Thomas A. Schweich
Missouri State Auditor

State of Missouri

Single Audit

Year Ended
June 30, 2012

March 2013

Report No. 2013-024

http://auditor.mo.gov

STATE OF MISSOURI
SINGLE AUDIT

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Common Abbreviations

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

INTRODUCTION AND SUMMARY

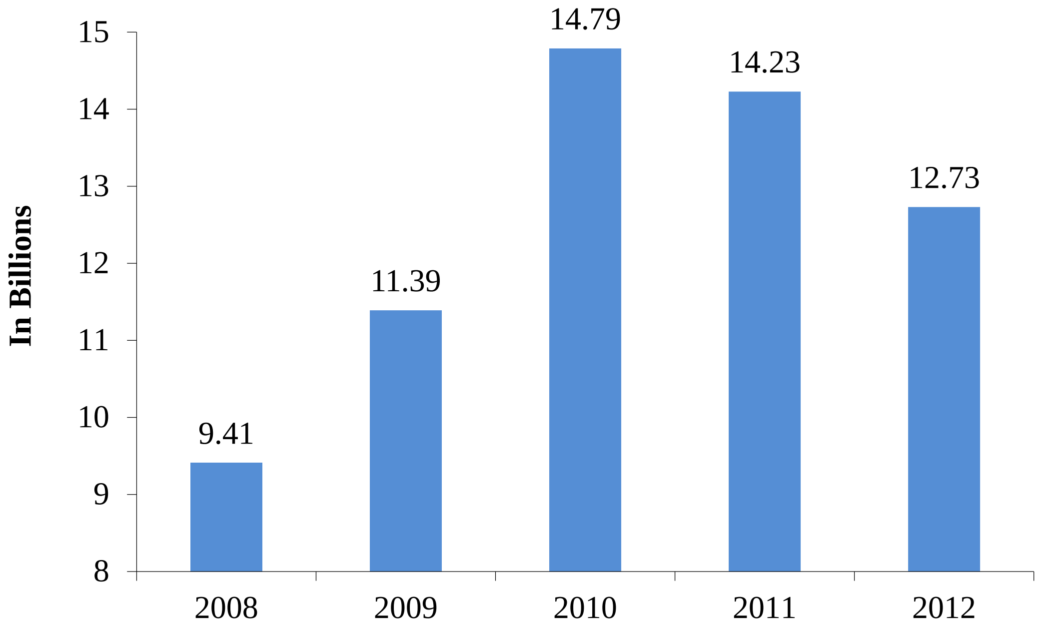
INTRODUCTION AND SUMMARY

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

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- The state has adequate internal controls to ensure compliance with federal award requirements.
- The state has complied with the provisions of laws, regulations, and contracts or grants that could have a direct and material effect on federal awards.

The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended $12.73 billion in federal awards during the year ended June 30, 2012.

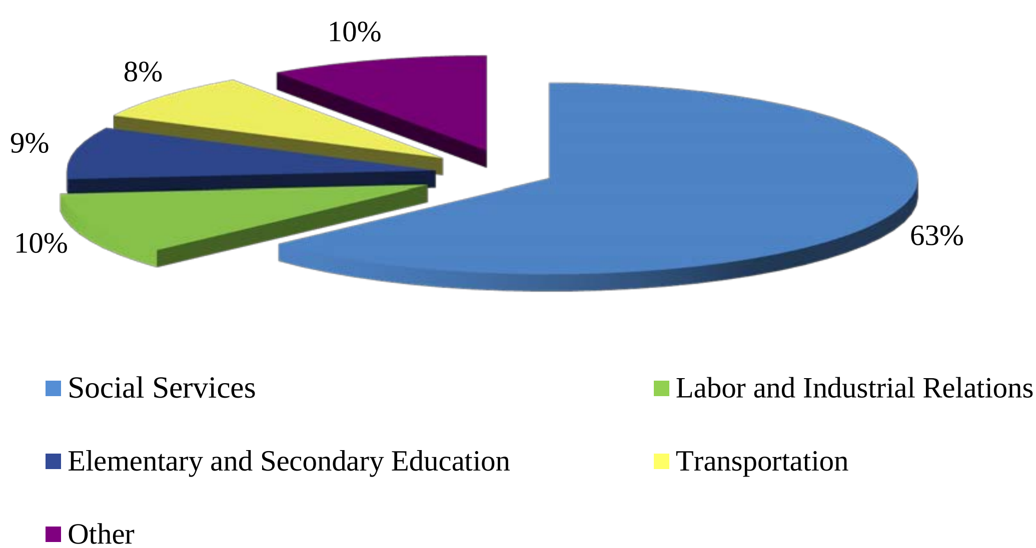
Total Expenditures of Federal Awards
Five Year Comparison



Expenditures of federal awards have increased over the past several years, peaking in fiscal year 2010. A contributing factor to the increase in total expenditures of federal awards during the 2 years ended June 30, 2011, was the additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of ARRA funds were expended by the end of fiscal year 2012; however, some programs will continue to have ARRA expenditures in subsequent fiscal years.

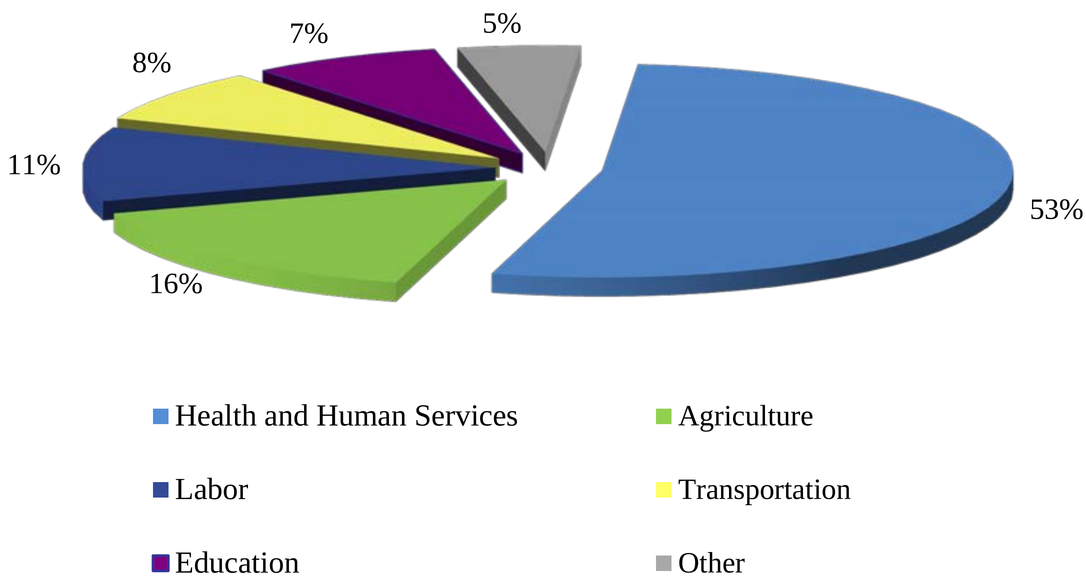
Although 19 state departments and other state offices expended federal awards, 4 state departments expended the bulk of the federal awards (90 percent).

Expenditures of Federal Awards by State Department



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

Expenditures of Federal Awards by Federal Department

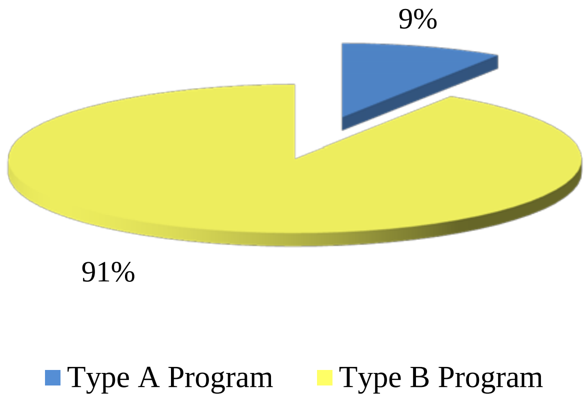


Overall, the state expended federal awards in 355 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program 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	12,725,677,262	
Fifteen-hundredths of one percent	.0015	
		19,088,516
Dollar Threshold		$30,000,000

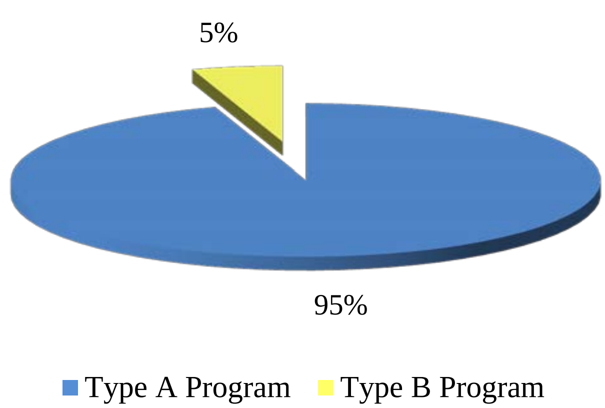
Programs with federal expenditures over $30 million are Type A programs and the programs under $30 million are Type B programs. Of the 355 different federal award programs, 32 were Type A programs and 323 were Type B programs.

Type A and Type B Programs
Number of Programs



The 32 Type A programs had expenditures of federal awards totaling $12 billion, which was 95 percent of the total expenditures for all programs. The 323 Type B programs had expenditures of federal awards totaling $682 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 2012 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 13 of the 32 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 19 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 ($12.73 billion times .0003 = $3,817,703). We performed risk assessments on the 43 larger Type B programs and determined 6 of them were high risk. In accordance with OMB Circular A-133, we audited 3 (50 percent) of these 6 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	19	$	9,901,089,182	
Type B major programs	3		44,947,134	
Total major programs	22	$	9,946,036,316	78%
Type A non-major programs	13	$	2,142,114,149	
Type B non-major programs	320		637,526,797	
Total non-major programs	333	$	2,779,640,946	22%
Total all programs	355	$	12,725,677,262	100%

American Recovery and Reinvestment Act of 2009

As noted above, the state of Missouri expended a total of approximately $12.73 billion in federal awards during the year ended June 30, 2012. Of that total, approximately $432 million (3.4 percent) was expended in ARRA awards. The ARRA awards relate to 45 existing or new federal programs with expenditures at 10 different state agencies. We audited 12 of these programs as major, covering about $384 million, or 89 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, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	$ 1,460,337,454
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	54,022,825
	Total SNAP Cluster		1,514,360,279
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	63,768,228
10.555	National School Lunch Program	Agriculture	220,655,708
10.556	Special Milk Program for Children	Agriculture	588,796
10.559	Summer Food Service Program for Children	Agriculture	9,142,870
	Total Child Nutrition Cluster		294,155,602
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	97,380,434
10.558	Child and Adult Care Food Program	Agriculture	51,815,450
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	31,158,066
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	49,389,570
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	2,986,037
	Total CDBG - State-Administered CDBG Cluster		52,375,607
17.225	Unemployment Insurance	Labor	1,327,493,807
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	13,483,326
17.259	Workforce Investment Act - Youth Activities	Labor	15,696,171
17.278	Workforce Investment Act - Dislocated Workers Formula Grants	Labor	18,106,599
	Total WIA Cluster		47,286,096
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	859,827,789
20.205	ARRA - Highway Planning and Construction	Transportation	80,358,558
20.219	Recreational Trails Program	Transportation	4,086,101
	Total Highway Planning and Construction Cluster		944,272,448
64.015	Veterans State Nursing Home Care	Veterans Affairs	50,501,723
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	53,961,115
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	9,703,383
81.041	State Energy Program	Energy	455,671
81.041	ARRA - State Energy Program	Energy	36,256,716
81.042	Weatherization Assistance for Low-Income Persons	Energy	2,318,849
81.042	ARRA - Weatherization Assistance for Low-Income Persons	Energy	44,902,202
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	Education	247,296,811
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Education	14,998,424
	Total Title I, Part A Cluster		262,295,235

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	208,104,892
84.173	Special Education - Preschool Grants	Education	9,048,648
84.391	ARRA - Special Education - Grants to States, Recovery Act	Education	31,256,212
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	Education	2,082,335
	Total Special Education Cluster (IDEA)		250,492,087
84.032	Federal Family Education Loans	Education	144,083,021
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	60,805,280
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	Education	143,631
	Total Vocational Rehabilitation Cluster		60,948,911
84.367	Improving Teacher Quality State Grants	Education	47,721,344
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	Education	64,918,743
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	Education	3,604,871
	Total State Fiscal Stabilization Fund Cluster		68,523,614
	Immunization Cluster:		
93.268	Immunization Cooperative Agreements	Health and Human Services	63,346,736
93.712	ARRA - Immunization	Health and Human Services	592,752
	Total Immunization Cluster		63,939,488
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	Health and Human Services	196,828,854
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	Health and Human Services	2,007,415
	Total TANF Cluster		198,836,269
93.563	Child Support Enforcement	Health and Human Services	34,104,988
93.568	Low-Income Home Energy Assistance	Health and Human Services	81,309,667
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	72,988,101
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	53,143,933
93.713	ARRA - Child Care and Development Block Grant	Health and Human Services	7,592,213
	Total CCDF Cluster		133,724,247
93.658	Foster Care - Title IV-E	Health and Human Services	49,858,624
93.659	Adoption Assistance	Health and Human Services	37,450,981
93.667	Social Services Block Grant	Health and Human Services	56,500,147
93.767	Children's Health Insurance Program	Health and Human Services	117,177,877

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,341,498
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	17,044,274
93.778	Medical Assistance Program	Health and Human Services	5,654,719,191
93.778	ARRA - Medical Assistance Program	Health and Human Services	73,892,407
	Total Medicaid Cluster		5,746,997,370
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	41,040,166
	Total Disability Insurance/SSI Cluster		41,040,166
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	54,463,845
97.067	Homeland Security Grant Program	Homeland Security	35,338,002
	Total Type A Programs (expenditures greater than $30,000,000)		12,043,203,331
	Total Type B Programs (expenditures less than $30,000,000)		682,473,931
	Total Expenditures of Federal Awards		$ 12,725,677,262

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, 2012, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 24, 2013. 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 Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; 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 12 percent of the assets and revenues, respectively, of the governmental activities.

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2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 42 percent of the assets and revenues, respectively, of the business-type activities.

3. The discretely presented component units.

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

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

The financial statements of the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the 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, a discretely presented component unit; 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. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*.

<u>Internal Control Over Financial Reporting</u>

Management of the state of Missouri is responsible for establishing and maintaining effective 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 previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2012-1, 2012-2, and 2012-3, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 24, 2013, 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 24, 2013

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 state of Missouri's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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, 2012, 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 2012-6, 2012-11, 2012-14, and 2012-15 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 Medicaid Cluster, 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, eligibility, and level of effort requirements applicable to the Temporary Assistance for Needy Families Cluster. 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, 2012. 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 2012-5, 2012-7, 2012-8, 2012-12, 2012-13, 2012-16, 2012-18, and 2012-20.

Internal Control Over Compliance

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 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2012-11, 2012-14, and 2012-15 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2012-5, 2012-7, 2012-12, 2012-16, 2012-18, and 2012-19 to be significant deficiencies.

The state of Missouri's responses 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 the responses.

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
State Auditor

February 8, 2013

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, 2012, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 24, 2013. 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 Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; 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 12 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 42 percent of the assets and revenues, respectively, of the business-type activities.

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3. The discretely presented component units.

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

The financial statements of the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the 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, a discretely presented component unit; 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. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*.

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

Thomas A Schweich

Thomas A. Schweich
State Auditor

January 24, 2013

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07.UNKNOWN	HIDTA	$ 2,862,205	2,128,824
	Total Office of National Drug Control Policy	2,862,205	2,128,824
Department of Agriculture			
10.UNKNOWN	School Lunch Commodity Refund	8,702	8,702
10.025	Plant and Animal Disease, Pest Control, and Animal Care	978,282	85,581
10.069	Conservation Reserve Program	410,149	0
10.153	Market News	697	0
10.163	Market Protection and Promotion	70,523	62,186
10.169	Specialty Crop Block Grant Program	25,875	25,875
10.170	Specialty Crop Block Grant Program - Farm Bill	145,064	128,693
10.435	State Mediation Grants	24,031	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	581,912	0
10.479	Food Safety Cooperative Agreements	166,639	0
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	1,460,337,454	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	54,022,825	11,121,444
	Total SNAP Cluster	1,514,360,279	11,121,444
	Child Nutrition Cluster:		
10.553	School Breakfast Program	63,768,228	63,768,228
10.555	National School Lunch Program	220,655,708	220,555,172
10.556	Special Milk Program for Children	588,796	588,796
10.559	Summer Food Service Program for Children	9,142,870	8,729,268
	Total Child Nutrition Cluster	294,155,602	293,641,464
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	97,380,434	24,031,236
10.558	Child and Adult Care Food Program	51,815,450	51,218,893
10.560	State Administrative Expenses for Child Nutrition	3,886,833	1,632,148
10.565	Commodity Supplemental Food Program	1,184,639	1,135,673
	Emergency Food Assistance Cluster:		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,648,025	1,569,625
10.569	Emergency Food Assistance Program (Food Commodities)	6,219,194	0
	Total Emergency Food Assistance Cluster	7,867,219	1,569,625
10.574	Team Nutrition Grants	152,687	53,784
10.578	ARRA - WIC Grants to States (WGS)	621,084	0
10.579	Child Nutrition Discretionary Grants Limited Availability	745,468	168,165
10.582	Fresh Fruit and Vegetable Program	2,742,916	2,742,916
10.664	Cooperative Forestry Assistance	1,725,666	314,515
	Forest Service Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	7,185,969	7,185,969
	Total Forest Service Schools and Roads Cluster	7,185,969	7,185,969
10.675	Urban and Community Forestry Program	86,598	0
10.678	Forest Stewardship Program	17,398	0
10.680	Forest Health Protection	39,509	0
10.762	Solid Waste Management Grants	118,625	0
10.912	Environmental Quality Incentives Program	29,690	0
	Total Department of Agriculture	1,986,527,940	395,126,869
Department of Commerce			
11.555	Public Safety Interoperable Communications Grant Program	8,152,628	8,152,014
11.558	ARRA - State Broadband Data and Development Grant Program	3,651,535	3,015,742
	Total Department of Commerce	11,804,163	11,167,756

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Defense			
12.AAG	Drug Interdiction and Counter Drug Activities	1,144,331	0
12.UNKNOWN	Troops to Teachers	131,920	20,308
12.112	Payments to States in Lieu of Real Estate Taxes	1,375,278	1,375,278
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	677,107	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	31,158,066	0
Total Department of Defense		34,486,702	1,395,586
Department of Housing and Urban Development			
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	49,389,570	47,772,340
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	2,986,037	2,769,087
	Total CDBG - State-Administered CDBG Cluster	52,375,607	50,541,427
14.231	Emergency Solutions Grants Program	1,393,682	1,393,682
14.238	Shelter Plus Care	10,183,758	10,084,936
14.241	Housing Opportunities for Persons with AIDS	372,312	372,312
14.257	ARRA - Homelessness Prevention and Rapid Rehousing Program	2,563,975	2,386,680
14.401	Fair Housing Assistance Program - State and Local	567,098	0
14.416	Education and Outreach Initiatives	158,870	0
Total Department of Housing and Urban Development		67,615,302	64,779,037
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	247,807	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	2,630,659	0
15.255	Science and Technology Projects Related to Coal Mining and Reclamation	21,898	0
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	8,857,785	0
15.611	Wildlife Restoration and Basic Hunter Education	10,983,096	0
	Total Fish and Wildlife Cluster	19,840,881	0
15.608	Fish and Wildlife Management Assistance	201,087	0
15.615	Cooperative Endangered Species Conservation Fund	29,884	0
15.616	Clean Vessel Act	13,500	0
15.623	North American Wetlands Conservation Fund	304,884	0
15.633	Landowner Incentive Program	197,675	0
15.634	State Wildlife Grants	806,703	0
15.649	Service Training and Technical Assistance (Generic Training)	73,176	0
15.650	Research Grants (Generic)	20,000	0
15.657	Endangered Species Conservation - Recovery Implementation Funds	54,279	0
15.658	Natural Resource Damage Assessment, Restoration and Implementation	885	0
15.807	Earthquake Hazards Reduction Program	17,967	0
15.808	U.S. Geological Survey - Research and Data Collection	55,940	0
15.810	National Cooperative Geologic Mapping Program	132,129	0
15.814	National Geological and Geophysical Data Preservation Program	4,918	0
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	15,576	0
15.904	Historic Preservation Fund Grants-In-Aid	847,600	83,460
15.916	Outdoor Recreation - Acquisition, Development and Planning	358,026	264,858
15.935	National Trails System Projects	9,646	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	282,125	0
Total Department of the Interior		26,167,245	348,318
Department of Justice			
16.UNKNOWN	Domestic Cannabis Eradication	233,506	0
16.017	Sexual Assault Services Formula Program	181,074	170,636
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	35,412	0
16.523	Juvenile Accountability Block Grants	841,202	592,598
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,090,281	827,452

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
16.548	Title V - Delinquency Prevention Program	38,171	38,171
16.554	National Criminal History Improvement Program (NCHIP)	250,103	0
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	412,679	288,373
16.575	Crime Victim Assistance	7,103,745	6,917,455
16.576	Crime Victim Compensation	2,906,815	2,906,815
16.585	Drug Court Discretionary Grant Program	148,155	0
16.588	Violence Against Women Formula Grants	2,072,730	1,943,978
16.588	ARRA - Violence Against Women Formula Grants	188,210	170,304
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	42,768	16,875
16.593	Residential Substance Abuse Treatment for State Prisoners	157,792	78,846
16.606	State Criminal Alien Assistance Program	182,422	0
16.610	Regional Information Sharing Systems	4,432,255	4,431,255
16.710	Public Safety Partnership and Community Policing Grants	1,252,513	0
16.726	Juvenile Mentoring Program	318,341	229,251
16.727	Enforcing Underage Drinking Laws Program	167,039	137,724
16.734	Special Data Collections and Statistical Studies	70,705	0
	JAG Program Cluster:		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	6,904,607	6,224,751
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	9,400,613	2,593,732
	Total JAG Program Cluster	16,305,220	8,818,483
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	27,968	0
16.741	DNA Backlog Reduction Program	676,474	0
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	93,311	93,232
16.746	Capital Case Litigation	445	0
16.801	ARRA - State Victim Assistance Formula Grant Program	530	517
16.810	ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	1,202,140	107,537
16.812	Second Chance Act Prisoner Reentry Initiative	194,387	0
16.816	John R. Justice Prosecutors and Defenders Incentive Act	148,700	148,700
16.821	Juvenile Justice Reform and Reinvestment Demonstration Program	147,140	0
Total Department of Justice		40,922,233	27,918,202
Department of Labor			
17.002	Labor Force Statistics	1,122,150	0
17.005	Compensation and Working Conditions	207,828	0
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	13,659,091	0
17.801	Disabled Veterans' Outreach Program (DVOP)	873,054	0
17.804	Local Veterans' Employment Representative Program	2,266,009	0
	Total Employment Service Cluster	16,798,154	0
17.225	Unemployment Insurance	1,327,493,807	0
17.235	Senior Community Service Employment Program	2,450,803	2,395,703
17.245	Trade Adjustment Assistance	7,635,075	0
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	13,483,326	12,126,529
17.259	Workforce Investment Act - Youth Activities	15,696,171	14,414,975
17.278	Workforce Investment Act - Dislocated Worker Formula Grants	18,106,599	15,439,059
	Total WIA Cluster	47,286,096	41,980,563
17.260	Workforce Investment Act - Dislocated Workers	491,090	377,749
17.260	ARRA - Workforce Investment Act - Dislocated Workers	200,619	200,619
17.261	Workforce Investment Act - Pilots, Demonstrations, and Research Projects	263,437	74,349
17.267	Incentive Grants - WIA Section 503	859,928	389,544
17.271	Work Opportunity Tax Credit Program (WOTC)	602,565	0
17.273	Temporary Labor Certification for Foreign Workers	61,615	0
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth		

