluded the children were eligible for Foster Care benefits and overrode the previous determination of the eligibility specialist. As a result, payments associated with these cases were incorrectly charged to the Foster Care program.

In one case, the eligibility specialist determined the child was ineligible upon entering state custody in April 2009; however, the FACES incorrectly determined the child was eligible and began charging all related payments to the Foster Care program. In March 2010, when the eligibility specialist performed an eligibility re-determination for the case, the specialist discovered the error on the system and the unallowable costs charged to the Foster Care program, and corrected the eligibility status on FACES. In June 2010, the eligibility specialist initiated recoupment of federal funds; however, the costs associated with child care had not been recouped as of January 2011. Similarly, for another case in which the child entered state custody in September 2007, the FACES incorrectly determined the child was eligible. Eligibility specialist re-determinations in March 2008 and August 2009 concluded the child was not eligible; however, the eligibility specialist did not discover the error on the system or the unallowable costs. When we requested the case file, the eligibility supervisor discovered the error and unallowable costs, corrected the eligibility status on FACES, and initiated recoupment of federal funds.

The FACES, which was fully implemented as of August 2010, is designed to validate eligibility decisions made by the eligibility specialists based on information entered by the eligibility specialists and case workers. Although eligibility specialists perform initial eligibility decisions and enter those decisions on the system, the system can override those decisions and makes the final eligibility determination. The system reviews eligibility each time certain new information is entered or certain existing information is revised. DSS officials acknowledged system design issues have caused some inaccurate eligibility decisions and that staff have had to correct these decisions on the system. DSS officials also indicated they are currently investigating the situation to identify and correct the design problems. In the meantime, the DSS relies on several procedures to identify and correct similar inaccurate eligibility determinations: 1) eligibility specialists' review and follow up on FACES daily batch reports which identify system eligibility determinations, 2) supervisory review of eligibility specialist and system eligibility decisions on a test basis, and 3) eligibility re-determinations performed by eligibility specialists.

Fiscal year 2010 payments totaled $3,242 for these two ineligible children. We question the federal share, or $2,282 (70.38 percent). Subsequent to our review, the DSS recouped some of these payments (by reducing subsequent federal reimbursement requests) totaling $435 on the second case.

B. For 15 of 60 (25 percent) cases reviewed, 33 transportation reimbursements to foster parents were incorrectly recorded as maintenance payments, and reimbursed at the higher federal financial participation percentage (70.38 percent) for maintenance instead of the administrative percentage (50 percent). These reimbursements were for transportation to court hearings, case meetings, or routine medical appointments which are allowed only at the administrative reimbursement percentage. The DSS records all transportation payments claimed to the Foster Care program as maintenance payments. DSS officials indicated they were not aware certain transportation costs were reimbursable only at the administrative rate.

Foster Care program administrative, training, and maintenance costs are reimbursed at different federal financial participation percentages. The percentage for maintenance costs is the Federal Medical Assistance Percentage, which averaged 70.38 percent for Missouri in state fiscal year 2010. The percentage for administrative costs is 50 percent. Reasonable travel for transporting children for parental or sibling visitation or to attend the same school attended before placement in Foster Care are allowable maintenance costs per 42 USC 675(4). Sections 8.3B.1 and 8.1B of the ACF Policy Manual provide that foster parent travel to attend judicial reviews or case conferences/meetings, or to transport a child to a medical appointment are not allowable maintenance payments, but are allowable administrative costs.

For these 15 cases, transportation payments totaling $1,540 were incorrectly reimbursed at the higher maintenance percentage. We question $314 (20.38 percent), the federal share of the difference between the amount paid at the maintenance percentage and the administrative percentage.

C. For 17 of 60 (28 percent) cases reviewed, including 5 cases noted in Part B above, Foster Care maintenance payments were not allowable and/or not supported by adequate documentation. We noted the following:

- Sufficient documentation, such as invoices or other supporting documentation, could not be located for some payments for six cases. Invoices or other supporting documentation are required for certain payments, such as child care, clothing, and transportation.

- Payments were made to unlicensed foster parents for three cases.

  Payments were made to two foster parents for the same time period for one case.

- For two cases, payments were made to a residential treatment facility and a child care facility for time periods when the child was not in Foster Care.

- A payment for medical care was made for one case, although this expense is not allowed per federal regulation.

- Payments to child care providers for seven cases were not supported by adequate documentation and/or were not in compliance with DSS policies. Some provider invoices did not agree to attendance records, some attendance records did not include arrival/departure times, some payments were not in compliance with DSS policies for absences and holidays, and some payments were made at incorrect daily rates.

For these 17 cases, payments totaling $7,951 were unallowable and/or unsupported by adequate documentation. We question the federal share, or $5,596 (70.38 percent). Subsequent to our review, the DSS recouped some of these payments (by reducing subsequent federal reimbursement requests) totaling $979.

Failure to ensure Foster Care payments are made on behalf of eligible children, allowable, reimbursed at the appropriate federal percentage, and adequately supported can result in federal reimbursements for unallowable costs. Payments associated with known questioned costs represented over 3 percent of payments reviewed. If similar errors were made on the remaining population of Foster Care maintenance payments, questioned costs could be significant.

Conditions similar to A and C were noted in our prior audits of the Foster Care program.

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

A. Continue working to identify and correct FACES programming issues and strengthen controls over eligibility determinations to ensure payments are made on behalf of eligible children.

B. Implement controls to ensure transportation payments are reimbursed at the proper federal financial participation percentage.

C. Ensure all Foster Care payments are allowable and supported by adequate documentation.

***AUDITEE'S RESPONSE***

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

## 2010-19. Residential Facility Training Reimbursements

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

The CD has not established sufficient procedures to review residential facility training reimbursements. As a result, reimbursements to these facilities were not always supported by sufficient documentation that training costs were allowable, and some reimbursed training costs appeared unallowable.

Residential facilities provide specialized care for children who need more structure and intervention than a foster home can provide. The DSS has contracts with 29 of the 125 residential facilities to reimburse part of the costs of training facility staff. Contracts with these facilities outline specific allowable and unallowable training activities as provided by federal regulations and guidelines. Facilities are required to submit a training report for each training activity claimed for reimbursement. The DSS reimbursed the residential facilities a percentage of their training costs claimed, based on an allocation methodology outlined in the contracts. During state fiscal year 2010, this percentage was approximately 67 percent in the first three quarters and 60 percent in the fourth quarter. Payments to the facilities for training totaled approximately $383,000 during fiscal year 2010.

In response to Report No. 2009-25, *State of Missouri, Single Audit, Year Ended June 30, 2008*, issued in March 2009, finding 2008-7, and a recent U.S. Department of Health and

Human Services review of training costs for residential facilities, the DSS revised the facility contracts to better clarify the types of allowable and unallowable activities and revised the training report form to require facilities to identify and link training costs to those activities allowed in the contract. However, the CD review procedures were not sufficient to prevent and/or detect some unsupported and/or unallowable reimbursements.

We reviewed selected training reports and supporting documentation for reimbursements made to seven residential facilities during fiscal year 2010. Of the $30,656 in reimbursements reviewed, payments totaling $25,957 (85 percent) were unsupported and/or unallowable, of which we question $19,467 claimed as the federal share.

Numerous training reports and supporting documentation were not sufficient to show the training and related costs were for allowable Foster Care training activities. Examples of these costs include salaries and benefits, travel expenses, conference registration fees, a laptop computer, books, and supplies. As noted in the prior audit, the DSS does not require facilities to submit invoices or other documentation supporting the training costs claimed. While some facilities typically attached supporting documentation such as invoices, receipts, programs or agendas, and attendance logs to the training reports, most facilities did not. Additionally, some facilities submitted an old version of the training report that did not require indication that the training activity complied with the contract. To be allowable under federal awards, costs must be adequately documented, pursuant to 2 CFR, Part 225, Appendix A, Section C.

In addition, some training activities reimbursed appeared unallowable. For example, one facility was reimbursed costs for training sessions on leadership and volunteer management and books on office politics and amateur radio, and another facility was reimbursed costs of a new employee orientation. Many of these costs are prohibited under the residential facility contract. Section 8.1h of the ACF Child Welfare Manual also indicates training activities must be closely related to one of the examples cited in 45 CFR, Section 1356.60; however, these training activities do not appear reimbursable under this guidance.

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

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

***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.*

| **2010-20.** | **Vocational Rehabilitation Program** |
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Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2009 - H126A090037 and 2010 - H126A100037
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $46,035

The FSD improperly charged the Vocational Rehabilitation (VR) program for personnel costs totaling $58,494, of which we question the federal share of $46,035 (78.7 percent). For the fiscal year ended June 30, 2010, the DSS claimed $3,844,231 as the federal share of personnel costs, or 40 percent of the total federal share of VR program expenditures. Additional improvement in the policies and procedures for the allocation of personnel costs are needed.

Personnel costs for employees who work on multiple federal awards or cost objectives are to be allocated to the various programs according to the personnel activity reports prepared by those employees. Personnel costs consist of salaries, fringe benefits and indirect costs. The RSB is responsible for allocating the personnel costs to the various programs. The DFAS, based upon the allocations reported by the RSB, records the costs to the various programs in the financial accounting system.

- For the period January 1, 2010, to June 30, 2010, the RSB reported and the DFAS recorded personnel costs to the VR program for 13 employees whose personnel activity reports were correctly prepared but for whom the RSB used an incorrect allocation formula. The incorrect allocation formula appeared to be caused by inadvertent and undetected overwriting of some underlying formulas in the monthly spreadsheets used by RSB personnel to report the allocations. As a result, those personnel costs were not properly allocated and the VR grant was incorrectly charged $12,944 for work related to other programs. We question the federal share, or $10,187 (78.7 percent).

