Nicole Galloway, CPA

Missouri State Auditor

State of Missouri

Single Audit

Year Ended
June 30, 2015

March 2016

Report No. 2016-016

http://auditor.mo.gov

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Missouri State Auditor

March 2016

CITIZENS SUMMARY

Findings in the Fiscal Year 2015 Statewide Single Audit

Single Audit Background

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Act requires an audit of the state's financial statements and its use of federal awards.

The state spent $11.55 billion in federal awards through 303 different federal programs during the state fiscal year ended June 30, 2015. Although 19 state agencies and other state offices expended federal awards, 4 state agencies expended the majority of the federal awards (91 percent). For state fiscal year 2015, our Single Audit involved audit work on 17 major federal programs at 9 state agencies, encompassing $8.8 billion (77 percent) of the total federal awards spent. The audit report contains 1 financial statement finding and 18 federal award findings and related recommendations. Of these findings 10 were repeated from prior Single Audits. Several of these findings are summarized below.

Financial Reporting Controls STO

The Office of State Treasurer (STO) lacks adequate procedures to ensure the accuracy of year-end financial data submitted to the Office of Administration-Division of Accounting (DOA). The total balance reported to the DOA for bank deposits held by the STO would have been understated by $753.2 million in the note disclosures accompanying the state's financial statements for the year ended June 30, 2015, had the misstatement not been identified during our audit. In addition, total cash and cash equivalents would have been overstated by $214.4 million, and total investments would have been understated by $214.4 million in the financial statements, had a classification error in the preparation of a summary of the STO year-end financial data not been identified during the audit.

Child Care Eligibility, Payments, and Provider Eligibility DSS

As noted in our five prior audit reports, significant weaknesses still exist in Department of Social Services (DSS) controls over Child Care Development Fund eligibility and provider payments. Eligibility documentation was not sufficient to support a valid need for child care for 12 percent of cases reviewed, income eligibility information did not match income used for eligibility determinations for 3 percent of cases reviewed, and 30 percent of payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. In addition, one provider improperly claimed absences on a holiday the center was closed after exhausting their annual allotment of 11 holidays per state fiscal year.

The DSS lacks adequate controls and procedures to ensure "four-or-less" child care providers comply with requirements for license-exempt status. Under state law, child care providers are exempt from licensing requirements if they care for four or less unrelated children, known as "four-or-less" (FOL) providers. For 43 percent of FOL providers reviewed, the DSS incorrectly classified some children as related to the provider or could not verify the relationship for some children classified as related to the provider.

Social Services Block Grant Subrecipient Monitoring DSS	The DSS has not established adequate controls and procedures to monitor Caring Community Partnerships (CCPs) for compliance with Social Services Block Grant (SSBG) requirements. Grant agreements do not mention the SSBG as a funding source, include or refer to the requirements of the SSBG, or include the identifying grant award information. During reviews of quarterly reimbursement requests and on-site visits, DSS staff do not review for CCP compliance with SSBG requirements.
Medicaid Management Information System Access DSS	The DSS-MO HealthNet Division does not have sufficient controls in place over Medicaid Management Information System (MMIS) access rights to ensure user accounts are timely removed from the system when users are no longer employed in positions needing access. Of the 25 active MMIS user accounts tested, auditors found 4 (16 percent) accounts for individuals who had terminated employment from the DSS or from a contractor. Access for these 4 accounts had not been removed although the individuals had been terminated for 8 to 35 months. In an additional review of contractor access, auditors identified 2 contractors with 23 active MMIS user accounts for employees, although their contracts had expired in 2010 and 2014.
Cost Pool Allocation Procedures DSS	The DSS-Division of Finance and Administrative Services lacks sufficient controls and procedures over the allocation of some administrative costs to federal programs. During a review of cost allocation spreadsheets, auditors identified Guardianship Assistance program costs totaling approximately $542,710 that were improperly allocated to four federal programs.
Medicaid Developmental Disabilities Comprehensive Waiver Group Home Rates DMH	The Department of Mental Health-Division of Developmental Disabilities (DD) did not retain documentation to support per diem rates paid to group homes for residential habilitation services provided to participants of the Home and Community Based Services, Developmental Disabilities Comprehensive Waiver program. Documentation to support the per diem rates was not retained for all 13 group home habilitation services payments tested; as a result, the DD could not demonstrate amounts paid were allowable costs of the Comprehensive Waiver program. The federal share of payments to group homes using the 13 unsupported per diem rates totaled $658,501 during state fiscal year 2015.
Department of Homeland Security Grants - Subrecipient Monitoring DPS	The Department of Public Safety (DPS)-State Emergency Management Agency (SEMA) and the Office of Director (OD) need to improve controls and procedures to monitor subrecipients of Department of Homeland Security programs. The SEMA and the OD have not established procedures to identify and ensure applicable subrecipients obtained independent Single Audits as required and did not document that Single Audit reports received were reviewed. For some projects, the SEMA did not adequately monitor or enforce existing policies to ensure subrecipients complied with procurement requirements. In addition, the SEMA does not have effective procedures to ensure Disaster Grants-Public Assistance program subrecipients submit quarterly progress reports, extension requests, and/or reimbursement requests within the required timeframes. As a result, the SEMA had not received reimbursement requests and progress reports from one subrecipient for projects totaling over $8 million, which were completed 2 to 4 years ago.

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

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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
U.S.C.	United States Code

INTRODUCTION AND SUMMARY

STATE OF MISSOURI
INTRODUCTION AND SUMMARY
YEAR ENDED JUNE 30, 2015

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 U.S. 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 departments 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 includes the federal awards expended by all state agencies that are part of the primary government. The audit does not include the public universities and other component units. They have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended $11.55 billion in federal awards during the state fiscal year ended June 30, 2015.

Summary of Single Audit Results

Financial Statements

We issued a qualified opinion on the governmental activities and the General Fund of the state of Missouri's financial statements because we were not allowed access to tax returns and related source documents for income taxes.

We reported one finding related to an internal control deficiency at the Office of State Treasurer (STO) that we consider to be a material weakness. The STO's response to the finding is included in this report.

Federal Awards

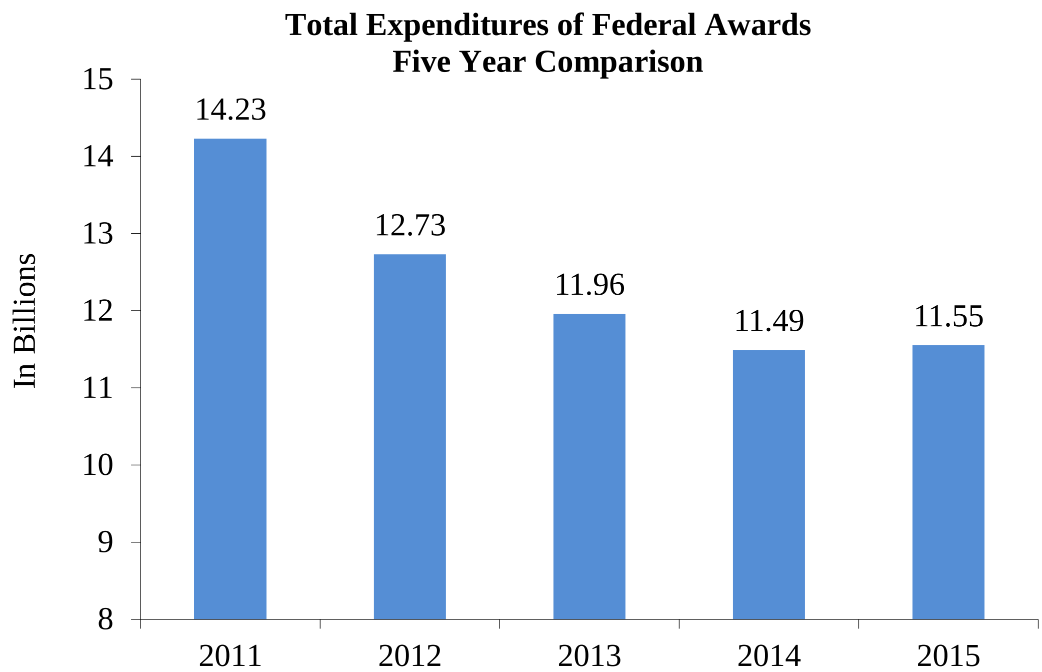
We audited 17 major federal programs with expenditures totaling approximately $8.8 billion, administered by 9 state agencies.

We issued a qualified opinion on 4 major programs and an unmodified opinion on 13 major programs. A qualified opinion is issued when the audit of a major program detects material noncompliance with direct and material compliance requirements. A qualified opinion was issued on the following major programs, each administered by the Department of Social Services:

Child Care Development Fund Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster

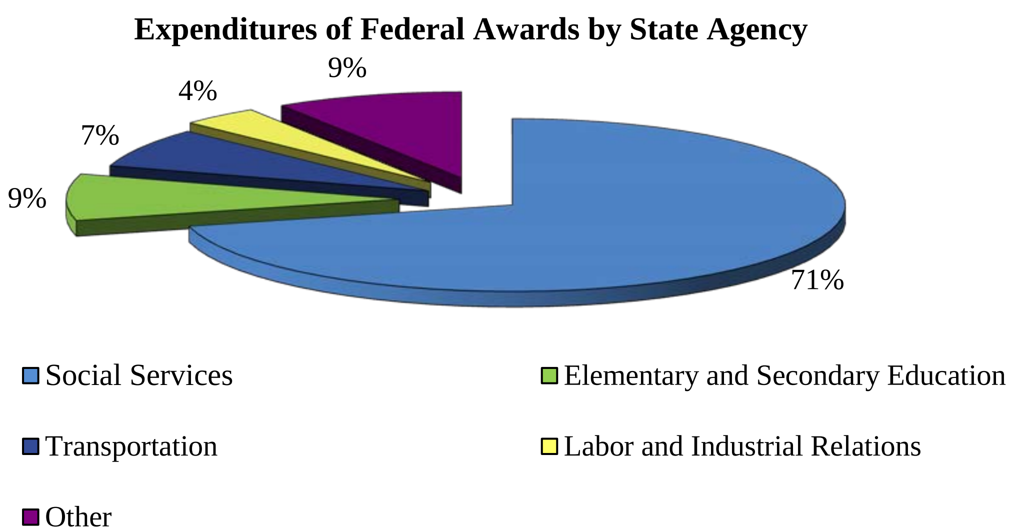
In total, we reported 18 findings related to 10 major programs at 4 state agencies. Of these findings, 10 were repeated from prior Single Audits.

The state agencies' responses to the federal awards findings are included in this report. The state agencies prepared a corrective action plan for each finding. The corrective action plans were submitted to the Office of Administration.



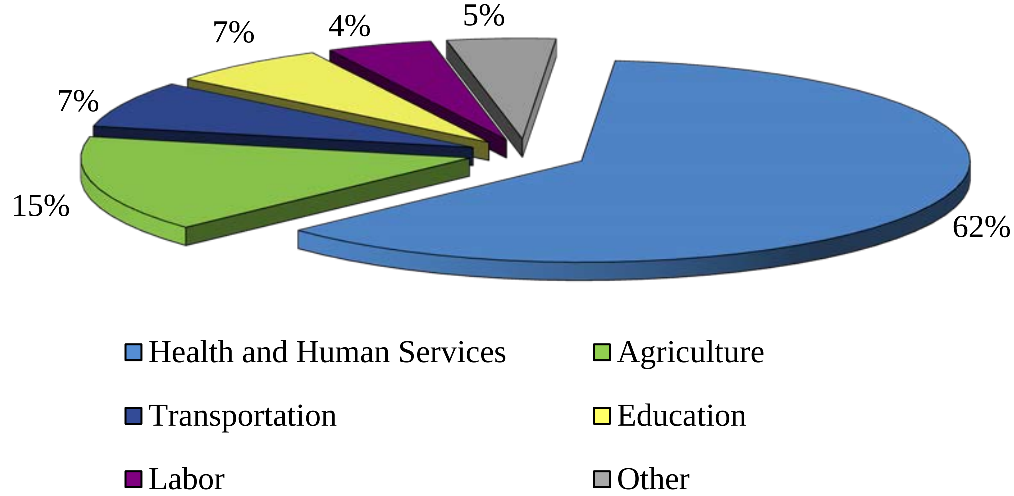
Expenditures of federal awards were significantly higher in state fiscal year 2011 due to additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of ARRA funds were expended by the end of state fiscal year 2012; however, a few programs continued to have ARRA expenditures in state fiscal year 2015.

Although 19 state agencies and other state offices expended federal awards, 4 state agencies expended the majority of the federal awards (91 percent) during state fiscal year 2015.



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

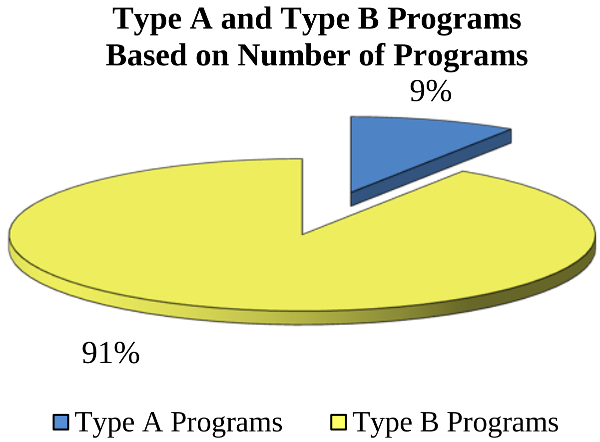
Expenditures of Federal Awards by Federal Department



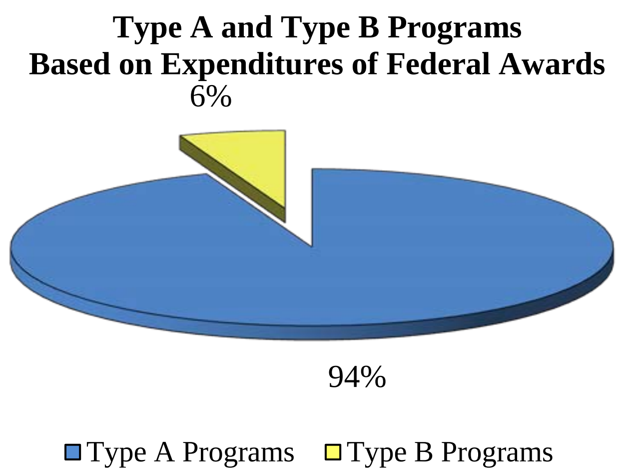
Overall, the state expended federal awards in 303 different programs. These programs are listed in the accompanying Schedule of Expenditures of Federal Awards. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. 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	11,550,506,417	
Fifteen-hundredths of one percent	.0015	
		17,325,760
Dollar Threshold		$30,000,000

Programs with federal expenditures over $30 million are Type A programs and programs under $30 million are Type B programs. Of the 303 federal programs, 28 were Type A programs and 275 were Type B programs.



The 28 Type A programs had expenditures totaling approximately $10.9 billion, which was 94 percent of the total expenditures for all programs. The 275 Type B programs had expenditures totaling approximately $658 million, which was only 6 percent of the total expenditures for all programs.



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. We performed a risk assessment on each Type A program and determined 12 of the 28 Type A programs were low risk and did not need to be audited as major. In accordance with OMB Circular A-133, we audited as major the 16 Type A programs assessed as high risk.

OMB Circular A-133 also requires the auditor to perform risk assessments on the larger Type B programs to determine which programs 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 ($11.55 billion times .0003 = $3,465,152). We performed risk assessments on the 48 larger Type B programs and determined 2 were high risk. In accordance with OMB Circular A-133, we audited as major one (at least one-half) of these two high risk Type B programs. The programs audited as major are listed in Section I - Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. In total, we audited 77 percent of total state fiscal year 2015 federal expenditures.

Major and Non-major Programs

Type of Programs	**Number of Programs**		**Expenditures**	**Percentage of Expenditures**
Programs Audited				
Type A major programs	16	$	8,835,231,256	
Type B major programs	1		6,384,774	
Total major programs	17	$	8,841,616,030	77%
Programs not Audited				
Type A non-major programs	12	$	2,057,222,846	
Type B non-major programs	274		651,667,541	
Total non-major programs	286	$	2,708,890,387	23%
Total programs	303	$	11,550,506,417	100%

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Program or Cluster Name	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	$ 1,244,639,634
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	42,719,929
	Total SNAP Cluster		1,287,359,563
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	72,072,948
10.555	National School Lunch Program	Agriculture	231,601,907
10.556	Special Milk Program for Children	Agriculture	511,712
10.559	Summer Food Service Program for Children	Agriculture	12,030,337
	Total Child Nutrition Cluster		316,216,904
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	94,841,793
10.558	Child and Adult Care Food Program	Agriculture	50,647,619
12.401	National Guard Military Operations Maintenance (O&M) Projects	Defense	43,705,183
17.225	Unemployment Insurance	Labor	432,332,553
	Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster:		
17.258	WIA/WIOA Adult Program	Labor	12,144,635
17.259	WIA/WIOA Youth Activities	Labor	12,660,527
17.278	WIA/WIOA Dislocated Worker Formula Grants	Labor	15,589,428
	Total Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster		40,394,590
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	761,528,235
20.219	Recreational Trails Program	Transportation	2,568,195
	Total Highway Planning and Construction Cluster		764,096,430
64.015	Veterans State Nursing Home Care	Veterans Affairs	65,629,304
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	39,056,100
	Total Clean Water State Revolving Fund Cluster		39,056,100
84.010	Title I Grants to Local Educational Agencies	Education	231,283,321
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	220,284,170
84.173	Special Education - Preschool Grants	Education	9,811,765
	Total Special Education Cluster (IDEA)		230,095,935
84.032	Federal Family Education Loans	Education	109,341,957
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	63,061,761
84.367	Improving Teacher Quality State Grants	Education	38,670,664
93.268	Immunization Cooperative Agreements	Health and Human Services	61,371,174
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families (TANF)	Health and Human Services	182,948,162
	Total TANF Cluster		182,948,162
93.563	Child Support Enforcement	Health and Human Services	38,183,410
93.568	Low-Income Home Energy Assistance	Health and Human Services	74,930,366

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Program or Cluster Name	Federal Grantor Agency	Federal Awards Expended
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	43,921,531
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	56,754,961
	Total CCDF Cluster		100,676,492
93.658	Foster Care - Title IV-E	Health and Human Services	61,220,768
93.659	Adoption Assistance	Health and Human Services	34,144,793
93.667	Social Services Block Grant	Health and Human Services	51,696,253
93.767	Children's Health Insurance Program	Health and Human Services	130,194,647
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,711,274
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	17,704,484
93.778	Medical Assistance Program	Health and Human Services	6,122,101,704
93.778	ARRA - Medical Assistance Program	Health and Human Services	39,337,572
	Total Medicaid Cluster		6,180,855,034
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	43,412,954
	Total Disability Insurance/SSI Cluster		43,412,954
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	67,557,683
97.039	Hazard Mitigation Grant	Homeland Security	58,528,689
	Total Type A Programs (expenditures greater than $30,000,000)		10,892,454,102
	Total Type B Programs (expenditures less than $30,000,000)		658,052,315
	Total Expenditures of Federal Awards		$ 11,550,506,417

STATE AUDITOR'S REPORTS

NICOLE GALLOWAY, CPA
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, 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, 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, 2015, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 14, 2016. Our report expressed a qualified opinion on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 29 percent of governmental activity revenues and 33 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Our report on the state of Missouri's financial statements includes a reference to other auditors who audited the financial statements of:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; 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 77 percent of the assets and 10 percent of the revenues of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund which are both major funds and represent 23 percent of the assets and 61 percent of the revenues of the business-type activities.

