



Office of Missouri State Auditor
Nicole Galloway, CPA

State of Missouri
Single Audit
Year Ended June 30, 2016



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Fiscal Year 2016 Statewide Single Audit

Background	The Single Audit for the state of Missouri for the state fiscal year ended June 30, 2016 is the first performed under the Uniform Guidance. A single audit requires an audit of the state's financial statements and expenditures of federal awards. The state spent \$11.77 billion in federal awards through 301 different federal programs. Our Single Audit involved audit work on 13 major federal programs administered by 6 state agencies, with expenditures totaling \$8.4 billion. The audit report contains 6 federal award findings and related recommendations involving 3 major federal programs at 2 state agencies. Of these 6 findings, 5 were repeated from prior Single Audits. The state agencies prepared and submitted to the Office of Administration, a Corrective Action Plan for each audit finding.
Child Care Provider Eligibility DSS	As noted in our three prior audit reports, the Department of Social Services (DSS) does not have adequate controls and procedures to ensure "four-or-less" (FOL) child care providers participating in the Child Care Development Fund (Child Care) subsidy program comply with statutory requirements for license-exempt status. Under state law, child care providers are exempt from licensing requirements if they care for four or less unrelated children. Auditors reviewed 91 children coded in the Family Assistance Management Information System as related to their child care provider. For 85 (93 percent) children cared for by 28 FOL providers, DSS employees did not follow the department's recently revised procedures to obtain, at the time of child care authorization, a Child to Provider Relationship form signed by the client and provider attesting to the relationships. Of these 28 providers, 13 (46 percent) were paid for more than a total of four unrelated children and children whose relationship was not supported by the required form. DSS personnel subsequently obtained required forms or verified relationships for 8 of the 13 providers, but could not verify the relationships for the remaining 5 providers.
Child Care Eligibility and Payments DSS	As noted in our six prior audit reports, significant weaknesses continue to exist in DSS controls over Child Care subsidy eligibility and provider payments. Child Care subsidy payments were made on behalf of children when there was not a valid need for child care services for 3 of 60 (5 percent) cases reviewed. Documentation was not adequate to support payments and/or payments were not in compliance with DSS policies for 10 of 60 (17 percent) cases reviewed. Approximately 3 percent of payments reviewed were questioned. Also, the department's procedures to follow-up on non-compliance identified during provider reviews are not sufficient. In 7 of the 15 follow-up reviews (47 percent) the Child Care Review Team (CCRT) determined the providers continued to be non-compliant and received overpayments. The CCRT required these providers to repay the identified overpayments, but took no further action to address the continued non-compliance.
MO HealthNet Division Provider Eligibility DSS	The DSS did not fully implement federal revalidation requirements for providers participating in the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP) by September 24, 2016, as required. As of that date, the revalidations had not been performed for 87 percent of providers requiring a revalidation. As a result, the DSS had not ensured these providers continued to meet the requirements to participate in

these programs. In addition, the DSS did not timely review and follow-up on Missouri Division of Professional Registration provider reports of expired licenses and other licensure issues. As a result, the DSS did not timely identify and address 39 closed pharmacies still enrolled and authorized to receive Medicaid and CHIP payments.

MO HealthNet Division Receipt Controls DSS	As noted in our prior audit report, the DSS - MO HealthNet Division (MHD) does not have adequate controls in place to ensure the proper management of receipts received by the division. The MHD's reconciliations of cash control numbers to deposits and monies on hand are not sufficient to account for all cash control numbers (receipt numbers), the MHD does not restrictively endorse money orders immediately upon receipt, and the MHD does not adequately restrict user access within the cash receipts and accounts receivable modules of the computerized accounting and payment system.
Medicaid Aged, Blind, and Disabled Eligibility DSS	As noted in our two prior audit reports, the DSS does not ensure monthly supervisory case reviews were completed as required for aged, blind, and disabled individuals enrolled in Medicaid. Monthly supervisory case reviews were not performed as required for 48 of 60 (80 percent) eligibility specialists reviewed.
Medicaid Developmental Disabilities Comprehensive Waiver Group Home Rates DMH	As noted in our prior audit report, the Department of Mental Health-Division of Developmental Disabilities (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, Developmental Disabilities Comprehensive Waiver (Comprehensive Waiver) program. The DD did not retain documentation to support the per diem rates for all 21 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 the 21 group homes for habilitation services provided to the participants reviewed totaled \$937,867 during state fiscal year 2016.

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

All reports are available on our Web site: auditor.mo.gov

STATE OF MISSOURI
SINGLE AUDIT

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Common Abbreviations

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

INTRODUCTION AND SUMMARY

STATE OF MISSOURI SINGLE AUDIT
INTRODUCTION AND SUMMARY
YEAR ENDED JUNE 30, 2016

The United States Congress passed the Single Audit Act Amendments of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Office of Management and Budget (OMB) issued Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) to set forth uniform cost principles and audit requirements for federal awards to nonfederal entities and administrative requirements for all federal grants and cooperative agreements. The Uniform Guidance replaced OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is effective for single audits of fiscal years beginning on or after December 26, 2014. The Single Audit for the state of Missouri for the state fiscal year ended June 30, 2016 is the first performed under the Uniform Guidance.

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 stated fairly in all material respects in relation to the financial statements as a whole.
- The state has adequate internal controls to ensure compliance with federal award requirements.
- The state has complied with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each of its major federal programs.

The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the public universities and other component units which are legally separate from the state. These component units have their own separate single audits conducted by other auditors. The state expended \$11.77 billion in federal awards during the state fiscal year ended June 30, 2016.

Summary of Single Audit Results

Financial Statements

We issued our audit report (Report No. 2016-146) of the state's Comprehensive Annual Financial Report (CAFR), as of and for the year ended June 30, 2016, on December 30, 2016. Our report expressed qualified opinions on the governmental activities and the General Fund because we were not allowed access to tax returns and related source documents for income taxes. Our report expressed unmodified opinions on all remaining opinion units. No audit findings resulted from our audit of the CAFR.

Federal Awards

We issued our report on the accompanying Schedule of Expenditures of Federal Awards. Our report expressed the opinion that the schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

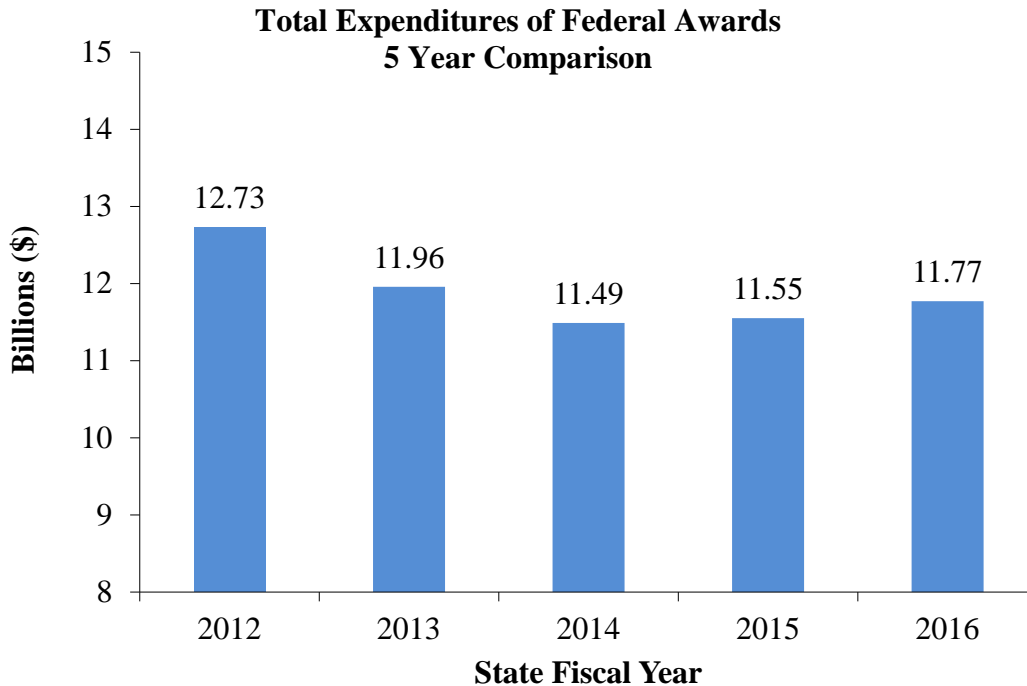
We audited 13 major federal programs with expenditures totaling \$8.4 billion, administered by 6 state agencies.

We issued a qualified opinion on 1 major federal program and an unmodified opinion on 12 major federal programs. A qualified opinion is issued when the audit of a major federal program detects material noncompliance with direct and material compliance requirements. A qualified opinion was issued on the Child Care and Development Fund (CCDF) Cluster administered by the Department of Social Services.