- For the period April 1, 2010, to June 30, 2010, the RSB reported and the DFAS recorded personnel costs, totaling $45,550, to the VR program for four employees who worked on multiple programs. Personnel activity reports were prepared by these employees; however, costs were not allocated according to the activity reports. One employee who worked exclusively on another program was hired during this period but the RSB failed to include the related costs in the allocation process and all costs were improperly charged to the VR program. The other three employees were children's specialists. The federal oversight agency, U.S. Department of Education, Office of Special Education and Rehabilitative Services, Rehabilitation Services Administration (RSA), in a report issued in February 2010, had determined that children's specialists provide little, if any, services that are within the scope of the VR program and the related expenditures for services outside the scope of the VR program were unallowable under Section 111(a)(1) of the Rehabilitation Act of 1973, 34 CFR, Section 361.3, and OMB Circular A-87. After the RSA report was issued, the RSB revised the personnel activity reports for these employees to accurately record their time as working on other programs and RSB reported the related costs to DFAS as costs chargeable to the other programs. However, there appeared to be a breakdown in communication and when the DFAS raised concerns about which program should be charged for those costs, the RSB official who had prepared the allocation report incorrectly indicated they should be charged to the VR program. We question the federal share, or $35,848 (78.7 percent) for these personnel costs improperly charged to the VR program for this period.

- The FSD and RSB have established written policies and procedures for the allocation of personnel costs; however, the policies lacked sufficient detail, and as a result, the procedures did not ensure personnel costs are properly allocated to all programs.

The OMB Circular A-87, Attachment B, Section 8 requires the allocation of personnel costs for employees who work on multiple activities or cost objectives to be supported by personnel activity reports. Further, those reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, be prepared at least monthly, coincide with one or more pay periods, and be signed by the employee.

In response to similar findings in our prior two audit reports, the FSD has previously taken corrective action to implement procedures that have resulted in improved documentation of personnel costs for the VR program within the RSB. While substantial improvement has been made, further improvements are needed.

**WE RECOMMEND** the DSS through the FSD and DFAS resolve the questioned costs with the grantor agency. In addition, the FSD and RSB should develop comprehensive written policies and procedures to ensure personnel costs for employees who work on multiple federal awards or cost objectives are allocated in accordance with federal laws and OMB Circular A-87.

***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.*

## 2010-21. Unallowable Costs and Maintenance of Effort

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

The DSS does not have adequate controls in place to ensure costs charged to the Temporary Assistance for Needy Families (TANF) program meet federal requirements. The DSS charged unallowable foster care, adoption assistance, and subsidized guardianship costs totaling over $29.6 million to the TANF program. The DSS included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the TANF program and, as a result, DSS failed to meet the MOE funding requirements by at least $30.9 million. In addition, for the quarter ended September 30, 2010, the DSS charged unallowable scholarship programs costs totaling nearly $18.5 million directly to the TANF program.

The four purposes of the TANF program as stated in 45 CFR, Section 260.20 include: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families.

A. The DSS charged unallowable state foster care, adoption assistance, and subsidized guardianship costs to the TANF program. Federal regulation, 45 CFR, Section 263.11, includes a grandfather clause allowing states to continue to charge expenditures previously authorized under certain federal programs which are now obsolete. Such expenditures are referred to as prior approved program costs. The DSS identified the foster care, adoption assistance and subsidized guardianship costs as authorized under the IV-A Emergency Assistance (EA) Plan in effect on September 30, 1995. However, EA that may be charged as a prior approved program cost is limited by the 1995 IV-A EA plan, to a maximum duration of 365 days or less as necessary to alleviate the emergency condition, and must be authorized within a single 30-day period no less than 12 months after the beginning of the family's last EA authorization period.

The DSS started charging certain child welfare expenditures in state fiscal year 2006 including some foster care, adoption assistance, and subsidized guardianship under the TANF program. Expenditures charged do not appear to meet the criteria for emergency assistance. The foster care, adoption assistance, and guardianship expenditures can and often do extend beyond 12 months and do not necessarily correspond to an emergency or an emergency assistance authorization. While it is clear that some expenditures for some families within those categories would meet the requirements as a prior approved program cost, the DSS does not have a methodology to track which specific foster care, adoption assistance and guardianship expenditures meet the emergency assistance criteria and were authorized as required.

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

B. The DSS included unallowable educational expenditures totaling approximately $50.7 million in the amounts reported for the annual MOE requirement. MOE is the minimum amount of funding the state must expend from other funding sources as a condition of receiving TANF funding each year. Qualifying activities provided to TANF eligible families may be included in MOE. In addition, qualifying activities provided to families who are not eligible for participation in the TANF program may be included in MOE only if those activities are closely related to the promotion of healthy marriages and responsible fatherhood. The MOE must be at least as much as the applicable percentage of the 1994 base year expenditures. The applicable threshold percentage of the base, which is the amount of non-federal funds the state spent in fiscal year 1994 on AFDC ($160.1 million), for each fiscal year is 80 percent ($128.1 million), or 75 percent ($120.1 million) if the state meets the work participation rate requirements for the fiscal year. This is termed "basic MOE" and the requirement is based on the federal fiscal year.

MOE expenditures must be made on behalf of eligible TANF families pursuant to 42 USC 609(a)(7)(B)(i)(IV). Eligible families are defined in 45 CFR, Section 263.2, as families who meet the income and resource standards and other eligibility criteria defined in the state TANF plan. For federal fiscal years 2006 through 2008 only, an exception was made whereby states could claim MOE for certain expenditures directed toward any family regardless of financial need or eligibility, if the expenditure was reasonably expected to accomplish TANF purposes 3 or 4, which relate to preventing and reducing out-of-wedlock pregnancies and encouraging the formation and maintenance of two-parent families. For federal fiscal year 2009 and forward, this policy has been revised and states are only allowed to claim specific activities for families who are not

TANF eligible if the expenditure is closely related to the promotion of healthy marriages and responsible fatherhood as defined in Administration for Children and Families (ACF) directive TANF-ACF-PI-2008-10 issued October 23, 2008.

We reviewed all sources of MOE claimed for federal fiscal year 2009 and noted three educational and three scholarship programs claimed do not appear to be allowable sources of MOE. These programs are operated by the Missouri Department of Elementary and Secondary Education and Missouri Department of Higher Education. The DSS began including these educational and scholarship programs in MOE in 2007.

- Three educational programs, Character Education, Parents as Teachers, and the Missouri Pre-School Program, appear to fall under the category of early childhood education programs which have been deemed by the ACF as meeting TANF purposes 3 and 4. However, in order for these educational program activities to be includable in MOE, the activities must be provided to TANF eligible families or, for families who are not eligible to participate in the TANF program, those programs must be closely related to the promotion of healthy marriages and responsible fatherhood. The DSS does not have a methodology to track which expenditures within these three programs benefit only TANF eligible families. The DSS has also not determined and documented how these three programs are closely related to the promotion of healthy marriages and responsible fatherhood for families not eligible for TANF participation. Therefore, the DSS is unable to substantiate which, if any, expenditures for these three educational programs are allowable sources of MOE. For these three programs, the DSS claimed unallowable costs totaling approximately $30.8 million in federal fiscal year 2009.

- The three scholarship programs claimed as MOE are A + Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships. Scholarship programs have not been deemed as meeting TANF purposes 3 or 4 by the ACF. In addition, the DSS has not determined and documented how these programs meet TANF purposes 3 and 4 or the more restrictive criteria, promotion of healthy marriages and responsible fatherhood. Therefore, the DSS is unable to substantiate which, if any, expenditures for these three scholarship programs are allowable MOE costs. For these three programs, the DSS claimed unallowable costs totaling approximately $19.9 million in federal fiscal year 2009.

For federal fiscal year 2009, DSS reported MOE expenditures of $89.2 million, excluding the unallowable educational program costs of $50.7 million. The DSS has not yet received confirmation from the ACF regarding whether state TANF participants as a whole met the required work participation rate for federal fiscal year 2009 necessary to establish the lower 75 percent MOE threshold. Depending on which threshold is determined applicable, it appears allowable reported TANF

MOE expenditures are short of the MOE requirement by either $30.9 million or $38.9 million. For federal fiscal year 2008, the work participation rate requirement was not met, resulting in an 80 percent MOE threshold. Under 45 CFR, Section 263.8, the failure to meet the MOE requirement may result in a penalty, which is a dollar for dollar reduction in the TANF grant award for the subsequent year.

It appears there are other state costs that could have been included in the TANF MOE in lieu of the unallowable educational program costs. After we brought our concerns about failure to meet the TANF MOE requirement to the attention of DSS officials, several other programs were reported for the quarter ended September 30, 2010, that the DSS indicated qualify as MOE. In addition, the DSS shifted some educational program costs to direct costs of the TANF program. As reported in the following section, those educational program costs do not appear to be allowable direct costs of the program.

C. For the quarter ended September 30, 2010, DSS charged costs to the TANF program, totaling $18,493,665, related to the three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships. According to the TANF Funding Guide, the ACF indicates TANF expenditures may include expenditures for TANF eligible families that serve to meet any of the four purposes of the TANF program. For families that are not TANF eligible, the funded activities must serve to meet TANF purposes 3 or 4, which relate to preventing and reducing out-of-wedlock pregnancies and encouraging the formation and maintenance of two-parent families. The DSS reported the scholarship programs meet TANF purposes 3 and 4; however, the DSS has not determined and documented there is any correlation between those programs and any of the four TANF purposes.

DSS officials stated a federal ACF official suggested moving the scholarship program costs from MOE to the TANF program as direct costs, but no documentation was available to support the discussion or decision. The costs of the three scholarship programs are now directly reimbursed by the TANF program whereas before they were counted only towards the MOE requirement. These scholarship program costs charged to the TANF program, totaling $18,493,665 (100 percent federal share) in state fiscal year 2011 do not appear allowable.

D. The DSS control system has not been effective in ensuring the types of costs charged to the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant. Such a control system should include formal evaluations, periodic re-evaluations, and management review of the related federal regulations and expenditure categories to ensure expenditures charged to the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

**WE RECOMMEND** the DSS:

A. Ensure prior approved program costs charged to the TANF program comply with federal regulations. In addition, the DSS should resolve the questioned costs with the grantor agency.

B. Ensure expenditures claimed as MOE are allowable and resolve the potential penalty with the grantor agency.

C. Ensure program costs charged to the TANF program for state fiscal year 2011 comply with federal regulations.

D. Establish a formal control system to ensure the types of costs charged to the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

***AUDITEE'S RESPONSE***

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

| 2010-22. | Work Verification Activities |
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| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.558 Temporary Assistance for Needy Families<br>2009 - G0901MOTANF and 2010 - G1002MOTANF |
| State Agency: | Department of Social Services - Family Support Division (FSD) |

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2010 and, as a result, the FSD has less assurance the data used to calculate the work participation rate is accurate.