3. The aggregate discretely presented component units.

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4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund which represent 95 percent of the assets and 91 percent of the additions 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 State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state's internal control. Accordingly, we do not express an opinion on the effectiveness of the state's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the financial statement findings section of the accompanying Schedule of Findings and Questioned Costs as finding number 2015-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free from 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*.

State's Response to Findings

The state of Missouri's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The state's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Nicole R. Galloway, CPA
State Auditor

January 14, 2016

NICOLE GALLOWAY, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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, 2015. 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.

Our audit, described below, did not include the operations of the public universities and other component units that expended federal awards during the year ended June 30, 2015, because those entities engaged other auditors to perform audits in accordance with OMB Circular A-133.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the state's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Non-Profit 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

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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 on compliance for each major federal program. However, our audit does not provide a legal determination of the state's compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As described in the findings listed in the table below and in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding the following:

Finding Number	CFDA Number(s)	Program (or Cluster) Name	Compliance Requirement(s)
2015-002	93.575 93.596	Child Care Development Fund Cluster	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
2015-003	93.575 93.596	Child Care Development Fund Cluster	Eligibility and Special Tests and Provisions
2015-004	93.667	Social Services Block Grant	Subrecipient Monitoring
2015-008	93.767 93.775 93.777 93.778	Children's Health Insurance Program and Medicaid Cluster	Other

Compliance with such requirements is necessary, in our opinion, for the state to comply with the requirements applicable to these programs.

Qualified Opinion on Certain Major Federal Programs

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion on Certain Major Federal Programs" paragraph, the state of Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Care Development Fund Cluster, Social Services Block Grant, Children's Health Insurance Program, and Medicaid Cluster for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the state of Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, 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 2015-005 through 2015-007 and 2015-010 through 2015-019. Our opinion on each major federal program is not modified with respect to these matters.

The state of Missouri's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The state's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the state's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 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 2015-002, 2015-003, 2015-004, 2015-008, and 2015-009 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 2015-010 through 2015-014, 2015-016, and 2015-017 to be significant deficiencies.

The state of Missouri's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The state's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Nicole R. Galloway, CPA
State Auditor

February 19, 2016

NICOLE GALLOWAY, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

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

We have audited, 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, 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, 2015, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 14, 2016. Our report expressed a qualified opinion on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 29 percent of governmental activity revenues and 33 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Our report on the state of Missouri's financial statements also includes a reference to other auditors who audited the financial statements of:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; 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 77 percent of the assets and 10 percent of the revenues of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund which are both major funds and represent 23 percent of the assets and 61 percent of the revenues of the business-type activities.

3. The aggregate discretely presented component units.

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4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund which represent 95 percent of the assets and 91 percent of the additions of the fiduciary funds.

The financial statements of the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards.*

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 (OMB) 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 audit 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. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report is solely to provide an opinion on the Schedule of Expenditures of Federal Awards in relation to the basic financial statements as a whole based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Nicole R. Galloway, CPA
State Auditor

January 14, 2016

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Agriculture			
10.UNKNOWN	National Food Animal Veterinary Institute	$ 81,373	73,481
10.UNKNOWN	School Lunch Commodity Refund	8,505	8,505
10.025	Plant and Animal Disease, Pest Control, and Animal Care	747,969	0
10.069	Conservation Reserve Program	348,570	0
10.153	Market News	12,291	0
10.165	Perishable Agricultural Commodities Act	39,261	0
10.170	Specialty Crop Block Grant Program - Farm Bill	281,785	255,632
10.171	Organic Certification Cost Share Programs	79,410	0
10.435	State Mediation Grants	22,580	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	900,214	0
10.479	Food Safety Cooperative Agreements	97,728	0
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	1,244,639,634	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	42,719,929	9,496,746
	Total SNAP Cluster	1,287,359,563	9,496,746
	Child Nutrition Cluster:		
10.553	School Breakfast Program	72,072,948	72,072,948
10.555	National School Lunch Program	231,601,907	231,601,907
10.556	Special Milk Program for Children	511,712	511,712
10.559	Summer Food Service Program for Children	12,030,337	11,480,808
	Total Child Nutrition Cluster	316,216,904	315,667,375
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	94,841,793	24,616,918
10.558	Child and Adult Care Food Program	50,647,619	49,976,937
10.560	State Administrative Expenses for Child Nutrition	4,051,432	1,788,757
	Food Distribution Cluster:		
10.565	Commodity Supplemental Food Program	1,086,547	1,047,513
10.568	Emergency Food Assistance Program (Administrative Costs)	1,424,238	1,354,388
10.569	Emergency Food Assistance Program (Food Commodities)	9,077,727	0
	Total Food Distribution Cluster	11,588,512	2,401,901
10.574	Team Nutrition Grants	396,610	154,736
10.578	WIC Grants to States (WGS)	346,983	0
10.579	Child Nutrition Discretionary Grants Limited Availability	1,383,428	0
10.582	Fresh Fruit and Vegetable Program	3,279,758	3,279,758
10.664	Cooperative Forestry Assistance	1,732,709	258,547
	Forest Service Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	5,657,591	5,657,591
	Total Forest Service Schools and Roads Cluster	5,657,591	5,657,591
10.675	Urban and Community Forestry Program	48,689	0
10.680	Forest Health Protection	6,202	0
10.902	Soil and Water Conservation	47,677	7,723
Total Department of Agriculture		1,780,225,156	413,644,607
Department of Commerce			
11.555	Public Safety Interoperable Communications Grant Program	587,916	0
11.558	ARRA - State Broadband Data and Development Grant Program	837,708	517,525
Total Department of Commerce		1,425,624	517,525
Department of Defense			
12.AAG	Excess Property Program	710,211	710,211
12.UNKNOWN	Troops to Teachers	136,504	1,101
12.112	Payments to States in Lieu of Real Estate Taxes	3,581,278	3,581,278
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	664,205	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	43,705,183	0
Total Department of Defense		48,797,381	4,292,590

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	26,171,203	25,459,691
14.231	Emergency Solutions Grants Program	2,260,321	2,259,905
14.238	Shelter Plus Care	12,029,702	12,013,255
14.241	Housing Opportunities for Persons with AIDS	728,564	728,564
14.401	Fair Housing Assistance Program - State and Local	738,998	0
Total Department of Housing and Urban Development		41,928,788	40,461,415
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	8,302	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	2,156,056	1,208,954
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	7,832,691	0
15.611	Wildlife Restoration and Basic Hunter Education	14,443,459	0
	Total Fish and Wildlife Cluster	22,276,150	0
15.608	Fish and Wildlife Management Assistance	231,920	0
15.615	Cooperative Endangered Species Conservation Fund	122,484	0
15.623	North American Wetlands Conservation Fund	423,668	0
15.634	State Wildlife Grants	963,579	0
15.657	Endangered Species Conservation - Recovery Implementation Funds	10,879	0
15.807	Earthquake Hazards Research and Monitoring Assistance	18,066	0
15.808	U.S. Geological Survey - Research and Data Collection	56,405	0
15.810	National Cooperative Geologic Mapping Program	162,394	0
15.814	National Geological and Geophysical Data Preservation Program	11,517	0
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	15,375	0
15.904	Historic Preservation Fund Grants-In-Aid	898,328	147,772
15.916	Outdoor Recreation - Acquisition, Development and Planning	857,489	367,548
15.935	National Trails System Projects	38,176	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	469,956	0
Total Department of the Interior		28,720,744	1,724,274
Department of Justice			
16.013	Violence Against Women Act Court Training and Improvement Grants	19,554	0
16.017	Sexual Assault Services Formula Program	226,063	219,595
16.523	Juvenile Accountability Block Grants	506,848	338,166
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	520,699	213,610
16.554	National Criminal History Improvement Program (NCHIP)	276,341	276,341
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	134,754	83,723
16.575	Crime Victim Assistance	7,214,558	7,019,264
16.576	Crime Victim Compensation	2,680,195	2,680,195
16.585	Drug Court Discretionary Grant Program	98,761	0
16.588	Violence Against Women Formula Grants	2,032,533	1,933,041
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	362,793	0
16.593	Residential Substance Abuse Treatment for State Prisoners	429,329	121,831
16.606	State Criminal Alien Assistance Program	48,793	0
16.610	Regional Information Sharing Systems	4,386,204	4,386,204
16.726	Juvenile Mentoring Program	160,086	126,775
16.727	Enforcing Underage Drinking Laws Program	116,446	109,812
16.734	Special Data Collections and Statistical Studies	57,651	0
16.738	Edward Byrne Memorial Justice Assistance Grant Program	4,860,019	3,921,248
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	280,642	0
16.741	DNA Backlog Reduction Program	504,949	0
16.750	Support for Adam Walsh Act Implementation Grant Program	249,074	0
16.751	Edward Byrne Memorial Competitive Grant Program	14,575	14,575
16.813	NICS Act Record Improvement Program	842,834	842,834
16.816	John R. Justice Prosecutors and Defenders Incentive Act	39,218	37,416
Total Department of Justice		26,062,919	22,324,630

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Labor			
17.002	Labor Force Statistics	1,005,767	0
17.005	Compensation and Working Conditions	237,199	0
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	13,444,957	0
17.801	Disabled Veterans' Outreach Program (DVOP)	2,067,235	0
17.804	Local Veterans' Employment Representative Program	1,010,441	0
	Total Employment Service Cluster	16,522,633	0
17.225	Unemployment Insurance	432,332,553	0
17.235	Senior Community Service Employment Program	2,167,913	2,112,730
17.245	Trade Adjustment Assistance	5,287,256	0
	Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster:		
17.258	WIA/WIOA Adult Program	12,144,635	11,555,463
17.259	WIA/WIOA Youth Activities	12,660,527	11,458,332
17.278	WIA/WIOA Dislocated Worker Formula Grants	15,589,428	13,472,993
	Total Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster	40,394,590	36,486,788
17.268	H-1B Job Training Grants	424,247	373,490
17.271	Work Opportunity Tax Credit Program (WOTC)	432,663	0
17.273	Temporary Labor Certification for Foreign Workers	151,336	0
17.277	WIOA National Dislocated Worker Grants/WIA National Emergency Grants	6,791,562	5,466,282
17.280	WIA/WIOA Dislocated Worker National Reserve Demonstration Grants	4,783	0
17.504	Consultation Agreements	1,335,823	0
17.600	Mine Health and Safety Grants	229,585	0
Total Department of Labor		507,317,910	44,439,290
Department of Transportation			
20.106	Airport Improvement Program	21,136,513	21,132,586
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	761,528,235	115,347,360
20.219	Recreational Trails Program	2,568,195	1,232,461
	Total Highway Planning and Construction Cluster	764,096,430	116,579,821
20.218	National Motor Carrier Safety	3,480,306	1,212,424
20.231	Performance and Registration Information Systems Management	238,000	0
20.232	Commercial Driver's License Program Improvement Grant	238,541	198,702
20.237	Commercial Vehicle Information Systems and Networks	109,110	0
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	11,962	0
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	3,370,821	3,370,821
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	1,311,184	131,183
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	321,491	321,491
	Total Federal Transit Cluster	321,491	321,491
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	6,290,383	6,150,493
20.509	Formula Grants for Rural Areas	20,220,179	19,573,150
	Transit Services Programs Cluster:		
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	2,415,430	2,176,119
20.516	Job Access and Reverse Commute Program	905,914	905,914
20.521	New Freedom Program	601,167	601,167
	Total Transit Services Programs Cluster	3,922,511	3,683,200
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	97,145	0

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	4,667,586	3,908,127
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	698,785	678,241
20.610	State Traffic Safety Information System Improvement Grants	66,335	66,335
20.612	Incentive Grant Program to Increase Motorcyclist Safety	13,798	0
20.613	Child Safety and Child Booster Seats Incentive Grants	207,392	54,028
20.616	National Priority Safety Programs	3,342,945	2,197,205
	Total Highway Safety Cluster	8,996,841	6,903,936
20.607	Alcohol Open Container Requirements	13,617,711	3,497,008
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	12,424,826	750,305
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	148,796	0
20.700	Pipeline Safety Program State Base Grant	582,315	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	519,701	30,270
20.720	State Damage Prevention Program Grants	60,000	0
20.721	PHMSA Pipeline Safety Program One Call Grant	9,221	0
20.816	America's Marine Highway Grants	14,246	0
Total Department of Transportation		861,218,233	183,535,390
Equal Employment Opportunity Commission			
30.UNKNOWN	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	547,255	0
Total Equal Employment Opportunity Commission		547,255	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	2,809,469	2,550,612
39.011	Election Reform Payments	10,616	10,616
Total General Services Administration		2,820,085	2,561,228
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	692,393	368,552
45.310	Grants to States	3,017,014	2,079,552
Total National Foundation on the Arts and the Humanities		3,709,407	2,448,104
Small Business Administration			
59.061	State Trade and Export Promotion Pilot Grant Program	12,642	7,442
Total Small Business Administration		12,642	7,442
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	990,063	0
64.015	Veterans State Nursing Home Care	65,629,304	0
64.024	VA Homeless Providers Grant and Per Diem Program	715,000	715,000
64.101	Burial Expenses Allowance for Veterans	908,699	0
64.115	Veterans Information and Assistance	458,041	0
Total Department of Veterans Affairs		68,701,107	715,000
Environmental Protection Agency			
66.032	State Indoor Radon Grants	171,862	1,794
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	797,238	0
66.039	National Clean Diesel Emissions Reduction Program	355,918	270,703
66.040	State Clean Diesel Grant Program	43,631	24,260
66.202	Congressionally Mandated Projects	3,914	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	75,138	0
66.433	State Underground Water Source Protection	167,397	0
66.454	Water Quality Management Planning	489,711	271,390
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	39,056,100	30,849,395
	Total Clean Water State Revolving Fund Cluster	39,056,100	30,849,395

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
66.460	Nonpoint Source Implementation Grants	3,867,927	2,198,571
66.461	Regional Wetland Program Development Grants	86,499	22,109
	Drinking Water State Revolving Fund Cluster:		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	23,803,451	14,399,206
	Total Drinking Water State Revolving Fund Cluster	23,803,451	14,399,206
66.605	Performance Partnership Grants	13,268,646	161,439
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	86,918	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	303,761	0
66.714	Regional Agricultural IPM Grants	1,498	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,489,072	332,856
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	508,253	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,055,985	68,131
66.817	State and Tribal Response Program Grants	978,780	0
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	107,830	0
Total Environmental Protection Agency		86,719,529	48,599,854
Department of Energy			
81.041	State Energy Program	1,043,637	10,018
81.042	Weatherization Assistance for Low-Income Persons	5,287,588	4,535,923
81.092	Weldon Springs Site Remedial Action Project	236,906	0
81.104	Environmental Remediation and Waste Processing and Disposal	154,750	0
81.119	State Energy Program Special Projects	215,707	29,188
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	65,651	0
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	5,207	0
81.136	Long-Term Surveillance and Maintenance	49,955	0
81.138	State Heating Oil and Propane Program	4,540	0
Total Department of Energy		7,063,941	4,575,129
Department of Education			
84.UNKNOWN	Cooperative System Grant	16,581	0
84.002	Adult Education - Basic Grants to States	9,242,994	8,019,774
84.010	Title I Grants to Local Educational Agencies	231,283,321	229,887,636
84.011	Migrant Education - State Grant Program	1,574,943	1,559,924
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,091,762	1,078,376
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	220,284,170	199,140,253
84.173	Special Education - Preschool Grants	9,811,765	9,811,765
	Total Special Education Cluster (IDEA)	230,095,935	208,952,018
84.032	Federal Family Education Loans	109,341,957	0
84.048	Career and Technical Education - Basic Grants to States	19,632,999	18,027,681
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	63,061,761	0
84.144	Migrant Education - Coordination Program	75,700	75,700
84.169	Independent Living - State Grants	273,492	253,168
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	679,302	0
84.181	Special Education - Grants for Infants and Families	8,395,860	0
84.184	Safe and Drug-Free Schools and Communities - National Programs	417,519	0
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	781,572	0
84.196	Education for Homeless Children and Youth	1,089,038	1,084,247
84.224	Assistive Technology	1,048,837	791,883
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	996,916	0
84.282	Charter Schools	1,292,872	1,289,600
84.287	Twenty-First Century Community Learning Centers	19,082,476	18,757,922
84.323	Special Education - State Personnel Development	1,612,281	1,612,281
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	5,730	0
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	205,359	0

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	146,488	146,488
84.358	Rural Education	2,878,522	2,734,857
84.365	English Language Acquisition State Grants	5,436,392	5,197,049
84.366	Mathematics and Science Partnerships	2,820,273	2,818,173
84.367	Improving Teacher Quality State Grants	38,670,664	38,013,560
84.369	Grants for State Assessments and Related Activities	3,547,806	0
84.372	Statewide Longitudinal Data Systems	424,479	0
	School Improvement Grants Cluster:		
84.377	School Improvement Grants	10,325,715	9,966,836
	Total School Improvement Grants Cluster	10,325,715	9,966,836
84.378	College Access Challenge Grant Program	198,927	150,634
84.902	National Assessment of Educational Programs	111,691	0
Total Department of Education		765,860,164	550,417,807
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	15,025	0
Total National Archives and Records Administration		15,025	0
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	2,031,787	687,662
Total Elections Assistance Commission		2,031,787	687,662
Department of Health and Human Services			
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	76,191	5,139
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	276,839	63,203
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion	452,610	430,544
	Aging Cluster:		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,169,775	6,932,862
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	12,645,452	12,141,875
93.053	Nutrition Services Incentive Program	3,906,512	3,906,512
	Total Aging Cluster	23,721,739	22,981,249
93.052	National Family Caregiver Support, Title III, Part E	2,883,415	2,732,839
93.069	Public Health Emergency Preparedness	10,822,990	5,574,711
93.070	Environmental Public Health and Emergency Response	1,153,767	271,332
93.071	Medicare Enrollment Assistance Program	453,410	234,455
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	58,492	52,838
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	63,269	63,269
93.090	Guardianship Assistance	3,073,736	0
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	981,612	821,542
93.094	Well-Integrated Screening and Evaluation for Women Across the Nation	469,280	280,854
93.103	Food and Drug Administration - Research	1,222,350	12,044
93.110	Maternal and Child Health Federal Consolidated Programs	191,736	39,344
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	663,135	196,109
93.127	Emergency Medical Services for Children	120,504	51,731
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	243,075	23,955
93.136	Injury Prevention and Control Research and State and Community Based Programs	443,440	336,326
93.150	Projects for Assistance in Transition from Homelessness (PATH)	704,085	703,051
93.165	Grants to States for Loan Repayment Program	250,000	250,000
93.234	Traumatic Brain Injury State Demonstration Grant Program	150,344	93,218
93.235	Affordable Care Act (ACA) Abstinence Education Program	773,250	625,592