In total, we reported 6 audit findings related to 3 major federal programs at 2 state agencies. Of these audit findings, 5 were repeated from prior Single Audits.

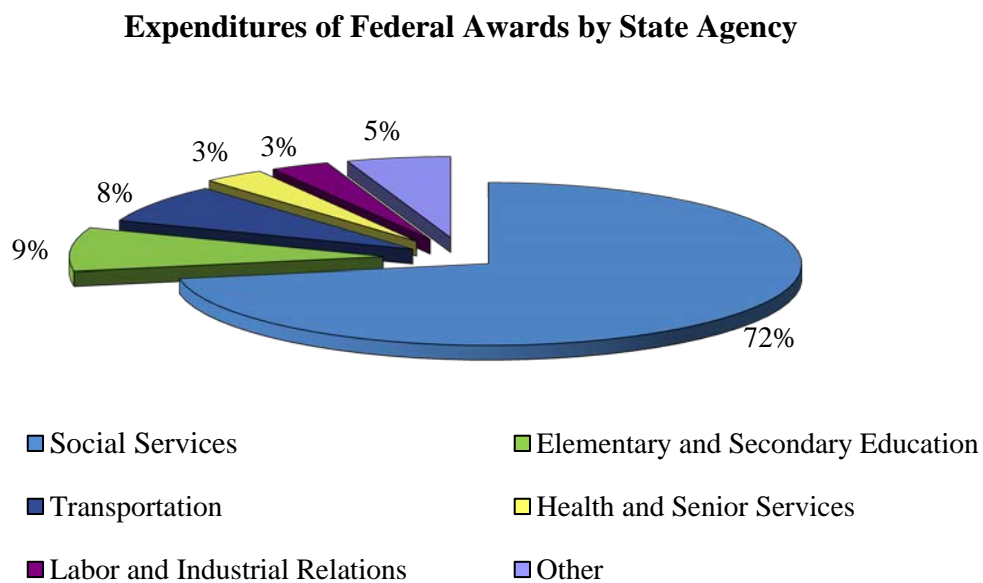
The state agencies' responses to the audit findings are included in this report. The state agencies prepared a Corrective Action Plan for each audit finding. The Corrective Action Plans were submitted to the Office of Administration.

In addition, the state agencies prepared, and we performed follow-up procedures and assessed the reasonableness of, the prior audit findings contained in the accompanying Summary Schedule of Prior Audit Findings.



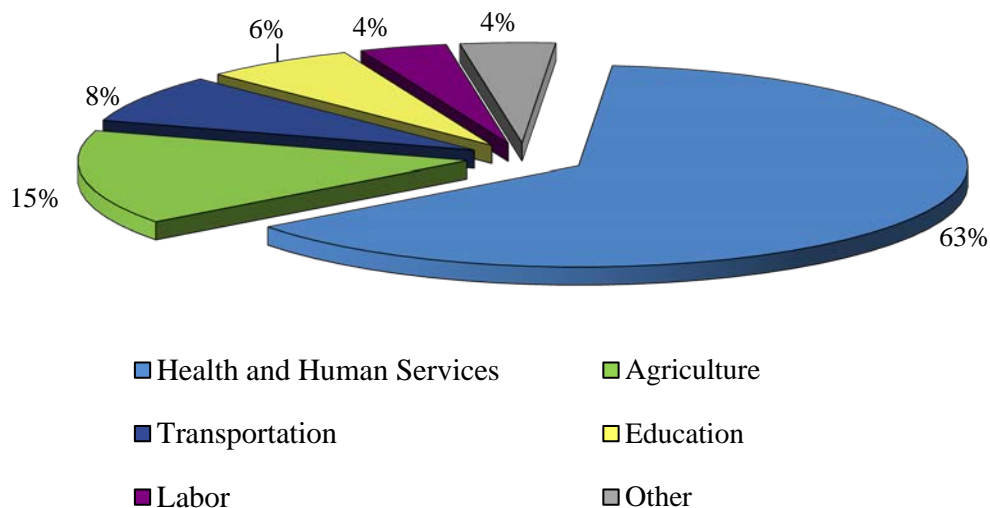
Expenditures of federal awards were significantly higher in state fiscal year 2012 due to additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of ARRA funds were expended by the end of state fiscal year 2012. Only two programs continued to have ARRA expenditures in state fiscal year 2016.

Of the 19 state agencies and other state offices that expended federal awards, 5 state agencies expended the majority of the awards (95 percent) during state fiscal year 2016.



The state expended federal awards received from 23 different federal agencies. Most of the federal award expenditures (96 percent) were from programs of 5 federal agencies.

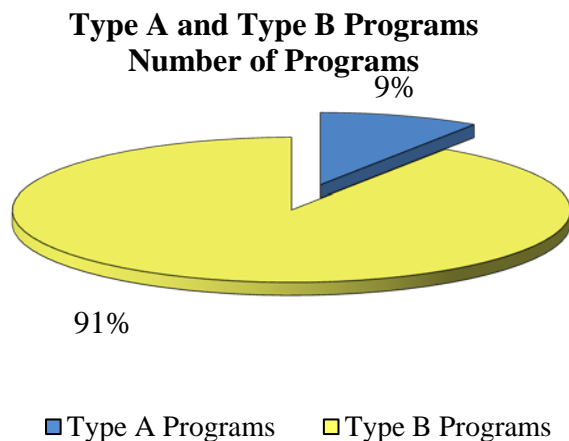
Expenditures of Federal Awards by Federal Agency



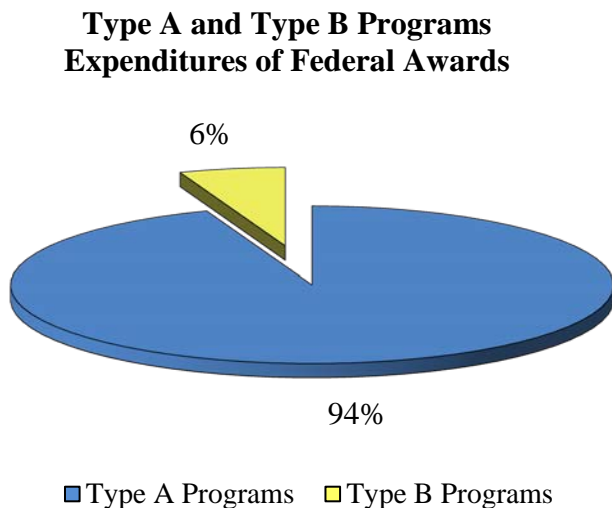
Overall, the state expended federal awards in 301 different programs. These programs are listed in the accompanying Schedule of Expenditures of Federal Awards.

The Uniform Guidance requires federal programs to be labeled Type A programs or Type B programs based on a dollar threshold. For the state of Missouri, the Uniform Guidance defines the dollar threshold as \$30 million since the federal award expenditures exceeded \$10 billion, but were less than or equal to \$20 billion.

Programs with federal award expenditures over \$30 million are Type A programs and programs with federal award expenditures under \$30 million are Type B programs. Of the 301 federal award programs, 28 were Type A programs and 273 were Type B programs.



The 28 Type A programs had expenditures totaling \$11.1 billion, or 94 percent of total expenditures. The 273 Type B programs had expenditures totaling \$670 million, or 6 percent of total expenditures.



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

The Uniform Guidance also requires the auditor to perform risk assessments on larger Type B programs to determine which are high risk and need to be audited as major. The dollar threshold to determine the larger Type B programs is 25 percent of the Type A threshold, or \$7.5 million.

We performed risk assessments on the 22 larger Type B programs and determined 1 was high risk. In accordance with the Uniform Guidance, we audited the program as major.

The programs audited as major are listed in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. In total, we audited 71 percent of total state fiscal year 2016 federal expenditures.