The FSD contracted with the Missouri Department of Economic Development - Division of Workforce Development (DWD) to perform many of the required TANF work activities functions. These duties included case management, enrollment and assistance to TANF recipients who are required to participate in eligible work activities, and reporting participant noncompliance and hours of participation to the FSD. The DWD contracted with regional workforce investment boards (WIBs) to provide those functions at the local level. The FSD provided approximately $18 million in federal TANF funding to the DWD, which in turn passed through approximately $17 million to the WIBs as subrecipients.

Under 45 CFR, Section 265.3, states are required to submit quarterly TANF Data Reports which provide information regarding TANF recipients and work activities. The U.S.

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

The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2010. We obtained the April 2010 work verification report "Required to Serve" which included data on the status of each individual's compliance with the work participation requirements and number of hours of participation in the various work related activities. Of the 19,772 TANF recipients included in the report, 6,957 individuals had at least an hour of work activity reported. We judgmentally selected 25 individuals with reported work activity for testing. We noted 4 (16 percent) of the individuals tested for which the work participation hours reported were not in accordance with the Work Verification Plan. For one individual, the hours of participation were not supported by required documentation and some hours were based upon a projection the individual would perform certain activities; however, the individual had notified the WIB they had ceased participation in that activity. For another individual, the activities were reported as countable although the activity did not meet the criteria outlined in the Work Verification Plan. These two individuals were reported as compliant with the work activity requirements when they failed to meet those requirements. Another individual was correctly reported as non-compliant with the work requirements; however, 8 of the 9 hours reported were not supported by required documentation. For another individual, the hours of work activity were under reported, resulting in this individual being reported as non-compliant when the individual had actually met the work requirements. The net effect of the 4 errors was an overstatement of the work participation compliance rate by 4 percent for this group of 25 individuals.

The work participation data was recorded at the local level by subcontractors of the WIBs. The DWD indicated they had taken several actions to increase the accuracy of the work participation data at the local level, including revising policies and forms, generating and reviewing monthly reports, conducting desk reviews of files, providing training opportunities at the local level, and updating the computer applications and systems used to record the work verification hours. The DWD conducted periodic on-site monitoring visits of the WIBs which included case reviews to determine the WIBs and their subcontractors were adequately performing verification activities. We obtained a summary report from the DWD of the most recent round of monitoring visits conducted at the 14 regional WIBs. The DWD report identified several of the WIBs were not complying with the work verification requirements. The report also indicated many of the errors noted by the DWD were corrected on a case by case basis. However, based upon our test results, it appears DWD on-site monitoring procedures were not effective in reducing non-compliance with work verification requirements at the local level. Neither the FSD nor the DWD had adequate controls in place to identify and ensure correction of the underlying problems at the local level. FSD officials indicated the FSD did not receive or review DWD monitoring reports, but relied upon the DWD to ensure the local agencies were complying with the work verification requirements. As of July 1, 2010, the FSD resumed administration of the TANF work activities that had been performed by the DWD and contracted directly with community organizations to perform the related activities at the local level. The FSD will be responsible for monitoring compliance with the Work Verification Plan.

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

**WE RECOMMEND** the FSD strengthen controls to ensure work participation activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

***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.*

## 2010-23. Salary Certifications

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|---|---|
| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.563 Child Support Enforcement<br>2009 - G0904MO4004 and 2010 - G1004MO4004 |
| State Agency: | Department of Social Services (DSS) - Family Support Division (FSD) - Child Support Enforcement (CSE) and Division of Finance and Administrative Services (DFAS) |
| Questioned Costs: | $83,289 |

The FSD did not always prepare required salary certifications for employees working solely on the CSE program. For the year ended June 30, 2010, the DSS claimed $26,027,059 as the federal share of personnel costs, or 56 percent of the total federal share of CSE program expenditures.

Salary certifications were not prepared for 15 of about 870 FSD employees whose personnel costs were charged 100 percent to the CSE program for the period of July 2009 to September 2009. The federal share of personnel costs charged to the CSE program for that quarter was $6,698,192, or 66 percent of total costs. The FSD used a report of employees whose personnel costs were charged to the program for the last payroll period in the first certification period, April 2009 through September 2009, to identify employees for whom certifications were required. That report did not include 14 employees that either terminated or transferred from a child support position prior to the last payroll of the reporting period. In addition, one employee's position code was not included as a child support enforcement position for the report. Salary costs for these 15 employees were charged on the quarterly cost allocation plan; however, due to the incompleteness of the personnel report used to generate the list of employees for whom certifications were required, the employees were not certified. Personnel costs charged to the CSE grant for these 15 employees totaled $126,196, of which we question the federal share of costs totaling $83,289 (66 percent).

In response to a similar finding in our prior audit report, improvements were made to the certification procedures and for the second certification period, October 2009 through March 2010, all employees charged to the CSE program were properly certified. The FSD has developed written policies and procedures and implemented those procedures for the certification period of April 2010 to September 2010. The new procedures should ensure salary certifications are prepared as required in future periods.

The OMB Circular A-87 requires that charges for salaries and related salary costs of employees who work solely on a single federal award or cost objective be supported by periodic certifications that the employees worked solely on that program. These certifications are required to be prepared at least semi-annually and signed by either the employee or a supervisor having specific knowledge of the work performed by the employee. According to FSD officials, CSE employees work solely on the CSE program. Without accurate and complete certifications, the FSD has not fully substantiated the salary costs charged to the various federal programs.

**WE RECOMMEND** the DSS through the FSD and DFAS resolve the questioned costs with the grantor agency.

***AUDITEE'S RESPONSE***

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

**2010-24. Section 1512 Reporting**

| | |
|---|---|
| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.710 ARRA - Community Services Block Grant<br>2009 - 0901MOCOS2 |
| State Agency: | Department of Social Services (DSS) - Family Support Division (FSD) and the Division of Finance and Administrative Services (DFAS) |

The DSS does not have adequate controls and procedures in place to ensure Section 1512 reports are complete and accurate for the Community Services Block Grant (CSBG) program. In addition, the DSS does not have a formal written plan in place for the Section 1512 reporting process. ARRA CSBG funds are passed through to subrecipients, consisting of 20 Community Action Agencies throughout the state. During state fiscal year 2010, the DSS disbursed approximately $21 million in ARRA funds to subrecipients.

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

A. The DSS does not have adequate controls and procedures in place to ensure program information is accurately entered into the overall Section 1512 report or to provide assurance Section 1512 report information submitted by subrecipients of the CSBG program is complete and accurate.

   On a quarterly basis, each subrecipient submits a completed reporting template to the CSBG program unit within FSD to provide program information required for Section 1512 reporting purposes, such as vendor activity, jobs created and retained, and expenditure data. Once information is received, the CSBG program unit compares expenditure information to SAM II and reviews the data for reasonableness. The reporting templates are then placed on a shared drive and DFAS personnel enter the data into the state's Section 1512 reporting system (STIM 360). DFAS personnel perform a review to ensure information entered agrees to information received from subrecipients; however, procedures performed were not sufficient. Our review of information submitted by four subrecipients during the quarter ended March 31, 2010, noted the following:

   - Four vendors were reported by subrecipients as receiving payments exceeding $25,000; however, these vendors were not included by the DFAS in the overall Section 1512 report for the quarter. Payments to these vendors totaled approximately $222,000 during the quarter ended March 31, 2010.

   - Two vendors were reported by subrecipients as receiving payments exceeding $25,000 during the quarter; however, the payments were not added to the cumulative amounts previously reported by the DFAS for these vendors. This resulted in an understatement totaling approximately $80,400 for subrecipient vendor payments to date.

DFAS personnel indicated these errors were the result of human error. Additionally, personnel indicated that enhanced procedures have been established since this reporting period to help prevent and detect future errors.

Some elements submitted by subrecipients, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated in STIM 360 from prior quarters, requiring little oversight from DSS on a quarterly basis. For other elements, FSD and DFAS personnel review information submitted for reasonableness and compare expenditure data to SAM II; however, the FSD relies on the accuracy and completeness of much of the other information submitted by the subrecipients, such as jobs created or retained and vendor payments, for each quarterly report. The FSD conducts a site-visit for each subrecipient once every 3 years; however, state fiscal year 2010 reviews did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting. According to FSD personnel, they are currently working on a plan to include Section 1512 data elements as part of future on-site monitoring visits.

OMB Memorandum M09-21 states the DSS, as prime recipient, is ultimately responsible for the reporting of all data required by Section 1512 of the ARRA. Additionally, the prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted. Without adequate and timely monitoring procedures in place over the data submitted by subrecipients, the DSS has less assurance the information included in the Section 1512 reports for the CSBG program is complete and accurate.

B. The DSS does not have a formal written plan in place to address the agency's Section 1512 reporting process for the CSBG program. The DSS does have some written reporting procedures outlining minimal steps to take up to the first 5 days of the reporting period and the DSS has a checklist documenting some overall guidelines and procedures to follow in preparing quarterly Section 1512 reports. However, the written procedures and the checklist do not document specific steps or an overall work plan to ensure the accuracy and completeness of Section 1512 reports, such as monitoring subrecipient submitted data through on-site visits or desk reviews, or by comparing expenditure information to SAM II. Additionally, although the written procedures and checklist provide some guidelines and procedures over the reporting process, there is no indication the checklist is actually being used.

A formal written plan would help ensure Section 1512 reports are complete and accurate. The plan should, at a minimum, document the flow of information, define the responsibilities of subrecipients and various program personnel, and include procedures for ensuring the accuracy and completeness of all Section 1512 reporting elements. Without a formal written plan in place, the DSS has less assurance the various reporting responsibilities, such as data collection and verification, have been relayed to and understood by all parties of the reporting process.

**WE RECOMMEND** the DSS through the FSD and the DFAS:

A. Establish procedures over the CSBG program to ensure the accuracy and completeness of Section 1512 reports and ensure timely reviews of data submitted by the subrecipients for Section 1512 reporting.