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
93.236	Grants to States to Support Oral Health Workforce Activities	667,010	666,429
93.240	State Capacity Building	303,358	0
93.241	State Rural Hospital Flexibility Program	372,874	239,375
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	3,768,462	3,412,064
93.251	Universal Newborn Hearing Screening	238,954	56,260
93.268	Immunization Cooperative Agreements	61,371,174	145,835
93.270	Adult Viral Hepatitis Prevention and Control	77,082	0
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	2,494,170	1,220,598
93.292	National Public Health Improvement Initiative	204,760	35,098
93.301	Small Rural Hospital Improvement Grant Program	315,525	315,525
93.305	National State Based Tobacco Control Programs	150,892	0
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	128,658	0
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	471,481	0
93.324	State Health Insurance Assistance Program	951,861	0
93.336	Behavioral Risk Factor Surveillance System	11,357	0
93.369	ACL Independent Living State Grants	27,000	0
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	3,450,779	3,093,370
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	46,922	0
93.519	Affordable Care Act (ACA) - Consumer Assistance Program Grants	219,273	0
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	345,176	41,969
93.538	Affordable Care Act - National Environmental Public Health Tracking Program - Network Implementation	165,073	0
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds	368,601	0
93.556	Promoting Safe and Stable Families	8,084,351	0
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	182,948,162	8,470,955
	Total TANF Cluster	182,948,162	8,470,955
93.563	Child Support Enforcement	38,183,410	16,998,716
93.566	Refugee and Entrant Assistance - State Administered Programs	3,354,652	1,420,110
93.568	Low-Income Home Energy Assistance	74,930,366	37,956,998
93.569	Community Services Block Grant	18,667,381	17,782,163
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	43,921,531	2,588,782
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	56,754,961	0
	Total CCDF Cluster	100,676,492	2,588,782
93.576	Refugee and Entrant Assistance - Discretionary Grants	285,749	281,445
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	157,653	157,653
93.586	State Court Improvement Program	562,256	0
93.590	Community-Based Child Abuse Prevention Grants	582,714	579,415
93.597	Grants to States for Access and Visitation Programs	166,700	0
93.599	Chafee Education and Training Vouchers Program (ETV)	884,913	0
93.600	Head Start	135,700	135,700
93.603	Adoption and Legal Guardianship Incentive Payments	1,903,050	0
93.609	The Affordable Care Act - Medicaid Adult Quality Grants	561,853	0
93.617	Voting Access for Individuals with Disabilities - Grants to States	29,000	870
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,348,937	458,852
93.643	Children's Justice Grants to States	296,754	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	6,078,319	0
93.658	Foster Care - Title IV-E	61,220,768	392,178
93.659	Adoption Assistance	34,144,793	0
93.667	Social Services Block Grant	51,696,253	9,320,873
93.669	Child Abuse and Neglect State Grants	633,929	0
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	2,114,239	2,113,369

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
93.674	Chafee Foster Care Independence Program	2,886,393	0
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - Financed by Prevention and Public Health Funds (PPHF)	199,219	184,433
93.735	State Public Health Approaches for Ensuring Quitline Capacity - Funded in Part by Prevention and Public Health Funds (PPHF)	502,659	322,928
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations Financed in Part by Prevention and Public Health Funds	1,974,562	1,220,387
93.753	Child Lead Poisoning Prevention Surveillance Financed in Part by Prevention and Public Health (PPHF) Program	152,382	0
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke	15,327	0
93.758	Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF)	3,136,923	1,423,419
93.767	Children's Health Insurance Program	130,194,647	0
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	1,711,274	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	17,704,484	0
93.778	Medical Assistance Program	6,122,101,704	0
93.778	ARRA - Medical Assistance Program	39,337,572	0
	Total Medicaid Cluster	6,180,855,034	0
93.791	Money Follows the Person Rebalancing Demonstration	10,287,085	0
93.889	National Bioterrorism Hospital Preparedness Program	5,070,668	4,078,693
93.913	Grants to States for Operation of Offices of Rural Health	157,169	4,915
93.917	HIV Care Formula Grants	9,338,683	9,338,683
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	545,841	481,175
93.940	HIV Prevention Activities - Health Department Based	5,181,493	3,087,931
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS)	631,594	246,762
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,979,567	889,880
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative	141,294	0
93.958	Block Grants for Community Mental Health Services	6,168,347	5,920,485
93.959	Block Grants for Prevention and Treatment of Substance Abuse	23,970,637	22,051,915
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,936,964	578,293
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	197,923	0
93.991	Preventive Health and Health Services Block Grant	254,312	1,189
93.994	Maternal and Child Health Services Block Grant to the States	13,016,721	7,499,466
Total Department of Health and Human Services		7,113,843,549	201,058,501
Corporation for National and Community Service			
94.003	State Commissions	322,195	2,501
94.006	AmeriCorps	3,338,236	3,326,619
Total Corporation for National and Community Service		3,660,431	3,329,120
Executive Office of the President			
95.001	High Intensity Drug Trafficking Areas Program	2,855,285	2,320,137
Total Executive Office of the President		2,855,285	2,320,137
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	43,412,954	0
	Total Disability Insurance/SSI Cluster	43,412,954	0
Total Social Security Administration		43,412,954	0
Department of Homeland Security			
97.008	Non-Profit Security Program	84,712	84,618
97.012	Boating Safety Financial Assistance	2,998,990	0
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	2,592,848	2,592,848
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	207,878	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
97.029	Flood Mitigation Assistance	126,613	126,613
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	67,557,683	66,865,785
97.039	Hazard Mitigation Grant	58,528,689	58,068,610
97.041	National Dam Safety Program	98,867	0
97.042	Emergency Management Performance Grants	6,384,774	3,837,326
97.045	Cooperating Technical Partners	1,202,875	0
97.052	Emergency Operations Center	475,728	475,728
97.067	Homeland Security Grant Program	12,816,223	10,528,437
97.088	Disaster Assistance Projects	23,479	23,479
97.091	Homeland Security Biowatch Program	457,142	392,265
Total Department of Homeland Security		153,556,501	142,995,709
Total Expenditures of Federal Awards		$ 11,550,506,417	1,670,655,414

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
YEAR ENDED JUNE 30, 2015

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 the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and OMB Circular A-133 *Compliance Supplement*, dated June 2015. 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 schedule includes all federal awards expended by the state of Missouri during the year ended June 30, 2015, except for those programs administered by public universities and other component units which are legally separate from the state of Missouri and have been excluded from this audit. They were audited by other auditors under OMB Circular A-133.

To compile the Schedule of Expenditures of Federal Awards, the Missouri State Auditor's office required each department, agency, and office that expended direct and/or indirect federal funding during the state fiscal year to prepare a schedule of expenditures of federal awards. The schedules for the departments, agencies, and offices were combined to form the Schedule of Expenditures of Federal Awards for the state of Missouri.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal awards as federal financial assistance and cost-reimbursement contracts 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 programs administered by the state. OMB Circular A-133 establishes the formula for determining the level of expenditures to be used in defining Type A and B federal programs. During the year ended June 30, 2015, 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 programs are presented on the accounting basis as required by the awarding federal agency. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) Rebates

The state received cash rebates from an infant formula manufacturer totaling $33,776,347 on sales of formula to participants in the WIC (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufactures are authorized by 7 CFR 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this state fiscal year in the absence of the rebate contract.

3. Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP) Prescription Drug Rebates

The state received cash rebates from drug manufacturers totaling $229,458,379 (federal share) on purchases of covered outpatient drugs for participants in the Medicaid and CHIP (CFDA Nos. 93.778 and 93.767). This amount was excluded from total program expenditures. Rebate contracts with drug manufactures are authorized by 42 U.S.C. Section 1396r-8 as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for medical assistance costs.

4. Unemployment Insurance Program 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 $384,357,685. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states totaling $34,914,226 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 $4,139,951 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 $1,836,916,682 as of June 30, 2015. 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 $331,227,064 as of June 30, 2015.

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 $26,106,274.

The Department of Public Safety distributes excess Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Excess Property Program (CFDA No. 12.AAG). Property distributions totaled $2,999,203 when 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 accompanying Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($710,211), 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 $11,864,312 when 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 accompanying Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($2,809,469), 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 Cooperative Agreements program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled $57,058,169.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Unmodified for all opinion units except for governmental activities and the General Fund, which were qualified.

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Qualified

Unmodified for all major programs except for the following major programs which were qualified:

Child Care Development Fund Cluster
Social Services Block Grant
Children's Health Insurance Program
Medicaid Cluster

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
	Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster:
17.258	WIA/WIOA Adult Program
17.259	WIA/WIOA Youth Activities
17.278	WIA/WIOA Dislocated Worker Formula Grants
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
	Special Education Cluster (IDEA):
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.032	Federal Family Education Loans
	TANF Cluster:
93.558	Temporary Assistance for Needy Families
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
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
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
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039	Hazard Mitigation Grant
97.042	Emergency Management Performance Grants

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

2015-001.	**Financial Reporting Controls - Office of State Treasurer**

The Office of State Treasurer (STO) does not have adequate procedures in place to ensure the accuracy of year-end financial data submitted to the Office of Administration - Division of Accounting (DOA). The total balance reported to the DOA for the bank deposits held by the STO would have been understated by $753.2 million in the note disclosures accompanying the financial statements in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2015, had the misstatement in the year-end financial data not been identified during our audit. In addition, total cash and cash equivalents would have been overstated by $214.4 million and total investments would have been understated by $214.4 million in the CAFR financial statements for the year ended June 30, 2015, had an error in the preparation of the STO year-end financial data not been identified during our audit.

A. The STO year-end financial data submitted to the DOA is to include the total balance of bank deposits as of fiscal year end. This amount is used by the DOA to report the balance of the state's bank deposits in the CAFR note disclosures (footnotes to the financial statements). However, the STO reported an incorrect amount and the note disclosure would have been materially misstated had we not identified the error.

   To generate the bank deposit data for the CAFR, the STO obtained bank account totals from bank statements or on-line banking reports and recorded the amounts on a supporting worksheet. We identified one account balance totaling $18.8 million was not included on the worksheet. In addition, when transferring the STO's worksheet total to the form used to transmit data to the DOA, the STO recorded an incorrect amount resulting in an additional understatement of $734.4 million. The STO did not detect the misstatement and the incorrect data was submitted to the DOA.

   When compiling the draft CAFR, the DOA incorporates the amounts reported by the STO. After we brought this misstatement to the attention of the STO, corrections were submitted by the STO and incorporated into the CAFR by the DOA in December 2015, prior to its completion.

B. The STO year-end financial data submitted to the DOA is to include a summary schedule of investments as of June 30, grouped by length of time until the investments mature. This summary schedule is used by the DOA to reclassify a portion of the cash balances from cash and cash equivalents to investments. Accounting standards require certain investments to be classified as cash and cash equivalents when the investment is purchased within 3 months of its maturity date.

The STO changed the method of preparing the investment summary schedule for the June 30, 2015, investment balances. However, the change was not consistent with governmental accounting standards. Instead of starting with the date the investments were purchased to calculate the length of time to maturity as required by accounting standards, the STO used the fiscal year end date, June 30, 2015, to do the calculation which caused the length of time to maturity to be understated for many investments. As a result, these investments were classified as cash and cash equivalents when they should have been classified as investments. Of the 924 investments in the STO's portfolio at June 30, 2015, 163 were incorrectly classified, resulting in a $214.4 million misstatement of cash and cash equivalents and investments. The STO did not detect the misstatement and the incorrect data was submitted to the DOA.

When compiling the draft CAFR, the DOA incorporated the incorrect amounts reported by the STO. After we brought this misstatement to the attention of the STO, a correction was submitted by the STO and made to the CAFR by the DOA in December 2015, 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 STO implement controls which allow for the detection and correction of misstatements when preparing the year-end financial data.

AUDITEE'S RESPONSE

The STO has robust, existing systems of internal controls regarding the submission of year-end financial data to the DOA. However, the STO agrees with the State Auditor's Office's (SAO) recommendation as it relates to strengthening controls and, consistent with it, the STO has already begun to take steps to further bolster relevant existing procedures. The STO appreciates the work performed by both the DOA and the SAO in ensuring the accuracy of the financial statements in the CAFR.

Section III - Federal Award Findings and Questioned Costs

2015-002. Child Care Eligibility and Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2014 - G1401MOCCDF and 2015 - G1501MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2014 - G1401MOCCDF and 2015 - G1501MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	$12,647

As noted in our prior five audit reports[1], significant weaknesses exist in DSS controls over Child Care Development Fund (Child Care subsidy) 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 some Child Care subsidy cases reviewed, and overpayments were made to some providers. The DSS has only limited procedures to review eligibility determinations and monitor payments to providers. During the year ended June 30, 2015, the DSS paid approximately 6,000 child care providers approximately $125 million for services provided to over 60,500 children of eligible clients.

The DSS provides funds to child care providers who serve eligible clients (parents/caregivers). Clients apply to CD or FSD case workers for participation in the Child Care subsidy program. 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 or receive, or need to receive, protective services.

Once approved, the client selects a child care provider and the DSS enters into an agreement with the provider for child care services. The DSS Income Maintenance (IM) 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 subsidy application or a signed system-generated interview summary and copies of income (including work hours) or educational program verifications, to support the eligibility determination. Federal regulation 45 CFR Section 98.90 also requires the DSS to retain program records for a period of 3 years.

[1] *State of Missouri Single Audit*, finding numbers 2014-005, 2013-009, 2012-11A&B, 2011-14A, and 2010-16A.

Until January 2015, the IM manual required a client receiving Child Care subsidy to work an average of 20 or more hours per week. This requirement was revised and currently the client may receive Child Care subsidy as long as he or she is working and continues to meet other requirements. The IM manual also limits the number of absences and holidays eligible for reimbursement. Additionally, the manual states that child care providers may not receive Child Care subsidy for their own children.

The IM 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 interfaces with the Family Assistance Management Information System (FAMIS) to process provider payments. Additionally, providers are required to maintain detailed attendance records documenting daily arrival and departure times and containing a client 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.

To test compliance with program requirements, we selected a sample of 60 children. We reviewed eligibility case documentation, related provider agreements, and payment documentation supporting one payment for each of these children. Payments totaling approximately $97,290 were made to child care providers on behalf of these 60 children during state fiscal year 2015. We noted the following:

- Eligibility documentation was not sufficient to support a valid need for child care services for 7 of 60 (12 percent) cases reviewed. For five cases, the client provided information at the time of application or redetermination for Child Care subsidy or another program that showed the client was employed less than an average of 20 hours per week (when the 20-hour requirement was in effect), or was not employed and had no other valid need for services. For another case, the client notified the DSS child care was no longer needed; however, the DSS did not process the information timely in the FAMIS and the provider continued to submit invoices resulting in overpayments. Finally, one client was a child care provider and therefore was not eligible to receive Child Care subsidy for care of her children by another provider. The DSS closed the case after the provider was paid for 1 month, but did not file a claim to recoup prior overpayments. Payments totaling $12,519, made on behalf of these 7 children and their siblings during the year ended June 30, 2015, were unallowable and/or unsupported by adequate documentation. We question the federal share of $9,227 (73.70 percent).

- Income eligibility information for 2 of 60 (3 percent) cases did not match the income entered into the FAMIS and used for eligibility determinations. The clients are ineligible for Child Care subsidy based on the correct income documentation. Payments totaling $2,352 were made on behalf of these two ineligible children and their siblings during the year ended June 30, 2015. We question the federal share of $1,733 (73.70 percent).

- Documentation was not adequate to support payments and/or payments were not in compliance with DSS policies for 18 of 60 (30 percent) cases reviewed. Some attendance records were not provided by child care providers upon our request, some attendance records were not signed by the client and/or provider or did not state arrival and departure times of care, and some provider invoices did not agree to the corresponding attendance records. In addition, for one case, documentation did not support authorization for payments at enhanced evening weekend rates. One of these cases was included in the questioned costs above. Payments for the remaining 17 cases totaled $1,570. We question the federal share of $1,157 (73.70 percent).

- One provider improperly claimed absences on a holiday the center was closed for business after exhausting their annual allotment of 11 holidays per state fiscal year. To determine if providers circumvented the annual holiday maximum by claiming absences on holidays, we reviewed attendance records of 5 of the 60 providers who exhausted the maximum holidays within the first 10 months of the state fiscal year. One of these providers claimed all Child Care subsidy children in its care were absent on Memorial Day; however, absences should only be claimed when the facility is open and the child is not in attendance. Claiming these absences allowed the provider to exceed the maximum annual paid holidays. The provider was paid $719 for absences on Memorial Day for various children. We question the federal share of $530 (73.70 percent).

The various errors noted above occurred because the DSS lacks sufficient controls to ensure eligibility determinations are accurate and adequately documented 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 subsidy eligibility determinations, limited on-site contract compliance reviews of child care providers, and minimal other procedures in place to review provider attendance records.

In response to deficiencies identified in previous audits, the DSS implemented various controls over eligibility determinations and provider payments. Effective March 2012, the DSS required all FSD eligibility supervisors to review a minimum of three Child Care subsidy cases each month in the case review system. However, these case reviews declined and then stopped during state fiscal years 2014 and 2015 during the FSD reorganization. The DSS indicated the reviews were reestablished in November 2015. In September 2013, the DSS began performing on-site reviews of child care providers to evaluate billing practices, compare attendance records to amounts invoiced, and review facility staffing ratios and fire safety. The Child Care Review Team (CCRT) completed approximately 750 provider reviews during the year ended June 30, 2015 and noted similar payment issues as those identified above.

In July 2014 and December 2015, the Department of Health and Human Services, Administration for Children and Families, Office of Child Care issued decision letters stating it concurred with the five prior audit findings and the DSS had resolved or planned to resolve the related questioned costs. The DSS needs to continue to review, strengthen, and enforce policies and procedures to ensure Child Care subsidy 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 DSS policy, and appropriate Child Care subsidy 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 9 percent of payments reviewed. If similar errors were made on the remaining population of Child Care Subsidy payments, questioned costs could be significant.

WE RECOMMEND the DSS through the CD and FSD continue to review, strengthen and enforce policies and procedures regarding Child Care subsidy eligibility determinations and 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.

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.

2015-003. Child Care Provider Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2014 - G1401MOCCDF and 2015 - G1501MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2014 - G1401MOCCDF and 2015 - G1501MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	$4,687

As noted in our prior two audit reports[2], the DSS does not have adequate controls and procedures in place to ensure "four-or-less" child care providers participating in the Child Care Development Fund (Child Care) subsidy program comply with statutory requirements for license-exempt status. Per Section 210.211.1, RSMo, child care providers are exempt from licensing requirements if they care for four or less unrelated children, known as "four-or-less" (FOL) providers. The DSS incorrectly classified some children as related to their child care provider, and made Child Care subsidy payments to an individual registered as a FOL provider for care of 6 unrelated and 4 related children.