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	and Emerging Industry Sectors	1,791,935	1,713,098
17.277	Workforce Investment Act (WIA) National Emergency Grants	22,546,388	22,028,414
17.282	ARRA - Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	82,085	0
17.504	Consultation Agreements	1,138,322	0
17.505	OSHA Data Initiative	44,089	0
17.600	Mine Health and Safety Grants	292,389	0
17.807	Transition Assistance Program	9,143	0
Total Department of Labor		1,431,377,518	69,160,039
Department of Transportation			
20.106	Airport Improvement Program	14,983,007	14,637,426
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	859,827,789	139,655,164
20.205	ARRA - Highway Planning and Construction	80,358,558	19,265,980
20.219	Recreational Trails Program	4,086,101	539,143
	Total Highway Planning and Construction Cluster	944,272,448	159,460,287
20.217	Motor Carrier Safety	917,937	898,370
20.218	National Motor Carrier Safety	3,685,483	745,378
20.231	Performance and Registration Information Systems Management	199,998	0
20.237	Commercial Vehicle Information Systems and Networks	33,500	0
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	121,112	0
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	404,295	404,295
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	399,379	399,379
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	4,668,418	4,668,418
	Total Federal Transit Cluster	4,668,418	4,668,418
20.505	Metropolitan Transportation Planning	5,565,929	5,410,541
20.509	Formula Grants for Other Than Urbanized Areas	14,187,111	13,625,432
20.509	ARRA - Formula Grants for Other Than Urbanized Areas	1,987,065	1,987,065
	Transit Services Programs Cluster:		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	944,816	810,098
20.516	Job Access - Reverse Commute	1,314,817	1,314,817
20.521	New Freedom Program	255,104	255,104
	Total Transit Services Programs Cluster	2,514,737	2,380,019
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	4,163,322	3,222,919
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	2,512,627	2,161,920
20.610	State Traffic Safety Information System Improvement Grants	870,805	672,892
20.612	Incentive Grant Program to Increase Motorcyclist Safety	162,508	7,703
20.613	Child Safety and Child Booster Seats Incentive Grants	480,123	169,545
	Total Highway Safety Cluster	8,189,385	6,234,979
20.607	Alcohol Open Container Requirements	10,084,118	3,096,657
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	5,067,585	0
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	49,282	0
20.615	Ensuring Needed Help Arrives Near Callers Employing 911	187,901	187,901
20.700	Pipeline Safety Program State Base Grant	601,882	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	675,109	410,573
20.720	State Damage Prevention Program Grants	26,922	0
20.721	PHMSA Pipeline Safety Program One Call Grant	9,414	0
20.816	America's Marine Highway Grants	250,277	0
20.930	Payments for Small Community Air Service Development	58,643	0
Total Department of Transportation		1,019,140,937	214,546,720
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	505,683	0
Total Equal Employment Opportunity Commission		505,683	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	2,084,459	1,763,694
39.011	Election Reform Payments	511,641	510,343
Total General Services Administration		2,596,100	2,274,037
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	763,537	443,199
45.310	Grants to States	3,097,721	1,724,677
Total National Foundation on the Arts and the Humanities		3,861,258	2,167,876
Small Business Administration			
59.061	ARRA - State Trade and Export Promotion Pilot Grant Program	274,304	0
Total Small Business Administration		274,304	0
Department of Veterans Affairs			
64.UNKNOWN	Vocational Training for Certain Veterans Receiving VA Pension	710,639	0
64.005	Grants to States for Construction of State Home Facilities	1,345,054	0
64.015	Veterans State Nursing Home Care	50,501,723	0
64.024	VA Homeless Providers Grant and Per Diem Program	589,058	589,058
Total Department of Veterans Affairs		53,146,474	589,058
Environmental Protection Agency			
66.032	State Indoor Radon Grants	151,198	0
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	651,955	39,240
66.039	National Clean Diesel Emissions Reduction Program	1,697,120	1,090,513
66.040	State Clean Diesel Grant Program	574,989	311,144
66.202	Congressionally Mandated Projects	874,235	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	270,416	0
66.433	State Underground Water Source Protection	101,082	0
66.454	Water Quality Management Planning	230,739	1,189
66.454	ARRA - Water Quality Management Planning	432,220	299,185
66.458	Capitalization Grants for Clean Water State Revolving Funds	53,961,115	39,647,933
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	9,703,383	9,703,383
66.460	Nonpoint Source Implementation Grants	2,112,531	1,217,055
66.461	Regional Wetland Program Development Grants	114,522	0
66.468	Capitalization Grants for Drinking Water State Revolving Funds	16,793,401	8,335,336
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	2,637,416	2,637,416
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	666,760	25,795
66.474	Water Protection Grants to the States	617	0
66.475	Gulf of Mexico Program	1,270	0
66.605	Performance Partnership Grants	13,908,939	377,392
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	16,000	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	253,216	0
66.709	Multi-Media Capacity Building Grants for States and Tribes	15,269	0
66.714	Regional Agricultural IPM Grants	2,596	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,561,802	385,830
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	729,705	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,297,555	0
66.810	Chemical Emergency Preparedness and Prevention (CEPP) Technical Assistance Grants Program	21,000	21,000
66.817	State and Tribal Response Program Grants	1,364,605	0
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	115,082	0
66.940	Environmental Policy and State Sustainability Grants	73,857	0
Total Environmental Protection Agency		110,334,595	64,092,411
Department of Energy			
81.039	National Energy Information Center	1,854	0
81.041	State Energy Program	455,671	0
81.041	ARRA - State Energy Program	36,256,716	27,830,290

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
81.042	Weatherization Assistance for Low-Income Persons	2,318,849	2,013,877
81.042	ARRA - Weatherization Assistance for Low-Income Persons	44,902,202	43,419,703
81.089	Fossil Energy Research and Development	57,379	0
81.092	Weldon Springs Site Remedial Action Project	435,481	0
81.104	Office of Environmental Waste Processing	141,598	0
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	441,381	0
81.127	ARRA - Energy Efficient Appliance Rebate Program (EEARP)	46,658	0
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	5,057,903	4,667,911
81.138	State Heating Oil and Propane Program	3,940	0
81.902	State Environmental Oversite and Monitoring	72,224	0
Total Department of Energy		90,191,856	77,931,781
Department of Education			
84.UNKNOWN	Cooperative System Grant	86,522	0
84.002	Adult Education - Basic Grants to States	9,953,732	8,676,398
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	247,296,811	244,181,513
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	14,998,424	14,998,424
	Total Title I, Part A Cluster	262,295,235	259,179,937
84.011	Migrant Education - State Grant Program	1,357,482	1,328,591
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,438,875	1,424,413
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	208,104,892	178,223,503
84.173	Special Education - Preschool Grants	9,048,648	9,048,648
84.391	ARRA - Special Education - Grants to States, Recovery Act	31,256,212	31,256,212
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	2,082,335	2,082,335
	Total Special Education Cluster (IDEA)	250,492,087	220,610,698
84.032	Federal Family Education Loans	144,083,021	0
84.048	Career and Technical Education - Basic Grants to States	20,928,851	18,671,865
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	60,805,280	0
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	143,631	0
	Total Vocational Rehabilitation Cluster	60,948,911	0
84.144	Migrant Education - Coordination Program	99,549	75,438
	Independent Living State Grants Cluster:		
84.169	Independent Living - State Grants	431,417	375,580
84.398	ARRA - Independent Living State Grants	33,933	0
	Total Independent Living - State Grants Cluster	465,350	375,580
	Independent Living Services for Older Individuals Who Are Blind Cluster:		
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	878,263	0
84.399	ARRA - Independent Living Services for Older Individuals Who Are Blind	217,408	0
	Total Independent Living Services for Older Individuals Who Are Blind Cluster	1,095,671	0
	Early Intervention Services (IDEA) Cluster:		
84.181	Special Education - Grants for Infants and Families	7,864,270	0
84.393	ARRA - Special Education - Grants for Infants and Families, Recovery Act	374,372	0
	Total Early Intervention Services (IDEA) Cluster	8,238,642	0
84.185	Byrd Honors Scholarships	28,154	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	615,406	615,406
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	418,728	0
	Education for Homeless Children and Youth Cluster:		
84.196	Education for Homeless Children and Youth	897,436	888,842
84.387	ARRA - Education for Homeless Children and Youth, Recovery Act	248,152	248,152
	Total Education for Homeless Children and Youth Cluster	1,145,588	1,136,994
84.213	Even Start - State Educational Agencies	397,708	367,790
84.224	Assistive Technology	825,201	604,440

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.243	Tech-Prep Education	1,381,285	1,381,214
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	48,746	0
84.282	Charter Schools	540,886	537,848
84.287	Twenty-First Century Community Learning Centers	17,584,172	17,305,124
	Educational Technology State Grants Cluster:		
84.318	Educational Technology State Grants	1,038,495	979,394
84.386	ARRA - Education Technology State Grants, Recovery Act	829,839	799,839
	Total Educational Technology State Grants Cluster	1,868,334	1,779,233
84.323	Special Education - State Personnel Development	1,008,435	1,008,435
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	181,155	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	253,036	253,036
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	45,292	0
84.358	Rural Education	3,017,125	2,960,304
84.365	English Language Acquisition State Grants	4,305,317	4,128,895
84.366	Mathematics and Science Partnerships	2,892,313	2,891,547
84.367	Improving Teacher Quality State Grants	47,721,344	47,146,024
84.369	Grants for State Assessments and Related Activities	5,419,083	0
84.371	Striving Readers	32,105	3,000
	Statewide Data Systems Cluster:		
84.372	Statewide Data Systems	1,688,565	0
	Total Statewide Data Systems Cluster	1,688,565	0
	School Improvement Grants Cluster:		
84.377	School Improvement Grants	137,058	137,058
84.388	ARRA - School Improvement Grants, Recovery Act	17,205,785	17,203,667
	Total School Improvement Grants Cluster	17,342,843	17,340,725
84.378	College Access Challenge Grant Program	1,671,732	1,347,531
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	64,918,743	64,918,746
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	3,604,871	3,604,871
	Total State Fiscal Stabilization Fund Cluster	68,523,614	68,523,617
84.410	ARRA - Education Jobs Fund	2,802,893	2,802,893
84.902	National Assessment of Educational Programs	114,274	0
Total Department of Education		943,357,262	682,476,976
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	97,064	34,690
Total National Archives and Records Administration		97,064	34,690
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	3,471,477	631,477
Total Elections Assistance Commission		3,471,477	631,477
Department of Health and Human Services			
93.003	Public Health and Social Services Emergency Fund	536,543	351,021
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	100,983	11,704
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	388,800	148,838

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	421,295	421,295
	Aging Cluster:		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	8,572,297	7,590,342
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,239,956	11,239,956
93.053	Nutrition Services Incentive Program	3,311,172	3,311,172
	Total Aging Cluster	23,123,425	22,141,470
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	148,711	71,332
93.051	Alzheimer's Disease Demonstration Grants to States	229,489	215,530
93.052	National Family Caregiver Support, Title III, Part E	2,989,678	2,989,678
93.069	Public Health Emergency Preparedness	15,686,142	8,814,173
93.070	Environmental Public Health and Emergency Response	815,550	449,478
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	60,085	0
93.090	Guardianship Assistance	3,133,866	0
93.090	ARRA - Guardianship Assistance	158,492	0
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	544,082	397,186
93.103	Food and Drug Administration - Research	242,185	0
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,128,235	1,093,837
93.110	Maternal and Child Health Federal Consolidated Programs	817,888	110,556
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	757,848	253,429
93.127	Emergency Medical Services for Children	92,997	9,956
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	251,144	48,370
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	37,883	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	715,226	614,653
93.150	Projects for Assistance in Transition from Homelessness (PATH)	949,792	914,656
93.161	Health Program for Toxic Substances and Disease Registry	22,500	22,500
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	84,265	56,573
93.230	Consolidated Knowledge Development and Application (KD&A) Program	177,304	22,118
93.234	Traumatic Brain Injury State Demonstration Grant Program	280,168	190,564
93.235	Affordable Care Act (ACA) Abstinence Education Program	1,039,584	852,801
93.240	State Capacity Building	321,623	0
93.241	State Rural Hospital Flexibility Program	592,338	413,649
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	9,338,931	8,345,521
93.251	Universal Newborn Hearing Screening	281,840	98,685
	Immunization Cluster:		
93.268	Immunization Cooperative Agreements	63,346,736	374,956
93.712	ARRA - Immunization	592,752	1,075
	Total Immunization Cluster	63,939,488	376,031
93.270	Adult Viral Hepatitis Prevention and Control	58,065	0
93.283	The Affordable Care Act: Centers for Disease Control and Prevention - Investigations and Technical Assistance	7,732,609	3,018,753
93.293	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	25,400	25,389
93.301	Small Rural Hospital Improvement Grant Program	339,514	326,776
93.414	ARRA - State Primary Care Offices	73,415	0
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	1,096,939	750,604
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	1,922,181	0
93.507	PPHF 2012 National Public Health Improvement Initiative	197,388	0
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	90,733	0
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	201,241	193,603
93.519	Affordable Care Act (ACA) - Consumer Assistance Program Grants	511,013	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.520	Centers for Disease Control and Prevention - Affordable Care Act (ACA) - Communities Putting Prevention to Work	93,516	93,291
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	210,135	11,640
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	820,455	0
93.538	Affordable Care Act - National Environmental Public Health Tracking Program - Network Implementation	731,624	0
93.539	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by 2012 Prevention and Public Health Funds	264,891	0
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	353,821	18,780
93.556	Promoting Safe and Stable Families	7,122,183	5,195,527
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	196,828,854	20,306,481
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	2,007,415	802,098
	Total TANF Cluster	198,836,269	21,108,579
93.563	Child Support Enforcement	34,104,988	17,473,216
93.566	Refugee and Entrant Assistance - State Administered Programs	2,317,233	0
93.568	Low-Income Home Energy Assistance	81,309,667	40,463,250
	CSBG Cluster:		
93.569	Community Services Block Grant	15,593,716	15,455,294
	Total CSBG Cluster	15,593,716	15,455,294
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	72,988,101	2,394,019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	53,143,933	0
93.713	ARRA - Child Care and Development Block Grant	7,592,213	0
	Total CCDF Cluster	133,724,247	2,394,019
93.576	Refugee and Entrant Assistance - Discretionary Grants	371,330	188,648
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	123,184	0
93.586	State Court Improvement Program	1,028,432	0
93.590	Community-Based Child Abuse Prevention Grants	1,155,085	1,148,816
93.597	Grants to States for Access and Visitation Programs	556,102	0
93.599	Chafee Education and Training Vouchers Program (ETV)	1,018,721	1,018,721
	Head Start Cluster:		
93.600	Head Start	197,658	197,658
93.708	ARRA - Head Start	152,983	70,015
	Total Head Start Cluster	350,641	267,673
93.603	Adoption Incentive Payments	1,150,839	0
93.617	Voting Access for Individuals with Disabilities - Grants to States	278,088	278,088
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,301,132	407,831
93.643	Children's Justice Grants to States	58,091	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	8,950,309	0
93.652	Adoption Opportunities	441,155	0
93.658	Foster Care - Title IV-E	49,858,624	404,941
93.659	Adoption Assistance	37,450,981	0
93.667	Social Services Block Grant	56,500,147	3,761,034
93.669	Child Abuse and Neglect State Grants	824,759	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,782,794	0

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.674	Chafee Foster Care Independence Program	2,345,617	0
93.717	ARRA - Preventing Healthcare-Associated Infections	159,701	108,531
93.719	ARRA - State Grants to Promote Health Information Technology	2,657,242	0
93.723	ARRA - Prevention and Wellness - State, Territories and Pacific Islands	911,472	907,605
93.725	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	368,970	368,970
93.767	Children's Health Insurance Program	117,177,877	0
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	1,341,498	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	17,044,274	0
93.778	Medical Assistance Program	5,654,719,191	0
93.778	ARRA - Medical Assistance Program	73,892,407	0
	Total Medicaid Cluster	5,746,997,370	0
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,634,221	308,347
93.791	Money Follows the Person Rebalancing Demonstration	7,136,899	0
93.889	National Bioterrorism Hospital Preparedness Program	6,258,941	4,872,951
93.913	Grants to States for Operation of Offices of Rural Health	186,131	22,621
93.917	HIV Care Formula Grants	8,896,654	8,340,208
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	3,175,080	174,895
93.940	HIV Prevention Activities - Health Department Based	3,801,438	2,100,830
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	515,859	249,668
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	676,438	313,962
93.945	Assistance Programs for Chronic Disease Prevention and Control	14,056	5,370
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	159,877	39,735
93.958	Block Grants for Community Mental Health Services	7,670,948	7,313,363
93.959	Block Grants for Prevention and Treatment of Substance Abuse	25,685,701	23,847,836
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,277,917	260,381
93.982	Mental Health Disaster Assistance and Emergency Mental Health	2,221,912	2,164,358
93.991	Preventive Health and Health Services Block Grant	1,095,305	361,159
93.994	Maternal and Child Health Services Block Grant to the States	10,861,708	6,123,573
Total Department of Health and Human Services		6,733,227,371	221,324,440
Corporation for National and Community Service			
94.003	State Commissions	305,775	1,174
94.004	Learn and Serve America - School and Community Based Programs	99,149	90,882
94.006	AmeriCorps	3,294,969	3,266,660
94.007	Program Development and Innovation Grants	67,870	67,870
94.009	Training and Technical Assistance	108,042	14,750
Total Corporation for National and Community Service		3,875,805	3,441,336
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	41,040,166	0
	Total Disability Insurance/SSI Cluster	41,040,166	0
Total Social Security Administration		41,040,166	0
Department of Homeland Security			
97.005	State and Local Homeland Security National Training Program	432,349	245,544
97.008	Non-Profit Security Program	81,272	81,272
97.012	Boating Safety Financial Assistance	2,153,292	0
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	464,559	464,559
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	155,313	0
97.029	Flood Mitigation Assistance	70,883	70,883
97.032	Crisis Counseling	836,309	0
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	54,463,845	50,265,999
97.039	Hazard Mitigation Grant	16,151,717	15,881,940

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
97.041	National Dam Safety Program	99,002	0
97.042	Emergency Management Performance Grants	3,357,753	0
97.045	Cooperating Technical Partners	1,912,981	0
97.047	Pre-Disaster Mitigation	3,916	3,916
97.052	Emergency Operations Center	867,796	867,796
97.055	Interoperable Emergency Communications	511,121	487,875
97.056	Port Security Grant Program	511,229	0
97.067	Homeland Security Grant Program	35,338,002	31,774,612
97.075	Rail and Transit Security Grant Program	49,765	49,280
97.078	Buffer Zone Protection Program (BZPP)	726,845	723,959
97.082	Earthquake Consortium	12,309	0
97.088	Disaster Assistance Projects	212,886	181,403
97.091	Homeland Security Biowatch Program	348,577	272,868
97.092	Repetitive Flood Claims	31,881	31,881
Total Department of Homeland Security		118,793,602	101,403,787
		$ 12,725,677,262	1,942,939,220

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

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the 2012 OMB Circular A-133 Compliance Supplement. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. Appendix VII of the supplement requires identifying expenditures of federal awards made under the American Recovery and Reinvestment Act of 2009 (ARRA) separately on the schedule with the inclusion of the prefix "ARRA-" in the name of the federal program.

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

B. Basis of Presentation

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

The schedule presents both Type A and B federal financial assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri during the year ended June 30, 2012, Type A programs are those which exceed $30 million in disbursements, expenditures, or distributions. The determination of major and non-major programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

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

2. Supplemental Nutrition Assistance Program Expenditures

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the ARRA. The portion of total expenditures for SNAP benefits that is supported by ARRA funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents The U.S. Department of Agriculture (USDA) from obtaining the regular and ARRA components of SNAP benefits expenditures through normal program reporting processes. As an alternative, the USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to ARRA funds. This methodology generates valid results at the national aggregate level but not at the individual state level. Therefore, the state cannot validly disaggregate the regular and ARRA components of its reported expenditures for SNAP benefits. At the national aggregate level, however, ARRA funds account for approximately 10.95 percent of the USDA’s total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2012.

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

The state received cash rebates from an infant formula manufacturer, totaling $34,097,673, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR Section 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

4. Unemployment Insurance Expenditures

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling $1,272,764,214. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states, totaling $35,859,459, 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 $8,855,281, have been excluded from total expenditures.

5. Federal Loan Guarantees

The Department of Higher Education (DHE) guarantees student loans made by lenders under the Federal Family Education Loans program (CFDA 84.032). The original principal balance outstanding of all loans guaranteed by the DHE was $2,773,527,299 as of June 30, 2012. 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 $322,982,336 as of June 30, 2012.

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 $28,147,923.