Major and Non-major Federal Programs

Type of Programs	Number of Programs	Expenditures	Percentage of Expenditures
<u>Programs Audited</u>			
Type A major programs	12	\$ 8,384,249,796	
Type B major programs	1	27,162,564	
Total major programs	13	\$ 8,411,412,360	71%
<u>Programs not Audited</u>			
Type A non-major programs	16	\$ 2,716,440,583	
Type B non-major programs	272	642,576,415	
Total non-major programs	288	\$ 3,359,016,998	29%
Total programs	301	\$ 11,770,429,358	100%

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

CFDA Number	Program or Cluster Name	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	\$ 1,217,355,655
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	47,970,648
	Total SNAP Cluster		<u>1,265,326,303</u>
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	71,906,713
10.555	National School Lunch Program	Agriculture	244,216,432
10.556	Special Milk Program for Children	Agriculture	428,846
10.559	Summer Food Service Program for Children	Agriculture	13,575,070
	Total Child Nutrition Cluster		<u>330,127,061</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	88,344,338
10.558	Child and Adult Care Food Program	Agriculture	53,920,424
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	34,372,847
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	33,824,106
17.225	Unemployment Insurance	Labor	351,823,255
	Workforce Investment Act/Workforce Innovation and Opportunity Act		
17.258	WIA/WIOA Adult Program	Labor	13,375,244
17.259	WIA/WIOA Youth Activities	Labor	13,514,867
17.278	WIA/WIOA Dislocated Worker Formula Grants	Labor	18,223,953
	Total Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster		<u>45,114,064</u>
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	823,886,879
20.219	Recreational Trails Program	Transportation	1,012,128
	Total Highway Planning and Construction Cluster		<u>824,899,007</u>
64.015	Veterans State Nursing Home Care	Veterans Affairs	69,458,025
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	34,932,958
	Total Clean Water State Revolving Fund Cluster		<u>34,932,958</u>
84.010	Title I Grants to Local Educational Agencies	Education	238,683,224
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	218,922,057
84.173	Special Education - Preschool Grants	Education	5,547,021
	Total Special Education Cluster (IDEA)		<u>224,469,078</u>
84.032	Federal Family Education Loans	Education	80,931,043
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	65,924,017
84.367	Supporting Effective Instruction State Grant	Education	40,882,312
93.268	Immunization Cooperative Agreements	Health and Human Services	67,535,462
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	Health and Human Services	239,520,865
	Total TANF Cluster		<u>239,520,865</u>
93.563	Child Support Enforcement	Health and Human Services	35,670,980
93.568	Low-Income Home Energy Assistance	Health and Human Services	69,966,064
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	45,980,696
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	53,231,483
	Total CCDF Cluster		<u>99,212,179</u>

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

<u>CFDA Number</u>	<u>Program or Cluster Name</u>	<u>Federal Grantor Agency</u>	<u>Federal Awards Expended</u>
93.658	Foster Care - Title IV-E	Health and Human Services	67,875,261
93.659	Adoption Assistance	Health and Human Services	34,411,691
93.667	Social Services Block Grant	Health and Human Services	51,662,839
93.767	Children's Health Insurance Program	Health and Human Services	134,429,142
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,589,877
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	18,478,303
93.778	Medical Assistance Program	Health and Human Services	6,408,196,339
	Total Medicaid Cluster		<u>6,428,264,519</u>
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	44,597,886
	Total Disability Insurance/SSI Cluster		<u>44,597,886</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	44,511,429
	Total Type A Programs (expenditures greater than \$30,000,000)		<u>11,100,690,379</u>
	Total Type B Programs (expenditures less than \$30,000,000)		<u>669,738,979</u>
	Total Expenditures of Federal Awards		<u>\$ 11,770,429,358</u>

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 Eric R. Greitens, 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, 2016, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated December 30, 2016. Our report expressed qualified opinions 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 28 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 expressed unmodified opinions on all remaining opinion units.

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 Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan which represent 77 percent of the assets and 11 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 17 percent of the assets and 65 percent of the revenues of the business-type activities.
3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation agency funds which represent 94 percent of the assets and 95 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 Conservation Employees' Insurance Plan, the Missouri State Employees' Insurance Plan, and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

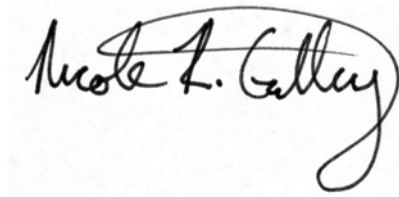
Compliance and Other Matters

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*.

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 result 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.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA
State Auditor

December 30, 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 THE UNIFORM GUIDANCE

Honorable Eric R. Greitens, 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 Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the state's major federal programs for the year ended June 30, 2016. The state of Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The state of Missouri's basic financial statements include the operations of the public universities and other component units whose expenditures of federal awards are not included in the state's Schedule of Expenditures of Federal Awards during the year ended June 30, 2016. Our audit, described below, did not include the operations of these component units because they engaged other auditors to perform audits in accordance with the Uniform Guidance, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the state of Missouri'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of

compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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 the CFDA 93.575 and 93.596 Child Care and Development Fund (CCDF) Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding the CCDF Cluster as described in finding number 2016-001 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to that program.

Qualified Opinion on the Child Care and Development Fund (CCDF) Cluster

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" 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 CCDF Cluster for the year ended June 30, 2016.

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, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2016-002 and 2016-006. Additionally, the results of our auditing procedures disclosed noncompliance subsequent to June 30, 2016, which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 2016-003. 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 and the Corrective Action Plan prepared for each finding by the applicable agency. 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 the Uniform Guidance, 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.

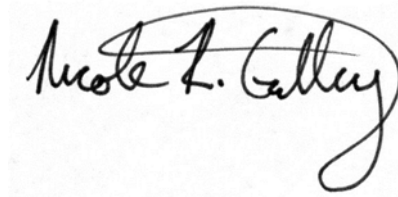
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 2016-001 through 2016-004 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding number 2016-005 to be a significant deficiency.

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 and the Corrective Action Plan. 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 the Uniform Guidance. 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.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is written in a cursive style with a large, looping "G" at the end.

Nicole R. Galloway, CPA
State Auditor

March 7, 2017



NICOLE GALLOWAY, CPA
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Eric R. Greitens, 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, 2016, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated December 30, 2016. Our report expressed qualified opinions 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 28 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 expressed unmodified opinions on all remaining opinion units.

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

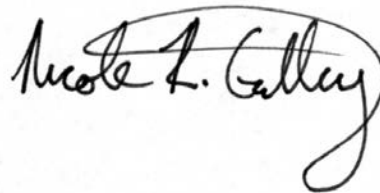
1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan which represent 77 percent of the assets and 11 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 17 percent of the assets and 65 percent of the revenues of the business-type activities.
3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation agency funds which represent 94 percent of the assets and 95 percent of the additions of the fiduciary funds.

The financial statements of the Conservation Employees' Insurance Plan, the Missouri State Employees' Insurance Plan, and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. As described in Note 1 to the Schedule of Expenditures of Federal Awards, the accompanying Schedule of Expenditures of Federal Awards does not include the public universities and other component units. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 the Uniform Guidance. 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

December 30, 2016

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Agriculture			
10.U01	School Lunch Commodity Refund	\$ 8,237	8,237
10.025	Plant and Animal Disease, Pest Control, and Animal Care	674,001	0
10.069	Conservation Reserve Program	298,475	0
10.153	Market News	3,390	0
10.163	Market Protection and Promotion	37,600	0
10.165	Perishable Agricultural Commodities Act	20,528	0
10.170	Specialty Crop Block Grant Program - Farm Bill	247,184	211,150
10.171	Organic Certification Cost Share Programs	85,899	0
10.435	State Mediation Grants	12,194	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	910,841	0
10.479	Food Safety Cooperative Agreements	209,283	0
10.547	Professional Standards for School Nutrition Employees	8,381	0
SNAP Cluster:			
10.551	Supplemental Nutrition Assistance Program	1,217,355,655	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	47,970,648	10,618,249
	Total SNAP Cluster	1,265,326,303	10,618,249
Child Nutrition Cluster:			
10.553	School Breakfast Program	71,906,713	71,906,713
10.555	National School Lunch Program	244,216,432	244,216,432
10.556	Special Milk Program for Children	428,846	428,846
10.559	Summer Food Service Program for Children	13,575,070	13,023,503
	Total Child Nutrition Cluster	330,127,061	329,575,494
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	88,344,338	24,269,639
10.558	Child and Adult Care Food Program	53,920,424	53,334,778
10.560	State Administrative Expenses for Child Nutrition	4,737,989	1,918,752
Food Distribution Cluster:			
10.565	Commodity Supplemental Food Program	4,367,556	1,097,853
10.568	Emergency Food Assistance Program (Administrative Costs)	1,546,117	1,339,211
10.569	Emergency Food Assistance Program (Food Commodities)	11,304,101	0
	Total Food Distribution Cluster	17,217,774	2,437,064
10.574	Team Nutrition Grants	346,569	103,201
10.578	WIC Grants to States (WGS)	875,745	0
10.579	Child Nutrition Discretionary Grants Limited Availability	596,903	238,883
10.582	Fresh Fruit and Vegetable Program	3,061,876	3,061,876
10.664	Cooperative Forestry Assistance	1,732,660	258,910
Forest Service Schools and Roads Cluster:			
10.665	Schools and Roads - Grants to States	5,322,499	5,322,499
	Total Forest Service Schools and Roads Cluster	5,322,499	5,322,499
10.680	Forest Health Protection	6,331	0
10.902	Soil and Water Conservation	224,291	200,834
10.932	Regional Conservation Partnership Program	1,570,431	1,570,431
	Total Department of Agriculture	1,775,927,207	433,129,997
Department of Commerce			
11.555	Public Safety Interoperable Communications Grant Program	396,294	0
	Total Department of Commerce	396,294	0
Department of Defense			
12.U02	Excess Property Program	542,899	0
12.U03	Troops to Teachers	83,538	629
12.112	Payments to States in Lieu of Real Estate Taxes	1,660,538	1,660,538
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	703,672	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	34,372,847	0
	Total Department of Defense	37,363,494	1,661,167