[2] *State of Missouri Single Audit*, finding numbers 2014-006 and 2013-010.

In addition, the DSS could not verify the relationship for some children classified as related to their FOL registered providers. During the year ended June 30, 2015, the DSS paid over 2,950 FOL child care providers approximately $17.2 million for child care services.

Child care providers must be licensed, or exempt from licensure by state statute, to participate in the Child Care subsidy program. FOL providers must sign a registration agreement with the CD attesting they understand the health and safety requirements of the program, will comply with such requirements, and will report true and accurate information. Once the FOL provider registers with the DSS, clients participating in the Child Care subsidy program may request their children be authorized for care with the provider. FSD Eligibility Specialists (ES) authorize child care for each eligible child by provider in the Family Assistance Management Information System (FAMIS), and are required to verify the relationship of the child to the provider. Upon verification of the relationship, the ES enters the corresponding relationship code and the child care authorization into the FAMIS. System edits allow the ES to authorize a maximum of four unrelated children to a FOL provider at a time. When relationship codes are not entered correctly, the system will not prevent child care authorizations and payments to FOL providers caring for more than four unrelated Child Care subsidy children.

Until March 2015, DSS Child Care policy required the ES to review certain information to verify the relationship between the children and their FOL providers. Examples specified included Missouri electronic birth records accessible via the FAMIS, paper birth certificates for individuals born in other states, marriage licenses, and other documents. The policy provided the parent's statement could not be accepted as the only verification. The ES was not required to document his or her verification procedures. The DSS revised the policy, effective for authorizations after March 2015, to require parents to complete and sign a client relationship form listing and attesting to the relationships between related children and the FOL provider. The revised policy requires the parent provide verification of listed relationships (birth certificates, marriage licenses, etc.) upon request.

To test compliance with various Child Care program requirements, we sampled eligibility documentation for 60 children. The DSS paid 10 FOL providers on behalf of some of these children; 7 that were paid for caring for more than four Child Care subsidy children during at least 1 month during state fiscal year 2015. These 7 providers were paid to care for 5 to 10 related and unrelated Child Care subsidy children during the month reviewed, a total of 54 children. We reviewed the relationship codes and supporting information in the case file and/or the FAMIS for all Child Care subsidy children cared for by these providers during the month reviewed. For those relationship codes not supported in the case file or the FAMIS, we requested supporting documentation from CD personnel. All payments to the 10 FOL providers reviewed were authorized prior to the March 2015 policy revision.

For 3 of 7 (43 percent) FOL providers reviewed, the ES did not enter the correct relationship into the FAMIS or the DSS could not verify the recorded relationship for some children cared for by the provider. For one provider, the ES entered the relationship code for aunt instead of great-aunt for 6 of the 10 Child Care subsidy children cared for by the provider. Section 210.211.1(1), RSMo and DSS Income Maintenance policy number 1215.010.05 define aunts as related persons and great-aunts as unrelated. Because the incorrect relationship code was entered for the 6 children, neither the ES or the FAMIS identified the provider as noncompliant with state licensing requirements and ineligible for Child Care subsidy payments. For the other two providers, the DSS could not confirm the recorded relationships; as a result, the providers may have cared for more than the four unrelated children during the month tested. If so, all three providers operated in violation of state child care licensing laws and were ineligible for the program. The DSS paid these three providers $6,360 during the month reviewed. We question the federal share of $4,687 (73.70 percent). If similar classification errors and the inability to verify relationships were made for the remaining 976 FOL providers paid for more than four children for at least 1 month during state fiscal year 2015, questioned costs could be significant.

An eligible child care provider is defined by 45 CFR Section 98.2 as a provider for child care services for compensation that is licensed, regulated, or registered under applicable state or local law and satisfies state and local requirements, including health and safety requirements. Section 210.211.1, RSMo, states it is unlawful for any person to establish, maintain, or operate a child care facility without a valid license issued by the Missouri Department of Health and Senior Services unless the provider meets one of the listed exemptions. Section 210.211.1(1), RSMo, exempts from licensure any person who is caring for four or fewer unrelated children. Children related to the provider by blood, marriage, or adoption within the third degree are not considered in the total number of children being provided care.

In December 2015, the Department of Health and Human Services, Administration for Children and Families, Office of Child Care issued two decision letters stating it concurred with the two prior audit findings and the DSS had resolved or planned to resolve the related questioned costs. The DSS needs to continue to review, strengthen, and enforce policies and procedures to ensure FOL providers comply with DSS policy and state law. These procedures should ensure adequate review of client relationship forms and other documentation supporting each child's relationship to each FOL provider providing care for the child. Documentation supporting the relationship verification should be maintained.

WE RECOMMEND the DSS through the CD improve controls and procedures to ensure child care providers participating in the Child Care subsidy program are in compliance with DSS policy and state licensing requirements, and retain necessary documentation to support verifications of relationships.

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.

2015-004. Social Services Block Grant Subrecipient Monitoring

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2015 - 1501MOSOSR and 2014 - 1401MOSOSR
State Agency: Department of Social Services (DSS)

The DSS has not established adequate controls and procedures to monitor Caring Community Partnerships (CCPs) for compliance with Social Services Block Grant (SSBG) requirements. During the year ended June 30, 2015, the DSS disbursed to 21 CCPs approximately $7.6 million of the total $9.3 million in SSBG funds passed through to subrecipients.

The DSS enters into grant agreements with the 21 CCPs to help fund the caring community initiatives in each of the CCP's geographic area. The CCPs are not-for-profit organizations that work with local, state, and federal partners to administer the state-wide Caring Communities program and meet local social service needs. The objectives of the Caring Communities program include: parents working; children safe in their families and families safe in their communities; children ready to enter school; children and families that are healthy; children and youth succeeding in school; and youth ready to enter the work force and become productive citizens. The CCPs receive additional funding from various state and federal sources. The DSS enters into 3-year agreements with the CCPs that provide for quarterly reimbursements of actual costs incurred for services and activities in accordance with DSS-approved annual budgets. The CCP annual budgets are submitted to the DSS Community Enterprise Unit (CEU) staff and include various general budget categories such as neighborhood facilitation; data, evaluation, and communication; and supplies. The CCPs submit quarterly requests for reimbursement, and CEU staff ensure the approved budgets are not exceeded before approving the payments.

The CEU reviews the activities of each CCP by requiring them to provide an annual self-assessment of their compliance with general contract requirements and by performing annual on-site visits. During the on-site visits, CEU staff review CCP programs to ensure core objectives are being addressed. In addition, the Division of Finance and Administrative Services, Compliance and Quality Control Unit is responsible for ensuring the CCPs have an OMB Circular A-133 audit, when applicable.

The CEU's monitoring procedures over the CCPs do not address compliance with SSBG requirements. The grant agreements do not mention the SSBG as a funding source, include or refer to the requirements of the SSBG, or include the identifying grant award information. During reviews of quarterly reimbursement requests and on-site visits, CEU staff do not review for CCP compliance with SSBG requirements. The CEU staff responsible for reviewing and approving quarterly reimbursement requests indicated they did not know the CCP agreements were funded by the SSBG or what costs are allowable for the SSBG. Furthermore, the CEU does not require CCPs to submit documentation supporting amounts requested and reimbursed and does not review this documentation, at least on a test basis, during on-site visits.

OMB Circular A-133, Subpart D, Section 400(d)(3) requires the DSS to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements. According to OMB Circular A-133 Compliance Supplement Part 3.1, subsection M., dated June 2015, the DSS is responsible for monitoring the subrecipients' use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements and that performance goals are achieved. This subsection also requires the DSS, at the time of the award, to identify award information (i.e., CFDA title and number, award name and number, whether the award is 'research and development', and name of the federal awarding agency) and applicable compliance requirements imposed by laws, regulations, and the provisions of contract or grant agreement. Effective monitoring procedures should include reviewing supporting documentation to ensure subrecipient expenditures are allowable costs of the federal program. Without communicating SSBG requirements to subreceipients and ensuring adequate monitoring procedures are in place, the DSS has less assurance the CCPs are in compliance with SSBG requirements.

WE RECOMMEND the DSS modify subrecipient monitoring procedures over Caring Community Partnerships to include procedures to monitor for compliance with SSBG requirements. In addition, the DSS should communicate the requirements of the SSBG and required grant identification information to the Caring Community Partnerships.

AUDITEE'S RESPONSE

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

2015-005. Adoption Assistance - Eligibility and Assistance Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.659 Adoption Assistance
	2014 - 1401MO1407 and 2015 - 1501MOADPT
State Agency:	Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs:	$11,538

As noted in the three previous audits[3] of the Adoption Assistance program, the CD made payments on behalf of ineligible children and appears to have backdated some subsidy agreements. During the year ended June 30, 2015, the CD provided Adoption Assistance benefits totaling over $46 million for approximately 11,750 children.

The Adoption Assistance program assists families in adopting eligible children with special needs by providing subsidy payments to adoptive parents. To be eligible to receive benefits under the program, eligibility requirements outlined at 42 U.S.C. 673 must be met. The DSS is required to enter into adoption subsidy agreements with adoptive parents who receive subsidy payments on behalf of the child. The nature of services to be provided and nonrecurring expenses to be paid must be stated in the subsidy agreement as required by 45 CFR Section 1356.40 and 45 CFR Section 1356.41. In addition, the agreement must be signed and in effect prior to or at the time of the final adoption decree. The DSS Child Welfare Manual Adoption Subsidy policy requires subsidy agreements be signed by both the adoptive parents and the CD Director to be considered in effect. Subsidized costs may include maintenance, child care, and nonrecurring adoption expenses.

To test compliance with these requirements, we reviewed eligibility and payment documentation for 60 children receiving Adoption Assistance. Assistance payments totaling approximately $271,700 were made on behalf of these children during the year ended June 30, 2015. Our review noted the following:

A. For one (2 percent) case tested, payments were made on behalf of a child ineligible for Adoption Assistance benefits because the adoption subsidy agreement was not signed and in effect prior to or at the date of adoption. For this case, the adoption subsidy agreement was not signed by all applicable parties and effective until 18 days after the adoption decree. Payments totaling $8,052 were made on behalf of the ineligible child during the year ended June 30, 2015. We question the federal share of $5,078 (approximately 63 percent). Cumulative payments totaling $21,589 for this case were charged to the Adoption Assistance program from November 2012 to June 2015. The payments made for this case during state fiscal year 2015 were included in the questioned costs above.

B. For some additional cases, it appears 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.

   Subsidy agreements are established by case workers and reviewed by supervisors in the local offices. After the subsidy agreements are signed by the adoptive parents and reviewed and approved by local office supervisors, the agreements are sent to the Central Office Contract Management Unit (CMU) where the CD Director's signature is applied with a stamp by CMU staff.

[3] *State of Missouri Single Audit*, finding numbers 2014-008, 2011-15, and 2009-14.

For two (3 percent) cases tested, local office supervisors signed the agreements after the adoption date, but the CD Director's signature pre-dated the adoption, indicating the agreement was backdated and not in effect prior to the adoption decree. CD officials indicated backdating of subsidy agreements by CMU personnel was permissible under DSS policy prior to May 2008, and backdating was utilized because of a backlog in processing and submitting the subsidy agreements to the CMU. For these two cases, payments totaling $10,243 were made during the year ended June 30, 2015. We question the federal share of $6,460 (approximately 63 percent). The subsidy agreements for both of these cases were established in 2001. Cumulative payments totaling $45,079 and $112,708 for these two cases were charged to the Adoption Assistance program through June 30, 2015. The payments made for these cases during state fiscal year 2015 are included in the questioned costs above.

For another four cases, the date of the CD Director's signature precedes the adoptive parents' or local supervisors' signature dates or precedes the date the document was received by the CMU. However, the latest date shown on the subsidy agreement is before the adoption date so we are unable to determine if the agreement was signed and in effect before the adoption decree. We do not question costs for these cases, but it is unclear why the DSS would backdate these agreements if they were truly effective before the adoption date.

In May 2008, the CD issued a policy memo prohibiting backdating of subsidy agreements. The subsidy agreements for all six cases noted above were established prior to this directive. Our review of subsidy agreements established after this directive noted no instances of apparent backdating.

The failure to ensure adoption subsidy agreements are signed by all applicable parties prior to the adoption can result in federal reimbursements for ineligible children and/or unallowable costs.

WE RECOMMEND the DSS through the CD 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.

AUDITEE'S RESPONSE

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

2015-006.	**Cost Pool Allocation Procedures**

Federal Agency: Department of Health and Human Services
Federal program: 93.558 Temporary Assistance for Needy Families
2014 - G1401MOTANF and 2015 - G1502MOTANF

	93.658 Foster Care - Title IV-E 2014 - G1401MO1401 and 2015 - G1501MOFOST 93.659 Adoption Assistance 2014 - G1401MO1407 and 2015 - G1501MOADPT 93.778 Medical Assistance Program 2014 - 1405MO5ADM and 2015 - 1505MO5ADM
State Agency:	Department of Social Services (DSS) – Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$542,710

DFAS controls and procedures over the allocation of some administrative costs to federal programs were not sufficient to prevent and/or detect cost allocation errors. As a result, costs of the Guardianship Assistance program were improperly allocated to four federal programs.

The DFAS has developed procedures to identify, measure, and allocate all costs to state and federal programs administered by the department. These procedures provide for the quarterly allocation of costs using comprehensive cost allocation spreadsheets that contain formulas to allocate costs to the various programs in accordance with DSS' federally-approved public assistance cost allocation plan. DFAS personnel perform a documented review of the cost allocation spreadsheets and supporting information.

Various administrative costs including salaries, benefits, and other operational costs are included in the Children's Services Cost Pool (CS Pool) and allocated to various state and federal programs based on random moment time studies (RMTS). Randomly selected CD staff are contacted by email at random moments and asked to record what program/activity they are engaged in at that moment. DFAS personnel enter the quarterly results of these RMTS into the cost allocation spreadsheets and the results are used to allocate the CS Pool amount to various programs. Beginning in the second quarter of state fiscal year 2015, the Guardianship Assistance program was added to the RMTS. For the last 3 quarters of state fiscal year 2015, the Guardianship Assistance program accounted for an average of approximately 1 percent of the RMTS results. DFAS personnel indicated the amounts allocated to the Guardianship Assistance program should be allocated to "state only" as the DSS has not received federal approval to allocate cost pool expenditures to the federal Guardianship Assistance program.

Our review of selected sections of the state fiscal year 2015 cost allocation spreadsheets identified overstatements totaling approximately $793,766 ($542,710 federal share) for four federal programs. The overstatements occurred because RMTS results for the Guardianship Assistance program were not entered into the cost allocation spreadsheets and included in the allocation of CS Pool amounts to the various programs. As a result, the proportion of costs that should have been allocated to the Guardianship Assistance program were improperly allocated to four federal programs. DFAS personnel stated the RMTS results for the Guardianship Assistance program were not entered into the cost allocation spreadsheets because they intended to allocate the proportion of the costs to "state only". However, because the Guardianship Assistance program results were not entered, the spreadsheet formulas recalculated the RMTS results based on the results of the remaining programs, causing the allocation percentages for those programs to be overstated.

We question the federal share of costs related to the overstatements for the last 3 quarters in state fiscal year 2015 because those costs were not allowable costs of the applicable federal programs as listed below:

CFDA #	Program	Questioned Costs
93.558	Temporary Assistance for Needy Families	$ 283,488
93.658	Foster Care - Title IV-E	222,070
93.659	Adoption Assistance	26,383
93.778	Medical Assistance Program	10,769
Total		$ 542,710

OMB Circular A-87, Attachment A, Section C.3.a states that a cost is allocable to a particular cost objective if the related goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received.

WE RECOMMEND the DSS through the DFAS strengthen controls and procedures to ensure the accurate allocation of Children's Services Cost Pool amounts to federal programs.

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.

2015-007. Payment Coding

Federal Agency: Department of Health and Human Services
Federal Program: 93.090 Guardianship Assistance
2014 - G1401MO1409 and 2015 - G1501MOGARD
93.659 Adoption Assistance
2014 - 1401MO1407 and 2015 - 1501MOADPT
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $370,094

Some coding errors noted in our prior audit[4] were not corrected; as a result, some administration costs of the federal Guardianship Assistance program and the state Adoption Assistance program were incorrectly claimed to the federal Adoption Assistance program.

Several times each month, the DFAS processes payments from the Family and Children's Electronic System (FACES) to residential facilities, foster and adoptive parents, and legal guardians caring for children who are or were in state custody. Personnel in the DFAS Accounts Payable Unit enter total FACES payments into the statewide accounting system (SAM II) using predetermined coding that allocates the payments to various state and federal programs. DFAS and CD personnel establish how FACES payments should be coded in SAM II and create the coding template used by DFAS Accounts Payable Unit staff. CD officials indicated the established SAM II coding is updated as needed if there are significant changes to FACES coding or federal program provisions.

In response to prior audit findings, effective March 2015, CD and DFAS staff made adjustments to coding procedures to prevent future coding errors. In addition, the DSS adjusted federal reports in June and December 2015 to resolve state fiscal year 2014 questioned costs. However, the DFAS did not correct some coding errors made in state fiscal year 2015 through March 2015, and payments were incorrectly claimed to the federal Adoption Assistance program.

- The DSS incorrectly claimed $231,587 in federal Guardianship Assistance program administration payments from July 2014 to January 2015 to the federal Adoption Assistance program by allocating payments coded to FACES fund code 16, Guardianship Assistance and Administration, to the SAM II coding for the federal Adoption Assistance program. The DSS subsequently claimed these payments incorrectly as federal Adoption Assistance program expenditures on federal reports. To be allowable federal Adoption Assistance program costs, the payments would have to be made on behalf of legally adopted children for whom the DSS has a signed adoption subsidy agreement pursuant to 42 U.S.C. 673 and 45 CFR Section 1356.40. Payments for children coded to FACES fund code 16 for Guardianship Assistance would not meet these requirements. We question the federal share of $115,794 (50 percent) of administration payments made through FACES fund code 16 that were charged to the Adoption Assistance program.

- The DSS incorrectly claimed $508,599 in state Adoption Assistance program administration payments made from July 2014 to March 2015 to the federal Adoption Assistance program by allocating payments coded to FACES fund codes 03, 05, and XX, state-only and miscellaneous Adoption Assistance payments, to the SAM II coding for the federal Adoption Assistance program. The DSS subsequently claimed these payments incorrectly as federal Adoption Assistance program expenditures on federal reports. We question the federal share of $254,300 (50 percent) of state Adoption Assistance administration payments that were charged to the federal Adoption Assistance program.

[4] *State of Missouri Single Audit*, finding numbers 2014-004B and 2014-004C.

Good internal controls require adequate procedures to ensure amounts charged to federal programs are accurate and allowable for the program. Such procedures should provide for appropriate corrections when coding errors are identified.

WE RECOMMEND the DSS through the CD and DFAS continue to review, strengthen, and enforce controls and procedures to ensure payments are correctly coded and claimed to the appropriate federal program(s), and identified errors are corrected.