The Department of Public Safety distributes excess Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Surplus Property program (CFDA No. 12.AAG). Property distributions totaled $4,832,480 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($1,144,331), 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 $8,802,614 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($2,084,459), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization 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 $59,788,106.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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? __x__ yes ______ none reported

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major 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
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children

17.225	Unemployment Insurance
	WIA Cluster:
17.258	Workforce Investment Act - Adult Programs
17.259	Workforce Investment Act - Youth Activities
17.278	Workforce Investment Act - Dislocated Worker Formula Grants
17.277	Workforce Investment Act (WIA) National Emergency Grants
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.205	ARRA - Highway Planning and Construction
20.219	Recreational Trails Program
81.041	State Energy Program
81.041	ARRA - State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA - Weatherization Assistance for Low-Income Persons
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)
	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
84.367	Improving Teacher Quality State Grants
	School Improvement 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

	TANF Cluster:
93.558	Temporary Assistance for Needy Families
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program
93.568	Low-Income Home Energy Assistance
	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
93.667	Social Services Block Grant
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
97.067	Homeland Security Grant Program

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

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

Section II - Financial Statement Findings

2012-1. Financial Reporting Controls - Inter-Fund/Inter-Agency Transactions

As noted in the prior report, the Office of Administration - Division of Accounting (DOA) does not have adequate procedures in place to identify improperly recorded inter-fund and inter-agency transactions. In addition, the Department of Social Services (DSS) and the Department of Mental Health (DMH) do not have adequate procedures in place to ensure complete and accurate information regarding inter-fund and inter-agency transactions is submitted to the DOA. Although the DOA implemented procedures in response to the prior audit finding, these procedures did not identify similar improperly recorded transactions totaling $248 million for the fiscal year ending June 30, 2012. Revenues and expenditures related to these improperly recorded transactions would have been double counted and overstated in the *Missouri Comprehensive Annual Financial Report* (CAFR) if they had remained undetected. The corrections for the misstatement were made to the CAFR in November 2012, after we brought this to the attention of the DOA.

Data recorded in the SAM II accounting system is a primary source of information used in compiling the CAFR. Policies and procedures for processing transactions in SAM II are designed to allow the DOA to identify and eliminate inter-fund and inter-agency transactions when compiling the CAFR, as required by governmental accounting standards. These policies require state agencies to record inter-fund and inter-agency transactions using transfer or inter-agency billing documents. Recording inter-fund transfers and inter-agency billings correctly provides the transaction information needed by the DOA to identify necessary adjustments.

Beginning in July 2010, the federal Centers for Medicare and Medicaid Services required a change in the processing of certain Medical Assistance Program claims between the DSS and the DMH to provide for greater transparency. However, this change resulted in overstated revenues and expenditures in SAM II as these transactions flowed between several DSS and DMH funds. As noted in the prior report, these overstatements were corrected when identified during the preparation of the fiscal year 2011 CAFR. In response to the prior audit finding, the DOA developed and distributed a new survey form to state agencies requesting information on inter-fund and inter-agency transactions that were not recorded using the transfer or inter-agency billing process during fiscal year 2012. In addition, the DOA performed a review of SAM II expenditure transactions in an attempt to identify transactions not reported by the state agencies. However, neither the DSS nor the DMH initially reported such Medical Assistance Program inter-fund and inter-agency transactions, totaling $248 million for the fiscal year ended June 30, 2012, on their survey forms and the review performed by the DOA did not identify these additional improperly recorded transactions.

We held several discussions with personnel of the DSS, the DMH, and the DOA from June through early November 2012, to determine the status of the prior audit finding. Agency personnel indicated the process to record the inter-fund and inter-agency transactions was changed in November 2011. The agencies also indicated that under the new process there were no similar improperly recorded transactions and; therefore, no needed corrections for the fiscal year ended June 30, 2012. However, this new transaction recording process only changed the funds involved and did not affect the way the transactions were recorded. As a result, the double counting of revenues and expenditures still existed.

We determined the transactions between the DSS and the DMH continued to result in improperly recorded revenues and expenditures during fiscal year 2012, by reviewing Medical Assistance Program payment data in SAM II. When it became apparent in early November 2012 the DOA's new survey form and internal review of SAM II expenditure transactions had not identified the misstatements, we provided our documentation to the DOA. As a result, the DOA made corrections to the overstated amounts in the fiscal year 2012 CAFR. In subsequent discussions during mid-November 2012, DOA personnel indicated the overstatements would have been detected through analytical procedures performed during their review of the CAFR draft. However, it is not clear if the overstatements would have been identified with this analytical procedure.

In addition, following discussions among the agencies in November 2012 regarding the inter-agency transactions, the DSS and the DMH resubmitted their survey forms to the DOA with revised amounts. However, these revised survey forms reported only a portion of the interagency transactions.

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

WE RECOMMEND the DOA continue to implement and improve controls which allow for the timely detection and correction of inter-agency and inter-fund transactions that are not processed in compliance with SAM II policies and procedures. In addition, the DSS and the DMH should implement controls to ensure complete and accurate information is submitted to the DOA identifying inter-fund and inter-agency transactions.

AUDITEE'S RESPONSE

The DOA provided the following written response:

We disagree that the DOA does not have adequate procedures in place to identify improperly recorded inter-fund and inter-agency transactions. In addition to the new survey, the DOA management conducts an extensive review of the CAFR prior to completion. The State Auditor's office (SAO) presented the transactions in question to the DOA staff in early November, two and a half months before the release of the FY12 CAFR. As such, the DOA management had not completed their review of CAFR. If we had been allowed to complete our review in its entirety, the transactions would have been detected and corrected without any assistance from the SAO.

AUDITOR'S COMMENT

As noted in the finding, a similar issue was first identified and discussed with the DOA in late 2011 and was reported in the prior report. Also as noted above, the additional procedures specifically developed by the DOA subsequent to that report were not successful. While it is possible the DOA's management level review of the CAFR draft may have detected the misstatements, it cannot be assumed as a certainty. The improperly recorded transactions could have been identified through an analysis of SAM II data at any point during the fiscal year and corrected by the DOA long before the CAFR draft was prepared. It appears the DOA had sufficient time and knowledge to ensure the misstatements were corrected during the CAFR compilation process rather than waiting until the DOA's final review of the fiscal year 2012 CAFR draft was performed.

The DMH and the DSS provided the following written response:

The DMH and the DSS did not initially report these inter-fund/inter-agency transactions to the Office of Administration. However, after gaining a better understanding of how the Inter-Governmental Transfer Reimbursement Methodology transactions were processed, the DMH and the DSS reported the transactions to the Office of Administration on November 8, 2012. The

DMH and the DSS have processes in place to identify and accurately report these transactions to the Office of Administration. The DMH and the DSS will continue to ensure complete and accurate information is submitted to the Office of Administration identifying inter-fund and inter-agency transactions.

2012-2. Financial Reporting Controls - Department of Labor and Industrial Relations

The Department of Labor and Industrial Relations (DLIR) does not have adequate procedures in place to ensure the accuracy of financial statements and adjusting entries submitted to the Office of Administration - Division of Accounting (DOA) for the Unemployment Compensation Fund (UCF). The UCF revenues and accounts receivable account balances would have been overstated by $22.5 million in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2012, had an error in the adjusting entries not been identified during our audit.

DLIR personnel properly included a $22.5 million federal assessment charge to employers in revenues and accounts receivable balances of the UCF financial statements for the year ending June 30, 2012. However, our audit identified these federal assessment charges were mistakenly included again in the year-end adjusting entries to accrue revenues and accounts receivable balances for preparation of the CAFR. Although the financial statements and adjusting entries are reviewed by DLIR supervisors, the error was not detected and the incorrect information was submitted to the DOA.

When compiling the draft CAFR, the DOA incorporated the incorrect amounts reported by the DLIR. After we brought this to the attention of the DLIR, a correction of this misstatement was made to the CAFR by the DOA in December 2012, prior to its completion.

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

WE RECOMMEND the DLIR implement controls which allow for the detection and correction of errors when preparing year-end financial statement adjusting entries.

AUDITEE'S RESPONSE

We concur with the finding and we will perform a more thorough review and analysis of all adjusting entries before sending information to the DOA.

2012-3. Financial Reporting Controls - Department of Revenue

The Department of Revenue (DOR) does not have adequate procedures in place to ensure the accuracy of agency fund financial statements submitted to the Office of

Administration - Division of Accounting (DOA). Accounts receivable and the related liability balances of the agency funds would have been understated by $54.4 million in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2012, had an error in the preparation of the DOR financial statements not been identified during our audit.

Agency fund financial statements prepared by the DOR incorrectly reported accounts receivable balances. The DOR financial statements are to include an amount for gross accounts receivable, as well as an offsetting deduction for the portion considered likely to be uncollectible, resulting in expected net accounts receivable. However, when preparing the financial statements, the DOR incorrectly reported as the gross accounts receivable a total which had already been reduced by the expected uncollectible amounts. The uncollectible amount of $54.4 million was then also shown on the financial statement, in effect deducting those amounts twice from gross receivables and resulting in net receivables being understated by $54.4 million. Although the DOR financial statements are reviewed by DOR supervisors, the misstatement was not detected and the incorrect financial statements were submitted to the DOA.

When compiling the draft CAFR, the DOA incorporated the incorrect amounts reported by the DOR. This resulted in an understatement of $54.4 million in accounts receivable and the related liability balances included in the CAFR. After we brought this to the attention of the DOR and the DOA, correction of the misstatement was made to the CAFR in December 2012, prior to its completion.

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

WE RECOMMEND the DOR implement controls which allow for the detection and correction of errors when preparing the Agency Fund financial statements.

AUDITEE'S RESPONSE

The Department of Revenue agrees that it submitted the Combining Schedule of Changes in Assets and Liabilities - All Agency Funds to the Office of Administration, Division of Accounting with a material mistake. The Department reduced agency funds' accounts receivable for allowance for doubtful accounts prior to reporting receivables in the agency fund statement and then also reported allowances for doubtful accounts in the statement, causing double counting of allowances. The Department will analyze its review process and increase controls where needed.

Section III - Federal Award Findings and Questioned Costs

2012-4.	Subrecipient Monitoring and Participant Data

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

The DWD has not established adequate procedures to ensure subrecipients are complying with all federal requirements regarding participant enrollment, and has not ensured participant records are complete and accurate for the Workforce Investment Act (WIA) program. The DWD expended approximately $48 million in WIA funding in fiscal year 2012, of which approximately $42.6 million (89 percent) was paid to subrecipients. The majority of subrecipient funds were passed through to 14 Workforce Investment Boards (WIBs) throughout the state for various worker training programs.

A. The DWD did not take action to ensure WIBs were following federal guidelines which require participants be exited from the WIA program if no services have been provided for 90 days.

   Services provided to participants, such as assisted job searches, skills assessments, and job training, require contact from a WIB representative (either WIB staff or a WIB subcontractor's staff). An August 2012 report from the Department of Labor, Employment and Training Administration (DOL-ETA) noted the failure of the Central Region WIB to timely exit participants from the program. The review revealed multiple participant files indicated various services had been provided, even though the files also contained repeated case notes documenting the participant had not been directly contacted, and therefore had not actually been provided program services, for over 90 days. Allowing participants to remain enrolled when they have not been directly contacted or provided services allows the WIB and its subcontractors to manipulate performance statistics and potentially receive performance incentives not earned. The DOL-ETA report recommended the DWD ensure subrecipients are exiting participants from the program timely when required.

Our discussions with DWD management in early December 2012 indicated no specific corrective action had yet been taken in response to the DOL-ETA report beyond conducting normal monitoring procedures to identify potential manipulations of the 90 day requirement. Subsequently, DWD management indicated the agency began a process of reviewing 100 percent of Central Region enrollments and has provided additional guidance to all subrecipients to help ensure compliance with federal requirements.

B. The DWD Central Office has approved change requests to participant records which are not in compliance with federal requirements. In addition, changes made via the agency's change order process are documented with hard-copy change requests and logged separately from the electronic participant tracking system. However, the tracking system itself contains no mention or documentation of any changes to the participant record.

The ToolBox Case Tracking System (Toolbox) was created to track information on job seekers and employers who participate in all WIA programs. All WIB representatives are required to enter participant data into the Toolbox system. Only specific fields in electronic Toolbox participant records can be edited by WIB representatives and records can be backdated by the representative no more than 7 days. A change request form must be submitted to DWD Central Office to request modifications to fields not editable by staff. These change request forms are manually numbered, logged, and retained by the DWD. Our review of change requests noted 2 of the 25 (8 percent) tested were approved and processed although the change did not appear appropriate. Both change requests involved participants who were automatically exited by the system due to inactivity, as required. In both cases, a change was made to 'unexit' the participant although case notes clearly showed the participant had not been contacted or provided services for more than 90 days. Such changes are not in accordance with federal requirements.

In addition, the Toolbox system does not adequately track administrative changes made on the system, such as what changes were made, who made the changes, or the date the changes occurred. Record of the change requests are maintained in a spreadsheet separate from the Toolbox system, and change request forms are maintained in hardcopy. A DWD official said an electronic audit trail of information may be available if needed for review of a specific case; however, the information is not readily evident and changes are not identified as such when the files are viewed on Toolbox.

DOL-ETA Training and Employment Guidance Letter (TEGL) No. 17-05 states that a participant is to be exited from the program if a program service has not been received in a 90-day period. In addition, without a sufficient and accurate audit trail of changes to records of participant activity oversight agency personnel, as well as DWD management and monitoring personnel, are less able to adequately monitor subrecipient participant records.

WE RECOMMEND the DWD:

A. Continue to implement additional monitoring of WIB representatives or other staff responsible for documenting program exits to ensure compliance with federal requirements.

B. Ensure administrative changes made to participant records are appropriate, and develop or acquire the functionality to maintain adequate records of all changes made to participant records in the Toolbox Case Tracking System.

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.

2012-5. Vocational Rehabilitation

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

An adequate review of community rehabilitation provider (CRP) billings and other supporting documentation, including obtaining independent employment verification, was not performed. As a result, at least $46,030 was paid to a CRP for falsified and erroneous billings. MVR procedures to address concerns identified in annual performance appraisals performed on counselors were not effective. Correction of these concerns may have helped the agency detect the falsified and erroneous billings more timely.

During the year ended June 30, 2012, the MVR expended approximately $54 million through the Vocational Rehabilitation (VR) program, including $20.1 million for MVR staff payroll and operating expenses, $9.4 million for various types of client assistance payments, and $24.5 million paid to CRPs for contracted services. The VR program assists individuals with disabilities prepare for and engage in gainful employment. MVR counselors determine client eligibility and services required. Some clients are provided with assistance for transportation costs, tuition, etc. In addition, many clients are referred to contracted CRPs which provide services such as job readiness training, job placement, and job coaching.

A. An adequate review of CRP billings and other supporting documentation was not performed, and employment of some clients was not independently verified, prior to payment for placement and job coaching services. As a result, 23 payments totaling $33,699 were made during the period March 2011 to July 2012 to a CRP for falsified billings. In addition, another 14 payments totaling $12,331 made to the same CRP during the period March 2011 to May 2012 were determined questionable and may be either billing errors or additional falsified billings. During the year ended June 30, 2012, this CRP was paid approximately $2.8 million by the MVR for contracted services.

CRPs are allowed to bill the MVR when certain services are completed or benchmarks/outcomes are achieved for a client. CRP service invoices are received by the district MVR offices and reviewed by a supervisor or counselor. The supervisor or counselor compares the invoice to the client case file maintained by the MVR to ensure the information agrees, such as, level of service provided, amount of job coaching provided, and if the client has been placed in a job. The supervisor or counselor documents approval on the invoice with initials or a signature. This review does not, however, include independent verification of client employment activity. The billing is then approved by the billing department and processed for payment.

In July 2012, discrepancies in a previously approved billing and other supporting documentation provided by a CRP were identified by a MVR counselor. The CRP had billed for services not received by the clients, and the billing was subsequently determined by the MVR to be falsified. In August 2012, the DESE and the State Auditor's office also received an anonymous tip regarding the falsified billings. As a result, the MVR created a team to review all open cases with payments to this CRP for federal fiscal years 2011 and 2012 and to investigate any discrepancies identified. At our request, the MVR also conducted an additional review of some of the closed cases with payments made to this CRP in federal fiscal year 2011 and 2012. Closed cases are classified as either successful or unsuccessful (meaning the client did not find and retain employment in accordance with the client's employment goals). The MVR review of the 94 unsuccessful closed cases that billed for job placement or job coaching services identified additional falsified or erroneous billings. The MVR did not review closed cases for which no placement activities or services were provided or closed cases with successful closures because the MVR counselor contacts these clients before a case is closed. The MVR believed unsuccessful closed cases were a higher risk for falsified billings.

The MVR review of both open and closed cases identified the 37 questionable payments noted above, totaling $46,030. Questionable payments included, for example, the CRP billing for job coaching and job placement; however, the clients and the employers indicated to the review team the client never worked at the place of employment noted on the billing or received any job coaching. Also, some client signatures on supporting documentation submitted by the CRP did not match signatures maintained in MVR case files. The CRP acknowledged the questionable payments, and as of November 2012, the MVR received full reimbursement of $46,030 from the CRP for the falsified and erroneous billings and terminated the contract with the CRP.

In addition to the MVR review of cases involving this CRP, we conducted a review of 60 program expenditures, which included 20 payments to this and other CRP vendors, as well as other assistance payments, etc. Our review noted employment was also not verified for three payments made to other CRPs and adequate supporting documentation was not retained for two education assistance payments reviewed.

In response to the falsified and erroneous billings identified above, the MVR established new procedures for all contracted CRPs, which includes requiring the CRP to provide proof of outside employment verification such as a client's paycheck stub or a letter from the client's employer. If documentation is not submitted, the MVR counselor is required to document their own verification of employment with the client prior to the payment of invoices.

Federal regulation 34 CFR, Section 74.21 states recipients shall provide effective controls over and accountability for all funds, and have procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the federal cost principles. Due to the lack of adequate procedures, these falsified billings and other errors were not detected on a timely basis. Adequate documentation is necessary to ensure the appropriateness of these expenditures. Adequate supervisory reviews and verification of services billed assists in preventing the misappropriation of funds.

B. Procedures have not been established to effectively address concerns related to inadequate client contact identified in annual performance appraisals of counselors. More frequent client contact may have helped the MVR identify the falsified and erroneous billings noted in part A above.

MVR district supervisors perform annual performance appraisals of each MVR counselor. While the appraisals appear oriented toward case outcomes, one of the areas reviewed evaluates whether a counselor provides and documents goal-directed client contact. The MVR client services guide recommends counselors contact clients monthly. We reviewed annual performance appraisals conducted during the period October 2009 through September 2012 for 17 counselors that approved $42,130 of the questionable billings noted above. Annual appraisals for ten of these counselors identified failure of the counselors to adequately contact clients. Additionally, for eight of the ten counselors, this issue was identified in multiple annual appraisals, signifying ongoing deficiencies.

Upon completion of the appraisal, the district supervisor addresses any identified concerns with the counselor. Depending on the type of concern, the district supervisor may monitor the counselor by reviewing his/her casework on the case management system; however, this review is not documented. The district supervisor may also initiate an action plan or performance objective with the counselor. However, action plans and performance objectives are typically initiated to address the MVR's primary objective of employment outcomes rather than focusing on improving client contact.

In addition to contributing to productive outcomes for clients, counselor contact with clients can provide valuable information regarding the services provided by contracted CRPs. Since the MVR was not obtaining independent verification of reported employment as noted in part A, more frequent counselor contact of clients may have detected the falsified and erroneous billings more timely. Procedures should be developed to ensure concerns with inadequate client contact are corrected timely.

WE RECOMMEND the DESE:

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

B. Ensure concerns with inadequate client contact identified during annual performance appraisals are corrected timely.

AUDITEE'S RESPONSE

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

2012-6. Medicaid Home and Community Based Services

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

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

The DSDS is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for seniors and adults with disabilities, including the two largest programs, State Plan Personal Care (SPPC) and Aged and Disabled Waiver (ADW). The Medicaid program is administered by the Department of Social Services (DSS) - MO HealthNet Division, while the DSDS is charged with assessing and reassessing the need for, and authorizing HCBS services for these Medicaid recipients. These services, which are authorized in a plan of care, provide assistance to help qualifying recipients remain in or return to their home or community, and include services such as bathing, grooming, and dressing; general toileting activities; cleaning, dusting, and laundry; meal preparation and/or assistance with eating and washing dishes; and transportation for shopping/errands and medical appointments. Other services include advanced personal care, authorized nurse visits, and respite care. During the year ended June 30, 2012, approximately 59,000 recipients were provided SPPC and ADW services totaling approximately $483 million.

Backlogs of HCBS reassessments due, which have existed for several years, have been compounded by staff reductions in state fiscal years 2010 and 2011 and a failed contract with an assessment administrator. After the contract with the assessment administrator was canceled in September 2011, the DSDS hired approximately 90 staff to perform call center, initial assessment, reassessment, and care plan maintenance functions. In July 2012, the DSDS received additional funding and began paying HCBS providers to also perform some annual reassessments. With these changes, there has been limited improvement and a significant backlog of reassessments due still exists. According to DSDS officials, as of February 15, 2013, reassessments were due for approximately 29,600 Medicaid HCBS recipients.

In May 2011, the DSDS established the new HCBS Web Tool for performing various tasks for each recipient. Most new recipients and those existing recipients who have had a care plan change or reassessment after May 2011 have been entered in the HCBS Web Tool. DSDS staff have been yet unable to add the remaining existing recipients to the HCBS Web Tool. Participating HCBS providers and DSDS staff are responsible for performing reassessments for those recipients in the HCBS Web Tool (approximately 44 percent as of February 2013); while DSDS staff are responsible for performing reassessments for recipients (approximately 56 percent) not yet in the HCBS Web Tool. According to DSDS officials, while reassessments are performed annually for those recipients in the HCBS Web Tool, there is still a backlog of reassessments due for those recipients not yet in the HCBS Web Tool. For those participants in the HCBS Web Tool, participating providers and DSDS staff receive a monthly list of reassessments due within 60 days, and have 45 days to submit the completed reassessments. DSDS staff are assigned to perform initial assessments, care plan changes, and reassessments, with reassessments for participants not in the HCBS Web Tool being lower priority. Recently, in an effort to reduce the backlog of reassessments, the DSDS has been working to increase provider participation in the reassessment process. DSDS officials indicated their goal is to resolve the backlog of reassessments during fiscal year 2014, with current staff levels and full provider participation.

We tested assessment documentation for 60 Medicaid recipients who received SPPC and/or ADW services during the year ended June 30, 2012. Payments totaling $719,980 were made to providers on behalf of these recipients during this period. We found the DSDS did not perform annual reassessments of eligibility for 40 of the 58 (69 percent) recipients requiring a reassessment. The most recent reassessment for these recipients was completed 2 to 7 years ago. As a result, the DSDS could not demonstrate these 40 recipients needed the services for which the payments were made. The payments for SPPC and ADW services provided to these recipients without annual reassessments during the year ended June 30, 2012, totaled $468,570. We question the federal share, or $297,964 (63.59 percent).

The failure to perform annual reassessments as required can result in payments for services which are not necessary. Various regulations, including 42 CFR Section 441.302(c), Missouri statutes Sections 208.906 and 208.930, RSMo, the Cooperative Agreement between the DSS and the DHSS, and the DSDS Home and Community Services Case Management Manual, Section 1606.20, require that annual reassessments be performed for ADW and/or SPPC recipients to ensure the adequacy of the care plan and continued need for the level of care provided.