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

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	33,824,106	33,010,398
14.231	Emergency Solutions Grants Program	2,452,643	2,451,647
14.238	Shelter Plus Care	11,819,590	11,806,258
14.241	Housing Opportunities for Persons with AIDS	596,610	596,610
14.401	Fair Housing Assistance Program - State and Local	609,584	0
Total Department of Housing and Urban Development		49,302,533	47,864,913
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	164,251	0
15.252	Abandoned Mine Land Reclamation (AMLR)	2,475,662	1,739,294
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration Program	7,846,375	0
15.611	Wildlife Restoration and Basic Hunter Education	16,207,450	0
Total Fish and Wildlife Cluster		24,053,825	0
15.608	Fish and Wildlife Management Assistance	337,076	0
15.615	Cooperative Endangered Species Conservation Fund	153,359	0
15.622	Sportfishing and Boating Safety Act	100,000	0
15.623	North American Wetlands Conservation Fund	254,604	0
15.634	State Wildlife Grants	938,149	0
15.657	Endangered Species Conservation - Recovery Implementation Funds	19,589	0
15.807	Earthquake Hazards Program Assistance	31,163	0
15.808	U.S. Geological Survey - Research and Data Collection	42,299	0
15.810	National Cooperative Geologic Mapping	174,888	0
15.814	National Geological and Geophysical Data Preservation	30,171	0
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	14,852	0
15.904	Historic Preservation Fund Grants-In-Aid	903,289	131,105
15.916	Outdoor Recreation - Acquisition, Development and Planning	741,213	326,458
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	415,054	0
Total Department of the Interior		30,849,444	2,196,857
Department of Justice			
16.013	Violence Against Women Act Court Training and Improvement Grants	3,224	0
16.017	Sexual Assault Services Formula Program	221,883	212,618
16.523	Juvenile Accountability Block Grants	275,422	230,350
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	445,155	209,130
16.554	National Criminal History Improvement Program (NCHIP)	1,439,146	1,439,146
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	115,737	53,812
16.575	Crime Victim Assistance	6,847,215	6,543,405
16.576	Crime Victim Compensation	3,000,878	3,000,878
16.585	Drug Court Discretionary Grant Program	426,011	0
16.588	Violence Against Women Formula Grants	1,932,701	1,800,188
16.593	Residential Substance Abuse Treatment for State Prisoners	378,725	155,706
16.606	State Criminal Alien Assistance Program	148,773	0
16.710	Public Safety Partnership and Community Policing Grants	301,834	0
16.727	Enforcing Underage Drinking Laws Program	157,774	157,774
16.734	Special Data Collections and Statistical Studies	126,316	0
16.738	Edward Byrne Memorial Justice Assistance Grant Program	4,220,034	3,335,481
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	116,000	0
16.741	DNA Backlog Reduction Program	394,729	0
16.750	Support for Adam Walsh Act Implementation Grant Program	419,425	0
16.751	Edward Byrne Memorial Competitive Grant Program	1,036,855	500,000
16.813	NICS Act Record Improvement Program	1,068,888	1,068,888
16.816	John R. Justice Prosecutors and Defenders Incentive Act	35,984	31,983
Total Department of Justice		23,112,709	18,739,359

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Labor			
17.002	Labor Force Statistics	955,943	0
17.005	Compensation and Working Conditions	247,283	0
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	11,651,508	0
17.801	Disabled Veterans' Outreach Program (DVOP)	2,055,344	0
17.804	Local Veterans' Employment Representative Program	994,851	0
	Total Employment Service Cluster	14,701,703	0
17.225	Unemployment Insurance	351,823,255	0
17.235	Senior Community Service Employment Program	2,060,478	2,003,838
17.245	Trade Adjustment Assistance	5,467,886	0
	Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster:		
17.258	WIA/WIOA Adult Program	13,375,244	12,299,596
17.259	WIA/WIOA Youth Activities	13,514,867	12,585,576
17.278	WIA/WIOA Dislocated Worker Formula Grants	18,223,953	15,504,817
	Total Workforce Investment Act/Workforce Innovation and Opportunity Act Cluster	45,114,064	40,389,989
17.268	H-1B Job Training Grants	462,386	438,781
17.271	Work Opportunity Tax Credit Program (WOTC)	364,640	0
17.273	Temporary Labor Certification for Foreign Workers	220,580	0
17.277	WIOA National Dislocated Worker Grants/WIA National Emergency Grants	3,088,163	2,593,244
17.280	WIA/WIOA Dislocated Worker National Reserve Demonstration Grants	1,486,580	1,465,392
17.281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	197,939	197,939
17.504	Consultation Agreements	1,342,684	0
17.600	Mine Health and Safety Grants	379,193	0
	Total Department of Labor	427,912,777	47,089,183
Department of Transportation			
20.106	Airport Improvement Program	27,971,902	27,968,718
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	823,886,879	132,839,298
20.219	Recreational Trails Program	1,012,128	750,740
	Total Highway Planning and Construction Cluster	824,899,007	133,590,038
20.218	Motor Carrier Safety Assistance	3,773,011	1,531,716
20.231	Performance and Registration Information Systems Management	268,754	0
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	114,841	0
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	38,229	0
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	6,101,540	6,101,540
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	400,994	400,994
	Total Federal Transit Cluster	400,994	400,994
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	5,278,479	5,171,072
20.509	Formula Grants for Rural Areas	17,306,113	16,766,461
	Transit Services Programs Cluster:		
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	4,815,685	4,403,816
20.516	Job Access And Reverse Commute Program	437,210	437,210
20.521	New Freedom Program	732,794	732,794
	Total Transit Services Programs Cluster	5,985,689	5,573,820
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	256,240	256,240
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	5,026,210	4,207,680
20.613	Child Safety and Child Booster Seats Incentive Grants	54,288	0
20.616	National Priority Safety Programs	6,799,420	5,134,348
	Total Highway Safety Cluster	11,879,918	9,342,028
20.607	Alcohol Open Container Requirements	5,094,429	3,868,912