B. Establish a formal written plan for Section 1512 reporting.

***AUDITEE'S RESPONSE***

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

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

**2010-25. Provider Eligibility and Improper Payments**

| | |
|---|---|
| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.778 Medical Assistance Program<br>2009 - 0905MO5028 and 0905MO5048<br>2010 - 1005MO5MAP/XIX-MAP10 and<br>1005MO5ADM/XIX-ADM10<br>93.778 ARRA - Medical Assistance Program<br>2009 - 0905MOARRA<br>2010 - 1005MOARRA |
| State Agency: | Department of Social Services (DSS) - MO HealthNet Division (MHD) |
| Questioned Costs: | $122 |

Lack of adequate internal controls over Medicaid provider eligibility resulted in noncompliance with federal laws and regulations and improper payments to a provider totaling $164 related to the above reference program. The Medical Assistance Program, also known as Medicaid, is administered by the MHD.

The MHD has not established controls to detect expired Medicaid provider licenses or to prevent, detect, and correct payments to providers who were deceased prior to the date the reimbursement claim indicated medical services were provided. As a result, the MHD improperly paid $164 during the year ended June 30, 2010, for three claims submitted for one Medicaid provider who was deceased prior to the reported date of service. During our review of 25 claims paid to Medicaid providers during the year June 30, 2010, we were unable to verify on the Missouri Division of Professional Registration (PR) website whether this provider was licensed as of the date the claim was paid. In addition, we noted the provider's license on file with the MHD expired in 2004, and there was no evidence the MHD had ensured this provider was licensed after the date of expiration. At our request, MHD personnel contacted PR personnel who indicated this provider was deceased, thus his license had been removed from the PR website following his death in December 2009, and his license would have expired on January 31, 2011. The MHD provided us documentation of all claims submitted for this provider after the date of his death. Five claims were submitted, with three claims paid and two claims denied (although denials were not due to the death of the provider). Therefore, we question the federal share of the three claims paid for which the reported dates of services were after the provider's date of death, or $122 (74.43 percent).

In addition, the MHD has not established controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or the Title XX services program. According to MHD personnel, unless a provider submits revised disclosure information or the MHD is notified of exclusions by the U.S. Department of Health and Human Services, Office of Inspector General, the MHD is unaware of changes which may need to be disclosed.

In order to receive Medicaid payments, providers of medical services must be licensed in accordance with federal, state, and local laws and regulations as outlined in 42 CFR Sections 431.107 and 447.10 and Section 1902(a)(9) of the Social Security Act. In addition, providers must make disclosures to the state of convictions of criminal offenses against Medicare, Medicaid, or the title XX services program, as required by 42 CFR Part 455, Subpart B, Sections 455.100 through 455.106.

Without controls and procedures in place to identify deceased providers, detect expired licenses, and ensure disclosures required by federal requirements are current, the MHD cannot ensure all enrolled Medicaid providers remain eligible for participation in the Medicaid program and that improper payments will be detected and corrected in a timely manner. The improper medical payments associated with known questioned costs identified above represent payments made to 1 of 25 providers, or approximately 4 percent of Medicaid providers reviewed. It is unclear if similar improper payments have been made to the remaining population of Medicaid providers; however, additional questioned costs are possible.

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

***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.*

**Additional State Auditor's Reports:**

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

| Report Number | Report Name |
|---|---|
| 2010-88 | Higher Education/Higher Education Governance Structure and Coordination |
| 2010-99 | Insurance, Financial Institutions, and Professional Registration/Insurance |
| 2010-122 | Labor and Industrial Relations/Misclassified Worker Investigation Procedures |
| 2010-161 | Public Safety/Office of Adjutant General |

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

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

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

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 2009, and the findings from the prior audits for the years ended June 30, 2008 and 2007, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

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

The disposition of the findings from the year ended June 30, 2008, is as follows:

Findings numbered 1, 3, 4, 7B, and 8C were corrected.

Findings numbered 2A, 2B, 5, 6, 7A, 8A, 8B, 9A, 9B, and 10 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2007, all findings were corrected, no longer valid, or did not warrant further action, except for finding number 12, which is included in the Summary Schedule of Prior Audit Findings.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**2007-12.** Subrecipients

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

**Federal Program:** 10.561 State Administrative Matching Grants for Food Stamp Program
2005, 2006, and 2007 - IS251443
2006 and 2007 - IE251843 and IS252043
93.556 Promoting Safe and Stable Families
2006 - G0601MO00FP and 2007 - G0701MO00FP
93.558 Temporary Assistance for Needy Families
2006 - G0601MOTANF and 2007 - G0701MOTANF
93.566 Refugee and Entrant Assistance - State Administered Programs
2006 - G06AAMO7100, 2007 - G07AAMO7100,
2006 - G06AAMO7110, and 2007 - G07AAMO7110
93.568 Low-Income Home Energy Assistance
2006 - G06B1MOLIEA and 2007 - G07B1MOLIEA
93.575 Child Care and Development Block Grant
2006 - G0601MOCCDF and 2007 - G0701MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2006 - G0601MOCCDF and 2007 - G0701MOCCDF
93.658 Foster Care - Title IV-E
2006 - G0601MO1401 and 2007 - G0701MO1401
93.659 Adoption Assistance
2006 - G0601MO1407 and 2007 - G0701MO1407
93.667 Social Services Block Grant
2006 - G0601MOSOSR and 2007 - G0701MOSOSR
93.674 Chafee Foster Care Independent Living
2006 - G0601MO1420 and 2007 - G0701MO1420
93.778 Medical Assistance Program
2006 - 06-05MO5028 and 2007 - 07-05MO5028
2006 - 06-05MO5048 and 2007 - 07-05MO5048

**State Agency**: Department of Social Services (DSS) - Division of Budget and Finance (DBF)

The DSS did not consider certain entities, such as local community partnerships, to be subrecipients. Our review of expenditures noted payments to several entities which appeared to be subrecipients. However, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DBF reported payments to these entities for these programs as vendors, rather than "amounts provided to subrecipients", and these entities were not furnished applicable federal regulations and required to obtain an audit in accordance with OMB Circular A-133, when needed.

**Recommendation:**
The DSS-DBF classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, where applicable.

**Status of Finding:**
The DSS developed a tool that we are using to determine whether contractors are vendors or subrecipients. The community partnerships were notified that they are now considered subrecipients and as such are expected to have an A-133 audit conducted for their fiscal year ending on or after June 30, 2011.

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

**2008-2A.** Capital Assets

**Federal Agency:** Department of Defense
**Federal Program:** 12.401 National Guard Military Operations and Maintenance Projects
2007 - DAHA23-07-2-1000 and 2008 - DAHA23-08-2-1000
**State Agency:** Department of Public Safety - Adjutant General (AG)

Some assets purchased during fiscal year 2008 were not properly accounted for in the AG's capital asset tracking system and were not assigned a property tag or capital asset number. In addition, the AG did not perform adequate periodic inventories to ensure capital assets were retained and used appropriately.

**Recommendation:**
The AG ensure all equipment is properly entered into the capital asset tracking system and assigned a property tag number. In addition, develop and implement a process to ensure capital assets are appropriately accounted for on the annual physical inventories. The inventories should be completed by someone without physical custody of the assets, or at a minimum, reviewed by someone independent.

**Status of Finding:**
The AG's fixed asset accountability process was revised in 2009. Additional AG staff has been and will continue to be assigned to assist with the reconciliation of fixed assets.

The state property manager, during the months of January - March, will provide a copy of the inventory record to each Hand Receipt Holder at the various off-site locations. The Hand Receipt Holder will sign the inventory record confirming that a physical inventory has been conducted and that all discrepancies have been annotated and return a copy of the inventory record to the State Property Manager. The State Property Manager will sign the inventory record acknowledging receipt and verify that the Hand Receipt Holder signed the document. All inventory records will be presented to the State Logistics

Manager who will also sign the inventory record confirming an inventory record has been received from Hand Receipt Holder and the State Property Manager has signed. A schedule has been established to verify a physical inventory at a minimum of 10 percent of the AG National Guard armories and federal/state agreement facilities to ensure assets are accounted for appropriately. The AG State Property Manager will conduct these inventories and the State Resource Logistics Manager will initial documents upon review and provide oversight.

**Contact Person:** Jill Delgado
**Phone Number:** (573) 638-9574

**2008-2B.** Capital Assets

**Federal Agency:** Department of Defense
**Federal Program:** 12.401 National Guard Military Operations and Maintenance Projects
2007 - DAHA23-07-2-1000 and 2008 - DAHA23-08-2-1000
**State Agency:** Department of Public Safety - Adjutant General (AG)

AG personnel did not complete reconciliation between the expenditure and capital asset records in the SAM II system.

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

**Status of Finding:**
Prior year fixed asset records continue to be researched and corrected. As of October 27, 2010, approximately 50 percent of outstanding fixed assets records for the federal fund have been reconciled. The previously stated revisions to existing policies have proven beneficial in the accountability of fixed assets and additional staff will continue to be assigned this duty until fixed asset accounts are reconciled.

**Contact Person:** Jill Delgado
**Phone Number:** (573) 638-9574

**2008-5.** Subrecipients

**Federal Agency:** Department of Agriculture
Department of Health and Human Services
**Federal Program:** 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2007 - IS251443, IE251843, and IS252043
2008 - IS251443, IS802643, and IS803643

93.556 Promoting Safe and Stable Families
2007 - G0701MO00FP and 2008 - G0801MOFPSS
93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF and 2008 - G0802MOTANF
93.566 Refugee and Entrant Assistance - State Administered Programs
2007 - G07AAMO7100 and G07AAMO7110
2008 - G08AAMO7100 and G08AAMO7110
93.568 Low-Income Home Energy Assistance
2007 - G07B1MOLIEA and 2008 - G08B1MOLIEA
93.575 Child Care and Development Block Grant
2007 - G0701MOCCDF and 2008 - G0801MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2007 - G0701MOCCDF and 2008 - G0801MOCCDF
93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
93.659 Adoption Assistance
2007 - G0701MO1407 and 2008 - G0801MO1407
93.667 Social Services Block Grant
2007 - G0701MOSOSR and 2008 - G0801MOSOSR
93.674 Chafee Foster Care Independence Program
2007 - G0701MO1420 and 2008 - G0801MO1420
93.778 Medical Assistance Program
2007 - 0705MO5028 and 0705MO5048
2008 - 0805MO5028 and 0805MO5048

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

The DSS did not consider certain entities, such as local community partnerships, to be subrecipients. Our review of expenditures noted payments to several entities which appeared to be subrecipients. However, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DFAS reported the payments to these entities for these programs as payments to vendors, rather than "amounts provided to subrecipients", and these entities were not furnished applicable federal regulations and were not required to obtain A-133 audits, when needed.