AUDITEE'S RESPONSE

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

2015-008. Medicaid Management Information System Access

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2013 - 1305MO5021 and 2014 - 1405MO5021 93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD does not have sufficient controls in place over Medicaid Management Information System (MMIS) access rights to ensure user accounts are timely removed from the system when users are no longer employed in positions needing access. The MMIS is the benefit claims processing and information retrieval system used by the MHD for the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP). Various DSS employees and employees of DSS contractors have access to the MMIS.

We tested 25 active MMIS user accounts as of October 1, 2015, and found 4 (16 percent) accounts for individuals who had terminated employment from the DSS or from a contractor. Access for these 4 accounts had not been removed although the individuals had been terminated for 8 to 35 months. Our additional review of contractor access identified 2 contractors with 23 active MMIS user accounts for employees as of June 30, 2015, although their contracts had expired in 2010 and 2014.

DSS policy requires supervisors notify MMIS security officers of employee terminations so the MMIS access can be removed. DSS officials indicated MMIS staff review user account access every 2 years to ensure access for terminated employees or contractors has been removed, and the review may take 1 to 2 years to complete. The most recently completed review was finished in 2013 and the current review began in May 2015, but had not been completed as of March 2016. The instances of inappropriate access noted in the audit occurred after the last access review, except for access of the contractor that terminated in 2010, which DSS officials indicated was not previously identified due to an oversight. Performing reviews of MMIS user account access every 2 years does not appear frequent enough to satisfy federal requirements that procedures should provide for termination of access when employment ends. In addition, the DSS has not formalized the access review process in a policy.

The Health Insurance Portability and Accountability Act (HIPAA) requires the state to follow 42 CFR Section 164.308, that requires implementation of procedures for terminating access to electronic protected health information when the employment of a workforce member ends. The failure to perform timely reviews of MMIS user access rights and remove all terminated employees' and contractors' access on a timely basis increases the risk of unauthorized access and may compromise the confidentiality and integrity of MMIS data.

WE RECOMMEND the DSS through the MHD review, strengthen, and enforce controls to periodically review user access to the MMIS and ensure inappropriate access, including that of terminated users, is removed in a timely manner.

AUDITEE'S RESPONSE

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

2015-009. Receipt Controls

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2013 - 1305MO5021 and 2014 - 1405MO5021 93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD does not have adequate controls in place to ensure the proper management of receipts received by the division, which totaled approximately $657 million during the year ended June 30, 2015. Of this amount, approximately $615 million was received by the MHD in the form of checks, money orders, and cash; the remainder was received through a contractor lockbox. These receipts include monies received from participants, providers, and insurance companies for items such as premiums, reimbursements, and taxes related to the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP).

The MHD Financial Services Unit receives monies, posts the receipts to the Medicaid Management Information System (MMIS), and prepares deposits. MHD program staff apply the receipts to the applicable accounts receivable in the MMIS. Certain receipts are received through a lockbox, and a contractor posts and applies these receipts to accounts receivable in the MMIS and prepares the deposits.

A. The MHD does not perform a reconciliation of cash control numbers to receipts to ensure all monies received are properly deposited or returned to senders. The MMIS assigns receipt numbers, also called cash control numbers, when MHD and contractor staff post receipts in the system. There is no reconciliation of cash control numbers assigned to receipts deposited or returned to senders to ensure all receipts are properly handled. Failure to properly account for monies received increases the risk of misappropriation.

B. The MHD does not restrictively endorse money orders immediately upon receipt. Restrictive endorsement is not applied until the receipt has been posted to accounts receivable and is ready for deposit. During a count of undeposited items on December 8, 2015, we identified 171 money orders totaling $18,241 that were not restrictively endorsed. Failure to restrictively endorse money orders immediately upon receipt increases the risk of misappropriation.

C. The MHD did not adequately restrict user access within the cash receipts and accounts receivable modules of the MMIS. Our review identified two employees that had the ability to record receipts and update or close the related accounts receivable in the MMIS, which increases the risk of misappropriation. Proper segregation of duties for user access in the MMIS should separate duties involving the recording of receipts and modification of accounts receivable records.

The *Standards for Internal Control in the Federal Government*, also known as the Green Book, provides that management should establish physical controls to periodically compare vulnerable assets to control records; secure and safeguard vulnerable assets; and consider segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, design alternative control activities to address the risk. Federal regulation 2 CFR Section 200.303 effective for federal awards issued on or after December 26, 2014, requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States and the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission."

WE RECOMMEND the DSS through the MHD:

A. Establish controls to reconcile cash control numbers to receipts to ensure all receipts are deposited or returned to senders.

B. Establish controls to restrictively endorse money orders immediately upon receipt.

C. Restrict user access within the MMIS and adequately segregate duties related to record keeping and asset custody.

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.

2015-010. Physician-Administered Drugs

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2013 - 1305MO5021 and 2014 - 1405MO5021 93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs:	Unknown

The MHD did not establish controls to comply with Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP) requirements to invoice prescription drug manufacturers for rebates for physician-administered drugs. As a result, the MHD claimed costs of physician-administered drugs, which were not allowable costs of the programs because rebates were not billed for the drugs.

The Deficit Reduction Act of 2005 amended section 1927 of the Social Security Act to address rebates for physician-administered drugs, which are medications administered by a physician in an outpatient hospital setting. Effective January 2008, the Social Security Act, 42 U.S.C. Section 1396r-8(a)(7) requires states to capture drug utilization data using National Drug Codes (NDCs) for single-source and top-20 multiple-source drugs from the provider when the claim is submitted to the state. As required by 42 U.S.C. Section 1396r-8, NDCs are used to identify and bill the drug manufactures for rebates for applicable drug purchases. Federal regulation 42 CFR Section 447.520 prohibits federal reimbursement for physician-administered drugs for which the state has not required the submission of claims using NDCs to identify the drugs. Based on data from manufacturers, the Department of Health and Human Services - Centers for Medicare and

Medicaid Services (CMS) calculates a per-unit rebate amount states can bill for each drug administered. The states are to report the applicable drug utilization information by NDC to the manufacturers and bill the manufacturers quarterly for the drug rebate amounts. States are required by 42 U.S.C. Section 1396r-8 to offset the Medicaid and CHIP prescription drug claims by the rebate amounts.

The MHD applied for and received a waiver from the CMS to extend implementation of the requirement to collect the NDCs for physician-administered drug claims to June 30, 2008. In February 2008, the MHD notified providers they were required to provide NDCs on physician-administered drug claims, and that claims without NDCs would be denied. However, many providers still do not provide the required NDCs when they submit physician-administered drug claims through the Medicaid Management Information System (MMIS), and the MHD has not modified the MMIS to deny claims that lack this data.

An audit performed by the federal Department of Health and Human Services (DHHS) - Office of Inspector General (OIG), *Missouri Claimed Unallowable Federal Reimbursement For Some Medicaid Physician-Administered Drugs*, released in April 2015, noted the MHD did not bill prescription drug manufacturers for rebates as required because the MHD did not always collect NDCs on provider claims for physician-administered drugs. The DHHS-OIG audit stated because the MHD did not require NDCs for all physician-administered drug claims, the MHD could not bill the manufacturers for applicable rebates. As a result, the MHD improperly claimed federal reimbursement for some of these drugs. The report questioned costs of $34,837,957 for the 3 years ended December 31, 2011.

Because the MHD did not implement system controls to require collection of NDCs for all physician-administered drug claims, the MHD cannot bill the prescription drug manufacturers for rebates for those physician-administered drug claims that lack the required NDCs. The MHD has not complied with federal requirements related to drug rebates, and the physician-administered drug claims for which rebates were not billed are not allowable for federal reimbursement. Due to limitations in the physician-administered drug claims information and information available to state auditors, we were unable to identify the expected rebate amounts for the physician-administered drug claims paid in the year ended June 30, 2015 for which rebates were not billed. As a result, questioned costs resulting from these claims are likely, but could not be determined.

WE RECOMMEND the DSS through the MHD establish controls to ensure the required drug utilization data is obtained for all physician-administered drug claims and ensure only allowable costs are claimed for the Medicaid and the CHIP.

AUDITEE'S RESPONSE

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

2015-011. Medicare Buy-In Program Report Reviews

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2014 – 1405MO5MAP and 1405MO5ADM 2015 – 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs:	$5,048

As noted in two prior audit reports[5], the MHD does not have effective controls in place for the review of some reports necessary to ensure compliance with enrollment requirements of the Medicare Buy-In program. As a result, the MHD failed to add some participants to the Buy-In program resulting in lost cost-savings to the Medical Assistance Program (Medicaid), and failed to remove some participants resulting in unallowable costs charged to the program. The MHD has taken steps to implement our prior recommendations, such as improving reports and performing supervisory reviews; however, significant turnover during state fiscal year 2015 hindered the division's ability to fully implement the new control measures.

Some state Medicaid participants may also be enrolled simultaneously in the federal Medicare program, known as dually eligible. For these participants, the Medicare program is the primary insurance, and the Medicaid program is the secondary insurance. This arrangement is cost-beneficial to the state because the Medicaid program is only responsible for expenses not covered by the Medicare program, such as deductible and coinsurance amounts. When participants are dually eligible, they may also qualify for the Medicare Buy-In program. Under this program, the MHD may use Medicaid funds to pay the Centers for Medicare and Medicaid Services (CMS) for premiums and other charges for certain qualified participants in Medicare Part A (hospital insurance) and Part B (medical insurance) as allowed by federal regulations 42 CFR Sections 406.26, 407.40, and 431.625. Of approximately 1 million Medicaid participants as of June 30, 2015, approximately 104,000 were enrolled in the Buy-In program.

MHD responsibilities for the Buy-In program include identifying existing Medicaid participants qualified for the program and enrolling them in the program, maintaining participant enrollment records, removing participants when they are no longer qualified for the program, and verifying payments for Medicare premiums. When a participant is determined to qualify for the Buy-In program, the MHD attempts to recover previous Medicaid payments from providers for certain services and notifies providers to resubmit the claims to the Medicare program. Federal regulation 42 CFR Section 424.44 provides that Medicare cannot be billed if the dates of service exceed timely filing requirements for Medicare claims, which is 12 months (1 full calendar year). When a participant is determined to no longer qualify for the Buy-In program, the MHD sends a notice to the

[5] *State of Missouri Single Audit*, finding numbers 2014-014 and 2013-021B.

CMS. Federal regulation 42 CFR Section 407.48(c) requires the MHD to send the notice within 2 months of the month the participant no longer qualified for the Buy-In program. The regulation provides that the MHD can only recoup Medicare premiums paid in the 2 months prior to sending the notice.

To accomplish Buy-In program responsibilities, the MHD generates and reviews various system-generated reports. MHD staff review four daily and monthly reports of Medicaid participants with changes that may affect qualification for the Buy-In program. While reviewing these reports, MHD staff are to research each participant and manually add to or remove them from the Buy-In program, as necessary. During the year ended June 30, 2015, there were approximately 4,400 participants listed on these reports each month. MHD staff review a fifth report of previous Medicaid payments for participants recently identified as qualified for the Buy-In program, and work with the providers for recoupment of these payments.

We tested 40 participants from each of 3 state fiscal year 2015 Buy-In reports and 86 participants from the 4th report (206 participants in total) to determine if MHD staff reviewed the participants and properly added or removed the participants' Buy-In program enrollment.

- We identified 25 participants (12 percent) that MHD staff failed to review and make necessary changes to the participants' Buy-In program enrollment status. For some participants, MHD staff did not perform a review at all. For other participants, MHD staff reviewed and determined enrollment changes were necessary, but did not ensure the changes were properly processed. As a result, 11 participants that qualified for the Buy-In program were not added to the program and 14 participants that no longer qualified were not removed from the program.

- We identified 36 participants (17 percent) that were reviewed by the MHD staff, but the review and enrollment changes were not processed timely. As a result, 30 participants that qualified for the Buy-In program were not added to the program timely and 5 participants that no longer qualified were not removed from the program at the appropriate time. One participant required no action.

When the MHD fails to enroll qualified participants in the Buy-In program, Medicaid costs are not shifted to the Medicare program and the state does not receive the cost-savings available from the program. In addition, the MHD does not cover the cost of Medicare premiums, leaving participants responsible for these costs. Furthermore, when the MHD fails to enroll participants in the Buy-In program timely, any claims for services provided more than 12 months prior to processing the participants' enrollment and that would have been allowable if timeliness requirements were met cannot be shifted to the Medicare program. We reviewed state fiscal year 2015 reports of Medicaid claims previously paid for participants recently enrolled in the Buy-In program. The reports included 12,249 claims paid prior to enrollment in the Buy-In program. Of these claims, 559 (5 percent) totaling $525,768, were for services provided to 242 participants more than 12 months prior to the participant's enrollment. The state could not recoup any portion of these claims because the timely filing requirement had passed before the Buy-In program qualification was determined. Because the claims were not submitted for recoupment, we were unable to determine the amounts that would have been recouped and submitted to Medicare for these 559 claims or the 41 participants identified in our test that were not enrolled or enrolled timely in the Buy-In program. As a result, questioned costs resulting from these claims are likely, but could not be determined.

When the MHD does not remove a participant from the Buy-In program when no longer qualified, the state continues to pay Medicare premiums for the participant, which are unallowable costs of the Medicaid. The unallowable Medicare premium payments made on behalf of the 19 participants mentioned above who should have been removed from the Medicare Buy-In program totaled $7,972 during the year ended June 30, 2015. We question the federal share of the unallowable payments, or $5,048 (63.32 percent).

MHD staff indicated a high turnover in staff during the year ended June 30, 2015 hindered the division's ability to ensure all participants were reviewed and that any action taken resulted in an appropriate change to the participants' Medicare Buy-In program enrollment status. Without fully reviewing reports related to the Buy-In program in a timely manner and ensuring proper handling of those participants, the MHD is not able to ensure only qualified Medicaid participants are enrolled in the Buy-In program.

WE RECOMMEND the DSS through the MHD review, strengthen, and enforce controls to ensure the complete and timely review of all reports related to the Medicare Buy-In program. In addition, the MHD should review, strengthen, and enforce controls to ensure timely performance of required Buy-In enrollment actions.

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.

2015-012. Medicaid Aged, Blind, and Disabled Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2014 - 1405MO5MAP and 1405MO5ADM
2015 - 1505MO5MAP and 1505MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD) and Family Support Division (FSD)

The DSS does not have sufficient controls in place over eligibility determinations and reinvestigations to ensure compliance with participant enrollment requirements of aged, blind, and disabled individuals in the Medical Assistance Program (Medicaid). The MO HealthNet for the Aged, Blind, and Disabled (MHABD) are Medicaid-funded programs administered by the MHD. Of the approximately 1 million Medicaid participants as of June 30, 2015, approximately 277,000 were MHABD participants.

The FSD is responsible for determining the eligibility of MHABD participants. FSD eligibility specialists perform the eligibility determinations and reinvestigations. To ensure compliance with federal eligibility requirements and information is properly and accurately entered into the Family Assistance Management Information System (FAMIS), eligibility supervisors are required to perform monthly supervisory reviews of cases with eligibility actions, including eligibility determinations and reinvestigations. DSS policy Memorandum IM-43 (2006) states management is responsible for ensuring supervisors have completed four reviews per eligibility specialist per month. The results of the monthly supervisory case reviews are used to train eligibility specialists.

Federal regulation 42 CFR Section 435.916 requires a reinvestigation of eligibility at least every 12 months or when criteria affecting a participant's eligibility changes to ensure participants continue to be eligible for benefits. The FAMIS tracks the required eligibility reinvestigation dates for each case and notifies eligibility specialists when the reinvestigations are due.

A. As noted in our prior audit report[6], the DSS did not ensure monthly supervisory case reviews for MHABD participants were completed as required during the year ended June 30, 2015. Monthly supervisory case reviews were not performed as required for 52 of 60 (87 percent) eligibility specialists we reviewed. For the month reviewed, 51 eligibility specialists did not have a case review and 1 eligibility specialist only had 1 case review. DSS officials stated the recent reorganization of eligibility specialist duties has made the monthly supervisory case reviews difficult to coordinate; however, beginning in November 2015, these reviews are being performed as required.

Without ensuring supervisory case reviews are performed as required for MHABD cases, the DSS' established controls to ensure compliance with eligibility requirements are diminished. When the case reviews are not performed, there is decreased assurance eligibility determinations are accurate and increased risk of errors going undetected.

B. The DSS does not ensure annual reinvestigations are performed timely, as required, to determine continued need of Medicaid benefits for MHABD participants. According to DSS reports, as of July 31, 2015 there was a backlog of reinvestigations due for approximately 78,900 MHABD participants.

DSS officials indicated the backlog of reinvestigations was due to the recent FSD reorganization of eligibility specialist duties and increased initial applications. In an effort to reduce the backlog, DSS staff were paid overtime to work the backlog during the periods of August 1, 2015 to September 30, 2015 and December 8, 2015 to January 17, 2016. According to DSS reports, as of January 27, 2016 the

[6] *State of Missouri Single Audit*, finding number 2014-013A.

backlog was reduced to approximately 200 MHABD participants. DSS officials indicated they will continue to monitor the backlog to determine if all overdue reinvestigations can be performed with the current staffing level.

We reviewed 60 MHABD participants to ensure eligibility requirements were met, of which 46 participants required a reinvestigation during the year ended June 30, 2015. The DSS did not re-determine eligibility timely for 22 of the 46 (48 percent) participants. Reinvestigations were not performed for 5 to 319 days after they were due. Upon completing the reinvestigation, DSS staff found all 22 participants were still eligible for MHABD benefits.

The failure to perform annual reinvestigations as required can result in medical payments made on behalf of ineligible individuals. Without timely reinvestigations, the DSS has not complied with federal regulations.

WE RECOMMEND the DSS through the MHD and the FSD:

A. Follow established DSS policy to ensure monthly supervisory case reviews of MHABD cases are performed.

B. Ensure MHABD eligibility reinvestigations are completed timely 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.

2015-013. Income Eligibility and Verification System

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2014 - G1402MOTANF and 2015 - G1502MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$10,395

As noted in our prior four audits[7], the FSD has not established adequate controls to ensure appropriate actions are taken regarding Income Eligibility and Verification System (IEVS) match results. The FSD did not act promptly or properly on IEVS quarterly data match results affecting Temporary Assistance for Needy Families (TANF) eligibility or benefits for 13 of 60 (22 percent) recipients reviewed. During the year ended June 30,

[7] *State of Missouri Single Audit*, finding numbers 2014-009A, 2013-015A, 2012-15A, and 2011-18A.

2015, the DSS expended federal funding of about $183 million for the TANF program, including about $70 million in basic assistance payments to families.

As required by federal regulations, the DSS performs quarterly data matches utilizing the IEVS. The quarterly matches identify changes that could impact case eligibility or benefit amounts and flag those cases for review. An email is generated to the FSD caseworker assigned to the case regarding the needed case review, and the caseworker is required to perform the case review within 45 days and take appropriate action regarding recipients' TANF benefits. Actions may include closing the case if the recipient no longer meets eligibility requirements, revising the benefit amount, and/or establishing claims for recoupment of benefits overpaid.