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

AUDITEE'S RESPONSE

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

2012-7. Homeland Security Grant Program

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

Controls and procedures over the operation of the Homeland Security program need improvement. During the year ended June 30, 2012, the Homeland Security program disbursed approximately $35.3 million in program funds.

A. The OD did not ensure personnel related expenditures were properly supported by salary certifications and approved activity reports for the Homeland Security program. A similar condition was noted in our prior audit report.

1) Salary certifications were not prepared for the 17 employees the OD identified as working solely on the Homeland Security program from July 2011 to March 2012. Personnel costs charged to the program (excluding benefits) during this period for these employees totaled $511,940. We question the federal share, or $511,940 (100 percent).

In April 2012, in response to a similar finding in our prior audit report, the OD began preparing salary certifications; however, our review identified 1 of the 17 employees noted above still lacked a salary certification for both May and June 2012. An additional employee, newly assigned to the program in May 2012, did not prepare a salary certification until June 2012. Personnel costs charged to the program (excluding benefits) for these two employees during the additional periods without salary certifications totaled $8,762. We question the federal share, or $8,762 (100 percent). Beginning July 2012, all OD employees record time using semi-monthly timesheets.

2) Documentation of employee and supervisor approval for time worked is not always maintained for employees splitting time between multiple programs, including the Homeland Security program. As a result, the OD cannot substantiate some payroll costs charged to the program.

Each pay period, OD employees enter the time spent on each federal program into an internal time tracking system. This data is used by OD officials to determine the allocation of payroll costs to various federal programs. However, the time entered and charged to the program for the period of July 2011 to March 2012 was not approved by the employee or the employee's direct supervisor as required for any of the 10 employees charging part of their time to the Homeland Security program during at least part of that period. Salary costs (excluding benefits) allocated for these employees during July 2011 to March 2012 totaled $215,991. We question the federal share, or $215,991 (100 percent).

In April 2012, in response to a similar finding in our prior audit report, the OD established procedures requiring the employee or the employee's supervisor to approve the time charged to the various programs and activities. Our review of salary costs allocated during May 2012 found three of the five employees during that period working on multiple programs (which included the Homeland Security program), either did not have properly approved activity forms or the allocation made did not agree to the approved form or other supporting documentation. A further review of a pay period in June 2012 found similar errors for two of these three employees. Salary costs (excluding benefits) allocated to the Homeland Security program for these three employees during the periods reviewed in which costs were not fully supported, totaled $9,285. We question the federal share, or $9,285 (100 percent).

OMB Circular A-87 requires salaries or wages charged to the federal award be supported by salary certifications or personnel activity reports or equivalent documentation. These records must account for the total activity for which the employee was compensated and be signed by the employee or supervisor. Without adequate documentation and proper approval of activity charged to the program, the OD has not fully substantiated the payroll costs allocated to the federal program.

B. The OD should improve policies and procedures to provide better assurance that subrecipients of the Homeland Security program are in compliance with applicable federal and grant requirements. During the year ended June 30, 2012, the Homeland Security program disbursed approximately $31.8 million to 68 subrecipients.

1) Although a formal subrecipient monitoring policy was implemented in March 2011 and a revised policy was issued in April 2012 for the Homeland Security program, the OD did not comply with these policies and monitoring procedures could still be improved. A similar condition was noted in our prior audit report.

   Prior to payment of a claim, the OD receives supporting documentation (i.e. invoices, proof of payment, etc.) from the subrecipient. In addition, the OD monitoring policy requires personnel to perform an annual desk monitoring review of each subrecipient. However, the OD did not perform desk monitoring reviews for 57 of the 68 subrecipients with expenditures during fiscal year 2012. In addition, the monitoring policy requires the OD to perform on-site visits to three subrecipients per year; however, the OD only performed one on-site visit during fiscal year 2012.

2) The OD has not established an audit tracking system or ensured Homeland Security program subrecipients expending $500,000 or more in federal funds obtained independent Single Audits as required. In addition, followup was not performed on findings reported in subrecipient Single Audits. A similar condition was reported in our prior audit report.

   Nine Homeland Security subrecipients each received $500,000 or more in federal funds from the Homeland Security program alone. For these nine subrecipients, the OD obtained copies of data collection forms, which accompany Single Audit reports submitted to the federal Single Audit Clearinghouse. These forms summarize various information from the audit reports, including whether material non-compliance or other audit findings were identified by the auditor. The OD performed desktop reviews of the data collection forms for two of the nine subrecipients and identified one of the subrecipients had audit findings. In addition, one of the seven subrecipients with no desktop review also had audit findings. However, the OD did not obtain a copy of the actual audit report from the two subrecipients to determine the significance of the findings and there was no documentation of any follow-up action by the OD. In addition, the OD had no system to identify which of the remaining subrecipients could be expected to need a Single Audit. While remaining subrecipients received Homeland Security program funding of less than $500,000, numerous awardees received significant Homeland Security funds and it is likely, when considering federal awards from other sources, a Single Audit would have been required for some.

Under 28 CFR Section 66.40 and OMB Circular A-133, grantees are responsible for monitoring subrecipient activities to assure compliance with applicable federal requirements. Grantee monitoring must cover each program, function, or activity. In addition, OMB Circular A-133 requires grant recipients to ensure subrecipients obtain a Single Audit when federal grant expenditures exceed $500,000 in a fiscal year. That audit report is required to be filed with the recipient agency and the federal Single Audit Clearinghouse within 9 months of the end of the subrecipient's fiscal year. The recipient agency is also required to issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action. Findings identified in subrecipient Single Audit reports could provide the OD valuable information about the performance of subrecipients.

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

The FFATA requires the reporting of key data elements for certain subawards and subcontracts to promote the transparency and accountability over the use of non-ARRA federal financial awards, and requires such information be made available to the public through a single searchable website. The FFATA requirements relate to direct recipients of grants or cooperative agreements who make first-tier subawards, and to contractors that award first-tier subcontracts. Reporting is required to be made by the end of the month following the month a subaward/subcontract, or an amendment or modification to a subaward/subcontract, greater than $25,000 was made. According to the OMB Circular A-133 Compliance Supplement, due to the relative newness of the

FFATA, the recipient must at least demonstrate a good faith effort to comply with these requirements, and such effort must be adequately documented.

An OD official was assigned to ensure compliance with FFATA. This official provided copies of correspondence indicating there were delays in obtaining information and guidance from the granting agency needed to comply with the FFATA. As of February 2012, the documentation indicated these issues were resolved. However, none of the 16 subawards issued during state fiscal year 2012 that we reviewed, totaling $8.6 million, were reported until after our inquiry in October 2012, approximately a year after the information was required to be reported. As of December 2012, 3 of the 16 subawards still had not been reported.

WE RECOMMEND the OD:

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

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

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

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.

2012-8.	**Payroll Cost Allocation Procedures**

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

Federal Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2011 - 2011IS252043, 2011IE251843, 2011CQ270343, and 2011IQ390343
2012 - 2012IS252043, 2012IE251843, and 2012IQ390343
93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF

	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2011 - G1101MOCCDF and 2012 - G1201MOCCDF 93.658 Foster Care - Title IV-E 2011 - G1101MO1401 and 2012 - G1201MO1401 93.659 Adoption Assistance 2011 - G1101MO1407 and 2012 - G1201MO1407 93.667 Social Services Block Grant 2011 - G1101MOSOSR 2012 - G1201MOSOSR 93.778 Medical Assistance Program 2011 - 1105MO5ADM and 2012 - 1205MO5ADM
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$148,884

DFAS controls and procedures over the allocation of some payroll costs to federal programs were inadequate and, as a result, several errors were not prevented and/or detected.

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

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

Our review of selected labor codes charged to the IM and CS cost pools during state fiscal year 2012 identified 3 of 60 employees reviewed (5 percent) were assigned labor codes that resulted in their payroll costs being charged to the incorrect cost pool. We expanded our review to include all employees assigned the labor codes in question and noted payroll costs were incorrectly charged for two additional employees. The labor codes associated with these errors only include a few employees. DFAS officials indicated the purpose or definition of these labor codes may have changed, but these changes were not properly reflected in the assignment of the labor codes to the cost pools. These errors resulted in overstatements of payroll costs totaling approximately $236,000 ($149,000 federal share) and understatements totaling approximately $139,000 ($86,000 federal share) for seven federal programs for the year ended June 30, 2012. Identified errors include:

- One labor code that included two FSD administrative support employees was charged to the CS cost pool instead of the IM cost pool. This error resulted in overstatements totaling approximately $70,200 to four federal programs and understatements totaling approximately $69,800 to three federal programs. We question the federal share of the overstatements, or $51,255.

- One labor code that included a CD area director was charged to the IM cost pool instead of the CS cost pool. This error resulted in overstatements totaling approximately $68,300 to three federal programs and understatements totaling approximately $68,700 to four federal programs. We question the federal share of the overstatements, or $35,191.

- One labor code was charged to the CS cost pool; however, the labor code included two employees whose entire payroll costs should have been directly charged to the federal programs related to their duties. These employees provide administrative support for the Caring Communities program funded by the Promoting Safe and Stable Families or the Social Services Block Grant programs. In response to Report No. 2010-30, *State of Missouri, Single Audit, Year Ended June 30, 2009,* issued in March 2010, finding 2009-12, DFAS management indicated the allocation of similar Caring Community partnership costs through the CS cost pool would be discontinued and the costs would be charged directly to the applicable federal programs. This resulted in overstatements to four federal programs totaling approximately $97,800. We question the federal share of the overstatements, or $62,438.

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

CFDA	Program	Amount
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	$ 17,086
93.558	Temporary Assistance for Needy Families	36,618
93.575/ 93.596	Child Care and Development Block Grant / Child Care Mandatory and Matching Funds of the Child Care and Development Fund	2,429
93.658	Foster Care Title IV-E	47,459
93.659	Adoption Assistance	6,363
93.667	Social Services Block Grant	22,795
93.778	Medical Assistance Program	16,134
Total		$ 148,884

OMB Circular A-87, Attachment A, Section C states that 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. In addition, federal regulation 45 CFR Section 96.30(a) requires the DSS to have sufficient controls over block grants to ensure expenditures are allowable. Without proper controls to periodically review the purpose and definition of labor codes and labor codes assigned to employees, the DFAS cannot ensure payroll costs are allowable and allocable to the various federal programs.

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

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.

2012-9. Schedule of Expenditures of Federal Awards

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

Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2011 - H126A110037 and 2012 - H126A120037
93.090 Guardianship Assistance
2012 - 1201MO1409
93.090 ARRA - Guardianship Assistance

2012 - 1201MO1408
93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
93.563 Child Support Enforcement
2010 - G1004MO4004
2011 - G1104MO4004
2012 - G1204MO4005
93.568 Low-Income Home Energy Assistance Program
2011 - G11B1MOLIEA and 2012 - G12B1MOLIEA
93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
93.658 Foster Care - Title IV-E
2011 - G1101MO1401 and 2012 - G1201MO1401
93.667 Social Services Block Grant
2009 - 0901MOSOS2
2011 - G1101MOSOSR
2012 - G1201MOSOSR
93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
93.778 ARRA - Medical Assistance Program
2011 - 1105MOARRA, 1105MOHIMP, 1105MOINCT and 1105MOEXTN
2012 - 1205MOIMPL and 1205MOINCT

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

As noted in the prior audit report, DFAS controls and procedures over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) are not sufficient, and as a result, errors on the SEFA were not prevented and/or detected. Expenditures reported on the SEFA for 7 of 18 (39 percent) programs reviewed were overstated by a net amount of approximately $16.9 million (overstatements totaled approximately $23.4 million and understatements totaled approximately $6.5 million). Listed below are the misstatements applicable to each program:

CFDA	Program	Overstated/ (Understated)
93.090	Guardianship Assistance	$ (3,133,866)
93.090	ARRA - Guardianship Assistance	(158,492)
93.563	Child Support Enforcement	(401,163)
93.575	Child Care and Development Block Grant	22,975,559
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	5,520
93.658	Foster Care - Title IV-E	435,043
93.667	Social Services Block Grant (SSBG)	(2,771,173)

In addition to the above errors, the amount provided to subrecipients was understated by approximately $6.4 million for the Low-Income Home Energy Assistance Program (LIHEAP). The DFAS revised the schedule after we brought the above errors to management's attention.

DFAS personnel prepare the SEFA from various records, including the program federal reports, the cost allocation plan, and other internal spreadsheets. In response to our prior finding, the DSS implemented new written procedures over the preparation of the SEFA in fiscal year 2012 including additional reviews and the use of a checklist by the preparer and reviewers. The checklist requires the reviewers to perform a comparison of expenditure amounts by program to federal reports, the cost allocation plan, or other documentation. The reviewers did not document which specific programs were verified and which documents were used to verify the SEFA amounts. The errors discussed above were not detected during the review process.

The majority of the above errors resulted from the incorrect compilation of data from program federal reports or other documentation during preparation of the SEFA. In addition, the amount paid to subrecipients for the LIHEAP program was understated because DFAS personnel were not aware how to identify the applicable population of payments in SAM II. The SSBG expenditure amount was understated because DFAS personal preparing the SEFA did not include amounts expended by another state agency. DFAS personnel also stated Guardianship Assistance expenditures were not included on the SEFA schedule because the federal grantor agency did not allow the DSS to draw down grant funds until fiscal year 2013 although the expenditures were claimed for reimbursement in fiscal year 2012. However, the DSS properly recognized similar expenditures for other grants in the year claimed for reimbursement rather than when the funds were drawn down. It is unclear why the DSS reconciliation of the federal reports and other documentation to the prepared SEFA failed to detect these misstatements.

OMB Circular A-133, section .310(b)(3), requires the DSS prepare a schedule of expenditures of federal awards showing the financial activity for each federal program. To ensure the SEFA is complete and accurate, effective procedures should be established, including a documented reconciliation to federal reports and detailed supervisory review.

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

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.

2012-10.	**Reporting**

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

The DFAS does not have adequate controls and procedures to ensure compliance with the Federal Funding Accountability and Transparency Act of 2006 (FFATA) and, as a result, several subawards were not reported as required.

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

The DFAS has developed written procedures for FFATA reporting. The procedures require a designated DFAS employee to ask the Purchasing Unit monthly which federally funded subaward contracts or agreements exceeding $25,000 were issued during the month. The Purchasing Unit manager is required to respond and provide copies of the applicable contracts or agreements. The Purchasing Unit manager identifies the subaward contracts by the inclusion of certain attachments. Subaward contracts identify the recipient as a subrecipient and the DSS requires an attachment identifying information about the grantor agency, federal grant, grant terms and conditions, and audit requirements. Additionally, the DSS requires the contract/agreement recipient complete a separate FFATA attachment that includes certain details required to be reported for the FFATA. DFAS officials indicated there is no supervisory review of the FFATA entries or the information submitted to the DFAS and DFAS staff do not compare subawards for a grant to prior year submissions.

We reviewed 24 of the 41 subawards for four federal grants. For 23 of the 24 subawards reviewed, totaling approximately $35.3 million, FFATA information was either not reported or not reported timely.

- The DFAS did not timely report a Child Care and Development Block Grant subaward totaling approximately $3.5 million. After our inquiry, approximately 9 months after the information was required to be reported, the DSS reported this subaward. The employee responsible for entering data in the federal system indicated Purchasing Unit staff did not inform her of this agreement.

- The DFAS did not timely report two Social Services Block Grant subawards totaling approximately $6.8 million. These subawards were not reported until 4 and 5 months, respectively, after required. DFAS officials indicated these awards were likely reported late because the grantor agency did not upload the prime award information timely. DFAS officials did not document this delay and could not provide evidence that a good faith effort had been previously taken to comply with FFATA requirements.

- The DFAS did not report increases in the amount of Low-Income Home Energy Assistance Program monies obligated to ten Community Action Agencies as required. While the original subawards were reported as required in October 2011, each of the ten contracts were subsequently amended by more than $25,000 in February 2012. The subaward increases totaled approximately $5 million. DFAS procedures do not address whether Purchasing Unit staff should identify amendments increasing subawards for FFATA reporting.

- The DFAS did not report Temporary Assistance for Needy Families subawards, totaling approximately $20 million, to ten contractors. The DSS indicated the amounts were not reported because the fiscal year 2012 subaward contracts did not designate the contractors as subrecipients, so they were not identified as contracts to be reported. The fiscal year 2013 contracts do designate the contractors as subrecipients and the DSS intends to report the current subawards in accordance with the FFATA.

Strengthening procedures over FFATA reporting would provide the DSS more assurance information included in the FFATA data for the various programs is complete, accurate, and reported timely.

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

AUDITEE'S RESPONSE

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

2012-11. Child Care Eligibility and Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2011 - G1101MOCCDF and 2012 - G1201MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2011 - G1101MOCCDF and 2012 - G1201MOCCDF 93.713 ARRA - Child Care and Development Block Grant 2009 - G0901MOCCD7
State Agency:	Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Legal Services (DLS)
Questioned Costs:	$298,847

As noted in our prior two audit reports, significant weaknesses exist in DSS controls over Child Care Development Fund (Child Care) eligibility and provider payments. Controls are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. Eligibility and payment documentation could not be located for many child care cases reviewed and overpayments were made to some providers. In addition, controls over investigations of potentially fraudulent child care payments need improvement. During the year ended June 30, 2012, the DSS paid over 8,200 child care providers approximately $172 million for services provided to about 85,000 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.

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

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

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

To test compliance with program requirements, we sampled eligibility documentation for 60 children, and reviewed provider agreements and payment documentation supporting one payment for each of these children. Payments totaling approximately $151,000 were made to child care providers on behalf of these children during state fiscal year 2012. We noted the following:

- The DSS could not locate the child care eligibility file for 5 of 60 (8 percent) cases reviewed. For two files, the DSS could not locate any original signed information and provided only reprinted information from the FAMIS system. The remaining three files included information related to other benefit programs or child care information for other time periods; however, child care eligibility information for the audit period was missing. In addition, the DSS could not locate an additional two files until approximately 5 months after our initial request. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2012, totaled $51,884. We question the federal share of $42,026 (81 percent).

- Eligibility documentation was not sufficient to support a valid need for child care for 5 of 60 (8 percent) cases reviewed. For one case, the client did not report all sources of income and additional income identified later by the DSS made her ineligible for benefits. For the remaining four cases, there was no documentation supporting the need for child care while enrolled in an educational program for all or part of the year. Payments totaling $12,603, made on behalf of these children and their siblings, were unallowable and/or unsupported by adequate documentation. We question the federal share of $10,208 (81 percent).

- For child care payments, 22 of 60 (37 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Attendance records were not provided by child care providers upon our request, some provider invoices did not agree to the corresponding attendance records, and one provider was paid more than the authorized number of days. In addition, documentation supporting some authorizations for payments at enhanced evening/weekend rates could not be located. Of these 22 payments, 6 were for cases which also lacked eligibility documentation and were included in the questioned costs above or were absence and/or holiday payment errors and are questioned in Part B. Payments for the remaining 16 cases totaled an additional $3,989. We question the federal share of $3,231 (81 percent).

During the fiscal year ended June 30, 2012, there was a lack of overall quality control for the Child Care program. The various errors noted above occurred because the DSS lacks sufficient controls to ensure eligibility determinations are accurate and payments are proper and adequately supported. At least three significant factors contributed to the weak control system including: limited supervisory review of child care eligibility determinations, failure to perform on-site contract compliance reviews of child care providers and minimal other procedures in place to review provider attendance records, and poor case management and document retention.

In response to deficiencies identified in previous audit reports, the DSS implemented new controls over eligibility determinations. Although the DSS has a system for monthly supervisory reviews of eligibility determinations by caseworkers statewide for other DSS assistance programs, the review system did not previously include the Child Care program. Effective March 1, 2012, the DSS requires all FSD eligibility supervisors to review a minimum of three child care cases each month in the case review system. While the new procedures improve controls over eligibility determinations, there are no requirements for random case selection and only limited procedures to ensure the monthly case reviews are performed.

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

Payments associated with known questioned costs represented approximately 20 percent of payments reviewed. If similar errors were made on the remaining population of child care payments, questioned costs could be significant.

B. Controls and procedures over absence and holiday payments are inadequate and, as a result, the DSS paid at least $300,000 to providers who did not actually provide child care for the children claimed. In addition, some payment edit checks in the FAMIS and CCOIS systems were not operating effectively.

Child care providers are allowed to bill for a limited number of absences and/or holidays during a month if the child has not left the provider's care. Our review of DSS expenditure data determined the DSS paid at least 680 providers on behalf of at least 2,900 children for absences and/or holidays in months with no attendance reported for the child during either the month reported or the subsequent month. For many of these the provider billed and was paid for the maximum number of absences and/or holidays allowed even though no other services were provided or billed. Identified payments made on behalf of these children with fiscal year 2012 service dates totaled $300,471. We question the federal share, or $243,382 (81 percent). For at least two children, the DSS paid the provider for absences and/or holidays for all 12 months when there was no other claimed attendance. We also identified an additional $133,645 in potentially unallowable payments on behalf of children who had attendance in the subsequent month but their case was not reviewed by the DSS in accordance with policy or the service date was outside of the audit period, and we could not confirm if they had additional attendance. DSS officials confirmed there is no system edit in place to prevent providers from billing for only absences and/or holidays.

We also noted additional weaknesses in the FAMIS (eligibility and payments) and CCOIS (web invoicing) systems. In some instances the FAMIS system paid providers more than the allowed number of absences and/or holidays when a child care authorization ended during the month and a new authorization subsequently began in the same month. For example, the DSS paid one provider for nine absences and one holiday in November 2011 because the FAMIS system allowed five absences and/or holidays for the child's authorization period that ended on November 17 and also the new authorization period that began on November 18. CD officials were not aware edit checks were not operating correctly. Providers are limited to a maximum of three or five absences and holidays combined, per calendar month, depending on the child's authorized level of care. In addition, the CCOIS system does not limit the service dates that can be claimed for payment.

Some payments made during state fiscal year 2012 were for services provided as old as February 2007. Payments for service dates prior to January 2011 totaled over $388,000. While some older service date payments may be allowable or correcting entries, CD officials stated they were not aware older entries by providers were possible and thought the FAMIS system would limit the service dates that could be paid even if the CCOIS allowed the service dates to be entered by providers.

Current DSS policy prohibits providers from billing for absences and/or holidays after a child has left the care of a provider. Officials indicated there may be times when a child is temporarily absent from the provider, but the determination of whether the provider would be allowed to claim absences and/or holidays would need to be addressed on a case by case basis. Policy instructs employees to review the child's authorization and circumstances when a provider claims only absences. However, this does not occur in practice, because procedures do not exist to review any web invoices prior to payment, including those submitted with only absences and/or holidays. Without adequate controls and procedures in place, including appropriate computer system edits, the DSS is unable to effectively prevent and detect improper payments.