**Recommendation:**

The DSS through the DFAS, classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, where applicable.

**Status of Finding:**

The DSS developed a tool that we are using to determine whether contractors are vendors or subrecipients. The community partnerships were notified that they are now considered subrecipients and as such are expected to have an A-133 audit conducted for their fiscal year ending on or after June 30, 2011.

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

**2008-6.** Foster Care - Court Contracts

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
**State Agency:** Department of Social Services (DSS) - Children's Division (CD)
**Questioned Costs:** $216,178

The DSS received federal reimbursement for administrative costs associated with services provided by juvenile officers and guardians ad litem, although such costs did not appear allowable in the Foster Care program. During the fiscal year 2008, the DSS claimed reimbursement of such costs totaling $432,356. We questioned the federal share of $216,178.

**Recommendation:**
The DSS through the CD, ensure Foster Care costs claimed for federal reimbursement are allowable Foster Care expenses. In addition, the DSS should resolve the questioned costs with the grantor agency.

**Status of Finding:**
The DSS-CD has ceased claiming Title IV-E on costs incurred under contracts with juvenile courts for guardian ad-litem services and for deputy juvenile officer services.

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

**Contact Person:** Patrick Luebbering
**Phone Number:** (573) 751-4206

**2008-7A.** Foster Care - Residential Facilities

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
**State Agency:** Department of Social Services (DSS) - Children's Division (CD)
**Questioned Costs:** $9,511

Reimbursements to residential facilities for training expenses were not always supported by sufficient documentation that the expenditures were allowable, and some training costs reimbursed appeared unallowable. Of the $34,100 in reimbursements reviewed, payments totaling $12,875 were unallowable and/or unsupported, of which we questioned $9,511 claimed as the federal share.

**Recommendation:**
The DSS through the CD, continue to ensure training activities reimbursed are for allowable activities outlined in federal regulations. In addition, the DSS should resolve the questioned costs with the grantor agency.

**Status of Finding:**
Beginning July 1, 2008, a new contract was issued for training reimbursement. The division has considerably changed the review process for these invoices, requiring documentation from the agencies of how their requests for training reimbursement meet the federal definition. The CD believes, subsequently, those costs being reimbursed are appropriate.

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

**Contact Person:** Patrick Luebbering
**Phone Number:** (573) 751-4206

**2008-8A.** Foster Care - Eligibility and Assistance Payments

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
**State Agency:** Department of Social Services (DSS) - Children's Division (CD)
**Questioned Costs:** $2,790

The DSS did not maintain sufficient documentation to support eligibility or did not comply with federal requirements for some cases. For one case reviewed, the DSS could not locate a court order indicating the removal of the child from the home was in the child's best interest. Payments relating to this case, totaling $4,484, were charged to the Foster Care program. We questioned the federal share of $2,790. In addition, for other cases reviewed, the DSS did not comply with federal requirements and file or join a petition to file for termination of parental rights (TPR) or document compelling reasons for not pursuing termination; or TPR was not initiated within the required timeframe.

**Recommendation:**
The DSS through the CD resolve the questioned costs with the grantor agency, and ensure Foster Care judicial determinations contain specific language required by federal regulations, and that 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.

**Status of Finding:**
A Practice Alert was issued to all CD staff on July 15, 2009, informing staff that they must obtain a copy of the initial court order indicating that removal from the home was in the child's best interest and file the order in the case record. The Practice Alert also states that when TPR is required, CD staff must file or join a petition for TPR, or document compelling reasons for not pursing termination within required timeframes.

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

**Contact Person:** Melody Yancey
**Phone Number:** (573) 522-5062

**2008-8B.** Foster Care - Eligibility and Assistance Payments

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.658 Foster Care - Title IV-E
2007 - G0701MO1401 and 2008 - G0801MO1401
**State Agency:** Department of Social Services (DSS) - Children's Division (CD)
**Questioned Costs:** $1,747

Sufficient documentation, such as invoices or other supporting documentation, could not be located for some payments for some cases where payment documentation was required. In addition, for some cases, the benefit payments exceeded the annual clothing allowance, and for another case, the maintenance payments were incorrectly calculated. For these cases, payments totaling $2,807 were unallowable and/or unsupported by adequate documentation. We questioned the federal share of $1,747.

**Recommendation:**
The DSS through the CD resolve the questioned costs with the grantor agency, and ensure Foster Care payments are allowable and supported by adequate documentation.

**Status of Finding:**
Memo CD09-92 was issued to all staff on September 24, 2009, reminding staff that sufficient documentation must be attached to all payment requests. The Payment Handbook was also updated to include information on appropriate documentation.

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

**Contact Person:** Melody Yancey
**Phone Number:** (573) 522-5062

**2008-9A.** Vocational Rehabilitation Program

**Federal Agency:** Department of Education
**Federal Program:** 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007 - H126A0700372 and 2008 - H126A080037B
**State Agency:** Department of Social Services - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)
**Questioned Costs:** $3,444,779

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

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

**Status of Finding:**
The FSD has modified the certification process for personnel who worked solely in a single grant program and implemented personnel activity reporting (time studies) for those who work in multiple grants. FSD now ensures that all staff claimed 100 percent to the VR grant are verified through the certification process, effective in March 2009. FSD also ensures that any staff employed in a position that is claimed 100 percent to a grant (VR OIB) at any time during the review period is included in the certification process. Written procedures have been provided to affected staff to ensure they are clear on the certification process. FSD ensures that staff allocation claims for those employees not claimed 100 percent working to a specific grant in the FSD-RSB program are based on the employee activity reports effective July 1, 2009.

**Status of Questioned Costs:**
This finding is the subject of continued discussion with the grantor agency, but no final resolution has been achieved as of the date of this report.

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

**2008-9B.** Vocational Rehabilitation Program

**Federal Agency:** Department of Education
**Federal Program:** 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007 - H126A0700372 and 2008 - H126A080037B
**State Agency:** Department of Social Services - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)

The FSD-RSB did not adequately document annual reviews of Individualized Plans for Employment (IPE) relating to the Vocational Rehabilitation (VR) grant.

**Recommendation:**
The FSD document annual reviews of IPE for VR recipients on the IPE forms as required by RSB policy.

**Status of Finding:**
RSB has emphasized to vocational rehabilitation counseling staff, their supervisors and the rehabilitation assistants who work on case file documents and through on-site training the need for clear documentation verifying the requirement of the review of each eligible individual's IPE as often as necessary, but at least once every twelve months to assess the individual's progress in achieving the identified employment outcome, with an emphasis on using the IPE document to verify the requirement has been met. RSB central office management staff has focused attention on meeting the requirement and the documentation that the requirement has been met during discussions with field offices regarding any authorized service requiring higher level approval prior to approval.

RSB is in the process of implementing an automated case management system, expected to be operational by mid FY 2011. The system will capture the IPE completion date and generate an alert to counseling staff in advance of the annual anniversary date.

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

**2008-10.** Medical Assistance Program

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.778 Medical Assistance Program
2007 - 0705MO5028 and 0705MO5048
2008 - 0805MO5028 and 0805MO5048
**State Agency:** Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
**Questioned Costs:** $2,048

Various documentation detailing eligibility of recipients, payments to providers, and payment overrides could not be located related to the above referenced program.

A. Eligibility documentation could not be located by FSD for one Medicaid case file reviewed. Medical payments made on behalf of the client during the year ended June 30, 2008, totaled $3,297. We questioned the federal share of the total payments or $2,048.

B. Medicaid Eligibility Quality Control System documentation could not be located and/or was not adequate for some cases reviewed.

C. Medicaid payment override documentation could not be located for one case file reviewed.

D. Medicaid payment documentation could not be located by the MHD for one Program Integrity Unit's post payment case file reviewed.

**Recommendation:**
The DSS through the FSD and MHD ensure complete case files are maintained and/or documentation is adequate to ensure compliance with applicable federal requirements related to the Medicaid program. In addition, the FSD should resolve questioned costs with the grantor agency.

**Status of Finding:**
A&B. The FSD still does not agree that missing documentation, per se, would make costs questionable, and contends that, given eligibility determination information is maintained electronically in the Family Assistance Management Information System, the lack of a "hard case record" does not affect the eligibility. The agency is in the process of devising a memorandum to remind staff that it is good practice to maintain the hard case record for review purposes.

C. MHD’s Participant Services Unit implemented new procedures for tracking, monitoring and retaining claim payment override documentation in December 2008.

D. MHD’s Program Integrity Unit modified the procedures for the State Audit Sample and updated the tracking system in March 2009.

**Status of Questioned Costs:**
Questioned costs will be adjusted on the September 30, 2010, quarterly report.

**Contact Person:** Sandra Nelson and Lynn Hebenheimer
**Phone Number:** (573) 751-3124 and (573) 526-6806

**2009-1.** Untimely Teacher Loan Forgiveness Payments

**Federal Agency:** Department of Education
**Federal Program:** 84.032 Federal Family Education Loans - Guaranty Agencies
**State Agency:** Department of Higher Education (DHE)
**Questioned Costs:** $502,851

The DHE did not have adequate controls in place to ensure payments were made to lenders within the 45 days required by program regulations for teacher loan forgiveness (TLF) claims. During the year ended June 30, 2009, payments totaling approximately $2.25 million were made for 311 TLF claims. We questioned the federal share of 75 untimely payments, or $502,851.

**Recommendation:**
The DHE work with the loan servicer to establish adequate controls and monitoring procedures to ensure TLF payments are made in a timely manner in accordance with federal regulations. In addition, the DHE should resolve the questioned costs with the grantor agency.

**Status of Finding:**
The DHE's loan servicer implemented procedures to ensure that eligible TLF claims are paid within 45 days of receipt. In addition, the DHE updated its internal procedures and now reviews all approved TLF claims weekly to verify the lender was paid within 45 days.

**Status of Questioned Costs:**
The DHE disagreed with the questioned costs. To date, the U.S. Department of Education has not followed up with the DHE on this audit finding or required any action relating to the questioned costs.