We tested 60 cases with payments totaling $112,311 during the year ended June 30, 2015. For 24 of the 60 cases, IEVS quarterly data matches identified changes in household income that could impact eligibility or benefit amounts and flagged those cases for FSD review. For 11 of the 24 cases, the FSD case worker reviewed the case within 45 days and took appropriate action. However, for 9 cases the FSD caseworker reviewed the case within 45 days and closed the case or revised the benefit amount, but did not establish a claim for recoupment of benefits overpaid. In addition, for 4 cases the FSD caseworker did not review the case; as a result, the case was not closed, benefits were not reduced, and/or a recoupment claim was not established. Improper benefits paid during the year ended June 30, 2015 for the 13 cases that were not reviewed or no claim established totaled $10,395, for which we question the entire amount (100 percent federal share).

As required by 45 CFR Section 205.55, the DSS must periodically request and obtain wage, unemployment, social security, citizenship and immigration, and tax information. Additionally, 45 CFR Section 205.56 requires the DSS to review the information obtained and compare that information to the case file to determine whether it affects the individual's eligibility or amount of assistance received, within 45 days of receipt.

In February 2015, the Department of Health and Human Services, Administration for Children and Families (ACF) issued as decision letter regarding the state fiscal year 2011 finding, stating the DSS was in the process of developing improved procedures. The ACF accepted DSS' response to the finding and reminded the DSS that repeat findings in this area could result in penalty liability. The DSS needs to review, strengthen, and enforce controls and procedures to ensure cases flagged for review in the IEVS quarterly match are timely reviewed and all appropriate actions are taken regarding eligibility, benefits, and recoupment of overpayments.

WE RECOMMEND the DSS through the FSD strengthen controls to ensure proper and timely action is taken regarding Income Eligibility and Verification System match results including case closure, benefit adjustment, and recoupment of overpayments.

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.

2015-014. TANF Work Participation Sanctions

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2014 - G1402MOTANF and 2015 - G1502MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$217

As noted in our prior four audit reports[8], the FSD did not have adequate controls in place to ensure Temporary Assistance for Needy Families (TANF) recipients who failed to meet work participation requirements were sanctioned. As a result, some TANF recipients who failed to meet work participation requirements were not sanctioned and continued to receive full benefits.

The FSD contracts 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. The FSD refers TANF recipients who are required to participate in eligible work activities to the MWA contractors. Contractor duties include case management, enrollment, and reporting recipient hours of participation and noncompliance to the FSD. The MWA contractors are required to place recipients who are not meeting work participation requirements in conciliation status; attempt to locate and re-engage recipients, if necessary; and provide recipients the opportunity to begin work participation activities. Recipients who fail to meet the work participation requirements and do not meet an exception are referred to the FSD for a sanction to be applied to their monthly benefits. The DSS has established the sanction at 25 percent of the monthly benefit amount. Payments to the MWA contractors totaled about $19.3 million during the year ended June 30, 2015.

The FSD's monitoring and training of the MWA contractors has not been effective to ensure the contractors comply with sanction policies and procedures. The FSD performs periodic reviews of 3 to 5 percent of cases in each region selected using a targeted risk-based approach, performs quarterly sampling of cases with no reported hours of work activity in each region, and performs on-site reviews of each contractor at least once every 3 years. During state fiscal year 2015, the FSD and the Division of Finance and Administration jointly issued 7 monitoring review reports of MWA contractors covering 16 regions. Five of these reports showed contractors in 10 regions substantially failed to

[8] *State of Missouri Single Audit*, finding numbers 2014-010B, 2013-016B, 2012-16B, and 2011-20B.

comply with conciliation/sanction policies and procedures, noting error rates of noncompliance ranging from 17 to 84 percent. The DSS required the MWA contractors to submit corrective action plans to address the issues identified and provided additional training to the contractors based on the case testing results. However, our review indicates monitoring and training activities were not effective to ensure adequate contractor compliance. As a result, the FSD did not ensure MWA contractors complied with policies for reporting recipients who do not comply with work requirements.

A January 2015 report of 15,000 TANF recipients referred to the MWA contractors included approximately 12,300 recipients for which no work activities were reported during the month. We tested 60 of these cases and noted 5 (8 percent) recipients were not appropriately sanctioned for non-compliance with work participation requirements. Thirty-three recipients were appropriately sanctioned and the remaining 22 recipients were not subject to sanction during January 2015 due to various reasons, such as the recipient began participation or the FSD or the recipient closed the case. For three cases, the MWA contractors attempted to engage the recipients in conciliation so they would begin participating in required activities; however, the participants did not respond or begin work participation activities and the MWA contractors failed to notify the FSD of the noncompliance. For two other cases, the MWA contractors took no action and failed to notify the FSD of noncompliance, even though the recipients did not report work activity for several months. In all five cases, the recipient should have been sanctioned for the month of January 2015 if established procedures had been followed. We question the amount of the sanctions that were not imposed on these five recipients for the month of January 2015, which totaled $217 (100 percent federal share).

As required by 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. 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.

In February 2015, the Department of Health and Human Services, Administration for Children and Families (ACF) issued as decision letter regarding the state fiscal year 2011 finding, stating the DSS will begin utilizing new monitoring procedures. The ACF accepted DSS' response to the finding and reminded the DSS that repeat findings in this area could result in penalty liability. DSS officials indicated new monitoring procedures were implemented in state fiscal year 2016. The DSS needs to continue to review, strengthen, and enforce monitoring policies and procedures over MWA contractors to ensure work participation sanctions are imposed as required.

WE RECOMMEND the DSS through the FSD continue to review, strengthen, and enforce controls to ensure TANF recipients failing to meet work participation requirements are sanctioned 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.

2015-015. Medicaid Developmental Disabilities Comprehensive Waiver Group Home Rates

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Mental Health (DMH) - Division of Developmental Disabilities (DD)
Questioned Costs:	$658,501

The DD did not retain documentation to support per diem rates paid to some group homes for residential habilitation services provided to participants of the Home and Community Based Services (HCBS), Developmental Disabilities Comprehensive Waiver (Comprehensive Waiver) program. As a result, the DD could not demonstrate amounts paid to some group homes were allowable costs of the Comprehensive Waiver program.

The DD with its 11 regional offices is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for children and adults with disabilities, including the Comprehensive Waiver program. Various types of services are allowed under the waiver, including residential habilitation services provided by 414 group homes during state fiscal year 2015. Residential habilitation services include care, supervision, and skills training in activities of daily living, home management, and community integration. Residential habilitation services per diem rates are established for each participant based on the participant's individual needs. Certain costs, such as room and board, are not allowed to be included in group home per diem rates under the waiver program. Each year, a cost of living allowance (COLA) increase may be applied to each per diem rate. During the year ended June 30, 2015, per diem payments for group home habilitation services totaled approximately $139 million.

To test compliance with various Comprehensive Waiver program requirements, we tested 40 payments to service providers during the year ended June 30, 2015. Of these 40 payments, 13 were to group homes for habilitation services. The DD did not retain documentation to support the per diem rates for all 13 group home habilitation services payments tested. The only documentation retained by the DD were the COLA notices showing some of the revised per diem rates. These notices did not support the various costs included in the per diem rates, and the DD did not retain documentation to support the original rates. Payments to these 13 group homes for habilitation services provided to these participants during the year ended June 30, 2015, for which the per diem rates were not supported, totaled $1,011,523. We question the federal share or $658,501 (65.10 percent).

An audit performed by the federal Department of Health and Human Services (DHHS) - Office of Inspector General (OIG), *Missouri Claimed Unallowable and Unsupported Medicaid Payments for Group Home Habilitation Services*, released in August 2015, noted similar concerns with unsupported per diem rates for some group home payments. The DHSS-OIG audit also determined several per diem rates that were supported by adequate documentation included room and board costs, which are not allowable under the Comprehensive Waiver program.

Without proper documentation of the payment rates, the DD cannot demonstrate that payments based on these rates are proper and only include allowable costs. OMB Circular A-87, Attachment A, Section C.1.j. states costs must be adequately documented to be allowable. Also, the approved DD Comprehensive Waiver Program Application, Appendix I: Financial Accountability, section (e), states "Records documenting the audit trail of adjudicated claims (including supporting documentation) are to be maintained by the Medicaid agency, the operating agency (if applicable), and providers of waiver services for a minimum period of 3 years as required in 45 CFR [Section] 92.42." Adequate documentation of group home habilitation services per diem rates is necessary to ensure compliance with federal requirements related to the Comprehensive Waiver program and ensure only allowable costs are included in the per diem rates.

WE RECOMMEND the DMH through the DD ensure documentation to support group home habilitation services per diem rates is maintained to support Comprehensive Waiver program payments for these services as required, and ensure the rates only include allowable costs.

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.

2015-016. Medicaid Developmental Disabilities Comprehensive Waiver Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Mental Health (DMH) - Division of Developmental Disabilities (DD)
Questioned Costs:	$10,916

Controls over Home and Community Based Services (HCBS), Developmental Disabilities Comprehensive Waiver (Comprehensive Waiver) program payments are not sufficient to ensure amounts paid to providers are proper. A data entry error was not detected; as a result, a provider was paid more than the amount authorized for the services rendered.

The DD with its 11 regional offices is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for children and adults with disabilities, including the Comprehensive Waiver program. The Medicaid is administered by the Department of Social Services (DSS) - MO HealthNet Division (MHD), while the DD is charged with assessing and reassessing the need for, and authorizing Comprehensive Waiver program services for applicable Medicaid participants. These services, which are authorized in an Individual Service Plan (ISP), provide assistance to help qualifying participants remain in or return to their home or community. The waiver provides a set of services, including residential habilitation services, to individuals who have been determined to otherwise require the level of care provided by an intermediate care facility for the developmentally disabled. During the year ended June 30, 2015, approximately 8,500 participants were provided Comprehensive Waiver program services totaling approximately $637 million.

After a participant is determined to have a need for Comprehensive Waiver program services, the DD develops an ISP and budget. The ISP and budget, which are approved by a Utilization Review Committee, identify the services to be provided, period of services, service provider, and cost of the services. DD employees enter this information into DMH's Customer Information Management, Outcomes, and Reporting (CIMOR) computerized system for each participant. DD providers enter the number of service units provided into the CIMOR system, and the system calculates the payment amount based on amounts authorized, subject to pre-programmed maximum rates. DD regional office employees are responsible for ensuring payment amounts are proper by comparing the services provided and related costs to amounts authorized in the ISP/budget and then approving the payments. Once approved, the CIMOR system transmits claims to the MHD's Medicaid Management Information System for payment.

To test compliance with various Comprehensive Waiver program requirements, we tested 40 payments to service providers during the year ended June 30, 2015. Our review of authorizations for these payments identified 1 overpayment (3 percent) which resulted from an undetected data entry error. The payment was made on behalf of a participant who the DD authorized in the ISP/budget monthly residential habilitation services at a rate of $347.69 per day, or $10,431 per month/$126,097 per year. For the month of April 2014, the DD employee erroneously entered the total amount authorized for the year ($126,097) into the CIMOR system instead of the amount authorized for the month ($10,431). As a result, the system calculated a daily rate of $4,203 based on the incorrect authorization amount and then reduced it to the maximum rate of $906.63. If the authorization had been correctly entered at $10,431 for the month, the system would have correctly calculated the daily rate of $347.69. When the provider entered 30 days of services provided for the month, the system calculated a payment of $27,199 ($906.63

times 30 days). A DD employee approved the payment, but did not identify the overpayment. As a result, the provider was paid $27,199, instead of the $10,431 authorized in the ISP/budget for the month, for an overpayment of $16,768. We question the federal share of the overpayment amount, or $10,916 (65.10 percent).

The DD's lack of sufficient controls and procedures to prevent and detect data entry errors caused this error and the related overpayment to go undetected. The DD needs to review and strengthen controls and procedures over Comprehensive Waiver program payments, including CIMOR system controls and data entry and review procedures, to ensure payments are made only for amounts authorized in participants' ISP/budget.

WE RECOMMEND the DMH through the DD review and strengthen controls and procedures over Comprehensive Waiver program payments to ensure payments are made only for amounts authorized.

AUDITEE'S RESPONSE

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

2015-017. Department of Homeland Security Grants - Subrecipient Monitoring

Federal Agency:	Department of Homeland Security
Federal Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) 2009 - FEMA-DR-1847-MO 2010 - FEMA-DR-1934-MO 2011 - FEMA-DR-1961-MO, FEMA-DR-1980-MO, and FEMA-DR-4012-MO 2013 - FEMA-DR-4130-MO and FEMA-DR-4144-MO 2014 - FEMA-DR-4200-MO 97.039 Hazard Mitigation Grant 2008 - FEMA-DR-1749-MO 2009 - FEMA-DR-1822-MO and FEMA-DR-1847-MO 2010 - FEMA-DR-1934-MO 2011 - FEMA-DR-1961-MO, FEMA-DR-1980-MO, and FEMA-DR-4012-MO 2013 - FEMA-DR-4130-MO and FEMA-DR-4144-MO 97.042 Emergency Management Performance Grants 2013 - EMW-2013-EP-00028 2014 - EMW-2014-EP-00005S01 2015 - EMW-2015-EP-00043
State Agency:	Department of Public Safety (DPS) - State Emergency Management Agency (SEMA) and Department of Public Safety - Office of Director (OD)

Controls and procedures to monitor subrecipients of the Public Assistance (PA) program, the Hazard Mitigation Grant (HMG) program, and the Emergency Management Performance Grant (EMPG) program need improvement. During the year ended June 30, 2015, the SEMA disbursed approximately $66 million to about 180 PA program subrecipients; approximately $58 million to about 70 HMG subrecipients; and approximately $3.8 million to about 120 EMPG program subrecipients. The SEMA receives PA and HMG program funding directly while EMPG program funding is passed through from the OD to the SEMA.

A. The SEMA and the OD have not established procedures to identify and ensure subrecipients expending $500,000 or more in federal funds during the year obtained independent Single Audits as required. In addition, the SEMA did not document that Single Audit reports received were reviewed. According to a SEMA official, as of December 2015 none of the reports received during state fiscal year June 30, 2015 had been reviewed by the SEMA or relevant findings followed-up on.

Twenty-two subrecipients received $500,000 or more in combined federal funds from the PA, HMG, and EMPG programs during state fiscal year 2014, and audit reports should have been completed and submitted to the SEMA during state fiscal year 2015/early state fiscal year 2016. Other subrecipients that received less than $500,000 in funding from the PA, HMG, and EMPG programs would have also been required to have a Single Audit because they received significant funding from other SEMA programs. We tested 10 of the 22 subrecipients to verify whether the subrecipients had submitted a Single Audit report as required; however, the SEMA had no copy of an audit report for 8 of the 10 (80 percent) subrecipients. While the SEMA had copies of audit reports for two subrecipients, the reports had not been reviewed. These two audits did not include any audit findings.

SEMA officials indicated subrecipients are periodically notified of the audit requirements during meetings and in correspondence, but the SEMA lacks sufficient staffing levels to ensure Single Audit reports are received, reviewed, and followed-up on as required. Similar findings were noted in our two prior audit reports of the PA program[9].

OMB Circular A-133, Subpart D, Section 400(d) requires the SEMA 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 SEMA 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

[9] *State of Missouri Single Audit*, finding numbers 2013-006 and 2011-12.

reports could provide the SEMA valuable information about the performance of subrecipients.

B. For some HMG and PA program projects, the SEMA did not adequately monitor or enforce existing policies to ensure subrecipients complied with procurement requirements.

SEMA guidance instructs HMG and PA subrecipients to submit copies of certain procurement documents prior to reimbursement requests for projects that require competitive procurement. The HMG program project administration guidebook states subrecipients must provide a procurement worksheet, bid tabulation logs, and explanations when the lowest bidder was not selected. Similarly, a SEMA official indicated PA subrecipients are verbally instructed to submit bid tabulations prior to requesting reimbursement for costs. Additionally, the SEMA requires subrecipients to make all procurement documentation available during on-site closeout reviews.

We identified deviations from subrecipient procurement policies or guidelines for 6 of 27 (22 percent) HMG and PA projects reviewed.

- For 4 of 14 HMG projects tested, the SEMA did not obtain or review procurement worksheets or bid tabulation logs for any construction expenditures reimbursed during state fiscal year 2015. The SEMA reimbursed one subrecipient about $3 million during the year for construction payments to multiple vendors for all four projects. A SEMA official indicated SEMA personnel discussed the subrecipient's procurement policies during on-site reviews and determined bids were generally received for the projects, but they did not review any procurement documentation for compliance with related requirements due to the extensive nature of the documentation.

- For another HMG project tested, the subrecipient submitted a procurement worksheet indicating three concrete bids were received and the low bidder was not selected. The SEMA reimbursed the costs but required no explanation for why the lowest bidder was not selected. The SEMA reimbursed the subrecipient about $522,000 in state fiscal year 2015 for concrete payments to the vendor.

- For 1 of 13 PA projects tested, the SEMA did not obtain or review bid tabulations or other procurement documentation for any expenditures reimbursed to the subrecipient during state fiscal year 2015. Reimbursements totaled about $34,000 during the year for road repair services and materials procured by the subrecipient from three vendors. A SEMA official indicated they determined the costs billed were reasonable based on similar services reimbursed on other projects.

The SEMA has not established formal procedures regarding the procurement documentation to be reviewed during on-site reviews, and SEMA personnel do not record the documentation reviewed during the on-site reviews. SEMA officials indicated the on-site reviews are focused primarily on ensuring the work was completed as required, and subrecipient procurement documentation would generally only be reviewed if not previously received. The SEMA had completed on-site closeout reviews for each of the above six projects; however, the on-site review documents did not indicate whether the subrecipient documents were reviewed.

Federal regulation 44 CFR Section 13.36(b)(1) requires that the SEMA and its subrecipients use procurement procedures which reflect applicable state laws and regulations. Missouri statutes Section 34.040, RSMo, requires purchases exceeding $3,000 be competitively procured, purchases exceeding $25,000 be awarded through an invitation for bid process, and contracts be awarded to the lowest and best bid. OMB Circular A-133, Subpart D, Section 400(d)(3) requires the SEMA to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements. To ensure subrecipients comply with procurement requirements, the SEMA should review, strengthen, and enforce subrecipient monitoring procedures over procurement activities. Such procedures should require clear documentation of items reviewed by SEMA personnel.

C. The SEMA does not have effective procedures to ensure PA subrecipients submit quarterly progress reports, extension requests, and/or reimbursement requests within the required timeframes. As of December 2015, the SEMA still had not received reimbursement requests and progress reports from one subrecipient for projects totaling over $8 million, which were completed 2 to 4 years ago.

The PA administrative plan, approved by the Federal Emergency Management Agency (FEMA), states the SEMA will require subrecipients to provide (1) quarterly progress reports containing the anticipated completion date, percentage of work completed, percentage of funds expended, and the current status of the project; (2) reimbursement requests including copies of cost documents within 30 days following the completion of the project; and (3) extension requests prior to the completion deadline explaining the reason for the delay. The SEMA periodically communicates these requirements to the subrecipients. The FEMA establishes the period of performance for each grant and the period of performance for most disaster grants is 48 months. Additionally, obligations incurred must be liquidated not later than 90 days after the end of the period of performance.