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	195,736	0
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	173,352	0
20.700	Pipeline Safety Program State Base Grant	545,645	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	450,771	22,978
20.720	State Damage Prevention Program Grants	67,309	0
20.721	PHMSA Pipeline Safety Program One Call Grant	10,000	0
	Total Department of Transportation	910,811,959	210,594,517
Equal Employment Opportunity Commission			
30.U04	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	630,509	0
	Total Equal Employment Opportunity Commission	630,509	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	4,884,356	4,581,438
39.011	Election Reform Payments	153,908	153,908
	Total General Services Administration	5,038,264	4,735,346
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	690,431	342,097
45.310	Grants to States	3,163,568	2,131,155
	Total National Foundation on the Arts and the Humanities	3,853,999	2,473,252
Small Business Administration			
59.061	State Trade Expansion	143,943	126,113
	Total Small Business Administration	143,943	126,113
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	700,216	0
64.015	Veterans State Nursing Home Care	69,458,025	0
64.024	VA Homeless Providers Grant and Per Diem Program	801,290	801,290
64.101	Burial Expenses Allowance for Veterans	858,592	0
64.115	Veterans Information and Assistance	426,537	0
	Total Department of Veterans Affairs	72,244,660	801,290
Environmental Protection Agency			
66.032	State Indoor Radon Grants	179,489	0
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	1,037,171	0
66.040	State Clean Diesel Grant Program	238,820	168,240
66.202	Congressionally Mandated Projects	2,909	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	161,635	0
66.433	State Underground Water Source Protection	126,885	0
66.454	Water Quality Management Planning	624,818	408,957
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	34,932,958	27,198,330
	Total Clean Water State Revolving Fund Cluster	34,932,958	27,198,330
66.460	Nonpoint Source Implementation Grants	2,290,038	1,268,081
66.461	Regional Wetland Program Development Grants	191,768	91,230
	Drinking Water State Revolving Fund Cluster:		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	29,251,429	16,674,361
	Total Drinking Water State Revolving Fund Cluster	29,251,429	16,674,361
66.475	Gulf of Mexico Program	1,067	0
66.605	Performance Partnership Grants	13,799,127	204,561
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	293,481	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	251,639	0
66.714	Regional Agricultural IPM Grants	507	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,599,019	323,598
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	392,330	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,208,476	81,987
66.817	State and Tribal Response Program Grants	989,533	0
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	377,963	0
	Total Environmental Protection Agency	87,951,062	46,419,345
Department of Energy			
81.041	State Energy Program	1,190,440	230,184
81.042	Weatherization Assistance for Low-Income Persons	5,167,998	4,370,860
81.092	Environmental Restoration	347,157	0
81.104	Office of Environmental Waste Processing	168,924	0
81.119	State Energy Program Special Projects	351,743	184,368
81.136	Long-Term Surveillance and Maintenance	60,781	0
81.138	State Heating Oil and Propane Program	2,595	0
	Total Department of Energy	7,289,638	4,785,412
Department of Education			
84.U05	Cooperative System Grant	51,118	0
84.002	Adult Education - Basic Grants to States	8,111,147	6,760,991
84.010	Title I Grants to Local Educational Agencies	238,683,224	237,705,581
84.011	Migrant Education - State Grant Program	2,167,373	2,131,675
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,090,608	1,060,662
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	218,922,057	195,135,040
84.173	Special Education - Preschool Grants	5,547,021	5,547,021
	Total Special Education Cluster (IDEA)	224,469,078	200,682,061
84.032	Federal Family Education Loans	80,931,043	0
84.048	Career and Technical Education - Basic Grants to States	20,591,531	18,706,110
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	65,924,017	0
84.144	Migrant Education - Coordination Program	96,271	96,271
84.169	Independent Living - State Grants	280,413	206,913
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	604,662	0
84.181	Special Education - Grants for Infants and Families	7,175,647	0
84.184	School Safety National Activities	830,465	0
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	28,996	0
84.196	Education for Homeless Children and Youth	826,104	819,538
84.224	Assistive Technology	1,160,910	913,553
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	1,987	0
84.282	Charter Schools	1,113,948	1,106,772
84.287	Twenty-First Century Community Learning Centers	16,720,879	16,367,903
84.323	Special Education - State Personnel Development	1,114,458	1,114,458
84.325	Special Education - Personnel Development to Improve Services and Results for Children with	25,863	6,500
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for		
	Children with Disabilities	221,118	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive		
	Program Grants)	191,966	191,966
84.358	Rural Education	3,553,541	3,229,065
84.365	English Language Acquisition State Grants	5,562,516	5,349,755
84.366	Mathematics and Science Partnerships	2,523,478	2,521,790
84.367	Supporting Effective Instruction State Grant	40,882,312	40,237,773
84.369	Grants for State Assessments and Related Activities	5,179,787	0
84.372	Statewide Longitudinal Data Systems	117,375	0
84.377	School Improvement Grants	8,422,816	8,145,983
84.902	National Assessment of Educational Progress	111,733	0
	Total Department of Education	738,766,384	547,355,320

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	43,615	0
	Total National Archives and Records Administration	43,615	0
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	1,134,881	203,541
	Total Elections Assistance Commission	1,134,881	203,541
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	94,126	22,800
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	314,988	112,990
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Aging Cluster:	364,661	341,904
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior	7,809,639	7,403,921
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,534,454	11,190,340
93.053	Nutrition Services Incentive Program	3,939,041	3,939,041
	Total Aging Cluster	23,283,134	22,533,302
93.052	National Family Caregiver Support, Title III, Part E	2,720,779	2,547,466
93.069	Public Health Emergency Preparedness	11,071,775	5,822,190
93.070	Environmental Public Health and Emergency Response	1,433,473	423,131
93.071	Medicare Enrollment Assistance Program	458,500	237,066
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	797,961	432,742
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	38,066	38,066
93.090	Guardianship Assistance	4,158,469	0
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	851,624	684,935
93.093	Affordable Care Act (ACA) Health Profession Opportunity Grants	67,396	0
93.094	Well-Integrated Screening and Evaluation for Women Across the Nation	575,451	326,716
93.103	Food and Drug Administration - Research	1,260,994	8,996
93.110	Maternal and Child Health Federal Consolidated Programs	254,453	63,096
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	647,449	199,609
93.127	Emergency Medical Services for Children	82,028	13,766
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	177,930	15,000
93.136	Injury Prevention and Control Research and State and Community Based Programs	570,187	519,198
93.150	Projects for Assistance in Transition from Homelessness (PATH)	1,085,805	1,084,084
93.165	Grants to States for Loan Repayment Program	246,587	250,000
93.234	Traumatic Brain Injury State Demonstration Grant Program	242,290	190,645
93.235	Affordable Care Act (ACA) Abstinence Education Program	918,072	749,504
93.236	Grants to States to Support Oral Health Workforce Activities	366,493	365,175
93.240	State Capacity Building	332,729	0
93.241	State Rural Hospital Flexibility Program	269,939	122,422
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	4,733,172	4,153,228
93.251	Universal Newborn Hearing Screening	249,836	127,025
93.268	Immunization Cooperative Agreements	67,535,462	633,033
93.270	Adult Viral Hepatitis Prevention and Control	91,863	0
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	1,524,248	1,111,976
93.292	National Public Health Improvement Initiative	50,257	0
93.301	Small Rural Hospital Improvement Grant Program	617,840	615,140
93.305	National State Based Tobacco Control Programs	1,179,962	301,068
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	130,446	0
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	513,344	0
93.324	State Health Insurance Assistance Program	963,094	0
93.336	Behavioral Risk Factor Surveillance System	250,270	43,255
93.369	ACL Independent Living State Grants	39,037	0
93.500	Pregnancy Assistance Fund Program	448,404	448,404

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	4,961,427	4,373,752
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	123,629	0
93.519	Affordable Care Act (ACA) - Consumer Assistance Program Grants	223,594	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	477,848	55,945
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds	482,899	185
93.556	Promoting Safe and Stable Families TANF Cluster:	4,745,946	0
93.558	Temporary Assistance for Needy Families	239,520,865	12,804,826
	Total TANF Cluster	239,520,865	12,804,826
93.563	Child Support Enforcement	35,670,980	14,814,555
93.566	Refugee and Entrant Assistance - State Administered Programs	3,560,669	1,426,192
93.568	Low-Income Home Energy Assistance	69,966,064	36,091,025
93.569	Community Services Block Grant CCDF Cluster:	20,618,125	19,416,064
93.575	Child Care and Development Block Grant	45,980,696	2,151,889
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	53,231,483	0
	Total CCDF Cluster	99,212,179	2,151,889
93.576	Refugee and Entrant Assistance - Discretionary Grants	710,471	710,471
93.586	State Court Improvement Program	488,397	0
93.590	Community-Based Child Abuse Prevention Grants	587,609	587,609
93.597	Grants to States for Access and Visitation Programs	162,157	119,500
93.599	Chafee Education and Training Vouchers Program (ETV)	986,546	0
93.603	Adoption and Legal Guardianship Incentive Payments	1,709,994	0
93.609	The Affordable Care Act - Medicaid Adult Quality Grants	554,808	0
93.617	Voting Access for Individuals with Disabilities - Grants to States	41,361	41,361
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,314,135	398,595
93.643	Children's Justice Grants to States	60,204	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	5,221,625	0
93.658	Foster Care - Title IV-E	67,875,261	56,499
93.659	Adoption Assistance	34,411,691	0
93.667	Social Services Block Grant	51,662,839	9,202,755
93.669	Child Abuse and Neglect State Grants	1,112,907	0
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	2,072,124	2,070,878
93.674	Chafee Foster Care Independence Program	3,640,307	0
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - Financed in Part by the Prevention and Public Health Fund (PPHF)	38,274	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)	138,315	134,591
93.735	State Public Health Approaches for Ensuring Quitline Capacity - Funded in Part by Prevention and Public Health Funds (PPHF)	419,792	416,964
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations Financed in Part by Prevention and Public Health Funds	2,364,706	1,621,515
93.753	Child Lead Poisoning Prevention Surveillance Financed in Part by Prevention and Public Health (PPHF) Program	270,696	0
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke	509,822	484,660
93.758	Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF)	5,037,367	2,327,944
93.767	Children's Health Insurance Program Medicaid Cluster:	134,429,142	0
93.775	State Medicaid Fraud Control Units	1,589,877	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	18,478,303	0
93.778	Medical Assistance Program	6,408,196,339	0
	Total Medicaid Cluster	6,428,264,519	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
93.791	Money Follows the Person Rebalancing Demonstration	9,959,485	0
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases	42,822	26,753
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	8,005	8,005
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services	212,720	202,637
93.889	National Bioterrorism Hospital Preparedness Program	3,889,341	2,972,732
93.913	Grants to States for Operation of Offices of Rural Health	183,639	5,850
93.917	HIV Care Formula Grants	25,941,388	25,550,812
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	11,831	0
93.940	HIV Prevention Activities - Health Department Based	4,767,180	2,669,748
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS)	670,580	279,574
93.945	Assistance Programs for Chronic Disease Prevention and Control	2,028,117	999,225
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative	153,988	0
93.958	Block Grants for Community Mental Health Services	7,979,894	7,615,407
93.959	Block Grants for Prevention and Treatment of Substance Abuse	27,162,564	25,042,135
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,824,110	363,854
93.982	Mental Health Disaster Assistance and Emergency Mental Health	6,761	2,510
93.994	Maternal and Child Health Services Block Grant to the States	12,691,954	7,299,028
Total Department of Health and Human Services		<u>7,452,196,267</u>	<u>226,883,977</u>
Corporation for National and Community Service			
94.003	State Commissions	254,124	95
94.006	AmeriCorps	<u>1,152,569</u>	<u>1,150,453</u>
Total Corporation for National and Community Service		<u>1,406,693</u>	<u>1,150,548</u>
Executive Office of the President			
95.001	High Intensity Drug Trafficking Areas Program	3,038,520	2,517,474
95.004	Anti-Doping Activities	103,221	0
95.007	Research and Data Analysis	<u>2,504,241</u>	<u>2,357,511</u>
Total Executive Office of the President		<u>5,645,982</u>	<u>4,874,985</u>
Social Security Administration			
Disability Insurance/SSI Cluster:			
96.001	Social Security - Disability Insurance	<u>44,597,886</u>	<u>0</u>
Total Disability Insurance/SSI Cluster		<u>44,597,886</u>	<u>0</u>
Total Social Security Administration		<u>44,597,886</u>	<u>0</u>
Department of Homeland Security			
97.008	Non-Profit Security Program	242,694	242,665
97.012	Boating Safety Financial Assistance	2,586,946	0
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	203,219	0
97.029	Flood Mitigation Assistance	428,629	428,629
97.032	Crisis Counseling	121,407	121,407
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	44,511,429	43,664,547
97.039	Hazard Mitigation Grant	29,661,502	29,200,142
97.041	National Dam Safety Program	94,727	33,840
97.042	Emergency Management Performance Grants	5,944,762	0
97.045	Cooperating Technical Partners	1,919,382	0
97.047	Pre-Disaster Mitigation	448,829	448,829
97.056	Port Security Grant Program (DHS)	421,637	0
97.067	Homeland Security Grant Program	7,202,568	5,987,415
97.091	Homeland Security Biowatch Program	<u>21,427</u>	<u>17,156</u>
Total Department of Homeland Security		<u>93,809,158</u>	<u>80,144,630</u>
Total Expenditures of Federal Awards		<u>\$ 11,770,429,358</u>	<u>1,681,229,752</u>