**Contact Person:** Carla Hancock
**Phone Number:** (573) 522-1363

**2009-2A.** Benefit Payments

**Federal Agency:** Department of Labor
**Federal Program:** 17.225 Unemployment Insurance
17.225 ARRA - Unemployment Insurance
2008 - UI-16756-08-55-A-29
2009 - UI-18030-09-55-A-29
**State Agency:** Department of Labor and Industrial Relations (DLIR)
**Questioned Costs:** $300

Controls and procedures related to the computer system used to manage unemployment benefits were not adequate. Due to a programming error, the computer system did not accurately calculate the maximum benefit amount for Third Tier benefits, and documentation was not maintained to demonstrate what was done to correct the errors. We questioned the federal share of $300 (100 percent) for the error noted during our review.

**Recommendation:**
The DLIR resolve questioned costs with the grantor agency, and work with Office of Administration Information Technology Services Division (ITSD) to reanalyze all the changes made recently to the programming to determine if there are other issues affecting payments to claimants. In addition, the DLIR should work with the ITSD to ensure programming changes are properly tested and accurate. Also, the DLIR should work with the ITSD to ensure documentation is maintained of corrections and changes made to computer programming, the claimants affected by the changes, and the dollar amount associated with the changes.

**Status of Finding:**
The Department has resolved the questioned costs with the U.S. Department of Labor (USDOL). The USDOL's Final Determination regarding this finding was issued September 23, 2010. In this determination, the USDOL found that the corrective action plan submitted should be sufficient to address the issues noted by the auditor. The actions planned included a reemphasis on testing and verification of programming changes prior to implementation and the development of a records retention methodology and process which includes documenting and maintaining an audit trail for changes made.

**Status of Questioned Costs:**
The questioned costs of $300 were allowed by the USDOL.

**Contact Person:** Spencer Clark
**Phone Number:** (573) 751-3366

**2009-2B.** Benefit Payments

**Federal Agency:** Department of Labor
**Federal Program:** 17.225 Unemployment Insurance
17.225 ARRA - Unemployment Insurance
2008 - UI-16756-08-55-A-29
2009 - UI-18030-09-55-A-29
**State Agency:** Department of Labor and Industrial Relations (DLIR)

Controls and procedures related to the computer system used to manage unemployment benefits were not adequate. For two accounts reviewed, we noted benefits from a previous level were initially exhausted, but due to identifying the claimants' failure to report wages earned, overpayments of benefits totaling $944 were detected. Since these overpayments were made from a level that was previously exhausted, when repaid or recouped, that previous level's benefits would no longer actually be exhausted. As a result the potential existed that these benefits would not subsequently be paid to the claimants when owed.

**Recommendation:**
The DLIR ensure overpayments caused by the claimant's failure to report wages are properly reviewed and handled, and any benefits due to the claimant are paid.

**Status of Finding:**
In its Final Determination issued September 23, 2010, the U.S. Department of Labor indicated that it is unclear whether planned actions to address this finding will be sufficient to prevent the issues from recurring. However, since that time, the Office of Administration Information Technology Services Division developed a program to identify all claims that had a balance restored to a previous level of benefits. The necessary adjustments to these claims will be made as soon as workload allows.

**Contact Person:** Spencer Clark
**Phone Number:** (573) 751-3366

**2009-2C.** Benefit Payments

**Federal Agency:** Department of Labor
**Federal Program:** 17.225 Unemployment Insurance
17.225 ARRA - Unemployment Insurance
2008 - UI-16756-08-55-A-29
2009 - UI-18030-09-55-A-29
**State Agency:** Department of Labor and Industrial Relations (DLIR)
**Questioned Costs:** $1,980

A monthly report of overpayments, generated by the computer system, did not include some overpayments of Extended Benefits (EB). Our review noted an EB overpayment of $1,980 (which includes $150 overpayment of Federal Additional Compensation) made to one claimant was not identified and not included in the report. We questioned the federal share of $1,980 (100 percent).

**Recommendation:**
The DLIR resolve questioned costs with the grantor agency, and develop procedures to ensure all overpayments are included in the overpayment report so that overpayments can be investigated and collection can be pursued.

**Status of Finding:**
The DLIR has resolved the questioned costs with the U.S. Department of Labor (USDOL). The USDOL's Final Determination regarding this finding was issued September 23, 2010. In this determination, the USDOL found that the corrective action plan submitted should be sufficient to address the issues noted by the auditor. The DLIR has corrected the monthly report of overpayments on state EB caused by non-monetary

determinations. The DLIR worked with the Office of Administration Information Technology Services Division and identified all claims that were originally omitted from the report and has taken appropriate steps to investigate for possible overpayments and recovery. The DLIR considers this finding corrected and believes no further corrective action is needed.

**Status of Questioned Costs:**
The questioned costs of $1,980 were allowed by the USDOL.

**Contact Person:** Spencer Clark
**Phone Number:** (573) 751-3366

**2009-3.** Reporting

| | |
|---|---|
| **Federal Agency:** | Department of Labor |
| **Federal Program:** | 17.225 Unemployment Insurance<br>17.225 ARRA - Unemployment Insurance<br>2008 - UI-16756-08-55-A-29<br>2009 - UI-18030-09-55-A-29 |
| **State Agency:** | Department of Labor and Industrial Relations (DLIR) |

Due to inadequate procedures and a lack of oversight, reports necessary to comply with federal reporting requirements were not submitted timely. Available tracking reports were apparently not used to ensure compliance in filing reports timely.

**Recommendation:**
The DLIR improve procedures to ensure applicable reports are filed with the U.S. Department of Labor (USDOL) within the required timeframe. The DLIR should ensure adequate oversight over the reporting process and utilize the tracking reports to monitor the timeliness of reports.

**Status of Finding:**
In its Final Determination issued September 23, 2010, the USDOL indicated that this finding remains uncorrected. The DLIR reassigned staff and provided instruction on the timely filing of reports. In order to fully demonstrate that the issue has been addressed, the DLIR must submit a subsequent audit report that does not contain findings related to this issue.

**Contact Person:** Spencer Clark
**Phone Number:** (573) 751-3366

**2009-4A.** Subrecipient Monitoring

**Federal Agency:** Department of Energy
**Federal Program:** 81.042 Weatherization Assistance for Low-Income Persons
2008 - DE-FG-450R530683
81.042 ARRA - Weatherization Assistance for Low- Income Persons
2009 - DE-EE0000151
**State Agency:** Department of Natural Resources (DNR)

Improvements were needed in the monitoring of subrecipient activities to ensure expenditures by subrecipients were allowable. The DNR did not receive itemized listings or supporting documentation prior to reimbursing subrecipients for program expenditures. A computerized reporting system (MOWAP) was not yet operational. In addition, monitoring policies and procedures did not ensure a sufficient number and amount of expenditures were reviewed during monitoring visits and the documentation of the actual expenditures reviewed was inadequate.

**Recommendation:**
The DNR continue to work on the implementation of the MOWAP system and establish procedures for timely review of supporting documentation for expenditures reimbursed to subrecipients. In addition, the DNR should strengthen internal controls by establishing more comprehensive procedures for on-site monitoring of subrecipient expenditures including a consistent methodology for selecting representative samples of all significant types of subrecipient expenditures, and ensuring specific expenditures reviewed are adequately documented.

**Status of Finding:**
Corrective action taken and fully implemented. U.S. Department of Energy did not follow up on this finding.

**Contact Person:** Joe Gassner
**Phone Number:** (573) 751-7657

**2009-4B.** Subrecipient Monitoring

**Federal Agency:** Department of Energy
**Federal Program:** 81.042 Weatherization Assistance for Low-Income Persons
2008 - DE-FG-450R530683
81.042 ARRA - Weatherization Assistance for Low-Income Persons
2009 - DE-EE0000151
**State Agency:** Department of Natural Resources (DNR)

The DNR did not adequately document its review of subrecipient compliance with state purchasing laws or ensure identified noncompliance was corrected in a timely manner. In addition, monitoring files contained no documentation regarding a review of subrecipient compliance with federal suspension and debarment requirements.

**Recommendation:**
The DNR ensure subrecipient monitoring includes a more thorough review of compliance with bidding procedures, and perform more timely follow-up procedures for known noncompliance. In addition, the DNR should ensure monitoring for subrecipient compliance with federal suspension and debarment regulations is performed and documented.

**Status of Finding:**
Corrective action taken and fully implemented. U.S. Department of Energy did not follow up on this finding.

**Contact Person:** Joe Gassner
**Phone Number:** (573) 751-7657

**2009-4C.** Subrecipient Monitoring

**Federal Agency:** Department of Energy
**Federal Program:** 81.042 Weatherization Assistance for Low-Income Persons
2008 - DE-FG-450R530683
81.042 ARRA - Weatherization Assistance for Low-Income Persons
2009 - DE-EE0000151
**State Agency:** Department of Natural Resources (DNR)

The DNR did not review subrecipient audit reports on a timely basis to ensure compliance with the Single Audit Act and OMB Circular A-133.

**Recommendation:**
The DNR adopt policies and procedures to ensure subrecipient audits are reviewed in a timely manner.

**Status of Finding:**
Corrective action taken and fully implemented. U.S. Department of Energy did not follow up on this finding.

**Contact Person:** Kendall Blythe
**Phone Number:** (573) 751-1348

**2009-5.** Reporting

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

While the AG had a system in place to track fiscal year closeout reports and related due dates, AG personnel did not use this data to help ensure closeout reports were actually submitted to the federal government by the dates due or that requests for extensions were filed if necessary. As a result, several closeout reports and requests for extensions were not submitted timely.

**Recommendation:**
The AG establish procedures to ensure closeout reports are submitted by the date due or when necessary, and deadline extensions are obtained and met.

**Status of Finding:**
Extensions and closeout reports are now being accomplished in a timely manner.

**Contact Person:** Jill Delgado
**Phone Number:** (573) 638-9574

**2009-6A.** Capital Assets

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

Some assets purchased during fiscal year 2009 were not properly accounted for in the AG's internal capital asset tracking system or the SAM II capital asset tracking system, and some assets did not receive a property tag and asset number. In addition, the AG did not perform physical inventories during fiscal year 2009 at any of the offsite locations housing the assets.

**Recommendation:**
The AG ensure all equipment is properly assigned a property tag number and entered into both the internal and SAM II capital asset tracking systems. In addition, the AG should ensure annual physical inventories are performed and continue to investigate the backlog of untagged capital assets.