C. Controls over child care fraud investigations are not sufficient to ensure cases are investigated timely and effectively. The Division of Legal Services - Welfare Investigations Unit (WIU) is responsible for investigating cases of suspected fraud for all DSS public assistance programs, including the Child Care program. The WIU closed 27 fraud investigations that included child care benefits during the year ended June 30, 2012, and as of December 31, 2012, had 165 open fraud investigations (both client and provider fraud) that included child care benefits. Approximately 30 percent of the open investigations were opened prior to January 2012.

We reviewed ten investigations closed during fiscal year 2012 and noted two of these investigations were not reviewed by the WIU timely. One of the investigations was open for over 5 years and eventually closed without a repayment agreement because the statute of limitations had expired. The other investigation was open for 3 years with no repayment agreement. The WIU referred this client to the CD and the CD did not deny eligibility to the client as required until 6 months later.

Officials indicated there is no specific method established to prioritize pending investigations. The supervisor in each of the five regional offices assigns new cases to investigators and monitors caseloads, but procedures vary between offices. DSS officials stated current DLS staffing levels may affect the number of cases that can be investigated.

45 CFR Section 98.60 requires states recover child care payments from the responsible party that are the result of fraud. The DSS Child Care Policy manual

states upon application for child care benefits the eligibility specialist is required to check for outstanding claims against the client and contact the WIU to determine if the family is paying restitution. If the client is not paying restitution as required the eligibility specialist is required to reject the application.

WE RECOMMEND the DSS through the CD, FSD, and DLS 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. Implement procedures to ensure payments for absences and holidays are allowable and reviewed in accordance with policy. In addition, system controls should be strengthened to ensure claimed absences are limited in accordance with policy and services dates claimed are timely.

C. Improve controls and procedures over fraud investigations and ensure cases are investigated timely, appropriate actions are taken to recover overpayments, and eligibility is not approved when the client is not repaying.

AUDITEE'S RESPONSE

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

2012-12. Child Care Reporting and Earmarking

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls over the preparation of quarterly federal financial reports are inadequate and, as a result, some reports were inaccurate. Additionally, DFAS procedures need improvement to ensure Child Care and Development Fund (CCDF) federal earmarking requirements (targeted funds) are met. As a result, the DFAS did not report meeting two of three targeted fund requirements for federal fiscal year 2012.

A. Expenditure amounts reported on CCDF quarterly financial reports (ACF-696) for two quarters exceeded actual expenditures because formula errors in a supporting spreadsheet were not detected. The ACF-696 reports Mandatory, Matching, and Discretionary grant cumulative expenditure and obligation information for the federal fiscal year as well as required Maintenance of Effort (MOE) expenditures.

The DFAS Grants Unit Manager prepares the ACF-696 reports quarterly. A spreadsheet is used to determine the federal amounts for each grant type and the MOE amount to be included. The manager enters the quarterly federal allotment amounts from grantor agency award letters and actual administrative and earmark expenditures from cost allocation spreadsheets. A spreadsheet formula then calculates the direct services (assistance) expenditure amount by deducting the cumulative actual administrative and earmark expenditures from the cumulative allotment amount. When actual expenditures exceed the allotted amount, the formula accurately limits the reported expenditures to the allotment. However, when actual expenditures are less than the allotment, the balance of the allotment is inappropriately reported as direct services expenditures. DFAS officials indicated, in the past, actual expenditures always exceeded the grant allotment. In fiscal year 2012, the number of child care recipients decreased causing two quarters of expenditures to be less than the quarterly allotment. The DFAS Deputy Director reviews the quarterly reports and the DFAS Director electronically signs the reports before they are electronically submitted to the Administration for Children and Families (ACF). The report review does not include a detailed comparison of amounts to source documentation or a review of formulas in supporting spreadsheets.

Our review of the federal fiscal year 2012 quarterly ACF-696 reports noted the assistance amounts reported for the quarters ended March 31, 2012, and December 31, 2011, exceeded total assistance expenditures reported on the respective quarterly cost allocation spreadsheets. The spreadsheet formula error discussed above caused the DSS to improperly report the full grant allotment as expended rather than the lesser actual expenditures amount. For these two quarters the DSS reported approximately $7.9 million (federal, state match, and MOE) more in expenditures than the amount supported by the quarterly cost allocation spreadsheets. While the actual assistance expenditures were overstated for these two quarters, by year-end total federal fiscal year 2012 eligible assistance expenditures exceeded the grant award by $150,000. If eligible expenditures had not exceeded the available grant award by year end, the errors could have resulted in claiming unallowable expenditures on federal reports and likely questioned costs.

ACF report guidance states all amounts reported on required quarterly reports must be actual obligations or expenditures made under the State's plan and in accordance with all applicable statutes and regulations. Additionally, the grant terms require the grantee's fiscal and accounting procedures be sufficient to permit the preparation of required reports and tracing of expenditures to a level of expenditure adequate to establish that such funds have not been used in violation of 45 CFR Part 98. Inadequate supervisory reviews of federal reports and supporting spreadsheets could hinder the ability to manage federal funds effectively and to comply with federal regulations.

B. The DFAS initially reported two of three targeted fund requirements were not met for federal fiscal year 2012. After our review, the DFAS revised the federal reports to show earmarking requirements were met; however some revised amounts were not supported. Federal CCDF appropriations require states to spend funds on three targeted quality activities including Child Care Resource and Referral and School-Aged Child Care (school age), Quality Expansion Activities (quality), and Infant and Toddler Care Activities. The DSS subgrants monies to other state agencies to provide services to satisfy a portion or all of the target requirements.

The amount reported for the quality target was approximately $1.6 million less than the $3.7 million targeted spending requirement. The amount reported for the school age target was approximately $188,000 less than the $361,000 targeted spending requirement. After our initial review, the DFAS determined the quality target was actually met, but misreported on the federal reports due to a formula error in a supporting spreadsheet which resulted in the exclusion of some expenditures for the quarters ended September 30, 2012, and June 30, 2012. The DFAS revised the federal report for the quarter ended September 30, 2012, correctly reporting expenditures in excess of the required quality target amount.

The DFAS also revised school age target amounts by adding $200,000 to the reported amount for a total of $373,000. The Grants Unit Manager stated she discussed the target requirement with the other agency that provides school age services, which indicated at least a portion of the agency's other CCDF expenditures would likely qualify for inclusion under the school age target. The Grants Unit Manager increased the reported amount for the school age target based on this assumption; however, the DFAS has no documentation to support which other expenditures would qualify and in what amount. It is unclear, based on the funded activities described in the DSS agreement with the other agency, which, if any, of the other expenditures would qualify. Officials indicated they are considering requiring the other state agency submit more detailed reports of monthly expenditures to allow the DFAS to clearly identify which expenditures satisfy this target.

CCDF grant terms and conditions require states to spend their full allotment of targeted funds and these expenditures must be separately reported on quarterly financial reports. To ensure earmarking requirements are met and tracked, and amounts claimed are adequately supported and allowable, earmarking procedures should be improved.

WE RECOMMEND the DSS, through the DFAS:

A. Improve controls and procedures to ensure quarterly federal financial reports are complete and accurate and reflect actual expenditures. Controls and procedures should include a supervisory review of quarterly reports sufficient to detect errors.

B. Ensure earmarking requirements are met and improve controls for tracking and reporting targeted fund expenditures. Controls should be sufficient to ensure targeted fund expenditures are allowable and supported.

AUDITEE'S RESPONSE

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

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

2012-13. Vocational Rehabilitation

Federal Agency:	Department of Education
Federal Program:	84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States 2011 - H126A110037; 2012 - H126A120037
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)
Questioned Costs:	$5,903

The RSB did not adequately review provider billings or obtain independent employment verification for employment services (ES) paid through the Vocational Rehabilitation (VR) program. Additionally, the RSB did not adequately document annual reviews of Individualized Plans for Employment (IPE).

A. The RSB did not adequately review ES provider billings and other supporting documentation and did not obtain independent verification of employment of the clients prior to payment for job placement services. The RSB contracts with ES providers for functional assessments, job coaching, job development and placement, and on-going support services for clients. During the year ended June 30, 2012, the RSB paid approximately $215,000 to nine ES providers. We were made aware of concerns regarding billings of one ES provider which was paid about $104,500 for services for 69 RSB clients. We reviewed 8 of the 69 cases, covering payments totaling $9,927.

For seven of the eight cases, payments totaling $7,501 were made even though at least one or more of the required reports or monthly logs was not submitted by the provider. In addition, a monthly log for one case appeared to be a duplicate of the prior month's log, and the client signature on that log was not consistent with other signatures made by the client in the file. We question the federal share of payments for ES services for these seven cases, or $5,903 (78.7 percent).

For one of the seven cases, the provider received a payment of $1,852 for placing the client in employment. While the vendor provided the RSB with a placement notice listing the position and employer name, the case file contained no documented contact between the RSB and the client or employer verifying the job placement.

Invoices, monthly progress reports and monthly logs showing the hours of services provided, if applicable, are received by the district VR offices and reviewed by the RSB counselor or rehabilitation assistant. An RSB official indicated the vendor is expected to obtain a signature from the client verifying receipt of services for hours reported on the monthly log. RSB staff compare the invoice to the progress report or monthly log and the case file to ensure the information agrees and the services were authorized. Their approval to authorize payment is documented on the invoice with initials or a signature. We noted this review lacked independent verification of client employment activity with the client or employer and clients are generally not contacted about invoices unless something unusual is noted. Based on the issues we noted with the files tested, the RSB review of provider billings and supporting documentation does not appear adequate or thorough. Given the high rate of exceptions and questionable documentation noted in our review, the RSB should consider more closely reviewing the remainder of the billings reimbursed to this provider.

Federal regulation 34 CFR Section 74.21 states recipients shall provide effective controls over and accountability for all funds, and have procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the federal cost principles. Adequate documentation is necessary to ensure the appropriateness of these expenditures.

B. The RSB does not always conduct or adequately document annual reviews of IPEs. Without adequate documentation, it is unclear whether the reviews were performed as required. During the year ended June 30, 2012, purchased services and products for VR clients totaled approximately $5.2 million.

An IPE is developed for each individual determined to be eligible for vocational rehabilitation services. The IPE is designed to achieve a specific employment outcome for each individual based on their strengths, resources, priorities, and capabilities. The IPE generally outlines the services authorized to achieve the set goals and employment outcome. An annual review of the IPE is required by federal regulation to assess the progress of each individual and to determine the continued need for the services outlined in the IPE.

We noted documentation of the annual review was not included in the case file for 14 of 47 (30 percent) cases tested. The case files generally included documentation indicating the cases were being actively managed and IPEs were often amended. In addition, case counselors regularly approved payments for VR services authorized in the individual's IPE; however, the case file contained no documentation of an annual review of the IPE. RSB officials indicated they are implementing, in February 2013, a new management report from the RSB case management system that will allow RSB management and caseworkers to more easily identify cases in need of an annual review of the IPE.

Federal regulation 34 CFR Section 361.45(d)(5) requires the IPE to be reviewed at least annually by a qualified vocational rehabilitation counselor to assess the eligible individual's progress in achieving the identified employment outcome.

WE RECOMMEND the DSS, through the FSD and RSB:

A. Resolve the questioned costs with the grantor agency. In addition, the FSD should establish procedures to improve the billing review process for ES providers, conduct independent verification of job placement for VR clients, and ensure adequate supporting documentation is obtained for all expenditures. The RSB should also consider more closely reviewing the remainder of the billings reimbursed to this provider.

B. Ensure annual reviews of the IPE for VR clients are performed and documented as required.

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.

2012-14. Unallowable Costs and Maintenance of Effort

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$56,625,807

The DSS does not have adequate controls in place to ensure costs claimed under the Temporary Assistance for Needy Families (TANF) program meet federal requirements. The DSS claimed unallowable foster care, adoption assistance, and subsidized guardianship costs totaling over $32.4 million under the TANF program. The DSS included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the TANF program. In addition, the DSS claimed unallowable scholarship program costs totaling about $24.2 million directly under the TANF program. Similar findings were noted in our two prior audit reports. The federal oversight agency has not provided any formal resolution on these issues.

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 claimed unallowable state foster care, adoption assistance, and subsidized guardianship costs under the TANF program. Federal regulation, 45 Section 263.11, includes a grandfather clause allowing states to continue to claim 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 claimed 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 claiming certain child welfare expenditures in state fiscal year 2006 including some state foster care, adoption assistance, and subsidized guardianship under the TANF program. Expenditures claimed 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 claimed included non-emergency assistance, and the costs claimed for emergency assistance are not separately identified; therefore all costs are unallowable. We question all state fiscal year 2012 costs for foster care, adoption assistance, and subsidized guardianship claimed under the TANF program, totaling $32,412,572 (100 percent federal share).

B. The DSS included unallowable early childhood educational expenditures of the Missouri Pre-School Program totaling $14,307,089 in the amounts reported for the annual 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 meet certain criteria. The MOE must meet a threshold based on either 80 percent ($128.1 million) or 75 percent ($120.1 million) of the 1994 base year expenditures, depending on whether 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 Section 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 year 2009 and forward, 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 Department of Health and Human Services (DHHS), 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 2011 and noted the DSS had insufficient documentation to support the inclusion of the Missouri Pre-School Program as an allowable source of MOE. The program was operated by the Missouri Department of Elementary and Secondary Education. The DSS began including this educational program in MOE in 2007.

The Missouri Pre-School Program appears to fall under the category of early childhood education programs which have been deemed by the ACF as meeting TANF purposes 3 and 4 under certain conditions. However, for this program activity to be includable in MOE, the activity 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 this program benefit only TANF eligible families. The DSS has also not determined and documented how this program was 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 the Missouri Pre-School Program are an allowable source of MOE. For this program, the DSS claimed unallowable costs totaling approximately $14 million in federal fiscal year 2011.

For federal fiscal year 2011, DSS reported MOE total expenditures of $178.9 million including the unallowable Missouri Pre-School Program costs of $14 million. It appears the allowable MOE expenditures were $164.9 million which exceeds the required MOE for federal fiscal year 2011. The DSS did not comply with TANF program requirements related to MOE and continuing to claim unallowable MOE expenditures increases the risk the DSS could fail to meet the MOE requirements. 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. In addition, the amount of MOE in excess of required levels is a critical factor in the case load reduction credit that is used by the ACF to determine if the state meets the minimum work participation rate. Failure to meet the work participation rate could result in additional significant penalties.

C. For the quarter ended September 30, 2011, the DSS claimed costs under the TANF program, totaling $24,213,235, related to two scholarship programs: A+ Schools, and Bright Flight 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. We question the state fiscal year 2012 costs for scholarship programs that were claimed under the TANF program, totaling $24,213,235 (100 percent federal share).

D. The DSS control system has not been effective in ensuring the types of costs claimed under 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 claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

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

A. Ensure prior approved program costs claimed under the TANF program comply with federal regulations.

B. Ensure expenditures claimed as MOE are allowable.

C. Ensure program costs claimed under the TANF program comply with federal regulations.

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

AUDITEE'S RESPONSE

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

2012-15. Eligibility and TANF Assistance Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$20,261

The FSD did not act promptly or properly on information affecting recipient eligibility and eligibility documentation was not complete for some Temporary Assistance for Needy Families (TANF) recipients reviewed. In addition, sanctions were not imposed on recipients who failed to cooperate with Child Support Enforcement (CSE) procedures. During the state fiscal year ended June 30, 2012, the DSS expended federal funding of about $199 million for the TANF program, of which about $95 million was basic assistance payments to families. Similar conditions were noted in our prior audit.

A. The FSD paid TANF benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received. We sampled 60 recipients, with payments totaling $135,618 for the year ended June 30, 2012, and noted concerns with 13 (22 percent) of the cases tested. The purpose of the test was to determine whether the proper eligibility determinations were made, and whether payments were calculated in accordance with program requirements, including obtaining any required documentation.

- For five recipients tested, the eligibility specialist did not act promptly or properly on available information affecting recipient eligibility, resulting in payment of improper benefits. In four cases, the eligibility specialist did not take action after receiving system alerts of changes in recipient income and employment identified by periodic matches between various federal and state databases. In another case, the eligibility specialist did not act promptly to close the case after being notified of client ineligibility by the FSD medical review team. The FSD failed to detect four of the five instances noted here. The FSD indicated the cases have now been closed and claims for repayment of the improper benefits have been established for all five recipients. We question the amount of improper benefits paid to these five recipients, totaling $6,342 (100 percent federal share).

Under 45 CFR Section 206.10, an individual's eligibility must be reconsidered or redetermined: (1) when required on the basis of information the agency has obtained previously about anticipated changes in the individual's situation; (2) promptly, after a report is obtained which indicates changes in the individual's circumstances that may affect the amount of assistance to which he is entitled or may make him ineligible; and (3) periodically, within agency established time standards. for certain other eligibility factors subject to change. The FSD has established a policy requiring all factors of eligibility for recipients of TANF to be redetermined at least annually or more often for certain cases.

- For four recipients tested, the FSD identified unreported income and took action to close the case; however, the FSD did not establish claims for improper benefits until we inquired about these cases. The FSD determined improper benefits for three cases totaled $2,369, but has not determined the amount of improper benefits for the third case. We question the amount of the improper benefits identified totaling $2,369 (100 percent federal share).

  Prompt determination of overpayment and claims establishment are necessary as amounts recovered offset future program costs.

- For four recipients tested, the FSD did not maintain adequate documentation. In three instances, the case file did not contain the recipient's signed assistance application/eligibility statement or system-generated interview summary. In another instance, the case file contained an application/eligibility statement but no interview summary. Additionally, for two of these cases, there was no documentation of the verification of a minor child living in the household. In two of these cases, the FSD identified unreported income, but did not take timely action to close the case and establish a claim. The assistance application/eligibility statement and interview summary contain questions concerning income, reasons for need, and required federal prohibitions and requirements, and must be signed by the applicant certifying compliance with the requirements and attesting to the accuracy of the information provided. The verification of a minor child living in the home is a federal eligibility requirement.

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

Because the FSD did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. Payments made for these four cases during the year ended June 30, 2012, totaled $9,313, for which we question the entire amount (100 percent federal share).

B. The FSD did not act upon some notices of non-cooperation from the CSE Unit to sanction recipients and the CSE Unit did not always notify the FSD of non-cooperating clients. We obtained a listing of CSE cases flagged in the child support case management system for non-cooperation during the year ended June 30, 2012, and matched it against a listing of TANF cases. There were 2,628 TANF cases flagged for non-cooperation, with payments totaling nearly $5.2 million during the fiscal year ended June 30, 2012. We tested 60 of these TANF recipients to determine whether the FSD was properly sanctioning recipients who were not cooperating with CSE procedures. TANF payments for the fiscal year for the 60 recipients totaled about $127,000. For 34 of the 60 items (57 percent) tested, either the CSE Unit did not promptly notify the FSD of the non-cooperation or the FSD did not act to sanction the recipient upon notification.

- The CSE Unit did not notify the FSD of 23 non-cooperating clients tested. When non-cooperation occurs, the CSE Unit is to alert the FSD eligibility specialist via email comments or by sending a notice of non-cooperation form. For one case, the notification occurred about 4 months after the non-cooperation began, delaying the imposition of the sanction. For 12 cases, neither the FSD nor CSE had documentation to support the FSD had received a notice of non-cooperation. For 10 of the 23 cases, notes in the Missouri Automated Child Support System indicated no notification was sent because either there was no currently active TANF case or the TANF case was currently sanctioned for other reasons. As a result of the failure of CSE to notify FSD of the non-cooperation, sanctions were not entered or not entered timely into the Family Assistance Management Information System (FAMIS) system and of the 23 cases reviewed, 6 recipients received overpayments totaling $1,199 during the year ended June 30, 2012. We question the federal share of overpayments totaling $1,199 (100 percent federal share).

- The FSD did not sanction 11 recipients when notified of referral for non-cooperation. For four of these recipients, the TANF case was either inactive or already sanctioned for other reasons when the notification was received, and consequently the FSD entered no additional sanction for the child support non-cooperation in the FAMIS system. As a result, no sanction would be in effect if the case was re-activated or the other sanction currently being imposed was removed. Only one sanction at a time can be imposed upon a

TANF case. For another case, the client subsequently cooperated before the next benefit payment. For the other six recipients, the active TANF case was not sanctioned by the FSD resulting in overpayments totaling $1,038 during the year ended June 30, 2012. We question the federal share of overpayments, totaling $1,038 (100 percent federal share).

Under 45 CFR 264.30, the FSD must refer to the CSE all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified, or enforced. Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child. If the CSE determines an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by CSE, the FSD, or federal law, the CSE agency must notify the FSD promptly. The FSD must then take appropriate action by either deducting an amount equal to at least 25 percent from the TANF assistance that would otherwise be provided to the family of the individual or denying the family assistance entirely. The DSS has determined the sanction will be 25 percent of the assistance amount.

The FSD and CSE did not have a system to track cases requiring notification of non-cooperation and ensuring the notifications were sent and received, and sanctions entered. As a result, the FSD could not ensure or demonstrate compliance with federal requirements related to sanctioning of recipients who were not cooperating with CSE program requirements. Notifications should be sent and sanctions entered on all non-cooperating cases, including inactive cases and cases sanctioned for other reasons, so the sanction can be applied if the TANF case becomes active or the other sanctions expire.

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

A. Strengthen controls to ensure information affecting eligibility is properly reviewed periodically and proper and timely action is taken regarding the information, including case closures and recoupment of overpayments if warranted. In addition, the FSD should maintain required eligibility documentation in all case files.

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

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.

2012-16. TANF Work Participation and Sanctions

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned costs:	$393

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2012 and, as a result, the FSD has less assurance the data used to calculate the work participation rate is accurate. In addition, controls were not adequate to ensure recipients were sanctioned when they were not in compliance with federal and state requirements.

The FSD contracted with 10 community organizations for the 19 regions in the Missouri Work Assistance (MWA) program to perform many of the required TANF work activity functions. These duties include case management, enrollment and assistance to TANF recipients who are required to participate in eligible work activities, and reporting recipient noncompliance and hours of participation to the FSD. The FSD expenditures to the MWA contracted community organizations for the MWA program totaled about $20 million during the year ended June 30, 2012.

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

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

A. The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2012. A similar condition was noted in our prior two audit reports.

We obtained a February 2012 listing of those TANF recipients referred to the MWA contractors which included data on the status of each recipient's compliance with the work participation requirements and number of hours of participation in the various work related activities. Of the 21,025 TANF recipients included in the report, 4,547 recipients had at least an hour of work activity reported. We selected 60 recipients with reported work activity for testing and obtained their case files. We noted for 25 (42 percent) of the cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan. In five instances the errors led to incorrectly reporting the recipient as meeting or not meeting the work participation requirements. The net effect of the errors was a slight understatement of the work participation compliance rate of approximately 2 percent for this group of 60 individuals.