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, 2016

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards (Schedule) of the state of Missouri is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the state's basic financial statements. The Uniform Guidance requires a schedule that shows total federal awards expended for each federal financial assistance program, the Catalog of Federal Domestic Assistance (CFDA) number, and the total amount provided to subrecipients from each federal program. Federal financial assistance programs that have not been assigned a CFDA number are identified as CFDA Number XX.Uxx, where XX represents the federal grantor agency and Uxx represents an unknown extension number.

The Schedule includes all federal awards expended by the state during the year ended June 30, 2016, except for those programs administered by public universities and other component units, which are legally separate from the state and have been excluded from this audit. They engaged other auditors to perform audits in accordance with the Uniform Guidance, if required.

To compile the Schedule, 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 includes the federal award activity of the state of Missouri for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance, 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, non-cash assistance, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include other contracts that a federal agency uses to buy goods or services from a contractor. Because the Schedule presents only a selected portion of the operations of the state, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the state.

The Schedule presents both Type A and B federal programs administered by the state. The Uniform Guidance establishes levels to be used in defining Type A and B federal programs. Type A programs for the state are those programs that exceeded \$30 million in federal disbursements, expenditures, or distributions. The determination of major and non-major programs is based on the risk-based approach outlined in the Uniform Guidance.

C. Basis of Accounting

Most expenditures presented on the Schedule are reported on the cash basis of accounting, while some are presented on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, or Indian Tribal Governments*; or the cost principles contained in the Uniform Guidance; wherein certain types of expenditures are not allowable or are limited as to reimbursement.

D. Indirect Cost Rate

The state agencies administering the federal programs presented in this Schedule did not elect to use the de minimis cost rate per the Uniform Guidance.

2. Unemployment Insurance Expenditures from the State Unemployment Compensation Fund

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments totaling \$305,895,109 and reimbursements to other states for benefits paid by those states totaling \$29,557,255 from the State Unemployment Compensation Fund. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the state of Missouri totaling \$4,197,583 have been excluded.

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

The state received cash rebates from an infant formula manufacturer totaling \$33,561,187 on sales of formula to participants in the WIC program (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16a as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

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

The state received cash rebates from drug manufacturers totaling \$259,644,461 (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 manufacturers are authorized by 42 USC 1396r-

8 as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for medical assistance costs.

5. HIV Care Formula Grants Prescription Drug Rebates

The state received cash rebates from drug manufacturers totaling \$14,346,964 on purchases of covered drugs for participants in the HIV Care Formula Grants program (CFDA No. 93.917). This amount was excluded from total program expenditures. The allowable use of drug rebates is restricted by 42 USC 300ff-26(g). Rebates represent a reduction in expenditures previously incurred for program costs.

6. Federal Loan Guarantees

Because of the Healthcare and Education Affordability Reconciliation Act enacted March 30, 2010 (Public Law 111-152), the authority to make or ensure loans under the Federal Family Education Loans program (CFDA No. 84.032) ended June 30, 2010. The Department of Higher Education (DHE) will continue to act as the federal Department of Education's agent in fulfilling the responsibilities related to the outstanding guarantees. The original principal outstanding of all loans guaranteed by the DHE is \$1,624,682,431 as of June 30, 2016. The balance of defaulted loans (including principal and accrued interest) which the federal Department of Education imposes continuing compliance requirements of the DHE is \$298,449,593 as of June 30, 2016.

7. Non-cash Assistance

The Schedule contains values for non-cash assistance for several programs.

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch Program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled \$28,153,516.

The Department of Public Safety distributes excess federal Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Excess Property Program (CFDA No. 12.U02). Property distributions totaled \$2,416,106 when valued at the historical cost assigned by the federal government. Distributions are presented at the estimated fair market value of the property at the time of distribution, calculated as 22.47 percent of the historical cost, or \$542,899.

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 \$21,735,059 when valued at the historical cost assigned by the federal government. Distributions are presented at the estimated fair market value of the property at the time of distribution, calculated as 22.47 percent of the historical cost, or \$4,884,356.

The Department of Health and Senior Services (DHSS) 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 \$63,016,916.

The DHSS distributes food commodities to low-income persons under the Commodity Supplemental Food Program (CFDA No. 10.565). Distributions are valued at the cost of the food paid by the federal government and totaled \$3,227,649.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Qualified

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

Internal control over financial reporting:

- | | | |
|--|-------------------|----------------------------|
| • Material weaknesses identified? | <u> </u> yes | <u> x </u> no |
| • Significant deficiencies identified? | <u> </u> yes | <u> x </u> none reported |

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major federal programs:

- | | | |
|--|------------------|-----------------------------|
| • Material weaknesses identified? | <u> x </u> yes | <u> </u> no |
| • Significant deficiencies identified? | <u> x </u> yes | <u> </u> none reported |

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

Qualified

Unmodified for all major federal programs except for the Child Care and Development Fund (CCDF) Cluster that was qualified.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a))?

 x yes no

The following programs were audited as major federal programs:

CFDA

<u>Number</u>	<u>Name of Federal Program or Cluster</u>
	SNAP Cluster:
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
64.015	Veterans State Nursing Home Care
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
93.268	Immunization Cooperative Agreements
93.563	Child Support Enforcement
	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
93.667	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
93.959	Block Grants for Prevention and Treatment of Substance Abuse
	Disability Insurance/SSI Cluster:
96.001	Social Security - Disability Insurance

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

No financial statement audit findings.

Section III - Federal Award Findings and Questioned Costs

2016-001.	Child Care Provider Eligibility
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2015 - G1501MOCCDF and 2016 - G1601MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2015 - G1501MOCCDF and 2016 - G1601MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	\$15,145

As noted in our prior three audit reports,¹ 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. For most children reviewed, DSS employees did not follow the department's recently revised procedures to ensure FOL providers do not care for more than four unrelated Child Care subsidy children. As a result, the DSS classified the children as related to their FOL child care providers and made Child Care subsidy payments to the providers without obtaining the required documentation to support the relationships. During the year ended June 30, 2016, the DSS paid 2,982 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, parents/caregivers (clients) participating in the Child Care subsidy program may select the provider to care for their children. FSD Eligibility Specialists (ES) authorize child care for each eligible child by provider in the Family Assistance Management Information System (FAMIS). Child care is authorized for a period of no more than 1 year and must be re-authorized upon expiration or change in child care need.