**Status of Finding:**
The AG fixed asset accountability process was revised in 2009. Additional AG staff has been and will continue to be assigned to assist with the reconciliation of fixed assets.

The state property manager during the months of January - March, will provide a copy of the inventory record to each Hand Receipt Holder at the various off-site locations. The Hand Receipt Holder will sign the inventory record confirming that a physical inventory has been conducted and that all discrepancies have been annotated and return a copy of the inventory record to the State Property Manager. The State Property Manager will sign the inventory record acknowledging receipt and verify that the Hand Receipt Holder signed the document. All inventory records will be presented to the State Logistics Manager who will also sign the inventory record confirming an inventory record has been received from Hand Receipt Holder and the State Property Manager has signed. A schedule has been established to verify a physical inventory at a minimum of 10 percent of the AG National Guard armories and federal/state agreement facilities to ensure assets are accounted for appropriately. The AG State Property Manager will conduct these inventories and the State Resource Logistics Manager will initial documents upon review and provide oversight.

**Contact Person:** Jill Delgado
**Phone Number:** (573) 638-9574

**2009-6B.** Capital Assets

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

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

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

**Status of Finding:**
Prior year fixed asset records continue to be researched and corrected. As of October 27, 2010 approximately 50 percent of outstanding fixed assets records for the federal fund have been reconciled. The previously stated revisions to existing policies have proven beneficial in the accountability of fixed assets and additional staff will continue to be assigned this duty until fixed asset accounts are reconciled.

**Contact Person:** Jill Delgado
**Phone Number:** (573) 638-9574

**2009-7.** Schedule of Expenditures of Federal Awards

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

The AG did not have adequate procedures in place to prepare the Schedule of Expenditures of Federal Awards (SEFA) or to prevent and detect errors.

**Recommendation:**
The AG develop formal procedures to prepare a complete and accurate SEFA, including providing for appropriate supervisory reviews.

**Status of Finding:**
The AG has established internal procedures for the preparation of the SEFA schedule.

**Contact Person:** Jill Delgado
**Phone Number:** (573) 638-9574

**2009-8.** Veterans State Nursing Home Care Program

**Federal Agency:** Department of Veterans Affairs
**Federal Program:** 64.015 Veterans State Nursing Home Care
**State Agency:** Department of Public Safety - Missouri Veterans Commission (MVC)

Formal application and eligibility review policies and procedures of potential Veterans Nursing Homes (Homes) residents were in need of improvement. Prior to September 2008, eligibility reviews performed of potential residents were not documented, and therefore, the MVC could not demonstrate that its personnel verified resident eligibility prior to that time. Our review of the forms used to document eligibility reviews after September 2008 found Homes personnel were not always following the new policy. In addition, the MVC did not have written policies and procedures identifying acceptable documentation to verify the 180-day state residency requirement; therefore, the MVC could not effectively demonstrate compliance with the residency requirement.

**Recommendation:**
The MVC revise the Homes policies and procedures manual to reflect the use of the Pre-Admission Screening Form to document all eligibility reviews, including personnel required to perform the reviews, and formally establish acceptable proof of residency documentation. In addition, the Pre-Admission Screening Form should be updated to require all necessary reviewers' signatures, and acceptable proof of residency should be obtained for each applicant.

**Status of Finding:**
On May 1, 2010, the MVC implemented a policy and procedure to ensure all new applicants show that he/she lived in Missouri for 180 days and are eligible for placement in a Missouri Veterans Home. The policy includes specific documents which may be required to show proof of residency. The proof of residency is attached to the Waiting List Screening Tool. In addition, the policy and the Waiting List Screening Tool list the reviewers required to sign the screening tool to document their approval of the applicant's eligibility.

**Contact Person:** Omar Davis
**Phone Number:** (573) 522-4224

**2009-9.** Subrecipients

**Federal Agency:** Department of Agriculture
Department of Health and Human Services
**Federal Program:** 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2008 and 2009 - IS251443, IE251843 and IS252043
93.556 Promoting Safe and Stable Families
2008 - G0801MO00FP and 2009 - G0901MO00FP
93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF, 2008 - G0801MOTANF, and
2009 - G0901MOTANF
93.575 Child Care and Development Block Grant
2008 - G0801MOCCDF and 2009 - G0901MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2008 - G0801MOCCDF and 2009 - G0901MOCCDF
93.658 Foster Care - Title IV-E
2008 - G0801MO1401 and 2009 - G0901MO1401
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.667 Social Services Block Grant
2008 - G0801MOSOSR and 2009 - G0901MOSOSR
93.674 Chafee Foster Care Independence Program
2008 - G0801MO1420 and 2009 - G0901MO1420
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048
**State Agency:** Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

As noted in previous reports, the DSS did not consider certain entities to be subrecipients. Our review of expenditures noted payments to several entities which appeared to be subrecipients. However, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DFAS reported payments to these entities for these programs as vendors, rather than "amounts provided to subrecipients;" and these entities were not furnished applicable federal regulations and required to obtain an audit in accordance with OMB Circular A-133, when needed.

**Recommendation:**
The DSS through the DFAS, classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain OMB Circular A-133 audits, where applicable.

**Status of Finding:**
The DSS developed a tool that we are using to determine whether contractors are vendors or subrecipients. The community partnerships were notified that they are now considered subrecipients and as such are expected to have an A-133 audit conducted for their fiscal year ending on or after June 30, 2011.

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

**2009-10.** Drawdown Controls

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

**Federal Program:** 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2008 and 2009 - IS251443, IE251843, and IS252043
10.561 ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2009 - 2009ID250343
10.568 Emergency Food Assistance Program (Administrative Costs)
2008 - IY810543
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007, 2008, and 2009 - H126A040037
93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF, 2008 - G0801MOTANF, and 2009 - G0901MOTANF
93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.563 ARRA- Child Support Enforcement
2009 - G0904MO4002

93.568 Low-Income Home Energy Assistance
2008 - G08B1MOLIEA and 2009 - G09B1MOLIEA
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.659 ARRA - Adoption Assistance
2009 - G0901MO1403
93.667 Social Services Block Grant
2008 - G0801MOSOSR and 2009 - G0901MOSOSR
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA

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

Controls over drawdowns were in need of improvement. The procedures did not prevent and/or detect accounting errors and supervisory reviews of drawdowns were not performed. As a result several drawdowns were incorrectly recorded in SAM II.

**Recommendation:**
The DSS through the DFAS, ensure drawdown records are properly reconciled, reconciliations are documented, and differences are investigated. In addition, the DFAS should implement documented supervisory reviews of drawdown procedures.

**Status of Finding:**
An audit file of the drawdown reconciliation is being maintained and supervisory review of drawdowns to the letter of credit disbursements are conducted quarterly.

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

**2009-11.** Schedule of Expenditures of Federal Awards

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

**Federal Program:** 10.568 Emergency Food Assistance Program (Administrative Costs)
2008 - IY810543
10.569 Emergency Food Assistance Program (Food Commodities)
10.569 ARRA - Emergency Food Assistance Program (Food Commodities)
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007, 2008, and 2009 - H126A040037

93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.563 ARRA - Child Support Enforcement
2009 - G0904MO4002
93.568 Low-Income Home Energy Assistance
2008 - G08B1MOLIEA and 2009 - G09B1MOLIEA
93.658 Foster Care - Title IV-E
2008 - G0801MO1401 and 2009 - G0901MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.659 ARRA - Adoption Assistance
2009 - G0901MO1403
93.667 Social Services Block Grant
2008 - G0801MOSOSR and 2009 - G0901MOSOSR
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA

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

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

**Recommendation:**
The DSS through the DFAS, implement procedures to ensure the SEFA is complete and accurate.

**Status of Finding:**
Written procedures have been implemented to ensure the SEFA is accurate and complete.

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

**2009-12.** Cost Allocation Procedures

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF, 2008 - G0801MOTANF, and
2009 - G0901MOTANF

93.658 Foster Care - Title IV-E
2008 - G0801MO1401 and 2009 - G0901MO1401
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048

**State Agency:** Department of Social Services (DSS) - Division of Finance and Administration (DFAS)
**Questioned Costs:** $666,189

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

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

**Status of Finding:**
Reports for the four federal programs will be amended to remove the costs allocated from the Caring Communities contract. The decision to treat Caring Communities as subrecipients for future years will eliminate this issue for future periods.

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

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

**2009-13.** Procurement and Suspension and Debarment

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.667 Social Services Block Grant
2008 - G0801MOSOSR and 2009 - G0901MOSOSR
**State Agency:** Department of Social Services (DSS)

The DSS did not ensure all entities paid more than $25,000 were not suspended or debarred, or otherwise excluded from receiving federal funds. For statewide contracts negotiated by the Office of Administration, the DSS did not ensure the vendor was not suspended or debarred before procuring goods and services with federal funds.

**Recommendation:**
The DSS implement procedures to ensure applicable purchases from statewide contracts are in compliance with federal suspension and debarment regulations.

**Status of Finding:**
The DSS has policies and procedures in place to ensure all contracts awarded under the procurement authority of DSS include suspension and debarment language and that appropriate certifications are in place before expenditures are made.

DSS performed a review of all contracts used by DSS, regardless of issuing authority, to ensure that vendors are not suspended or debarred from doing business with the federal government. This review was completed by October 1, 2010.

Additionally, as part of its annual contract renewal process, DSS will check the Excluded Parties List System or the file for certification documentation to ensure the vendor is in good standing before the contract is renewed.

**Contact Person:** Gina Jacobs
**Phone Number:** (573) 751-3870

**2009-14A&B.** Adoption Assistance - Eligibility and Assistance Payments

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.659 ARRA - Adoption Assistance
2009 - G0901MO1403
**State Agency:** Department of Social Services (DSS) - Children's Division (CD)
**Questioned Costs:** $41,357

Payments were made on behalf of ineligible children in two cases and many subsidy agreements appeared to have been backdated.

A. For 2 of 60 cases tested, payments were made on behalf of children ineligible for Adoption Assistance benefits because adoption subsidy agreements were not signed and in effect before or at the date of adoption. We questioned the federal share of $4,583.

B. For many additional cases, it appeared the subsidy agreements were not signed and in effect prior to or at the time of the adoption because the CD Director's signature date was apparently backdated. We questioned the federal share of $36,774 related to ten cases tested.