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

B. The FSD did not have adequate procedures in place to ensure MWA contractors notified the FSD when TANF recipients failed to meet work participation requirements. As a result, many TANF recipients who failed to meet work participation requirements were not sanctioned and continued to receive full benefits. A similar condition was noted in our prior audit report.

Of 21,025 individuals on the February 2012 listing of TANF recipients referred to the MWA contractors, there were 16,478 recipients for which no work activities were reported. About 2,300 of these recipients were not subject to sanction due to various allowable waivers and exemptions, leaving about 14,200 recipients who were not participating in work activities and subject to sanction. We tested 57 of the 14,200 cases and noted 6 (11 percent) of the recipients were not appropriately sanctioned for non-compliance with work participation requirements. Twenty-five recipients were appropriately sanctioned and the remainder were not subject to sanction during February 2012 due to various reasons such as the recipient began participation, or the FSD or recipient closed the case. The DSS has established the sanction at 25 percent of the monthly benefit amount. We question the amount of the sanctions that were not imposed on these six recipients for the month of February 2012, which totaled $393 (100 percent federal share).

For the cases with errors, MWA program contractors had multiple contacts with the recipients to get them engaged with the program and to reschedule missed appointments. However, the contractors did not place the recipients in conciliation or report them to the FSD to begin the sanctioning process.

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

The failure to maintain adequate controls to ensure recipients who are not in compliance with the work requirements are appropriately sanctioned has resulted in overpayment of benefits totaling $393.

In 2010 and 2011, the Department of Health and Human Services, Administration for Children and Families (ACF) determined the state failed to meet the overall work participation rates for federal fiscal years 2008 and 2009 and indicated the state was subject to potential penalties totaling $44.4 million. The DSS has appealed the ACF's determinations. Failure to comply with the requirements regarding data accuracy and imposition of sanctions for failure to meet work requirements increases the risk additional penalties may be imposed.

WE RECOMMEND the FSD:

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

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

AUDITEE'S RESPONSE

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

2012-17. LIHEAP and CSBG Subrecipient Monitoring

Federal Agency: Department of Health and Human Services
Federal Program: 93.568 Low-Income Home Energy Assistance
2011 - G11B1MOLIEA and 2012 - G12B1MOLIEA
93.569 Community Services Block Grant
2009 - G09B1MOCOSR, 2010 - G10B1MOCOSR, and 2011 - G11B1MOCOSR

93.710 ARRA - Community Services Block Grant
2009 - 0901MOCOS2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Low-Income Home Energy Assistance Program Unit and the Division of Finance and Administrative Services - Compliance and Quality Control (CQC) Unit

The DSS conducted close out reviews of the Low-Income Home Energy Assistance program (LIHEAP) and the Community Services Block Grant (CSBG) program funds provided to the Human Development Corporation of Metropolitan St. Louis (HDC), a former DSS subrecipient. The DSS questioned costs totaling over $660,000 related to the CSBG program.

As noted in our prior audit report, the DSS determined the HDC misused at least $669,704 of LIHEAP funds that were due to an energy supplier. The DSS issued payment of additional state funds to satisfy the amounts due to the energy supplier. In February 2012, the DSS paid the energy supplier an additional $1,878 of state funds for amounts due. The DSS did not allow the HDC to participate in the LIHEAP during federal fiscal year 2012. The HDC voluntarily withdrew from the CSBG program in September 2011 and filed for corporate dissolution in December 2011. The DSS filed a claim in the HDC corporate dissolution case for the amount of LIHEAP funds misused, totaling $671,582.

In July and August 2012, the DSS conducted a closeout monitoring review of the LIHEAP and CSBG program funds provided to the HDC for federal fiscal years 2009, 2010, and 2011. No additional misuse of LIHEAP funds was identified by the DSS. However, the DSS identified payments for CSBG services totaling $660,239 for which the HDC lacked adequate supporting documentation and the DSS filed another claim in the HDC corporate dissolution case for those costs in August 2012. According to DSS officials, no court decision has been made on the DSS claims. DSS officials indicated the appropriate federal officials have been notified of the results of the closeout monitoring, but the DSS has not been notified of any requirements for the state to repay the CSBG costs questioned.

The DSS formed the CQC Unit in April 2012 to develop and implement extensive monitoring tools and processes for the fiscal review of all Community Action Agencies (CAA). The CAAs administer the LIHEAP and CSBG program at the local level. DSS officials indicated the changes will allow the DSS to more effectively monitor LIHEAP and CSBG service providers. The DSS should continue to evaluate the effectiveness of those monitoring procedures and make improvements as necessary to help timely identify any problems at the subrecipient level.

WE RECOMMEND the DSS continue to review its subrecipient monitoring efforts and determine if further improvements are needed.

AUDITEE'S RESPONSE

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

2012-18. Participant Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO5021 2011 - 1105MO5021 93.778 Medical Assistance Program 2011 - 1105MO5MAP and 1105MO5ADM 2012 - 1205MO5MAP and 1205MO5ADM
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs:	$3,545,095

Effective controls are not in place to ensure or demonstrate compliance with participant eligibility requirements of the Medical Assistance Program and the Children's Health Insurance Program (CHIP). In addition, ineligible payments were made related to these programs, but have not been reported to, or resolved with, the grantor agency.

The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD under the federally approved Medicaid and CHIP State Plans. The FSD is responsible for determining the eligibility of Medicaid and CHIP participants. During the year ended June 30, 2012, Medicaid and CHIP payments totaled approximately $9.1 billion, of which approximately $5.8 billion was claimed as federal expenditures. There were approximately 1.2 million Medicaid and CHIP participants active for at least part of fiscal year 2012.

A. Controls are not adequate to ensure participants transferred to the new eligibility determination system are completely converted to the new system. As a result, some annual redeterminations were not conducted timely to evaluate the continued eligibility of participants in the Medicaid and CHIP programs.

   Over the last several years, participants have been moved in batches from the legacy eligibility determination system to the Family Assistance Management Information System (FAMIS). The FAMIS has features to automatically initiate annual redeterminations. However, the conversion to the FAMIS must be manually finalized for these features to take effect. FSD county offices receive monthly reports of participants whose conversions have not been finalized, and it is the responsibility of personnel in the county offices to complete conversion. Central office personnel do not review these reports or have other procedures in place to ensure the county offices are completing these conversions to the FAMIS.

We reviewed 60 Medicaid and CHIP participants to ensure eligibility requirements were met and found 1 participant had not received a redetermination during the fiscal year ended June 30, 2012. The participant's case was transferred to the FAMIS in November 2010, but the conversion had not been finalized and eligibility had not been redetermined since that time. As of October 31, 2012, there were 894 Medicaid and CHIP cases (which include one or more participants) that had not been fully converted in the FAMIS. The last eligibility redeterminations for these cases ranged from 1996 to 2012 and were performed before the cases were moved to the FAMIS. Of these, 747 cases did not receive a redetermination during the year ended June 30, 2012, as required. If these participants are not fully converted in the FAMIS, future redeterminations will not be automatically initiated by the system. FSD personnel said the conversions are now being finalized as work priorities allow.

Participants in 584 of the 747 cases had payments made on their behalf after the date a redetermination was due. These ineligible payments totaled $5,207,584 for the year ended June 30, 2012. We question the federal share of the total payments or $3,311,503 (63.59 percent). In addition, since many of these cases have still not been redetermined as of December 2012, there are likely ineligible payments made on behalf of these participants during fiscal year 2013 as well.

Federal regulations 42 CFR Sections 435.916 and 457.320 require a redetermination of eligibility at least every 12 months to ensure Medicaid and CHIP participants continue to be eligible for benefits. The failure to perform annual redeterminations as required can result in medical payments made on behalf of ineligible individuals.

B. The MHD has identified Medicaid and CHIP payments made on behalf of approximately 400 children from 2009 to 2012 who were later determined to be ineligible for these programs at the time of service; however, the MHD has not taken steps to resolve these questioned costs with the grantor agency.

DSS, Children's Division (CD) personnel determine and track the Medicaid and CHIP eligibility of children in the CD's custody, such as children in foster care. After upgrading to a new eligibility determination system in 2011, CD personnel discovered eligibility had not always been correctly determined in the previous system. In January 2012, CD personnel retroactively redetermined eligibility based on the placement and legal status of children who were in state custody at any point during 2009 to 2012. As a result of the updated information, some children who were previously classified as eligible for Medicaid or CHIP for specific time periods were, in fact, determined to be ineligible during those periods. CD personnel stated adjustments were made to federal programs administered by the CD as a result of the eligibility changes; however, the MHD has not made similar adjustments to the Medical Assistance Program and CHIP programs.

MHD personnel indicated because payments were made to providers in good faith while participants were determined to be eligible for benefits, the MHD does not believe it is reasonable to recoup these payments from the providers. Overpayments are typically recouped when false information has been provided on behalf of a participant. MHD personnel referred to 42 CFR 435.10, and 42 CFR 435, Subparts B and C, which state that a Medicaid agency must provide services to individuals who apply and are found eligible. While 42 CFR 435.1002 states federal financial participation is available for services provided to eligible participants, it does not include provisions for services that were provided in good faith to ineligible participants.

Since there were errors in eligibility made by the state, the federal program should not be charged for payments made on behalf of these ineligible participants. The ineligible payments made on behalf of the 122 participants with Medicaid or CHIP payments during the year ended June 30, 2012, totaled $345,602. We question the federal share of the total payments or $219,768 (63.59 percent).

C. The FSD did not obtain or maintain all documentation required to support eligibility for 6 of 60 (10 percent) cases reviewed. As a result, the DSS could not demonstrate these participants were eligible to receive benefits during the year ended June 30, 2012. The following issues and questioned costs were noted during our testing:

- A signed application was not obtained or retained for five participants reviewed. Federal regulation 42 CFR Section 435.907 requires a written application signed under penalty of perjury to ensure individuals meet the financial and categorical requirements for Medicaid. In addition, the CHIP State Plan requires applicants complete the same application as used for Medicaid. The application must include facts to support the agency's decision when determining an individual's eligibility. Payments totaling $21,414 were made on behalf of these five participants during the year ended June 30, 2012. We question the federal share of the payments, or $13,617 (63.59 percent).

- As similarly noted in the prior audit report, citizenship was not verified during determination of eligibility for one Medicaid participant reviewed. Federal regulation 42 CFR Sections 435.406 and 435.407 and the CHIP State Plan require applicants provide documentary evidence of citizenship or national status. If the applicant does not have proof of citizenship, the state may grant a grace period to furnish the documentation. This participant's grace period expired May 21, 2012, at which time the eligibility should have ended. When we brought this issue to management's attention in October 2012, management agreed the benefits should be closed and subsequently stopped benefits effective October 11, 2012. The ineligible payments made on behalf of this participant after expiration of the grace period totaled $326 during the year ended June 30, 2012. We question the federal share of the total payments or $207 (63.59 percent).

Eligibility specialists are to obtain and document various information, including a signed application and citizenship verification, from applicants and enter it into the FAMIS. The FAMIS automates the application process and determines eligibility for Medicaid, CHIP and other DSS programs based on the information entered. If a case has missing information for which the applicant has been given a grace period to provide, there is no control to ensure this information is eventually received. While eligibility specialists can set their own system reminders, the system does not automatically set reminders. In addition, the FAMIS does not automatically close benefits if required documentation is not received.

Because the FSD did not obtain or maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility.

D. The DSS did not ensure at least four monthly supervisory reviews of eligibility determinations were completed as required by internal policy for 4 of 60 (7 percent) eligibility specialists reviewed. These monthly case reviews are the primary control used to ensure information obtained to determine eligibility in compliance with federal regulations is properly and accurately entered into the FAMIS.

An internal memorandum, dated April 2006, established the policy requiring supervisors to perform a minimum of four monthly case reviews for each eligibility specialist and states management is responsible for ensuring mandatory supervisory case reviews are performed. However, this internal policy is not applied consistently across the state. For example, during our test we noted an eligibility specialist for whom case reviews were not completed for multiple months due to the supervisor being reassigned to other duties. During this time, other supervisors oversaw the daily work of the eligibility specialists, but did not perform the required case reviews. The internal memorandum does not include guidance for handling this type of situation. Clarifying the written policy regarding the completion of case reviews is necessary to ensure reviews are consistently performed.

WE RECOMMEND the DSS:

A. Establish controls to ensure all participants transferred to the FAMIS are finalized in the system so annual redeterminations of eligibility will be automatically initiated. In addition, the DSS should resolve questioned costs with the grantor agency.

B. Resolve questioned costs regarding payments for ineligible children with the grantor agency.

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

D. Ensure case reviews are performed as required by internal policy. In addition, the DSS should clarify written case review policies as needed to ensure case reviews are consistently and accurately completed.

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.

2012-19.	**Report Reviews**

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021
2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD does not have effective controls in place for the production and review of some reports necessary to ensure compliance with paid claim or participant enrollment requirements of the Medical Assistance Program. The Medical Assistance Program, also known as Medicaid, and the Children's Health Insurance Program (CHIP) are administered by the MHD.

A. As noted in the prior audit report, the MHD did not review daily exception reports of Medicaid and CHIP claims requiring post-payment reviews during the year ended June 30, 2012.

Providers submit claims for payment through the state's Medicaid Management Information System (MMIS). Claims are processed through various edits in the system to ensure the data is valid and the billing of the services complies with DSS policies. The MMIS edits have various status codes, which identify a claim as paid, suspended, or denied. One status allows the claims to be paid, but posts the claims to a daily exception report to be reviewed further for possible recoupment. This daily report only lists claims with exceptions for each specific day the report is run and is not a cumulative report. Therefore, each daily report would need to be reviewed to ensure all identified exceptions are properly evaluated. As an example, claims listed on the June 30, 2012, daily exception report totaled approximately $4 million.

The DSS could provide no documentation the daily exception report had been reviewed in at least 2 and a half years. DSS personnel indicated the staff previously responsible for review of the report were transferred to a new unit in the DSS in January 2011. The report review duty was not re-assigned until January 2013 when it was given to personnel within the Clinical Program Development unit of MHD. No reviews of the report had yet occurred as of late January 2013. Without reviewing paid claims that have been identified as possible erroneous billings, there is less assurance abusive billing practices will be detected on a timely basis.

B. Reports identifying participants shown as eligible to receive Medicaid and CHIP benefits in both Missouri and another state were generated incorrectly and were not fully reviewed by MHD personnel during the year ended June 30, 2012.

An interstate match report is produced quarterly and reviewed by MHD personnel to identify existing Missouri Medicaid and CHIP managed care program participants who were reported with overlapping periods of eligibility for benefits in another state. MHD personnel then contact the corresponding state to determine if eligibility for Missouri benefits should be ended. If necessary, MHD personnel will end a participant's eligibility when verification of out-of-state residence is acquired and recoup any payments made after the participant left Missouri. During the year ended June 30, 2012, there was an average of 2,440 participants listed on each quarterly report.

We reviewed 60 participants identified on the November 2011 and February 2012 quarterly interstate match reports to determine whether MHD took proper follow-up actions. MHD personnel did not investigate 2 of 60 (3 percent) interstate match report items reviewed. Personnel overlooked one of the test items and did not perform a review. The other test item was not reviewed because the eligibility dates on the report for Missouri Medicaid were not current. A programming error for the interstate match report caused reports to be incorrectly produced. The system properly identified participants receiving benefits in other states using the correct eligibility dates, but did not always reflect the correct dates on the report for Missouri managed care benefits when the participant had multiple periods of eligibility. For the participant in question, the report listed Missouri benefits stopping in 2007 even though benefits were not actually stopped until March 2012. The MHD has not taken steps to determine how much, if any, in improper claims were paid due to the programming error.

Without properly identifying and investigating participants who have been receiving benefits in another state, MHD may continue paying benefits unnecessarily. If items on the interstate match reports are not investigated, fees for services and monthly managed care payments might be made for up to a year before a scheduled reinvestigation of benefits to clarify the residency of the participant.

Federal regulation 42 CFR Section 435.403 defines the requirements for an individual to be considered a resident of the state and requires the state to provide Medicaid benefits to eligible residents. Federal regulations do not include requirements for a state to pay benefits for participants who reside in another state. Investigating entries on the interstate match reports ensures Medicaid payments are not made for participants residing in another state.

WE RECOMMEND the DSS:

A. Review the report of claims that have been identified for post-payment reviews to ensure erroneous billings are properly recouped.

B. Update programming for the interstate match report to ensure Missouri eligibility dates are displayed correctly. In addition, the MHD should determine the full extent of the issue and determine how much, if any, in improper claims were paid due to this programming error. The MHD should also ensure matches are properly investigated in the future.

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.

2012-20. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021
2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

Questioned Costs: $6,319,991

The MHD has periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program and the Children's Health Insurance Program (CHIP); however, the state regulation authorizing these dispensing fees has not been updated since 1988. In addition, the MHD does not have adequate documentation to support the determination of the current dispensing fee structure. The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD under the federally approved Medicaid and CHIP State Plans.

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

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

In addition, the MHD does not have adequate documentation to support the dispensing fee amounts currently paid. MHD personnel stated the dispensing fee is based on a 2007 national survey of pharmacy companies, which shows the median cost of dispensing prescription drugs nationwide. However, the MHD cannot demonstrate the amount used is reasonable for Missouri.

Federal regulations 42 CFR, Sections 447.203 and 457.238, indicate the Medicaid and CHIP agencies, respectively, must maintain documentation of payment rates. Further, 42 CFR Section 447.203, requires when payment rates are increased, the Medicaid agency must record, in state manuals or other official files, the various information to support the increases. This includes, "an estimate of the percentile of the range of customary charges ... and a description of the methods used to make the estimate," as well as, "an estimate of the composite average percentage increase of the revised payment rates over the preceding rates." Furthermore, the CHIP State Plan indicates, "the state assures that services are provided in an effective and efficient manner through free and open competition or through basing rates on other public and private rates that are actuarially sound." Without ensuring the basis for the increased dispensing fee was properly documented or showing the new rates are actuarially sound, the MHD cannot demonstrate the increases in these fees are allowed under federal law.

The MHD paid pharmacies base dispensing fees totaling $64,137,459 during the year ended June 30, 2012. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $54,198,803, a difference of $9,938,656. We question the federal share of the increased payments, or $6,319,991 (63.59 percent).

A similar finding was included in our prior audit report and MHD personnel stated steps are being taken to update state regulations in response to our recommendation; however, MHD personnel would not provide documentation to support this statement.

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

AUDITEE'S RESPONSE

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

2012-21. Reporting

Federal Agency:	Federal Highway Administration
Federal Program:	20.205 Highway Planning and Construction
State Agency:	Missouri Department of Transportation (MoDOT)

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

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

FFATA, the recipient must at least demonstrate a good faith effort to comply with these requirements, and such effort must be adequately documented.

As of December 13, 2012, the MoDOT had not reported any subawards issued after November 2011. Less than 1 week after our inquiry, the MoDOT reported 174 subawards, totaling $67.6 million, issued during the period December 2011 to October 2012, including 54 subawards totaling $27.2 million issued during state fiscal year 2012. The MoDOT could provide no evidence a good faith effort had been taken to comply with FFATA requirements. MoDOT officials indicated due to staff shortages and turnover, Financial Services Division management had to prioritize responsibilities and FFATA reporting was not performed. Officials also indicated staff had collected the FFATA information, but had failed to stay current with data entry in the computer system. In addition, there was no supervisory review process in place to ensure the accuracy of the information reported. Financial Services Division management indicated since December 2012, subawards are being reported monthly in compliance with the FFATA, the employee responsible for FFATA reporting provides periodic reporting status updates to her supervisor, and reports are reviewed by the supervisor.

WE RECOMMEND the MoDOT continue performing the current FFATA reporting procedures to ensure subaward information is complete, accurate, and submitted timely; and to prevent future noncompliance with FFATA reporting requirements.

AUDITEE'S RESPONSE

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

Additional State Auditor's Reports:

The Missouri State Auditor's Office regularly issues audit reports on various programs, agencies, divisions, and departments of the state of Missouri. Audit reports may include issues relating to the administration of federal programs. Reports issued during fiscal year 2012 and through current were reviewed and the following reports relate to federal programs and were analyzed to determine if any issues noted in these reports were required to be reported in this Schedule of Findings and Questioned Costs in accordance with Section .510(a) of OMB Circular A-133.

Report Number	Report Name
2012-73	Administration/Information Technology Services Division
2012-117	Economic Development/Division of Business and Community Services

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

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

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

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

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

The disposition of the findings from the year ended June 30, 2010, is as follows:

Findings numbered 1, 2B, 4A, 4B, 5, 8-12, 14B, 14C, 18A, 18B, 20, 22, 24A and 24B were corrected.

Findings numbered 2A, 3, 4C, 6, 7, 13A, 13B, 14A, 15, 16A, 16B, 17, 18C, 19, 21A-D, 23 and 25 are included in the Summary Schedule of Prior Audit Findings.

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

For the year ended June 30, 2008, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 2A, 2B and 9A, which are included in the Summary Schedule of Prior Audit Findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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, the AG should 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:
Implemented.

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 a 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:
Implemented.

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

2008-9A. Vocational Rehabilitation Program

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

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

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

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

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

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

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 had not been properly accounted for in the AG's internal capital asset tracking system or the SAM II accounting system's capital asset tracking system, and some assets had not received a property tag and asset number. In addition, the AG had not performed 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:
Implemented.

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

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

Status of Finding:
Digital information pertaining to FY2002-2007 fixed assets was lost during a state of Missouri software conversion making the reconciliation process difficult because it requires searching through records manually. We will continue to work the issue until the remaining difference of $91,552.43 is corrected.

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

2009-12. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF
2008 - G0801MOTANF
2009 - G0901MOTANF
93.658 Foster Care - Title IV-E
2008 - G0801MO1401 and 2009 - G0901MO1401
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048
State Agency: Department of Social Services (DSS) - Division of Finance and 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:
The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to

help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted and implemented by July 1, 2013. The plan will be tested and finalized by December 31, 2013. The remaining portion of the plan will be implemented after successful completion of phase one.

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

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

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2009-15A. Vocational Rehabilitation Program

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

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

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

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

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

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

2009-18. Medical Assistance Program

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

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

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

Status of Finding:
The FSD still considers timely eligibility reinvestigations a matter of priority and continues to strive for a 100 percent reinvestigation currency. As reported by the FSD

Income Maintenance Section, the reinvestigation currency percentage was 98.76 percent for state fiscal year 2012.

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

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

2010-2A. School Improvement Grants

Federal Agency: Department of Education
Federal Program: 84.377 School Improvement Grants
2009 - S377A080027 and 2010 - S377A090026
84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388A090026
State Agency: Department of Elementary and Secondary Education (DESE)
Questioned Costs: $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. We questioned the federal share of payments made in excess of the documented approved budget category, or $225,680 (100 percent).