Beginning with March 2015 child care authorizations, the DSS revised its procedures to identify and document provider-children relationships. The revised DSS Child Care policy requires clients and FOL providers of related children to complete and sign a Child to Provider Relationship form listing and attesting to the relationships between related children and the provider. The policy requires the client provide verification of listed

¹ *State of Missouri Single Audit*, finding numbers 2015-003, 2014-006 and 2013-010.

relationships (birth certificates, marriage licenses, etc.) upon request. The policy does not specify a procedure or recourse if the form is not submitted. Prior to March 2015, the DSS Child Care policy did not require the Child to Provider Relationship forms, but required the ES to verify relationships by reviewing documentation supporting the relationships. During the authorization process, the ES enters the corresponding relationship code into the FAMIS. System edits allow the ES to authorize a maximum of four unrelated children to a FOL provider at a time, and an unlimited number of related children. When relationships are not supported by Child to Provider Relationship forms and/or 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.

To test the department's newly implemented control and compliance with FOL requirements, we sampled relationship documentation for 60 FOL providers that received payments during the year ended June 30, 2016. We randomly selected 1 service month for each provider to determine if the Child to Provider Relationship form was completed to support the relationship for children coded in the FAMIS as related and if the provider cared for more than four unrelated Child Care subsidy children. These providers were paid to care for 1 to 12 unrelated and related Child Care subsidy children during the month reviewed, a total of 215 children. Of the 215 children, 91 had child care authorizations during or after March 2015 and were coded in the FAMIS as related.

For 85 of 91 (93 percent) children cared for by 28 FOL providers, the child was coded in the FAMIS as related, but the relationship was not supported by a Child to Provider Relationship form signed at the time of the child care authorization. Of these 28 providers, 13 (46 percent) were paid for more than a total of four unrelated children and children whose relationship was not supported by the Child to Provider Relationship form. Without obtaining the required forms, the DSS did not perform required procedures to verify relationships and ensure these providers complied with child care licensing laws regarding number of children served. The DSS paid these 13 providers \$19,819 for caring for a total of 98 children during the month tested. We question the federal share of \$15,145 (76.42 percent). If similar errors were made for the remaining approximately 1,000 FOL providers paid for more than four children for at least 1 month during state fiscal year 2016, the questioned costs could be significant.

Due to concerns regarding implementation of the Child to Provider Relationship forms, DSS officials indicated in June 2016, the FSD began a project to verify the required forms had been obtained for previous child care authorizations, if applicable. DSS officials indicated this project identified many missing forms. For 4 of the 13 providers, the DSS subsequently obtained Child to Provider Relationship forms documenting provider-children relationships in July, August, or December 2016. For 4 additional providers, the DSS subsequently (during the verification project or in response to audit inquiries) verified the relationships through other means such as reviewing birth records. However, the forms were not obtained or relationships verified at the time of the child care authorization tested. For the remaining 5 providers, the DSS could not verify the relationships.

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. As described in the Missouri Child Care state plan, 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 January 2017, the Department of Health and Human Services, Administration for Children and Families (ACF), Office of Child Care issued a decision letter stating it concurred with the prior audit finding and the DSS had not fully implemented corrective actions to address the repeating finding. The ACF further required, beginning in the quarter ending March 31, 2017, the DSS to provide quarterly updates of corrective actions taken and planned until the issues are resolved.

Federal regulation 45 CFR 98.11 requires the state to ensure the Child Care subsidy program complies with the approved state plan and federal requirements. Because the newly implemented procedures were not followed for a large number of children and FOL providers, the DSS has not taken appropriate corrective action to address the prior audit findings and ensure compliance with program requirements. The DSS needs to continue to review, strengthen, and enforce policies and procedures to ensure clients and FOL providers comply with DSS policy and state law. These procedures should ensure adequate receipt and proper recording of information on Client to Provider Relationship forms in the FAMIS as required by DSS policy.

WE RECOMMEND the DSS through the CD and the FSD improve controls and procedures to ensure clients and FOL child care providers participating in the Child Care subsidy program comply with DSS policy and FOL providers comply with state licensing 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.

2016-002.

Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2015 - G1501MOCCDF and 2016 - G1601MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child
Care and Development Fund
2015 - G1501MOCCDF and 2016 - G1601MOCCDF

State Agency: Department of Social Services (DSS) - Children's Division (CD),
Family Support Division (FSD), and Division of Finance and
Administrative Services (DFAS)

Questioned Costs: \$5,100

As noted in our prior six audit reports,² significant weaknesses continue to 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. Payments were made on behalf of some ineligible clients and overpayments were made to some providers. The DSS has only limited procedures to review eligibility determinations and authorizations and monitor payments to providers. In addition, procedures to follow up on non-compliance identified during provider reviews are not sufficient. During the year ended June 30, 2016, the DSS paid approximately 6,000 child care providers approximately \$137 million for services provided to approximately 63,800 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/contract 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; maintain case file documentation, including the Child Care subsidy application or a signed system-generated interview summary; and verify employment or participation in an educational program to support the eligibility determination. Case workers enter the maximum authorized child care service units into the Family Assistance Management Information System (FAMIS) for each child. Additionally, the IM manual states that child care providers may not receive Child Care subsidy for their own children.

The IM manual and provider agreements require 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 FAMIS to process provider payments. Additionally, providers are required to

² *State of Missouri Single Audit*, finding numbers 2015-002, 2014-005, 2013-009, 2012-11A&B, 2011-14A, and 2010-16A.

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 that submit manual invoices to submit attendance records for payment.

A. Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers. 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. The department made payments totaling approximately \$117,900 to child care providers on behalf of these 60 children during state fiscal year 2016. We noted the following:

- Child Care subsidy payments were made on behalf of children when there was not a valid need for child care services for 3 of 60 (5 percent) cases reviewed. For one case, the client's work schedule supported a need for 18 days of child care per month, but the DSS authorized Child Care subsidy for 22 days. The provider invoiced and received payments for 19 and 20 days during 2 months. For another case, the client's employment ended but the provider continued to submit invoices and receive Child Care subsidy on behalf of the client's children. For a third case, a client was an owner of the child care center her children attended and therefore was not eligible to receive Child Care subsidy for care of her children. Payments totaling \$5,475, made on behalf of these 3 children and their siblings during the year ended June 30, 2016, were unallowable. We question the federal share of \$4,184 (76.42 percent).
- Documentation was not adequate to support payments and/or payments were not in compliance with DSS policies for 10 of 60 (17 percent) cases reviewed. Attendance records for one case were not provided by the child care provider upon our request and some provider invoices did not agree to the corresponding attendance records. Also, for one case, the provider was allowed to invoice and receive payment for 24 days rather than the authorized 23 days during a month the child care authorization ended and a new authorization began. The CD did not detect the error when processing the payment to the provider from paper invoices and attendance records submitted by the provider. Payments for the 10 cases totaled \$1,198. We question the federal share of \$916 (76.42 percent).

These various errors occurred because the DSS lacks sufficient controls to ensure eligibility determinations and authorizations are accurate and payments are proper and adequately supported. At least three significant factors contributed to the weak control system including: limited supervisory review of Child Care subsidy eligibility determinations and authorizations, limited 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 ceased for a period during the FSD reorganization and were not reestablished until November 2015. In September 2013, the DSS created the Child Care Review Team (CCRT) within the DFAS, and began performing reviews of child care providers. Although the CCRT reviews noted similar issues to those we identified, the CCRT's follow-up work on identified provider non-compliance is not sufficient (see part B).

In January 2017, the Department of Health and Human Services, Administration for Children and Families (ACF), Office of Child Care issued a decision letter stating it concurred with the prior audit finding and the DSS had not fully implemented corrective actions to address the repeating finding. The ACF further required, beginning in the quarter ending March 31, 2017, the DSS to provide quarterly updates of corrective actions taken and planned until the issues are resolved.

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, authorizations, and provider payments, and follow-up on errors identified.

Payments associated with known questioned costs represented approximately 3 percent of payments reviewed. If similar errors were made on the remaining population of Child Care subsidy payments, the questioned costs could be significant.

- B. The department's procedures to follow up on provider non-compliance identified during CCRT reviews are not sufficient.