**Recommendation:**

The DSS through the CD, resolve the questioned costs with the grantor agency and ensure all adoption subsidy agreements are signed prior to the adoption. In addition, the CD should pursue recoupment of the remaining overpayments.

**Status of Finding:**

A. The CD partially agrees with this finding. The CD maintains the children in question were eligible for state Adoption Assistance benefits. Because the agreements were not in place prior to the adoption, they could not be paid from Federal IV-E funds. When the CD was notified of this finding, the adoption assistance agreements were switched to state-only funded adoption assistance agreements, thereby preventing future payments from being made from federal funds. Past payments were recouped and assigned to state-only funding. As a corrective action, the CD has in place a IV-E eligibility unit charged with reviewing federal IV-E adoption subsidy eligibility as well as the date of the adoption finalization. When the start date of the adoption assistance agreement is later than the adoption finalization date, the agreements are to be charged to state-only funds.

B. The CD partially agrees. In May 2008, the matter of the possibility of backdating adoption assistance agreements consistent with the date of signature of the adoptive parents was addressed. Since May 2008, the CD has required staff to negotiate agreements 30 to 45 days prior to the required effective date to allow all parties to review and approve the agreement prior to finalization.

**Status of the Questioned Costs:**

A. Questioned costs of $6,776 ($4,583 federal share) were recouped during February 2010 and reflected on the March 31, 2010 quarterly report.

B. Questioned costs of $54,375 ($36,774 federal share) were adjusted on the September 30, 2010 quarterly report.

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**2009-14C.** Adoption Assistance - Eligibility and Assistance Payments

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.659 ARRA - Adoption Assistance
2009 - G0901MO1403

**State Agency:** Department of Social Services (DSS) - Children's Division (CD)
**Questioned Costs:** $348

For 6 of 60 cases tested, adoption assistance payments were not allowable and/or not supported by adequate documentation. For two of the cases, a nonrecurring legal expense and a clothing expense were paid, although the expenses were not authorized in the subsidy agreements. In the remaining cases, child care attendance records could not be located or did not agree to provider invoices. We questioned the federal share of $348.

**Recommendation:**

The DSS through the CD, resolve the questioned costs with the grantor agency and ensure all payments are authorized in the subsidy agreements and supported by adequate documentation.

**Status of Finding:**

The CD partially agrees with this portion of the finding. The CD holds that the nonrecurring legal expenses were an eligible expense for the adoption assistance client, even though paid outside of the timeframe of the adoption assistance contract. Insofar as the identified clothing expense, the CD agrees the expense was erroneously paid out of adoption expenses, but maintains it was still an eligible foster care expense. The child care attendance record-keeping matters, if actually determined to be payment deficiencies, are a result of manual maintenance and possibly subject to human oversight.

Family and Children Electronic System (FACES) has been fully implemented as of July 31, 2010. The FACES resources and financial management system electronically identifies prior to payment that a billed/invoice service appears on the appropriate contract before allowing payment. For example, CLTH-clothing is not an allowable service on a subsidy agreement, therefore, if an invoice or payment request were submitted for clothing expenses for an adopted child, the system would disallow that payment. If an attempt was made to pay for that expense manually, the system requires a review of the contract and would disallow the payment. The checks and balances are in place to prevent a service that is not allowed from being paid in error.

**Status of the Questioned Costs:**

Questioned costs of $514 ($348 federal share) were adjusted on the September 30, 2010 quarterly report.

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**2009-15A.** Vocational Rehabilitation Program

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

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

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

**Status of Finding:**
The FSD has modified the certification process for personnel who worked solely in a single grant program and implemented personnel activity reporting (time studies) for those who work in multiple grants. FSD now ensures that all staff claimed 100 percent to the VR grant are verified through the certification process, effective in March 2009. FSD also ensures that any staff employed in a position that is claimed 100 percent to a grant (VR OIB) at any time during the review period is included in the certification process. Written procedures have been provided to affected staff to ensure they are clear on the certification process. FSD ensures that staff allocation claims for those employees not claimed 100 percent working to a specific grant in the FSD-RSB program are based on the employee activity reports effective July 1, 2009.

**Status of the Questioned Costs:**
This finding is the subject of continued discussion with the grantor agency, but no final resolution has been achieved as of the date of this report.

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**2009-15B.** Vocational Rehabilitation Program

**Federal Agency:** Department of Education
**Federal Program:** 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007, 2008 and 2009 - H126A0080037
**State Agency:** Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB) and Division of Finance and Administrative Services

The FSD-RSB did not adequately document annual reviews of Individualized Plans for Employment (IPEs) for Vocational Rehabilitation (VR) recipients as required by federal regulations.

**Recommendation:**
The DSS through the FSD document annual reviews of IPE for VR recipients on the IPE forms as required by RSB policy.

**Status of Finding:**
RSB has emphasized to vocational rehabilitation counseling staff, their supervisors and the rehabilitation assistants who work on case file documents and through on-site training the need for clear documentation verifying the requirement of the review of each eligible individual's IPE as often as necessary, but at least once every 12 months to assess the individual’s progress in achieving the identified employment outcome, with an emphasis on using the IPE document to verify the requirement has been met. RSB central office management staff has focused attention on meeting the requirement and the documentation that the requirement has been met during discussions with field offices regarding any authorized service requiring higher level approval prior to approval.

RSB is in the process of implementing an automated case management system, expected to be operational by mid part of FY 2011. The system will capture the IPE completion date and generate an alert to counseling staff in advance of the annual anniversary date.

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**2009-16.** Child Support Enforcement - Reporting

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.563 ARRA - Child Support Enforcement
2009 - G090404002

**State Agency:** Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS) and Family Support Division - Child Support Enforcement (CSE)

The DFAS did not have adequate controls in place to ensure compliance with federal reporting requirements for the CSE program. As a result, total expenditures and the resulting share of expenditures were not correctly reported on the OCSE-396A federal reports for two of the four quarterly reports submitted for the activity for the year ended June 30, 2009. The DFAS did not have written procedures in place to ensure the correct preparation of the federal reports and did not maintain sufficient documentation to support their calculations for key numbers on the reports. Supervisory reviews were inadequate.

**Recommendation:**
The DSS, through DFAS, develop written procedures for preparation of federal reports, retain documentation to support amounts reported, and ensure adequate supervisory reviews are performed prior to submission of those reports. In addition, the DFAS should submit necessary adjustments on the next federal report to fully correct for the identified errors.

**Status of Finding:**
Procedures for completion of the Child Support reports have been condensed and institutionalized as part of a desk manual. Discussions are held each quarter between staff and the supervisor regarding accuracy of the reporting prior to each submission. Adjustments were made on the December 31, 2009, and March 31, 2010, quarterly reports for the identified errors.

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**2009-17.** Child Support Enforcement - Salary Certifications

**Federal Agency:** Department of Health and Human Services
**Federal Program:** 93.563 Child Support Enforcement
2008 - G0804MO4004 and 2009 - G0904MO4004
93.563 ARRA - Child Support Enforcement
2009 - G090404002
**State Agency:** Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS) and Family Support Division (FSD) - Child Support Enforcement (CSE)
**Questioned Costs:** $47,164

The FSD did not always prepare required salary certifications for employees working solely on the CSE program. For the year ended June 30, 2009, the DSS claimed $24,919,722 as the federal share of personnel costs, or 48 percent of the total federal share of CSE program expenditures. We questioned the federal share of the salaries, fringe benefits, and indirect costs, totaling $47,164, for those employees excluded from the certification listing.

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

**Status of Finding:**
DSS disagrees with this finding. DSS conducts a salary certification every six months for individuals who work 100 percent on IV-D activities. This certification is on positions set up in the system and the staff in those positions at that time. As staff leave, the position is filled with different staff but the duties do not normally change. If there is a known change in duties, the FSD does look at whether the position is coded correctly. Therefore, the FSD believes that the current method used to certify based on the staff in those positions at that point in time serves to accurately reflect the job duties of that position over that period of time. The FSD and the DFAS have reviewed the certification process to ensure a periodic certification of all individual who work 100 percent on IV-D activities is conducted at least every six months.

DSS reviewed the entire process from beginning to end. Through this review of the process, DSS did make changes to include all employees under these positions over the six month period. This is done twice each year. Therefore, any employee who worked under a specific federal grant will be certified.

The basic process is as follows:

- A list of positions that are coded to a specific grant are provided to the DSS Human Resources (HR).
- HR provides a comprehensive list of any individuals (names) employed under the position codes.
- This list is sent to FSD.
- FSD then breaks the list out by program and location/supervisors.
- A list is then sent electronically to each supervisor/administrator to verify the individuals worked solely on the identified program.
- The supervisor/administrator then sends back an electronic message verifying that the individuals did work solely on the specified program.
- The information is then reviewed and approved by the Assistant Deputy Director in FSD.
- The information is then forwarded on to DFAS.

This is similar to the procedures set up after the 2006 audit. The only change to the procedure was to add every employee who worked under each position code at any time during the six months being reviewed. By adding to the list any employee who worked on the program at any time during the period, this provides a comprehensive list of any individual claimed to the program. Therefore DSS is certifying both the position and all employees. While DSS made the change in response to the audit, as explained below, this change was not necessary to ensure a proper certification.

DSS/FSD still maintains that the certification process must be based on positions/position codes and not individual employees. Individual employees can and do change jobs/positions. However, each position is set up in the personnel system with job duties and codes tying them to the financial system. The job duties and codes remain the same until changed by central office. By using position codes to track personnel and performing a certification on these positions every six months to ensure that the duties are the same, DSS ensures that any employee who worked in that position was only working on a specific federal grant. Without position codes to track the positions that are coded to each federal grant, it would be impossible for DSS to track which individuals and positions are working on each program.

FSD does have written instructions/guidance for performing the salary certifications. The revised process was implemented for certifications for the period April - September 2010.

**Status of the Questioned Costs:**
The questioned costs have not yet been resolved with the grantor agency.

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**2009-18.** Medical Assistance Program

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

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

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

**Status of Finding:**
The FSD still considers timely eligibility reinvestigations a matter of priority and continues to strive for a 100 percent reinvestigation currency. As of May 2010, FSD was 99.4 percent current on reinvestigations.

**Status of the Questioned Costs:**
Questioned costs will be adjusted on the September 30, 2010, quarterly report.

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