For 13 projects tested, 10 (77 percent) projects of 9 subrecipients did not meet requirements established in the PA administrative plan for timely remitting these reports and/or requests to the SEMA.

- For three projects, each of the three subrecipients did not submit one of the required quarterly progress reports during state fiscal year 2015.

- For one project, the subrecipient did not request a project extension for a project not completed within the required timeframe. Based on vendor invoices, the subrecipient incurred costs totaling about $305,000 in the 4 months following the project's deadline for completion. These costs were reimbursed by the SEMA even though the subrecipient had not requested an extension as required.

- For seven projects (including the project noted in the second bullet point), the six subrecipients remitted a reimbursement request more than 30 days past the projects' completion deadline. The reimbursement requests ranged from approximately 2 to 19 months past the projects' completion deadlines.

Similar problems were noted in a recent audit of a subrecipient awarded significant PA funding. In August 2015, the Office of the State Auditor issued Report No. 2015-060, *City of Joplin.* Auditors determined the city had not filed reimbursement claims for costs totaling at least $8.2 million for projects completed in 2011, 2012, and 2013 due to insufficient staffing in the city's Finance Department. A SEMA official indicated the SEMA has corresponded with the city about its projects, but progress reports, extension requests, and reimbursement requests had still not been received on some of the city's projects as of December 2015. The official stated the SEMA has communicated the matter to the FEMA. The extended period of performance for the grant from which these projects are funded is May 2016.

SEMA officials indicated quarterly letters are sent to all subrecipients with open projects requesting progress reports and the SEMA makes other communications with the subrecipients throughout each project to attempt to obtain timely documentation from the subrecipients. However, these efforts have been insufficient to ensure timely documentation is received.

FEMA Standard Operating Procedure (SOP) 9570.14, Section 5.2 requires the SEMA to monitor the completion of projects to ensure subrecipients complete work within regulatory timeframes and receive, evaluate, and process requests for time extensions from subrecipients in a timely manner. Additionally, OMB Circular A-133, Subpart D, Section 400(d)(3) requires the SEMA to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements. Timely progress reports, extension requests, and reimbursement requests from subrecipients are necessary for the SEMA to properly monitor and ensure the projects are completed within the period of performance. The SEMA should adopt more rigorous monitoring and/or enforcement procedures to ensure these documents are received and reviewed on a timely basis and the requirements of the administrative plan and SOP are met. The SEMA should consider withholding reimbursements until delinquent progress reports or extension requests are received.

WE RECOMMEND the DPS through the SEMA:

A. And the OD, establish procedures to obtain and track Single Audit reports expected and received from applicable subrecipients. In addition, the SEMA should document its review and follow-up of all subrecipient Single Audit reports received.

B. Review, strengthen, and enforce subrecipient monitoring procedures to ensure PA and HMG subrecipients have complied with procurement requirements. Additionally, on-site review reports should note any procurement documents reviewed.

C. Review, strengthen, and enforce controls to ensure subrecipients timely remit progress reports and reimbursement requests. Also, ensure subrecipients complete projects by the completion date or remit extension requests as required.

AUDITEE'S RESPONSE

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

2015-018. Emergency Management Performance Grants - Period of Performance

Federal Agency:	Department of Homeland Security
Federal Program:	97.042 Emergency Management Performance Grants 2013 - EMW-2013-EP-00028 2014 - EMW-2014-EP-00005S01 2015 - EMW-2015-EP-00043
State Agency:	Department of Public Safety (DPS) - State Emergency Management Agency (SEMA) and Department of Public Safety - Office of Director (OD)
Questioned Costs:	$38,383

The SEMA did not have adequate procedures to ensure expenditures claimed were incurred during the period of performance for the Emergency Management Performance Grants (EMPG) program. The EMPG program provides funding to the OD and the SEMA annually for planning, training, and exercises for emergency preparedness. EMPG program funding is passed through from the OD to the SEMA. During the year ended June 30, 2015, the SEMA expended federal funding of approximately $6.4 million for the EMPG program.

Our testing of 26 expenditures claimed to EMPG program awards in state fiscal year 2015 identified 2 (8 percent) expenditures totaling $38,383 that were incurred prior to the period of performance for the award in which they were claimed. Both expenditures were charged to the federal fiscal year 2014 EMPG award, for which the period of performance was October 1, 2013 through September 30, 2015. The state's Office of Administration - Information Technology Services Division (OA-ITSD) invoiced the SEMA in March 2015 for services provided from July through September 2013. The SEMA paid the invoice totaling $36,803 in April 2015. The SEMA worked with the OA-ITSD to establish more timely billing processes and in May 2015, the OA-ITSD began billing the SEMA on a monthly basis, which reduces the risk of future occurrences of expenditures outside the period of performance for this vendor. Additionally, the SEMA purchased $1,580 in printing supplies in February 2013 and paid the vendor in August 2013. The SEMA originally charged the costs to the 2013 EMPG award, but recoded the charge to the 2014 EMPG award in April 2015 because the costs were not outlined in the 2013 EMPG award budget. Few other expenditures affecting EMPG awards were recoded during the year ended June 30, 2015. We question the costs of these expenditures incurred prior to the period of performance for the federal fiscal year 2014 EMPG program award, or $38,383 (100 percent federal share).

Each EMPG program award provides for a period of performance of 24 months. Federal regulation 44 CFR Section 13.23 mandates that a grantee may charge to the award only costs resulting from obligations of the funding period. Failure to ensure expenditures are obligated or incurred during the period of performance can result in federal reimbursements for unallowable costs.

WE RECOMMEND the DPS through the SEMA and the OD establish procedures to ensure expenditures claimed to the EMPG program comply with the period of performance requirements.

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.

2015-019. Medicaid Home and Community Based Services Reassessments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2014 - 1405MO5MAP and 1405MO5ADM 2015 - 1505MO5MAP and 1505MO5ADM
State Agency:	Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs:	$15,504

While significant improvement has been made in recent years, the DSDS still has a backlog of Home and Community Based Services (HCBS) annual reassessments due.

Our five prior audits[10] reported the DSDS did not ensure annual reassessments were performed as required to determine continued need of services of HCBS recipients. The DSDS implemented various changes during recent years and has significantly reduced backlogs of annual reassessments due. However, for the remaining 2,677 HCBS recipients for which the DSDS has not yet performed annual reassessments as of December 2015, the DSDS has not ensured the 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 State Plan Personal Care (SPPC) and Aged and Disabled Waiver (ADW). The Medicaid 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 applicable 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, 2015, approximately 62,300 recipients were provided SPPC services and 15,300 were provided ADW services, with a total of 63,200 recipients receiving one or both services totaling approximately $686 million.

During recent years, the DSDS has received additional funding and taken various measures to reduce backlogs, including the hiring (and subsequent firing) of an external assessment administrator, hiring additional full-time and temporary staff, paying HCBS providers to perform some annual reassessments, developing the HCBS Web Tool, and giving providers access to the Web Tool. All new recipients are entered in the Web Tool. Recipients existing in the legacy computer system are moved to the Web Tool when their reassessments are performed. Because the Web Tool automatically suspends services for any recipient not receiving a required annual reassessment, the DSDS prioritizes and ensures these cases receive an annual reassessment. DSDS staff perform reassessments for the backlog of cases in the legacy system as time permits.

As of December 24, 2015, DSDS backlog reports show reassessments were due for 2,677 Medicaid HCBS recipients. This represents a 73 percent reduction from the backlog as of January 5, 2015 noted in our prior audit. The backlog consists of SPPC recipients still in the old legacy system (the backlog of ADW recipients has been resolved). The most recent reassessment for these recipients was completed 1 to 10 years ago, with over half the cases not having a reassessment since 2010 or before. As of December 2015, DSDS

[10] *State of Missouri Single Audit*, finding numbers 2014-002, 2013-003, 2012-6, 2011-4A, and 2010-6.

officials indicated only 7 percent of HCBS cases remained in the legacy system, and they estimate the backlog will be resolved by June 2016.

We tested assessment documentation for 60 Medicaid recipients who received SPPC and/or ADW services during the year ended June 30, 2015. Payments totaling $632,728 ($558,340 SPPC and $74,388 ADW) were made to service providers on behalf of these recipients during this period. We found the DSDS did not perform an annual reassessment for 1 of the 55 (2 percent) recipients requiring a reassessment. As a result, the DSDS could not demonstrate this recipient needed the services for which the payments were made. Payments for services provided to this recipient without an annual reassessment during the year ended June 30, 2015 totaled $20,400. For another recipient, the DSDS performed a reassessment in December 2014, determined the recipient no longer met requirements to receive services, and closed the recipient's authorization for services. The last documented reassessment for this recipient was performed in 2006. Payments for services provided to this recipient during the year ended June 30, 2015, prior to case closure, totaled $3,416. Both recipients received SPPC services only. We question the federal share of $15,504 (65.10 percent) for these two recipients.

The failure to perform annual reassessments as required can result in payments for services that are not necessary. Various regulations 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. These include federal regulation 42 CFR Section 441.302(c), Missouri statutes Sections 208.906 and 208.930, RSMo, state regulation 19 CSR 15-8.200, the Cooperative Agreement between the DSS and the DHSS, and the DSDS Home and Community Based Services Manual, Section 4.25. Furthermore, OMB Circular A-87, Attachment A, Section C.1.c provides that costs must be authorized or not prohibited under state or local laws or regulations to be allowable.

WE RECOMMEND the DHSS through the DSDS 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.

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 from March 2015 to March 2016 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
2015-023	Office of Governor
2015-049	Office of Administration Division of Purchasing and Materials Management - State Agency for Surplus Property
2015-060	City of Joplin
2015-129	Economic Development - Public Service Commission

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

The U.S. Office of Management and Budget (OMB) Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings included in Section III - Federal Award Findings and Questioned Costs of the prior audit's Schedule of Findings and Questioned Costs. The schedule is also to report the status of findings included in the prior audit's Summary Schedule of Prior Audit Findings, except those that were corrected, no longer valid, or not warranting further action. This Summary Schedule of Prior Audit Findings for the year ended June 30, 2015 includes all federal award findings from the audit for the year ended June 30, 2014 and certain findings from the audits for the years ended June 30, 2013, 2012, 2011, and 2010. This schedule was prepared by the management of the applicable state agencies.

OMB 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 schedule materially misrepresents the status of any prior audit findings.

2010-25. Provider Eligibility and Improper Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
93.778 ARRA - Medical Assistance Program
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. In addition, the MHD had not established controls to ensure providers continually met 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:
In May 2011, Missouri Medicaid Audit and Compliance (MMAC) began receiving and taking action based upon a License Not Renewed Report. MMAC personnel receive the report quarterly, and the report includes a list of all enrolled providers who hold licenses through the Department of Insurance, Financial Institutions, and Professional Registration whose licenses were not renewed. These providers are consequently terminated from participation in the Medicaid program. MMAC personnel also review the Medicare Exclusions Database monthly to monitor provider sanctions and exclusions and take action as necessary based upon this review. Additionally, MMAC personnel now receive notifications from the various boards which comprise professional registration when an enrolled provider's license is suspended, and MMAC suspends the provider from participation in the Medicaid program.

MMAC relies on updates from billing agents (contractors that submit claims for providers), provider communications, or any other department-wide notices that MMAC may be able to obtain that can be verified with vital records. Previously, providers enrolled with Missouri Medicaid were enrolled permanently. The MMAC promulgated a rule to enforce the new federal requirement for revalidation, which became effective July 30, 2014. The revalidation schedule is set for reoccurring 5-year periods, and MMAC began revalidating providers in July 2015.

In 2015, MMAC began work with Wipro and Lexis Nexis through a contract amendment to the state's MMIS contract with Wipro. Wipro will subcontract with Lexis Nexis to conduct provider screening and monitoring services for MMAC. This work will commence during the first quarter of calendar year 2016. Lexis Nexis will provide initial screening and monthly monitoring that includes and surpasses all the federally and state required database checks.

The MMAC has never required social security numbers as part of the enrollment process for some enrolling providers, such as corporations. As part of the Lexis Nexis screening and monitoring subcontract, ownership and disclosure information will be automatically screened, including individual's social security numbers.

The DSS corrective action plan includes addressing the provider's date of death issue through the Lexis Nexis subcontract, which will include provider checks through the Social Security Master Death File.

MMAC is pursuing separate Program Integrity Solution and a Provider Enrollment Solution request for proposals (RFPs). The Program Integrity Solution will capture social security numbers on individual providers and social security numbers on ownership disclosure information for an automatic validation. It also will enhance the MMAC's ability to screen and monitor providers based upon many information sources and utilize identifiers such as social security numbers. The automated system will allow the MMAC to more efficiently terminate or deny enrollment of ineligible providers. The MMAC will also benefit from the new requirement of pre-enrollment site visits for moderate and high risk providers. The Provider Enrollment Solution RFP will address screening and monitoring as well as a user and provider portal. However, the subcontract with Lexis Nexis addresses these issues immediately and MMAC may continue these services as long as necessary until other contracts are put in place.

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: Jessica Dresner
Phone Number: (573) 751-6967

2013-005B. Reporting and Period of Availability

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)
Questioned Costs: $194,867

The SEMA did not ensure certain financial reports for various Public Assistance (PA) awards were submitted timely to the awarding agency. In addition, the SEMA did not ensure expenditures were liquidated timely.

Recommendation:
The SEMA resolve the questioned costs with the grantor agency, and ensure federal PA awards are liquidated and reported in a timely manner.

Status of Finding:
SEMA has implemented procedures to prepare written requests to extend the grant closeout date when necessary.

Status of Questioned Costs:
Department of Homeland Security - Federal Emergency Management Agency Region VII considers the above finding closed and did not sustain the questioned costs, based upon the information and documentation provided in response to the timeliness of reports and expenditures.

Contact Person: Shelly Honse
Phone Number: 573-526-7324

2014-002. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $81,981 (2014)
Similar Findings: 2013-003, 2012-6, 2011-4A, and 2010-6

The DSDS did not ensure annual reassessments were performed, as required, to determine continued need of services of Home and Community Based Services recipients.

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

Status of Findings:
The state fiscal year 2016 state budget includes funding for Home and Community Based Services (HCBS) providers to conduct reassessments. The ten Area Agencies on Aging also conduct reassessments. Reassessments by providers totaled 20,851 in state fiscal year 2015, an increase of 8,852 (74 percent) over the previous fiscal year. Level of care reassessments for 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 and the Area Agencies on Aging.

Status of 2014 Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

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

2014-003. Payroll Allocations

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 93.575 Child Care and Development Block Grant 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.778 Medical Assistance Program
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$25,841

The DFAS controls and procedures over the allocation of some payroll costs to federal programs were inadequate, and as a result, some employees continued to be assigned to incorrect cost pools based on division assignment.

Recommendation:
The DSS, through the DFAS, resolve the questioned costs with the grantor agency and continue to improve controls and procedures to ensure payroll costs are allowable and allocable. The DSS should also review other payroll costs charged to the labor code error to determine whether remaining payroll costs are appropriately charged to the Income Maintenance cost pool and resolve any overpayments with the guarantor agency.

Status of Finding:
DSS implemented quarterly meetings with DFAS, Family Support Division, Human Resources, and Children's Division to ensure personnel are coded and claimed appropriately.

The DSS received a decision letter from the Department of Health and Human Services - Administration for Children and Families (ACF) dated December 23, 2015. The ACF concurred with the finding and recommendations. The DSS has submitted a revised Public Assistance Cost Allocation Plan and will work with the ACF to ensure the issues of this finding are fully resolved.

Status of Questioned Costs:
Adjustments were completed on the December 31, 2015 Child Care quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2014-004A&B. Payment Coding

Federal Agency: Department of Health and Human Services
Federal Program: 93.090 Guardianship Assistance
93.658 Foster Care - Title IV-E
93.659 Adoption Assistance
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $1,520,122 (2014)
Similar Finding: 2013-011

The DSS controls and procedures over the establishment and monitoring of assigned accounting system coding for assistance and administration payments were inadequate.

Recommendation:
The DSS, through the CD and DFAS, resolve the questioned costs with the grantor agency, and continue to implement controls and procedures to ensure appropriate coding is established and expenditures are claimed to the appropriate federal program. Controls and procedures should include a periodic supervisory review of coding.

Status of Findings:
DSS has assigned staff to concentrate on IV-E claiming and correcting Family and Children's Electronic System (FACES) payment reports and system programming. DFAS staff has been meeting on a regular basis with program staff to review the payment coding to ensure the accuracy of coding. Corrections for identified issues have been made to coding reports. DFAS staff has worked to improve communication about coding sheet changes between DFAS Budget, Grants, and Accounts Payable staff.

The DSS is implementing a new cost allocation system that will reduce the need for manual coding and therefore reduce human error and allow staff to do more quality control and compliance.

Status of 2014 Questioned Costs:
Adjustments were completed on the June 30, 2015 quarterly reports. The DSS is waiting on clearance from the grantor agency.

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

2014-004C. Payment Coding

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $14,497

Procedures implemented by the DSS to identify nonrecurring adoption expenses in excess of federal limits did not fully address the issue due to a misunderstanding of Adoption Assistance payment coding. In addition, the DSS did not perform these additional procedures for the final quarter of state fiscal year 2014. As a result, additional nonrecurring expenses continued to be claimed in excess of federal limitations.

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

Status of Finding:
The DSS has strengthened procedures to ensure payments for nonrecurring adoption expenditures are within the federal guidelines.

Status of Questioned Costs:
Adjustments were completed on the June 30, 2015 quarterly report. The DSS is waiting on clearance from the grantor agency.

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

2014-005. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $59,601 (2014)
Similar Findings: 2013-009, 2012-11A&B, 2011-14A, and 2010-16A

The DSS controls over Child Care Development Fund 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 and payment documentation could not be located for many child care cases reviewed, and overpayments were made to some providers.

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency, and continue to review, strengthen and enforce 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 Findings:
The DSS continues to review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. The CD and the FSD hold quarterly quality improvement meetings.

Documentation of Child Care Records - The DSS has moved to a new document management system, FileNet. The new document management system allows staff greater speed, efficiency, and accuracy in storing and retrieving documents. FileNet provides security and storage features, and ready-to-use workflow and process management. This system allows all Income Maintenance offices to use document imaging to develop electronic records. The process management tool allows tasks to be assigned and case actions to be monitored by supervisors and management staff. Jackson County, Clay County, and Platte County have transitioned into an Electronic Case Management (ECM) system. These counties are now the primary processors of Child Care applications. The paper applications are loaded to the ECM and staff are working as interdependent teams in this task-based system. In addition, for the applications processed outside of the listed counties, the ECM is scheduled to be operational in all Missouri counties by fall 2016.