Recommendation:
The DESE 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.

Status of Finding:
Implemented.

Status of Questioned Costs:
The department received a determination letter indicating that the questioned costs have been resolved with no payback required.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

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.

Recommendation:
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.

Status of Finding:
Resolved with the federal agency. The Department of Education concluded that DESE followed its standard monitoring procedures in reviewing the ARRA funds and had procedures in place to perform the necessary monitoring and thus required no corrective action.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2010-4C. Section 1512 Reporting

Federal Agency: Department of Education
Federal Program: 84.386 ARRA - Education Technology State Grants, Recovery Act
2010 - S386A090025
84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388S090026
84.389 ARRA - Title I Grants to Local Education Agencies, Recovery Act
2010 - S389A090025
84.391 ARRA - Special Education Grants to States, Recovery Act
2010 - H391A090040
84.392 ARRA - Special Education - Preschool Grants, Recovery Act
2010 - H392A090103
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 have a formal written plan in place to address the Section 1512 reporting process.

Recommendation:
The DESE establish a formal written plan for all programs that require Section 1512 reporting.

Status of Finding:
Resolved with the federal agency. The Department of Education (DE) determined that there was no basis to require the DESE to have a formal written plan for carrying out its Section 1512 reporting responsibilities. Therefore, the DE concluded that DESE had taken sufficient steps to ensure an accurate and complete report of Section 1512 data and required no further corrective action.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2010-6. Eligibility Reassessments

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

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

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

Status of Finding:
The fiscal year 2013 state budget includes funding for Home and Community Based Services (HCBS) providers to conduct reassessments. Reassessments for level of care of current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers.

Status of Questioned Costs:
DHSS staff has met with staff from the Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing, but there has been no resolution regarding the questioned costs.

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

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 identified 184 of these claims were paid untimely. We questioned the federal share of the 184 untimely claim payments, or $1,408,723.

Recommendation:
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.

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

Status of Questioned Costs:
The DHE disagreed with the questioned costs. To date, the 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

2010-13A. Section 1512 Reporting

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

The DNR needed to strengthen controls and procedures in place to provide assurance Section 1512 report information submitted by subrecipients of the Weatherization Assistance for Low-Income Persons (WAP) program was complete and accurate. For some elements submitted by subrecipients, DNR personnel reviewed information submitted for reasonableness and compared expenditure data to SAM II; however, the DNR relied 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. Additionally, field visits did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting purposes.

Recommendation:
The DNR strengthen procedures for the WAP program to ensure the accuracy and completeness of data submitted by the subrecipients for Section 1512 reporting purposes.

Status of Finding:
We disagree with the auditor's finding. We assert our controls and procedures ensure Section 1512 report information submitted by subrecipients is complete and accurate. There were no instances noted of information being less than complete or accurate.

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

2010-13B. Section 1512 Reporting

Federal Agency: Department of Energy
Environmental Protection Agency
Federal Program: 66.458 ARRA - Capitalization Grants for Clean Water State
Revolving Funds

2009 - 2W977080-01
66.468 ARRA - Capitalization Grants for Drinking Water State Revolving Funds
2009 - 2F977082-01
81.042 ARRA - Weatherization Assistance for Low-Income Persons
2009 - DE-EE0000151

State Agency: Department of Natural Resources (DNR)

The DNR did not have a formal written plan in place for the Section 1512 reporting process for the Weatherization Assistance for Low-Income Persons, Clean Water State Revolving Fund, or Drinking Water State Revolving Fund programs.

Recommendation:
The DNR establish a formal written plan for all programs that require Section 1512 reporting.

Status of Finding:
We disagree with the auditor's finding. We assert the procedures in place do constitute a written plan. While procedures, processes, and staff assignments may not be in the format desired, we assert it is still a written plan. In addition, the Section 1512 federal requirements do not stipulate that state agencies must have procedures in a written plan. It should also be noted that there were no instances noted of information being less than complete or accurate using the plan in place. In addition, a letter from the Environmental Protection Agency (EPA) dated October 25, 2011, concurs with the DNR. The EPA believes procedures are adequate and no inaccuracies or errors were identified. In addition, a letter from the Department of Energy (DOE) dated March 5, 2012, states that the DOE has decided not to issue a management decision letter and has taken into consideration the stance of the EPA, which concurs with DNR that the procedures appear adequate.

Contact Person: John Madras
Phone Number: (573) 522-9912

2010-14A. 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)

Some assets purchased during state fiscal year 2010 had not been properly accounted for in the AG internal capital asset tracking system or the SAM II, Fixed Asset subsystem, and some assets had not received a property tag and asset number. Also, the AG had only performed physical inventories during fiscal year 2010 for 2 of 56 different property books used to track assets purchased.

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:

Implemented.

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

2010-15. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402 and 2010 - G1001MO1402
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407
93.674 Chafee Foster Care Independence Program
2009 - G0901MO1420 and 2010 - G1001MO1420
93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $2,168,919

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

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

Status of Finding:
The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted and implemented by July 1, 2013. The plan will be tested and finalized by December 31, 2013. The remaining portion of the plan will be implemented after successful completion of phase one.

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

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

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-16A. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2009 - G0901MOCCDF and 2010 - G1001MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2009 - G0901MOCCDF and 2010 - G1001MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - 20091MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $73,315

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

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

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

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

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

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

Case Review Tool - On July 27, 2011, the FSD presented to the CD a walkthrough of the base Case Review System (CRS) to which a child care component was added. A webinar providing detail on the child care component of the system was completed with the Rushmore Group (provider of current CRS) on August 11, 2011. On September 2, 2011, the Rushmore Group began coding child care into the existing CRS. In the spring of 2012, the CD trained 232 supervisors and program managers on the CRS. The CRS was implemented in March 2012. The CD is utilizing the output from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement.

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

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to complete the online training with a 70 percent accuracy rate or above prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component.

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

Child Care Manual Revisions - The CD continues to review and revise its child care manual. Several manual revisions are forthcoming that will support program integrity and accountability. Also, both FSD and CD staff receive support through Practice Points and Practice Alerts, as needed, to enforce and clarify program policy.

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. The steering committee meets on a regular basis.

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

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

2010-16B. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2009 - G0901MOCCDF and 2010 - G1001MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2009 - G0901MOCCDF and 2010 - G1001MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - 20091MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $2,732

Controls over eligibility for the newly established non-Temporary Assistance for Needy Families (TANF) client ARRA Child Care initiative were 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. We noted 8 of 82 (10 percent) clients reviewed received TANF benefits, although the initiative provided that clients receiving TANF benefits were not eligible. We questioned the federal share of the payments made on behalf of these clients, or $2,732 (100 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and 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.

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

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

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

2010-17. Performance Based Case Management Contracts

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407
93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM
State Agency: Department of Social Services (DSS) - Children's Division (CD)

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

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

Status of Finding:
The DSS believes that its current process for claiming performance based case management contractor payments is in accordance with federal regulations. However, to validate and improve our claiming process, the DSS awarded a work order to Public Consulting Group to review and recommend improvements to the cost allocation methodology for foster care case management claiming. The current projected completion date for activities under the work order is the summer of 2013.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-18C.	Foster Care Eligibility and Assistance Payments
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:	$5,596

Controls over maintenance payments were not sufficient; and as a result, some payments were not allowable or not supported by adequate documentation. For 17 of 60 (28 percent) cases reviewed, Foster Care maintenance payments were not allowable and/or not supported by adequate documentation. For these 17 cases, payments totaling $7,951 were unallowable and/or unsupported by adequate documentation. We questioned the federal share, or $5,596 (70.38 percent).

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

Status of Finding:
Effective August 1, 2010, the CD implemented a new payment system as the final component of its Statewide Automated Child Welfare Information System (SACWIS), along with new business practices and controls for processing Foster Care eligibility and assistance payments. Under the new payment system, an internal control structure was

implemented requiring Central Office Payment Unit approval, in addition to local county office approval, for all clothing, transportation and many other foster care payments. Filing of the final payment documentation is now maintained by the Central Office Payment Unit. Also, effective August 1, 2010, the CD implemented a new system and business practices for child care assistance payments for protective services clients. Under the new system, additional edits are in place to ensure child care payments are made on behalf of eligible children.

Department of Health and Human Services, Administration for Children and Families (ACF) staff responsible for oversight of the SACWIS was onsite during the week of March 29, 2011, to conduct a preliminary review of the system and to make recommendations to improve the system. The CD understood from ACF feedback that its SACWIS eligibility and payment components were strong points in the system design. The ACF did make recommendations to the DSS to improve systems design and operation. The recommendations have been taken under advisement as the DSS continues to enhance the SACWIS to ensure the system complies with federal requirements.

The CD issued a practice point to staff reminding them of the policies around payment documentation, retention and filing (dated May 11, 2011). In August 2011, the Central Office Payment Unit was transferred to the Division of Financial and Administrative Services to further segregate payment duties and provide enhanced oversight of fiscal responsibilities.

Status of Questioned Costs:
Questioned costs were adjusted on the quarter ended June 30 and December 31, 2011, federal reports. The DSS is waiting on clearance from the grantor agency.

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

2010-19. Residential Facility Training Reimbursements

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

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

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

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

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

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

2010-21A. Unallowable Costs and Maintenance of Effort

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

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

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

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

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

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-21B. Unallowable Costs and Maintenance of Effort

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

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

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

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

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

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

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

The status is still under discussion with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-21C. Unallowable Costs and Maintenance of Effort

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

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

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

Status of Finding:
The DSS disagreed with this finding. The DSS’s previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort

(MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013 to our grantor agency for review. The status is still under discussion with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-21D. Unallowable Costs and Maintenance of Effort

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

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

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

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

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-23. Salary Certifications

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
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. 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. Personnel costs charged to the CSE grant for these 15 employees totaled $126,196, of which we questioned the federal share of costs totaling $83,289 (66 percent).

Recommendation:
The DSS through the FSD and DFAS resolve the questioned costs with the grantor agency.

Status of Finding:
Although DSS disagreed with the finding, after a similar finding in 2009, DSS through the FSD reviewed the salary certification process and enhanced written policies and procedures, in accordance with OMB Circular A-87, to ensure salary certifications were completed for all employees who are 100 percent claimed to a specific grant. These enhancements were effective April 2010. Under Missouri's current procedures, twice a year the supervisor/administrator receives and verifies a comprehensive electronic listing of all employees working solely on a grant so that salary certifications are complete. The Department of Health and Human Services (DHHS), Administration for Children and Families (ACF) decision issued July 30, 2012, concurred with the finding and recommendation, did not sustain the questioned costs and noted that Missouri's corrective actions sufficiently addressed the finding and prevent its recurrence.

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

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-25. Provider Eligibility and Improper Payments

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

Questioned Costs: $122

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

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

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

Thus, the DSS addressed the provider’s required criteria for eligibility in the Request for Proposal for the Provider Enrollment/Case Management system, section 2.3.29, which states "The solution shall provide ongoing monitoring of provider eligibility by automated matching against external databases for exclusions, licenses, death records, criminal records, National Provider Identifier deactivations, sanctions, and suspensions. Suspicious data and non-matches shall generate alerts for the end user for review and possible corrective action." The collection of social security numbers from providers will make validation through an external database of death records feasible through the provider enrollment system. The promulgation of regulations to address the new contract requirements should be effective by June 2013.

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

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

Contact Person: Mark Cicka
Phone Number: (573) 751-6967

2011-2. Cash Management

Federal Agency: Department of Education
Federal Program: 84.010 Title I Grants to Local Educational Agencies
2010 - S010A090025 and 2011 - S010A100025
84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
2010 - S389A090025
84.027 Special Education - Grants to States
2010 - H027A090040 and 2011 - H027A100040
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
84.410 ARRA - Education Jobs Fund
2011 - S410A100026
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not always ensure subrecipients spent grant funds received within 3 days of receipt as required.

Recommendation:
The DESE utilize the problems identified during monitoring visits to provide feedback and additional guidance to all schools receiving funding. The DESE should consider additional targeted monitoring procedures or other alternatives to ensure school districts expend funds received within the required time-frame.

Status of Finding:
Implemented.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2011-3A. Subrecipient Monitoring

Federal Agency: Department of Education
Federal Program: 84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388A090026
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not monitor the School Improvement Grant (SIG) monies provided to school districts on a timely basis to ensure compliance with federal guidelines. Although the DESE began expending fiscal year 2011 ARRA SIG monies in October 2010, the DESE did not perform a risk analysis of these funds or begin monitoring procedures until November 2011. Additionally, the DESE could have improved controls and procedures to ensure ARRA Section 1512 reports were complete and accurate for the SIG program. Due to timing of SIG program expenditures and the DESE's current monitoring process, some reporting elements for the SIG program had not been reviewed for accuracy and completeness.

Recommendation:
The DESE perform subrecipient monitoring procedures of SIG ARRA expenditures and pertinent Section 1512 reporting data elements on a timely basis and utilize the problems identified during monitoring visits to provide feedback and additional guidance to all the school districts receiving funding.

Status of Finding:
Resolved with the federal agency. The Department of Education (DE) has determined that the DESE has followed its normal monitoring procedures which have been found compliant. In addition, because neither ARRA legislation nor program guidance published by the DE required additional monitoring specifically for ARRA funds, it was concluded that DESE performed the necessary monitoring of ARRA funds and required no corrective action.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2011-3B. Subrecipient Monitoring

Federal Agency: Department of Education
Federal Program: 84.010 Title I Grants to Local Educational Agencies
2010 - S010A090025 and 2011 - S010A100025
84.389 ARRA - Title I Grants to Local Educational Agencies,
Recovery Act

2010 - S389A090025
84.027 Special Education - Grants to States
2010 - H027A090040 and 2011 - H027A100040
84.391 ARRA - Special Education - Grants to States, Recovery Act
2010 - H391A090040

State Agency: Department of Elementary and Secondary Education (DESE)

The DESE could have improved policies and procedures in place to ensure a sufficient number and amount of expenditures were reviewed and could have better ensured actual expenditures reviewed during on-site visits were adequately documented.

Recommendation:
The DESE update on-site monitoring policies and procedures related to expenditure selection methodology and documentation.

Status of Finding:
Resolved with the federal agency. The Department of Education (DE) determined that DESE had followed its standard monitoring procedures which were determined to be compliant. Neither ARRA legislation nor program guidance published by the DE required additional monitoring procedures specifically for ARRA funds. Further, regulations and guidance do not prescribe the details a state must include in its monitoring methodology. Thus, it was concluded that the DESE performed the necessary monitoring and required no corrective action.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2011-4A. Medicaid Home and Community Based Services

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

State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $387,576

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

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

Status of Finding:
The fiscal year 2013 state budget includes funding for HCBS providers to conduct reassessments. Reassessments for level of care of current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers.

Status of Questioned Costs:
DHSS staff has met with staff from the Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing, but there has been no resolution regarding the questioned costs.

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

2011-4B. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA
2011 - 1105MOEXTN
State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $4,483

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

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

Status of Finding:
HCBS case records are transitioning to a web-based electronic system (WebTool). Doing so will safeguard records, simplify/accelerate record retrieval, and reduce the amount of paper files that must be maintained.

Status of Questioned Costs:
DHSS staff has met with staff from the Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing, but there has been no resolution regarding the questioned costs.

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

2011-5. State Fiscal Stabilization Fund

Federal Agency: Department of Education
Federal Program: 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
State Agency: Department of Higher Education (DHE)

Subrecipient monitoring of the State Fiscal Stabilization Fund (SFSF) program was not adequate. While the DHE made improvements since the fiscal year 2010 audit by contracting with a firm to monitor subrecipients, the DHE did not ensure corrective action was taken by Institutions of Higher Education (institutions) on issues noted during subrecipient monitoring reviews.

Recommendation:
The DHE follow-up with institutions and request corrective action on any findings noted during subrecipient monitoring reviews. In addition, the DHE should issue a management decision on any findings identified in Single Audits of the institutions relating to the SFSF program.

Status of Finding:
The DHE confirmed with the institutions that were requested to implement corrective action that all deficiencies identified were corrected in accordance with OMB Circular A-133. In addition, the DHE issued a management decision letter dated June 25, 2012, that addressed that no further action needs to be done.

Contact Person: William R. Thornton
Phone Number: (573) 526-1577

2011-6. Benefit Payments

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
2010 - UI-19592-10-55-A-29
2011 - UI-21109-11-55-A-29
17.225 ARRA - Unemployment Insurance
2010 - UI-19592-10-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)
Questioned Costs: $189,423

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid.

- Due to a programming error, the computer system did not accurately calculate the maximum benefits amount for 2 of 42 claimants tested, resulting in the overpayment of benefits. We questioned the federal share of $73 for the errors noted during our review.

- Due to additional programming errors, the computer system generated Federal Additional Compensation (FAC) program benefit payments to some claimants after eligibility for the program ended. We questioned the federal share of $189,350 for the errors noted during our audit.

Recommendation:
The DLIR resolve questioned costs with the grantor agency, and work with the Office of Administration Information Technology Services Division (ITSD) to reanalyze all changes made recently to the computer 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 and continue efforts to recover overpayments caused by the programming errors.

Status of Finding:
The DLIR resolved the questioned costs with the Department of Labor (DOL) in August 2012. The DOL accepted the corrective actions that were completed. The following information was provided to the DOL and summarizes the corrective actions taken by the DLIR:

- The ITSD staff implemented new programming on February 14, 2012, to correct the calculation of the maximum benefit amount (MBA) on all Emergency Unemployment Compensation (EUC) claims. ITSD staff identified and generated a listing of all improperly calculated MBAs on EUC claims. The DLIR staff reviewed the list of improper MBA calculations and took corrective action on each EUC claim. The corrective actions included making additional payments to claimants who were underpaid and pursuing collection activities on claimants who were overpaid according to state and federal law.

The DLIR staff use the following methods and tools to collect improperly paid unemployment benefits:

- Send monthly billing notices
- Establish pay plans
- Accept credit card payments
- Intercept state income tax refunds
- Intercept state lottery winnings
- Offset weekly Unemployment Insurance/EUC benefits at 100 percent
- Missouri participates in Interstate Reciprocal Overpayment Recovery Arrangement (IRORA), so other participating states offset weekly benefits to repay Missouri overpayments
- Garnish wages on delinquent pay plans

In addition, the DLIR is in the process of implementing the Treasury Offset Program. The DLIR plans to have its program operational by December 2012.

The listing of all EUC claims with improperly calculated MBAs was provided to the DOL for review. DOL staff selected five claimants for further review. For those claimants, the DLIR provided copies of notices and computer system screen prints along with handwritten notations made by DLIR employees. In addition, the dates and amounts of overpayment recoveries were noted on the documentation provided to the DOL.

Due to the DLIR's archaic computer system, DLIR employees are continually making hand adjustments to EUC claims to accommodate special situations. If there were another problem with the MBA calculation, staff would notice it while making hand adjustments to EUC claims. A copy of the Instructions for Correcting Underpayments and Overpayments - EUC and Extended Benefit MBA Calculations was provided to the DOL.

Effective September 2012, the weeks and percentages changed for EUC Tiers I and III. At that time, the DLIR thoroughly tested the computer system to ensure the proper MBA is being calculated on all EUC claims and issued revised instructions to staff.

- All improperly paid FAC benefit payments were identified by DLIR staff in June 2010, November 2010, and December 2010. As of April 16, 2011, overpayments were established on each of the improper FAC payments. DLIR staff are continuing collection activities on these overpayments according to state and federal law. An example FAC overpayment file, including claimant notice, computer system screen prints and documentation of overpayment recovery, was provided to the DOL for review.

In response to the recommendation to reanalyze all recent changes made to the computer programming, when any type of error is detected by DLIR staff, a request is made to the

ITSD to both correct the error and review files to ascertain if any other claims are affected by the problem(s). The DLIR will continue to work with the ITSD to identify all recent changes to the computer programming and to identify any other issues that may affect payment of benefits. In addition, the Division of Employment Security has hired a contractor to document the mainframe system to be able to better track changes that are made and to make changes if an error is discovered.

All corrective actions were completed in May 2012, except the recovery of overpayments which is ongoing.

Status of Questioned Costs:
The DOL has allowed all questioned costs.

Contact Person: Carol Luecke
Phone Number: (573) 751-4012

2011-7A. Allowable Costs and Activities

Federal Agency: Department of Homeland Security
Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
State Agency: Department of Public Safety - Office of the Director (OD)
Questioned Costs: $740,054

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

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

Status of Finding:
The OD, Office of Homeland Security (OHS), has since updated and revised time and accounting sheets to capture the salary certifications.

Status of Questioned Costs:
The OHS has since provided certifications of time reported on the months in question. We are currently working towards ensuring all employees' time is certified by someone in their chain of command, normally their immediate supervisor. Our federal grant agency has not contacted us regarding the questioned cost as cited by the Auditor.

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

2011-7B. Allowable Costs and Activities

Federal Agency: Department of Homeland Security
Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039
State Agency: Department of Public Safety - Office of the Director (OD)

Expenditure processing and approval duties were not adequately segregated. The OD had two employees with access to both enter and approve their own procurement transactions in the state accounting system.

Recommendation:
The OD segregate incompatible duties and implement independent reviews to ensure all transactions are proper.

Status of Finding:
The SAM II security settings for both employees have been edited so that they cannot enter and approve their own documents.

Contact Person: Carol Willhite
Phone Number: (573) 522-9576

2011-8A. Subrecipient Monitoring

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

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

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

Status of Finding:
The Office of Homeland Security has since hired a 1,000 hour employee to perform site visits on the selected recipients. Monitoring of subrecipients is occurring and a schedule of monitoring has been developed. We have implemented a new site monitoring report. We will select subrecipients for monitoring as stipulated in our policy on monitoring subrecipients, recordkeeping, and internal operation and accounting control system, Information Bulletin OHS-GT-2012-001, April 15, 2012, as approved by our grant agency.

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

2011-8B. Subrecipient Monitoring

Federal Agency: Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
State Agency: Department of Public Safety (DPS) - Office of the Director (OD)

The OD had not established a formal subrecipient monitoring policy for the Justice Assistance Grant program and could have better ensured actual expenditures reviewed during on-site visits were adequately documented.

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

Status of Finding:
Site monitoring policies and procedures were put in place to provide consistent policy and procedures for Criminal Justice/Law Enforcement (CJ/LE) staff with site monitoring procedures. The policies and procedures are used as a foundation for all monitoring of funded projects of the DPS CJ/LE Unit.

Contact Person: Eric Shepherd
Phone Number: (573) 751-5997

2011-8C. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories

2009 - SU-B9-0032

97.067 Homeland Security Grant Program

2006 - GE-T6-0067

2007 - GE-T7-0034

2008 - GE-T8-0014

2009 - SS-T9-0062

2010 - SS-T0-0039

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

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

Recommendation:

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

Status of Finding:

As it relates to the JAG program, a Single Audit report system has been put into place wherein audits are scanned and added to our grant management system, and we have tracking in place to show audits have been received, reviewed, and can track follow-up required.

