



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Fiscal Year 2017 Statewide Single Audit

Background	A single audit requires an audit of the state's financial statements and expenditures of federal awards. The state spent over \$12 billion in federal awards through 301 different federal programs during the fiscal year ended June 30, 2017. Our Single Audit involved audit work on 11 major federal programs administered by 8 state agencies, with expenditures totaling approximately \$7.8 billion. The audit reported 3 financial statement findings and 14 federal award findings, and related recommendations. The federal award findings related to 4 major federal programs at 3 state agencies. Of these audit findings, 8 have been repeated from prior Single Audits for 1 to 7 years. Several of these findings are summarized below.
Unemployment Compensation Fund - Financial Reporting and Benefit Payment Account Controls	The Department of Labor and Industrial Relations (DLIR) does not have adequate controls and procedures over financial reporting of Unemployment Compensation Fund (UCF) financial activities following the implementation of the computerized Unemployment Insurance (UI) system, UInteract, in November 2016. The DLIR implemented the UInteract system without fully developing and testing financial reports needed to manage and report UCF activities. Due to various UInteract system implementation and financial reporting problems, net accounts receivable information submitted by the DLIR to the Office of Administration - Division of Accounting for inclusion in the state's financial statements was understated for the year ended June 30, 2017. The audit identified actual understatements of net accounts receivable balances totaling \$781,763 and additional potential misstatements related to accounts receivable, cash, and/or disbursement balances. The DLIR did not reconcile the benefit payment bank account until over 1 year after system implementation.
Unemployment Compensation Fund - Segregation of Duties	The DLIR did not adequately segregate the duties of administering UI benefits and authorizing transactions from the benefit payment bank account.
Unemployment Compensation Fund - Transfers	The DLIR did not establish procedures to transfer interest and penalty collections to the Special Employment Security Fund (SESF) as required by state law. As of June 30, 2017, the DLIR had not transferred approximately \$3.4 million held in the Unemployment Compensation Fund to the SESF.
Unemployment Insurance Federal Reporting	The DLIR has not established adequate controls and procedures to prepare and submit accurate, complete, and timely federal reports for the UI program. Our review identified several federal financial reports that were not accurate and/or were not submitted within required timeframes.
Unemployment Insurance Wage Cross-matches	The DLIR - Division of Employment Security (DES) did not follow established controls over UI program eligibility and payments related to wage cross-matches, and as a result, federally-required wage cross-matches were not performed during the 9-month period after implementation of the new UInteract computerized system.
Unemployment Insurance Benefit Accuracy Measurement Program	The DES did not comply with UI program Benefit Accuracy Measurement (BAM) case investigation requirements. The DES did not complete BAM case investigations within the required timeframes and did not perform federally-required wage cross-matches during BAM paid claim case

investigations performed during the period October 2016 to July 2017. The DES has not established written policies and procedures regarding supervisory reviews of BAM case investigations.

Unemployment Insurance Maximum Benefit Amount	The DES did not properly design and implement internal controls to ensure the new computerized UInteract system correctly calculates claimant Maximum Benefit Amounts (MBA). As a result, claimants were paid a total of \$134,388 in excess of the actual MBAs allowed by law.
Child Care Eligibility and Payments Child Care Eligibility and Payments	As noted in the prior seven audit reports, weaknesses continue to exist in Department of Social Services (DSS) controls over Child Care and Development Fund (Child Care) subsidy eligibility and provider payments. Documentation was not adequate to support payments for 13 of 60 (20 percent) cases reviewed. Approximately 5.6 percent of payments reviewed were questioned.
Child Care Provider Monitoring	As noted in the prior audit report, the DSS's procedures to follow up on provider noncompliance identified during Child Care Review Team reviews are not sufficient.
Child Care Provider Eligibility	As noted in our prior four audit reports, the DSS does not have adequate controls and procedures in place to ensure "four-or-less" (FOL) child care providers participating in the Child Care subsidy program comply with statutory requirements for license-exempt status. Under state law, child care providers are exempt from licensing requirements if they care for four or less unrelated children. For some FOL providers reviewed, the DSS made Child Care subsidy payments to the providers without obtaining the required documentation to support the relationships to children in their care. We identified one instance in which the DSS paid a FOL provider \$1,524 for caring for 7 children without verifying the children-provider relationships.
MO HealthNet Division Provider Eligibility	As noted in our prior audit report, the DSS did not fully implement federal revalidation requirements for providers participating in the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP). As of June 30, 2017, the DSS had not performed required revalidations for 71 percent of Medicaid and CHIP providers requiring revalidation. The federal share of payments to the 43 providers we sampled for which revalidations were not performed totaled over \$223 million during state fiscal year 2017.
Medicaid Developmental Disabilities - Comprehensive Waiver Per Diem Rates	As noted in our prior two audit reports, the Department of Mental Health - Division of Developmental Disabilities (DD) did not retain documentation to support the per diem rates paid to some providers for residential habilitation services provided to participants of the Home and Community Based Services, Developmental Disabilities Comprehensive Waiver program. The DD did not retain documentation to support per diem rates, paid at historical rates, for 7 of the 34 individualized supported living habilitation service payments tested. The federal share of payments to providers for habilitation services provided to these participants totaled \$416,966 during state fiscal year 2017.

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