Early Childhood and Prevention Services - In August 2014, DSS restructured the CD Early Childhood and Prevention Section (ECPSS), Child Care Provider Relations Unit (CCPRU) and created the Division of Finance and Administrative Services, Child Care Payment Unit (CCPU) which streamlined functions based on division responsibilities. The CCPRU is now responsible for processing all child care provider registrations and registration renewals, provider contract information, and provider address changes, as well as any changes that affect the child care provider’s status as a registered or contracted child care provider. The CCPU assists child care providers with all payment inquiries. Payment inquiries may include, but are not limited to, child care vendor invoices, payment resolution requests, and child care claims and/or overpayments. This change will afford the CD more time to concentrate on the substantial changes resulting from the Child Care Development Block Grant Reauthorization Act of 2014.

Child Care Electronic Provider System - The DSS has drafted a Request for Proposal (RFP) for a Business Intelligence Solutions that will provide the DSS with a comprehensive and time efficient system for the administration of the Child Care program. The RFP is being finalized by the Office of Administration. The RFP, which will be issued soon, will be seeking proposals for a system that will include:

1. An electronic time and attendance system for all providers statewide.
2. A child care review system for the purpose of executing and managing a compliance monitoring process for the Child Care program.

Child Care Review Team (CCRT) - In August 2013, the DSS hired four staff to conduct compliance reviews of child care providers. The CCRT uses a risk based monitoring approach to detect providers who are at high risk of non-compliance. This process has created opportunities for identification of deficiencies in child care providers' performance, and a process to hold them accountable for the requirements of their contract/registration agreement.

Case Review Tool - The DSS implemented a Child Care component to the FSD Case Review System (CRS) in March 2012. Output reports from the CRS are being used to identify programmatic strengths and challenges and areas for policy and training improvements.

The FSD has transitioned the specialization of Temporary Assistance and Child Care eligibility determinations to the Kansas City region where 95 staff are processing both programs' applications and recertifications. During this transition, there was a pause in case reviews. In November 2015, a team of supervisors and managers was reestablished to complete case readings. In addition, the FSD is maintaining a spreadsheet of various ongoing projects including Child Care case reviews, and tracking each month to ensure these continue. The results of these reviews will continue to be compiled and result in additional supervisor and staff training. In addition, the staff person making the errors is notified so they can correct this in the future. ECPSS staff continue to monitor the number of case readings that are being completed monthly. There will also be FSD regional and program manager oversight of the case review process to ensure that case reading standards are met.

In conjunction with the transition of the Child Care program to Kansas City region for specialization, ECPSS is revising the policy for reviewing Child Care cases in the CRS to allow continued monitoring of areas needing improvement. A Program Development Specialist in the CD continues to complete second level reviews on randomly selected cases reviewed by FSD supervisors and compiles a quarterly list of critical areas for the supervisors to focus on during the case review process. A statewide analysis is provided to FSD leadership on a quarterly basis. This analysis outlines areas for improvement.

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. The FSD Training Unit updates the CRG with new and clarified policy.

Child Care Manual Revisions - ECPSS program and policy staff is continually reviewing the Child Care manual for clarification and revision.

Calendar Year	Policy Memorandum Updates By Section	Practice Points/Alerts
2011	40	5
2012	82	1
2013	10	4
2014	6	2
2015	9	5

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address Child Care issues. From this initiative there were four project teams designated to identify deficiencies and problematic areas within the Child Care program: Eligibility, Provider Issues and Policy/Payments, Program Integrity, and Information and Systems Technology. Each team made five or six recommendations related to the team's assigned area. The DSS has implemented the recommendations made by this committee that were selected for implementation.

Self-Employment Training - Effective August 1, 2011 the FSD Eligibility Specialists (ES) and ES supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. 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. 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 successfully complete the online training 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. Effective April 1, 2013, ES and ES Supervisors are required to retake the online Child Care Assistance training every 2 years after initial completion.

In July and December 2015, the DSS received decision letters from the Department of Health and Human Services -Administration for Children and Families (ACF) regarding the five prior audit findings. The ACF concurred with the findings and recommendations.

Status of 2014 Questioned Costs:
The DSS recovered some of the questioned costs via processing claims against parents or providers. An adjustment was made on the December 31, 2015 quarterly report for a portion of the remaining questioned costs. The DSS is awaiting clearance from the grantor agency.

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2014-006. Child Care Provider Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division Disability (FSD)
Questioned Costs: $3,083 (2014)
Similar Finding: 2013-010

The DSS did not have adequate controls and procedures in place to ensure certain child care providers participating in the Child Care Development Fund subsidy program complied with statutory requirements for license-exempt status.

Recommendation:
The DSS, through the CD, resolve the questioned costs with the grantor agency and improve controls and procedures to ensure child care providers participating in the subsidy program are in compliance with state licensing requirements. These procedures should include maintaining adequate documentation to demonstrate verification of a child's relationship to the provider at the time of authorization.

Status of Findings:
As part of the FSD reorganization, the specialization of Child Care and Temporary Assistance for Needy Families eligibility determinations statewide have been consolidated to four offices in the Kansas City region to process the majority of the Child Care applications. This consolidation allows a smaller number of FSD staff to focus on and become experts in the application of complex policy, such as documenting family relations for Child Care authorization.

From February 2012 – March 2015, the CD distributed educational messages to child care providers on the rules regarding relationship and what they must do to be compliant with the state's "four or less" unrelated children requirements. The CD revised the Child Care subsidy policy in March 2015 to require attestations of relationships between a child and their provider. This attestation will show and demonstrate the relationship between a child and their provider.

In December 2015, the DSS received decision letters from the Department of Health and Human Services -Administration for Children and Families (ACF) regarding the two prior findings. The ACF concurred with the findings and recommendations.

Status of 2014 Questioned Costs:
The DSS recovered some of the questioned costs via processing claims against parents or providers. An adjustment for the remaining questioned costs was made on the December 31, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

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2014-007. Foster Care Case Management Resource Development Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Similar Findings: 2013-008B and 2010-17

The DSS had not utilized established review procedures and related results to ensure contractor resource development payments (training costs) to Foster Care case management contractors were properly allocated and claimed to the Foster Care program. As a result, the DSS claimed payments for some training costs to the Foster Care program at a higher federal reimbursement rate than allowed.

Recommendation:
The DSS, through the CD and DFAS, utilize results of cost reviews when claiming Foster Care case management payments to the federal program to ensure all expenditures are allocated in accordance with federal regulations.

Status of Finding:
In state fiscal year 2013, the DSS developed an expenditure validation plan which includes an analytical review of case management/administration to compare the amount paid to contractors (via the contracted case rate) to the actual costs incurred by the contractors and to the amount claimed to federal programs. The purpose of this analytical review is to determine the reasonableness of the case rate as compared to actual costs incurred by contractors and federal dollars claimed. This validation plan was submitted to the Department of Health and Human Services - Administration for Children and Families. The first quarter for which this analytical review of case management/administration was completed was the first quarter of federal fiscal year 2014. While the DSS has agreed to analytically review the actual costs incurred by the Foster Care Case Managers (FCCM) contractors, it should be noted that the FCCM contractor's actual costs are not subject to federal guidelines for allowability, or any other compliance requirement under the federal OMB Circulars; they are not subrecipients of this grant program/contract. The DSS makes every effort to ensure that federal claims are allowable and meet federal requirements/guidelines. However, in December 2015, the DSS agreed not to claim enhanced funds for training. DSS agrees that these costs should instead be claimed at the regular IV-E administrative rate of 50%.

DSS is appealing to the Departmental Appeals Board the ACF's determination that claims cannot be based on competitively bid contracted rates.

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2014-008. Adoption Assistance - Eligibility and Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $16,377

The DSS made payments on behalf of ineligible children, did not retain sufficient documentation to support some eligibility decisions made, and appeared to have backdated some subsidy agreements.

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, and subsidy agreements and adoption decrees are retained. In addition, the CD should refund the federal share of cumulative overpayments.

Status of Finding:
As noted in the SAO finding, in May 2008, a CD policy issuance prohibited backdating of subsidy agreements. There are no instances of backdating after May 2008, and auditors also found no instances of backdating after May 2008 for the state fiscal year 2014 audit. In addition, the Family and Child Electronic system integrates information from the contract system and the children's eligibility system including edits to prevent use of federal funds if the subsidy agreement is signed after the adoption finalization date.

Status of Questioned Costs:
An adjustment was made on the June 30, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

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2014-009A. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $26,767 (2014)
Similar Findings: 2013-015A, 2012-15A, and 2011-18A

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

Recommendation:
The FSD resolve the questioned costs with the grantor agency, and maintain required eligibility documentation and case files and strengthen controls to ensure proper and timely action is taken regarding case closure, benefit adjustment, and the recoupment of overpayments.

Status of Findings:
An increasing number of FSD operations are using imaged documents, which are easier to move, more secure, and more likely to be found if misfiled. The TANF eligibility function was completely moved to electronic documentation in September 2015. Electronic documents are not yet integrated into the Family Assistance Information Management System and Missouri Eligibility Determination Enrollment System case records, but are planned to be within the next 2 years.

The FSD specialized Temporary Assistance (TA) eligibility determinations in the Kansas City region effective September 28, 2015. The FSD provided training for all staff in TA Processing Centers that included the new Quarterly Wage Match report and appropriate referrals to the Program Integrity Unit when an overpayment is believed to have occurred.

Status of 2014 Questioned Costs:
An adjustment was made on the September 30, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

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2014-009B. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $4,566 (2014)
Similar Findings: 2013-015B and 2012-15B

The FSD did not impose sanctions on some recipients who failed to cooperate with Child Support Enforcement (CSE) procedures.

Recommendation:
The FSD resolve the questioned costs with the grantor agency, and establish effective controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with CSE program requirements.

Status of Findings:
The FSD has established an email account for the CSE Unit to submit all non-cooperation sanction requests and any requests to lift sanctions already imposed. By having all

requests sent to one location, Income Maintenace (IM) staff will monitor each request to ensure they are acted upon in a timely manner. Both IM and CSE were notified of this change in notification procedures via memorandum CS-13 dated June 18, 2015 and IM-54 dated June 22, 2015.

Status of 2014 Questioned Costs:
An adjustment was made on the September 30, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Jeriane Jaegers
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2014-010A. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Similar Findings: 2013-016A, 2012-16A, and 2011-20A

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 2014.

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 Findings:
The FSD is reviewing the Missouri Work Assistance (MWA) contract and Work Verification Plan to ensure it meets federal work requirement standards without being so prescriptive. FSD continues to review individual participant case files for each contractor, and has implemented a 3-year cycle for completing in-depth monitoring of each contractor. FSD staff has trained MWA service providers to ensure understanding of the Work Verification Plan.

Starting August 2015, the MWA Program Manager conducts weekly calls with all contractors for reminders, changes, and best practices.

As of September 1, 2015, MWA Program Development Specialist staff review a daily report to ensure sanctions are properly imposed.

Starting January 2016, the MWA Program Manager will share audit results with impacted contractors and give an overall statement to all contractors.

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2014-010B. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $170 (2014)
Similar Findings: 2013-016B, 2012-16B, and 2011-20B

The FSD did not have adequate controls in place to ensure recipients were sanctioned when they were not in compliance with federal and state requirements of the Temporary Assistance for Needy Families (TANF) program.

Recommendation:
The FSD enforce established 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 Findings:
The FSD believes adequate monitoring controls are already in place. The FSD reviews individual participant case files for each contractor monthly. In addition, the FSD reviews monthly reports for participants with no participation hours, no sanction imposed, and no case notes in the last 30 days. Controls implemented as a result of previous audit findings have been successful in reducing the number of participants that were not sanctioned and not participating in work activities. The FSD believes the MWA service providers are correctly implementing sanctions and will monitor to ensure compliance continues.

Status of 2014 Questioned Costs:
An adjustment was made on the September 30, 2015 quarterly report. The DSS is awaiting clearance from the grantor agency.

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2014-011. Medicaid Cost Recovery

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD failed to timely take appropriate actions to recover funds from estates of thousands of deceased participants of the Medical Assistance Program.

Recommendation:
The MHD ensure appropriate actions are taken timely to maximize funds recovered for Medicaid expenditures from estates of deceased participants.

Status of Finding:
The MHD disagrees that the amount would have been over $27 million for several reasons. First, the 30,804 cases that were over a year old had some cases that were duplicates or set up in error because the person had not died or the lead was received over a year after the participant died. In addition, if the valid cases had been worked, many of them would not have resulted in recovery. According to 42 U.S.C. Section 1396p, there are several exemptions to collecting on an estate. The exemptions are as follows:

1. If there was a surviving spouse
2. If the participant was under age 55
3. If there was a disabled child in the home
4. If there was a minor child in the home

Although some of the 9,321 cases that were closed during the fiscal year were closed because of these exceptions, the MHD believes that it is not a true representation of the open cases. Approximately 18 percent of the open cases were for participants that were under the age 55; therefore, we would have not been able to recover on those cases.

The Attorney General's Office (AGO) files and litigates these cases. Historically the AGO and the MHD have not found it cost effective to attempt to recover claim amounts when the participant has less than $20,000 in assets. Many of these cases will not meet this criterion. Furthermore, according to RSMo 473.397(7), secured creditors, costs, expenses of administration, funeral expenses, federal debts, and certain other debts are due before any debts due the state of Missouri. By definition, the vast majority of MHD participants are low income and thus, have few to no collectible assets.

The MHD has taken the following actions in light of the SAO finding:

- The MHD has implemented a process to ensure all cases are pulled from the Third Party Liability case management system.
- The MHD is in process of updating policies and procedures to incorporate the new process and staff quotas including:
  - Utilizing management dashboards to provide more timely estate recovery information.
  - Updating training of staff to gain a better understanding of the system.
  - Implementing a process to systematically close cases that do not qualify for potential recovery.
  - Increased communication with the AGO to improve understanding of the process.
  - The MHD receives a report from the Family Assistance Management Information System that identifies asset data, greatly reducing the number of cases staff has to investigate.
  - The MHD has signed a work plan with the third party liability contractor, HMS, that will be implemented on or about March 11, 2016. The MHD will refer cases to the HMS that have no asset information, the claim amount is less than $20,000 but more than $1,000, or the case is over 7 months old.

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2014-012. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $4,645,763 (2014)
Similar Findings: 2013-018, 2012-20, and 2011-24

The MHD had periodically changed the rate paid to pharmacies for dispensing prescription drugs under the Medical Assistance Program (Title XIX) and the Children's Health Insurance Program (CHIP); however, until March 2014, 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.

Recommendation:
The MHD resolve the questioned costs with the grantor agency and ensure any future increases in payment rates are included in state regulations.

Status of Finding:
The MHD disagreed with the finding. The MHD makes payments in accordance with the Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS) 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.

DSS promulgated state regulation 13 CSR 70-20.060 effective March 30, 2014 for the regulatory changes necessary to reflect the current pharmacy dispensing fee.

Status of Questioned Costs:
On September 16, 2014, the CMS sent the DSS a demand letter regarding findings 2011-24, 2012-20, and 2013-018, requesting the State of Missouri return the questioned costs. The DSS responded to the demand letter on October 1, 2014. This finding is the subject of discussions with the grantor agency, but no resolution has yet been finalized.

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2014-013A. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)

The DSS did not ensure monthly supervisory reviews of eligibility determinations for MO HealthNet for the Aged, Blind, and Disabled (MHABD) assistance programs were completed as required.

Recommendation:
The DSS ensure supervisory reviews of cases are performed as required by internal policy.

Status of Finding:
Since the spring of 2015, all Medical Assistance Program (Medicaid) MHABD determinations statewide are being processed by specialized staff at a few select offices. This allows staff to be more knowledgeable of the MHABD rules and requirements and more effective and timely at determining eligibility. In November 2015, Eligibility Specialist (ES) Supervisors in these respective offices began to complete MHABD case reviews as required by policy to ensure timely and accurate determinations. Food Stamp, Temporary Assistance, and Modified Adjusted Gross Income (MAGI) Medicaid cases are now completed in a work flow approach, due to modernization and reorganization. This means that one ES does not complete an application from start to finish. Due to this, FSD has determined that the case review system needs to be revised to reflect the updated business processes of FSD. A work group has begun reviewing the case review system to determine changes needed and will begin developing updated rules for the case review system to meet the needs of the current and future agency structure. FSD ES Supervisors monitor Food Stamp, Temporary Assistance, and MAGI cases using the following methods:

- Oversight is made at application assignments by ES Supervisors to frontline staff by specialization.
- Daily monitoring is conducted and feedback is given to frontline staff by ES Supervisors.
- ES Supervisors are on the floor providing oversight of all FSD applications by program.
- Caseloads are closely monitored to ensure timeliness and accuracy of programs as we make changes in reorganization.

The FSD will resume use of the case review system as a tool to monitor accurate and efficient eligibility determinations when the case review system is updated to reflect FSD business practices.

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2014-013B. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)

The DSS did not have adequate controls in place to ensure eligibility was determined timely for all new participants of the Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP).

Recommendation:
The DSS utilize available reports to ensure applications for services are processed within required timeframes.

Status of Finding:
The FSD has implemented a Medical Review Team Processing Center in Greene County, consisting of office support staff, eligibility specialists, and eligibility specialist supervisors. The Medical Review Team Processing Center will be responsible for maintaining all case files for individuals applying and approved for MO Healthnet for the Aged, Blind, and Disabled (MHABD) on the basis of disability. Centralizing this process to one office will help ensure that eligibility determinations for these applications will be completed timely, in compliance with 42 CFR 435.912.

The FSD has implemented the process of assigning MHABD applications to individual eligibility specialists in specialized processing centers who are responsible for all actions until the eligibility determination is completed, resulting in approval or rejection.

The FSD issued Memorandum #062 (Application Processing Timeframes and Available Reports in Managed Reporting) on May 31, 2015, clarifying the application deadlines and requirements to utilize the monthly reports available to staff to help ensure applications are completed within required timeframes.

The FSD also developed dashboards to better monitor timeliness of Medicaid and CHIP applications. Beginning November 2015, supervisors are completing reviews as required by policy to ensure timely and accurate determinations.

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2014-014. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $2,403 (2014)
Similar Finding: 2013-021B

The MHD did not have effective controls in place for the review of some reports necessary to ensure compliance with enrollment requirements of the Medicare Buy-In program.

Recommendation:
The MHD resolve questioned costs with the grantor agency and establish controls to ensure the complete and timely review of all reports related to the Medicare Buy-In program. In addition, the MHD should establish controls to ensure timely performance of required Medicare Buy-In enrollment actions.

Status of Findings:
By July 2014, MHD had established and implemented controls to ensure the complete and timely review of all reports related to the Medicare Buy-In Program. The "Staff Quarterly Review" control uses random sampling to identify cases from reports that are worked by individual staff. The supervisor reviews the random sample for timeliness and accuracy of the work performed. If errors are identified in the review, the supervisor works with the employee for possible education and/or corrective action.

During the state fiscal year 2015 audit period, five of the eight Medicare staff were either new or exited the unit. In May 2015, the Medicare Unit completed a reevaluation of reports for effectiveness and accuracy. Based on those findings, the unit has worked with Information Technology Services Division for potential system changes and has made it a priority to review and make improvements where possible. The unit also continues to do random samples of the reports being worked daily and monthly.

Status of 2014 Questioned Costs:
An adjustment was made on the September 30, 2015, quarterly report. The DSS is awaiting clearance from the grantor agency.

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