We have incorporated into our Homeland Security program application an Audit Certification Form to ensure compliance with the A-133 Single Audit requirements. Once we receive the application we check the audit form to see when the last audit was conducted. We then check the Federal Clearinghouse website to ensure the results of the audit are there. If not, we request a hard copy of the last audit from the applicant. Moving forward, all applicable subrecipient audits will be reviewed for compliance issues. If issues/findings are discovered, we will contact the respective subrecipients and request the current status of the issues/findings. At this time, we will request written documentation as to the current status of their corrective action plan and provide a management decision in relation to our award and the status of their findings. Single Audit requirements will also be reviewed for compliance during monitoring.

As of October 2012, we are working to fully implement the Office of Homeland Security's monitoring policy which includes reviewing reports and providing written follow-up to actionable items. We will develop a schedule of monitoring, on-site and desktop, and ensure that all subrecipients receive monitoring action within any calendar year. Additionally, a tracking system will be put in place to ensure all subrecipients are monitored.

Contact Person: Carol Willhite

Phone Number: (573) 522-9576

2011-9. Reporting

Federal Agency: Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
State Agency: Department of Public Safety - Office of the Director (OD)

The OD did not have adequate controls and procedures over the preparation of the Federal Financial Report (SF-425) or the Schedule of Expenditures of Federal Awards (SEFA), and as a result, errors were not prevented and/or detected.

Recommendation:
The OD establish procedures to ensure the SEFA and SF-425 reports are complete and accurate.

Status of Finding:
Procedures are now in place where in the SF-425 and the SEFA are prepared and expenses are compared using expenditure reports from our WebGrant grant management system, the Drawdown Transaction Report from Department of Justice Grant Payment Request System, and web interface reports from SAM II to complete the quarterly SF-425 and yearly SEFA reports.

Contact Person: Carol Willhite
Phone Number: (573) 522-9576

2011-10. Cash Management

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

The OD did not always ensure the time elapsed between the receipt of federal funds and subsequent disbursement to vendors and subrecipients was minimized.

Recommendation:
The OD follow established cash management procedures to ensure cash advances are limited to the minimum amounts needed, timed with the actual, immediate cash requirements. Monies received should be disbursed timely.

Status of Finding:
The Office of Homeland Security will ensure procedures are followed and funds disbursed in a timely manner. If for some reason cash advances are needed for a period of time in excess of what is recommended, we will seek approval from our granting agency for the exception.

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

2011-11A. Social Services Block Grant

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

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

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

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

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

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

Status of Finding:
The SEMA has dedicated staff to resolve the questioned costs. That staff is continuing to work on the project to ensure all documentation is filed correctly in the SEMA files and any missing paperwork is located.

Status of Questioned Costs:
The SEMA is continuing to work with all partners on this grant project to ensure the necessary paperwork is in place to satisfy the concerns that led to the questioned costs. Once the project review is completed, the SEMA feels the questioned costs will be determined as eligible, allocable, necessary and reasonable within the grant guidelines.

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

2011-11B. Social Services Block Grant

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 and 2009 - 0901MOSOS2
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

The SEMA did not have monitoring procedures in place to ensure subrecipients were in compliance with applicable grant and project requirements and that project performance goals were achieved.

Recommendation:
The SEMA implement subrecipient monitoring policies and procedures for all monies paid to subrecipients, as required.

Status of Finding:
The SEMA has completed the recommended action. The SEMA reviewed existing guidance established for this grant to determine items necessary for file compliance and vendor payment. Additionally, the SEMA reviewed the approved nature of projects granted to subrecipients. The SEMA then sent staff on-site to review subrecipient files and processes to determine if proper procedures were followed, sufficient documentation was retained, and only allowed projects were completed.

Contact Person: Tracy Farris
Phone Number: (573) 526-9106

2011-12. Disaster Assistance Subrecipient Monitoring

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

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

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

Status of Finding:
The SEMA has developed a monitoring plan to include annual certifications for A-133 compliance by our local subrecipients, on-site monitoring visits, and review of hard copy audits from local subrecipients in conjunction with review of electronic audit status' from the federal audit clearinghouse. The plan is for the annual certification letters to be mailed to subrecipients in January 2013.

Contact Person: Tracy Farris
Phone Number: (573) 526-9106

2011-13. Schedule of Expenditure of Federal Awards

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
2010 - 2010IS251443, 2010IE251843, 20108E251843,and 2010IS252043
2011 - 2011IS251443, 2011IS252043, and 2011IY810543
93.558 Temporary Assistance for Needy Families

2010 - G1002MOTANF and 2011 - G1102MOTANF

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

93.575 Child Care and Development Block Grant
2010 - G1001MOCCDF and 2011 - G1101MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2010 - G1001MOCCDF and 2011 - G1101MOCCDF

93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7

93.658 Foster Care - Title IV-E
2010 - G1001MO1401 and 2011 - G1101MO1401

93.658 ARRA - Foster Care - Title IV-E
2010 - G1001MO1402
2011 - G1101MO1402 and G1101MO1404

93.659 Adoption Assistance
2010 - G1001MO1407 and 2011 - G1101MO1407

93.659 ARRA - Adoption Assistance
2010 - G1001MO1403
2011 - G1101MO1403 and G1101MO1405

93.667 Social Services Block Grant
2009 - 0901MOSOS2,
2010 - G1001MOSOSR
2011 - G1101MOSOSR

93.767 Children's Health Insurance Program
2010 - 1005MO05021

93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM

93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 0905MOMDSH
2010 - 1005MOARRA, 1005MOHITA, and 1005MOQUAL
2011 - 1105MOARRA, 1105MOEXTN, 1105MOHIMP, and 1105MOQUAL

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:
The DSS continues to implement procedures to ensure the SEFA is complete and accurate. The division updates the SEFA quarterly, instead of annually. The DFAS assigned a staff person outside of the Grants Management section to assist with the creation of the SEFA and to review the SEFA, before a final review and approval by the Deputy Director over Grants Management. This finding has been cleared with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2011-14A. Eligibility and Child Care Payments

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

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

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

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

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

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

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

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

Case Review Tool - On July 27, 2011, the FSD presented to the CD a walkthrough of the base Case Review System (CRS) to which a child care component was added. A webinar providing detail on the child care component of the system was completed with the Rushmore Group (provider of current CRS) on August 11, 2011. On September 2, 2011, the Rushmore Group began coding child care into the existing CRS. In the spring of 2012, the CD trained 232 supervisors and program managers on the CRS. The CRS was implemented in March 2012. The CD is utilizing the output from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement.

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

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to complete the online training with a 70 percent accuracy rate or above prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component.

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

Child Care Manual Revisions - The CD continues to review and revise its child care manual. Several manual revisions are forthcoming that will support program integrity and accountability. Also, both FSD and CD staff receive support through Practice Points and Practice Alerts, as needed, to enforce and clarify program policy.

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. The steering committee meets on a regular basis.

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

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

2011-14B. Eligibility and Child Care Payments

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

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

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

Status of Finding:
On April 29, 2011, memorandum CD11-41/OEC11-110 was sent to field staff to reinforce the use of the non-TANF job search. Along with the memo, a listing of TANF recipients who potentially received the non-TANF job search child care benefit anytime

between May 2010 and March 2011 was issued to FSD eligibility staff. During the subsequent months in which the program was in effect, the CD issued to field staff a non-TANF job search list for review and potential cleanup. The non-TANF job search program ended August 2011. The CD worked with the FSD to identify cases with unallowable costs. The case reviews were completed and inappropriately claimed funds have been repaid.

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

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

2011-15A&B. Eligibility and Adoption Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
2010 - G1001MO1407 and 2011 - G1101MO1407
93.659 ARRA - Adoption Assistance
2010 - G1001MO1403
2011 - G1101MO1403 and G1101MO1405
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $12,367

A. Payments were made on behalf of ineligible children. For 2 of 60 cases tested, payments were made on behalf of children ineligible for Adoption Assistance benefits because the adoption subsidy agreement was not signed and in effect before or at the date of adoption. Payments totaling $7,452 were made on behalf of these ineligible children during the year ended June 30, 2011. We questioned the federal share of $5,119 (68.7 percent). Cumulative payments, totaling $30,357 and $27,330, for these two cases were charged to the Adoption Assistance program during fiscal year 2011 and before.

B. Some subsidy payments appeared to have been backdated. For 3 of 60 cases tested, the subsidy agreements were not signed and in effect prior to or at the date of the adoption decree because the CD Director's signature date was apparently backdated. For these three cases, payments totaling $10,548 were made during the year ended June 30, 2011. We questioned the federal share of $7,248 (68.7 percent). Cumulative payments, totaling $44,689, $17,169, and $40,130, for these three cases were charged to the Adoption Assistance program during fiscal year 2011 and before.

Recommendation:
The DSS, through the CD, resolve the questioned costs with the grantor agency, and ensure all adoption subsidy agreements are signed and effective prior to the adoption. In addition, the CD should refund the federal share of cumulative overpayments.

Status of Finding:
The CD Family and Child Electronic System (FACES) was fully implemented on July 31, 2010. This system now has in place edits which integrate information from the contract system and the children's eligibility system. Thus, when contracts are signed after the adoption finalization occurs, federal dollars cannot be accessed as the child would be determined ineligible for federal Title IV-E funding.

For the five children listed in the finding, the DSS has not yet completed all recoupments for payments made prior to fiscal year 2011 but is in the process of completing these recoupments. The DSS has changed the fund code so that future payments for these children will not be charged federally.

Status of Questioned Costs:
An adjustment for the questioned cost amount was completed on the March 31, 2012, quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Amy Martin
Phone Number: (573) 526-8040

2011-15C. Eligibility and Adoption Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
2010 - G1001MO1407 and 2011 - G1101MO1407
93.659 ARRA - Adoption Assistance
2010 - G1001MO1403
2011 - G1101MO1403 and G1101MO1405
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $28,315

The DSS claimed reimbursement for non-recurring adoption expenditures in excess of allowable federal limits, and did not comply with federal guidance prohibiting the limitation of nonrecurring expenditures by category. The DSS paid nonrecurring expenses in excess of the $2,000 limit for 49 children during fiscal year 2011, totaling $56,630. We questioned the federal share of these payments, or $28,315 (50 percent).

Recommendation:
The DSS, through the CD, resolve the questioned costs with the grantor agency, and implement procedures to ensure payment of nonrecurring adoption expenditure payments are compliant with federal regulations.

Status of Finding:
The CD has worked with DSS Research and Evaluation staff to produce a quarterly report identifying any nonrecurring adoption expenses in excess of $2,000 paid from federal funds. These amounts are monitored and recouped to state only funds on a quarterly basis.

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

Contact Person: Amy Martin
Phone Number: (573) 526-8040

2011-16. Cost Allocation Procedures

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

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

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

Status of Finding:
The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan should be submitted and implemented by July 1, 2013. The plan will be tested and finalized by December 31, 2013. The remaining portion of the plan will be implemented after successful completion of phase one.

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

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2011-17. Earmarking

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 - G1001MOSOSR and 2011 - G1101MOSOSR
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $6,461,316

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

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

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

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

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2011-18A. Eligibility and TANF Assistance Payments

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

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

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

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

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

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

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

Status of Finding:
The FSD continues to ensure cases are thoroughly reviewed and acted upon in a timely manner for reported household income changes, at points of assistance application and identified at scheduled continued eligibility reviews. The FSD Income Maintenance (IM) staff and Family Assistance Management Information System staff are in the process of developing a Quarterly Wage Match (QWM) report for staff. IM Memo #53 (6/25/12) was issued to staff with detailed steps to process QWM reports within 15 days of receipt. The FSD Program and Policy unit continues to work with training staff to develop "Take 10" training on resolving QWM report information to be available through the Employee Learning Center. The FSD Program and Policy unit reiterated, via memo, to staff that the hard-copy signed application or interview summary shall be maintained in the physical case file. The memo also reminded staff of both the importance and necessity of diligently striving to keep the case file (electronic and physical record) updated with information to support the eligibility determination and benefit amount.

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

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

2011-18B. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $1,258

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

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

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

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

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

2011-19A. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $25,810,891

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

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

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

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

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2011-19B. Unallowable Costs and Maintenance of Effort

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

2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

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

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

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

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

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

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

The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2011-19C. Unallowable Costs and Maintenance of Effort

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

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

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

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

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

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2011-19D. Unallowable Costs and Maintenance of Effort

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

2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

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

Recommendation:

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

Status of Finding:

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

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2011-20A. Work Participation and Sanctions

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

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

Recommendation:

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

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

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

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

Effective August 1, 2011, MWA coordinators report to the FSD Program Manager responsible for the MWA program (before that time coordinators reported to regional FSD staff). The change in supervision ensures that positions are dedicated to the MWA program and coordinator accountability for assigned work by the MWA FSD Program Manager. With this change, four teams have been designated to further develop the MWA program. These teams are:

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

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

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

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

2011-20B. Work Participation and Sanctions

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

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

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

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

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

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

Quarterly, the MWA coordinators review a sample of participants that have no hours of participation, no conciliation activity, or no sanction in place. Individuals identified are shared with the contractor for immediate contact and initiation of the conciliation and sanctioning process to ensure participants failing to meet the work participation requirement are sanctioned as required.

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

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

2011-21. Low-Income Home Energy Assistance Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.568 Low-Income Home Energy Assistance
2010 - G10B1MOLIEA and 2011 - G11B1MOLIEA
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Low-Income Home Energy Assistance Program (LIHEAP) Unit

The Human Development Corporation of Metropolitan St. Louis (HDC), a DSS subrecipient, misused at least $669,704 of LIHEAP funds, according to DSS personnel. The HDC did not remit the funding to an energy supplier on behalf of the LIHEAP clients as required. DSS personnel indicated they took possession of HDC documents and planned to conduct a review to determine whether other federal funds provided the HDC were properly expended. The DSS issued payments totaling $669,704 from state funds to satisfy amounts due the energy supplier.

Recommendation:
The DSS complete the planned grant close out reviews, report the results of those reviews to federal and state officials, and seek recovery of all improperly used funds. In addition, the DSS should review its monitoring efforts at the HDC to ensure established procedures were followed and determine if improvements in those procedures are needed.

Status of Finding:
Effective October 29, 2011, the HDC relinquished its Community Action Agency (CAA) designation status. The DSS completed the closeout review and sent a claim to the Attorney General's office on August 29, 2012.

The DSS is continuing to strengthen monitoring efforts for all CAAs by the development of a monitoring plan and partnership between the Division of Finance and Administrative Services (DFAS) Compliance and Quality Control Unit (CQC) and the FSD. The DFAS-CQC has developed and implemented extensive monitoring tools and processes for the fiscal review of all CAAs.

Contact Person: Kimberley Sprenger
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2011-22A. Medicaid Management Information System

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

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

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

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

Status of Questioned Costs:
A decreasing adjustment will be completed pending information on funds recouped.

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

2011-22B. Medicaid Management Information System

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

2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

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

The MHD did not ensure some department personnel with access to the Medicaid Management Information System (MMIS) were approved for such access.

Recommendation:
The MHD ensure the proper completion and authorization of the Security Access Request forms for employees obtaining or changing access in the MMIS.

Status of Finding:
The MHD Security Officer now reviews access requests more closely, ensures the reason for access is stated on the form, and ensures appropriate signatures are on the form. Access request forms are filed as soon as they are completed in order to be located easily.

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

2011-22C. Medicaid Management Information System

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

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

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

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

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

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

2011-23. Participant Eligibility

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

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

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

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

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

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

- A request for automation of adverse actions when citizenship or ID verification has not been received within 90 days has been submitted to the Family and Medical Information System for inclusion on a list of planned systems enhancements.

Status of Questioned Costs:
A decreasing adjustment will be completed pending information on funds recouped.

Contact Person: Jeannie Olson
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2011-24. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021

93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $6,909,934

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

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

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

The MHD will work with the grantor agency to resolve any questioned costs and is in the process of amending the pertinent state regulation.

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

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

2011-25A. Report Reviews

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

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

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

Status of Finding:
The daily exception report (Status 4 - Pay But Report) was worked by the Program Integrity Unit within the MHD. During the first quarter of 2011, the Program Integrity Unit was transferred from the MHD as a separate authority under the DSS. The responsibility for reviewing the daily exception report was retained by the MHD but not reassigned. The MHD Management will perform an analysis of the report and staff resources for the most appropriate reassignment.

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

2011-25B. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

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

The MHD could not ensure all Medical Assistance Program (Medicaid) participants who also qualified for Medicare were properly enrolled or removed from the Medicare Buy-In program because some reports necessary to identify these participants were not generated and/or reviewed during the year ended June 30, 2011.

Recommendation:
The MHD ensure the production and review of all reports related to enrolling and removing Medicaid participants from the Medicare Buy-In program to ensure compliance with federal requirements.

Status of Finding:
The implementation of the Family Assistance Management Information System (FAMIS) system affected the eligibility report reviewed by the Medicare Buy-In unit. Due to the significant increase, the Medicare Buy-In unit implemented a new approach in December 2011 to identify and update participant's eligibility and buy-in, if applicable. On a quarterly basis, the Third Party Liability vendor performs a data match with the Medicare Eligibility Database and the MHD eligibility database to identify Medicare eligibility not found in the Medicaid Management Information System. By focusing resources on this data match, the eligibility system is being more timely updated and buy-ins are being more timely processed.

The second report in question was produced during state fiscal year 2011. However, in July of 2010, the Medicare Buy-In staff discovered that the information reflected on the report was inaccurate. During a meeting held in June of 2012, which was attended by staff from the Office of Administration - Information Technology Services Division, the MHD and FAMIS personnel, it was determined that only a portion of the data reflected on the report was erroneous; not the data utilized by the Medicare Buy-In staff. At that time, the decision was made to review the reports produced during state fiscal year 2012. Review of the reports produced during state fiscal year 2011 would have been duplicative of actions already taken by the Medicare Buy-In staff during state fiscal year 2012. The report is still being produced and reviewed as part of the normal activities of the Medicare Buy-In unit.

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

2011-25C. Report Reviews

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

2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

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

Various monthly Managed Care eligibility reports were not retained for the year ended June 30, 2011.

Recommendation:
The MHD ensure the production and retention of all reports related to enrollment in the Managed Care program to demonstrate compliance with federal requirements.

Status of Finding:
In 2010, in an effort to streamline procedures, the Managed Care Operations unit updated procedures to stop retaining paper copies of Managed Care Operations enrollment related reports because these reports were also stored electronically in the MOBIUS system. At that time, it was the understanding of the Managed Care Operations unit that reports that no longer appeared on the MOBIUS online screens could be retrieved. However, through the audit process, it was discovered that the reports aged out of the MOBIUS system and were not retrievable. In order to ensure the production and retention of all reports related to enrollment in the Managed Care program to demonstrate compliance with federal requirements, the Managed Care Operations unit requested that all Managed Care Reports retained in MOBIUS be stored for 24 months. This change was implemented February 8, 2012. If required, the MHD can provide a listing of the Managed Care reports retained in MOBIUS and are now available for retrieval in MOBIUS system for 24 months. The DSS is waiting on clearance from the grantor agency.

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

2011-26. Spend Down

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

State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)

FSD caseworkers did not always properly determine eligible expenses to count toward participant spend down requirements, causing some participants to be considered eligible for Medical Assistance Program benefits before they had actually met their spend down amount. This may have caused participants to receive Medical Assistance Program coverage for which they were not eligible.

Recommendation:
The DSS work with the grantor agency to resolve this issue to ensure the correct application of the spend down requirements.

Status of Finding:
The corrective actions taken include the following:

- The DSS/FSD held stakeholder meetings on December 14, 2011, and January 10, 2012.

- The FSD established specific eligibility specialists statewide to manage the processing of spend down cases using incurred expenses to meet spend down.

- The FSD provided intensive scenario-based training from January 19, 2012 - January 31, 2012, to staff managing spend down cases using incurred expenses.

- The FSD released Income Maintenance Memorandums IM-#8 and IM-#9 on January 24, 2012, providing additional guidance for correct application of regulation.

- The FSD revised spend down related forms used by eligibility specialists including the Notification of Spend Down (IM-29 SPDN), MO HealthNet Spend Down Program Pamphlet (IM-4 Spend down), and Out of Pocket Expense Form (IM-29 OPE) January 24, 2012 - February 22, 2012.

- The FSD held a spend down stakeholder subgroup meeting on January 30, 2012, to discuss provider input on spend down models.

- The FSD began communicating with impacted spend down recipients on February 1, 2012, to advise them of spend down policy and how it affects them.

- The FSD filed an administrative rule on March 1, 2012, enhancing existing regulations by codifying the spend down process.

- The FSD held a spend down stakeholder subgroup meeting on March 9, 2012, to get further input on spend down models.

- The FSD held a spend down stakeholder meeting on May 4, 2012, to report on the work of the sub-group, inform them of rule filing, and discuss the provider form.

- The FSD sent Important Reminder for Medicaid Spend Down Participants to all participants that met spend down with incurred expenses in November and/or December 2011. The reminder was mailed May 31, 2012.

- The FSD sent Revised Important Reminder for Medicaid Spend Down Participants to inform of new options of carryover and partial pay for spend down. The revised reminder was mailed on June 15, and July 2, 2012.

- The FSD provided training to staff managing spend down cases using incurred expenses on the new options for meeting spend down from July 9 - July 24, 2012.

- The FSD issued Income Maintenance memorandums: clarifying incurred expense to meet spend down IM-#27 and IM-#28 on March 16, 2012; new options to meet spend down with incurred expense IM-#56 on July 2, 2012; clarification of third party liability IM-#58 on July 6, 2012; introduction of the provider form IM-#59 July 6, 2012; MHD spend down discussion checklist and instructions revised IM-#60 July 12, 2012; and introduction of the final spend down regulation IM-#88 November 2, 2012.

- The FSD held a spend down stakeholder meeting on September 6, 2012, to review the new options for spend down.

- The FSD has developed spend down tips which are emailed to FSD staff to ensure consistent processing of spend down charges and information provided to our customers. The first hot tip was sent October 4, 2012.

- The FSD established Regional Spend Down units (SDU) whose purpose is to review medical expense documentation and determine allowable spend down expenses. The creation of the SDU will allow the FSD to efficiently, accurately, and consistently process spend down expenses throughout the state. The SDU started processing expense documentation in November 2012.

- The FSD provided training for all managers, supervisors and eligibility specialists assigned to the SDU on November 26-28, 2012.

- The FSD has transitioned the processing of spend down expenses to the SDU as of December 1, 2012.

- The FSD will continue discussions with the Centers for Medicare and Medicaid Services to resolve this issue and ensure the correct application of spend down requirements.

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