The CCRT is responsible for conducting compliance reviews of child care providers using a risk-based approach to identify and monitor providers determined to be at high risk of non-compliance with Child Care subsidy provider requirements. CCRT staff perform on-site and desk reviews to evaluate provider billing practices, compare attendance records to amounts invoiced, and review facility staffing ratios and fire safety. CCRT staffing levels have varied over the years due to turnover. At June 30, 2016, the CCRT consisted of one manager and

two staff. The CCRT completed 643 reviews, including 105 desk reviews and 538 on-site reviews during the year ended June 30, 2016.

When the CCRT identifies provider noncompliance, the provider is required to repay any related overpayments identified; and depending on the severity of the noncompliance, the provider may (1) be referred to provider training or (2) have its contract/agreement terminated. After the provider attends the required training, the CCRT may conduct a follow-up review.

We reviewed documentation supporting 60 CCRT compliance reviews (45 initial reviews and 15 follow-up reviews) finalized during the year ended June 30, 2016. In 7 of the 15 follow-up reviews (47 percent) the CCRT determined the providers continued to be non-compliant and received overpayments despite attending the required training. The average identified overpayment amount for these 7 providers was \$902 for the 2-month period reviewed. The overpayment to one of the providers exceeded \$3,000. The CCRT required these providers to repay the identified overpayments, but took no further action to address the continued non-compliance, such as requiring the provider to implement corrective action or conducting another follow-up review. DSS officials indicated additional action was not taken because these providers had already attended training. They indicated there is no specific protocol or guideline for addressing providers that continue to be non-compliant after attending training and these situations are addressed on a case-by-case basis.

Effective monitoring procedures include adequate follow-up and resolution of identified provider noncompliance. The CCRT should establish procedures for addressing providers that continue to be non-compliant despite attending training. Such procedures should provide for a final resolution of provider compliance. Without continued monitoring of these providers, continued noncompliance and overpayments are likely.

WE RECOMMEND the DSS:

- A. Through the CD and the FSD, continue to review, strengthen and enforce policies and procedures regarding Child Care subsidy eligibility determinations, authorizations, and provider payments. These procedures should include sufficient monitoring of eligibility determinations, authorizations, and provider payments, and follow-up on errors identified.
- B. Through the CD, establish procedures to address continued provider non-compliance identified during CCRT reviews.

AUDITEE'S RESPONSE

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

address the finding.

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

2016-003	MO HealthNet Division Provider Eligibility
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2014 - 1405MO5021 and 2015 - 1505MO5021 93.778 Medical Assistance Program 2015 - 1505MO5MAP and 1505MO5ADM 2016 - 1605MO5MAP and 1605MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD) and Missouri Medicaid Audit and Compliance (MMAC)

The DSS did not fully implement federal revalidation requirements for providers participating in the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP), and did not follow established controls to ensure providers retain active licenses. As of June 30, 2016, the DSS had significant backlogs of provider revalidations that had not been completed as required and identified provider licensure issues that had not been reviewed. There were approximately 55,400 Medicaid and CHIP providers enrolled as of June 30, 2016.

To enroll in the Medicaid and CHIP programs, providers of medical services must be licensed in accordance with federal and state laws and regulations. Providers apply to the MMAC Provider Enrollment Unit, which is responsible for determining the eligibility of Medicaid and CHIP providers and performing eligibility revalidations. Federal regulation 42 CFR Section 455.412³ requires that MHD's enrollment screening procedures include a method for verifying providers are licensed, licenses are not expired, and there are no limitations on provider licenses. Provider revalidations are performed in the same manner as enrollment screenings, and include ensuring compliance with licensure requirements. Most providers are licensed annually or biennially by the Missouri Division of Professional Registration. The MMAC Termination Unit is responsible for review and follow up on reports of expired licenses and other licensure issues received from the Missouri Division of Professional Registration; and applying provider sanctions, including termination of agreements, when necessary.

Federal regulation 42 CFR Section 455.414³ established new requirements regarding provider eligibility, requiring states to revalidate the eligibility of all Medicaid and CHIP providers at least every 5 years. Sub-regulatory Guidance published by the Centers for Medicare and Medicaid Services (CMS) on December 23, 2011, required implementation

³ Federal regulation 42 CFR Section 457.990 requires the same enrollment and revalidation requirements for CHIP providers as Medicaid providers, established at 42 CFR Part 455, subpart E, which includes Sections 455.412 and 455.414.

of the new revalidation requirements by September 24, 2016; specifically revalidations for all providers enrolled on or before September 25, 2011, were to be completed by September 24, 2016. In addition, the CMS issued the Medicaid Provider Enrollment Compendium on January 4, 2017, to clarify how states are to comply with federal regulations. To implement the new requirements, the DSS established state regulation 13 CSR 65-2.020, which gave the DSS authority to implement provider revalidations, effective July 30, 2014; and contracted with a vendor to modify the provider enrollment system for revalidations. The system modifications were finalized July 1, 2016. MMAC Provider Enrollment Unit personnel began manually performing revalidations in April 2015, and began using the system in the revalidation process in July 2016.

- A. The DSS did not fully implement federal revalidation requirements by September 24, 2016, as required. While the DSS established procedures for performing revalidations; as of September 24, 2016, the revalidations had not been performed for 87 percent of Medicaid and CHIP providers requiring a revalidation. As a result, the DSS had not ensured these providers continued to meet the requirements to participate in these programs.

According to DSS reports, as of September 24, 2016, there were approximately 32,500 active providers enrolled in the Medicaid and CHIP on or before September 25, 2011, that required revalidation. At that time, the MMAC had completed revalidations for approximately 4,300 providers, but had not completed revalidations for the remaining 28,200, or 87 percent. DSS officials indicated the revalidation process was not fully implemented and the backlog of revalidations occurred because of delays and/or difficulties associated with the newly implemented state regulation and system modifications.

In addition to noncompliance with federal regulations, the failure to perform revalidations can result in medical services performed by and payments made to ineligible providers.

- B. The DSS did not timely review and follow up on Missouri Division of Professional Registration provider reports to determine if the providers continued to meet licensure requirements and remain eligible to participate in the Medicaid and CHIP. As a result, the DSS did not timely identify and address 39 closed pharmacies still enrolled and authorized to receive Medicaid and CHIP payments.

Prior to July 2016, the MMAC Termination Unit received from the Missouri Division of Professional Registration monthly reports of closed pharmacies and annual lists of expired licenses and other licensure issues for all other provider types. In July 2016, the MMAC implemented a new system to match enrolled providers to various records, including the Missouri Division of Professional Registration records, and identify provider issues on a monthly basis, such as deceased providers, unlicensed providers, etc. DSS officials indicated the new system has resulted in an increased number of provider issues for MMAC Termination Unit personnel to review. DSS officials indicated they prioritize the

types of issues to review, and the issues related to licenses are of lower priority than other issues, such as deceased providers. According to DSS reports, as of February 9, 2017, the unit had 11,519 providers with licensure issues needing to be reviewed. DSS officials stated because the system is still in the implementation phase, the system is generating "false positives;" and once reviewed, many of these licensure issues may not result in provider termination.

Our match of Missouri Division of Professional Registration records of licensed pharmacies to Missouri pharmacies enrolled in the Medicaid and CHIP and authorized to receive program payments as of June 30, 2016, noted 39 of the 1,399 pharmacy providers (3 percent) had licenses that expired 1 month to over 5 years prior to June 30, 2016. Of the 39 pharmacies, 32 were still enrolled and authorized to receive payments in the Medicaid Management Information System (MMIS) as of January 20, 2017. The other 7 pharmacies had been automatically inactivated in the MMIS on January 1, 2017, after 2 years of no claim activity. DSS officials indicated they do not believe they received reports from the Missouri Division of Professional Registration showing 14 of the 39 pharmacies had closed. They also indicated they had begun the termination process for 21 of the pharmacies; however, they were unable to provide documentation to support these actions. None of the 39 providers with expired licenses received payments after their license expired. Our similar match of 639 optometrists enrolled in the Medicaid and CHIP identified no issues. DSS officials stated there is no federal or state requirement to terminate a provider for an expired license, nor is there a time requirement for terminating the contract of an unlicensed provider.

Without timely review and follow up on reports of identified provider licensure issues, the DSS's established controls to ensure enrolled Medicaid and CHIP providers retain active licenses are diminished. In addition, without these procedures, the DSS cannot prevent or detect and correct timely improper payments to unlicensed providers.

WE RECOMMEND the DSS through the MHD and the MMAC:

- A. Ensure Medicaid and CHIP provider revalidations are completed every 5 years as required.
- B. Timely review and follow up on reports of identified provider licensure issues to ensure Medicaid and CHIP providers remain eligible to receive program payments.

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.

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2014 - 1405MO5021 and 2015 - 1505MO5021 93.778 Medical Assistance Program 2015 - 1505MO5MAP and 1505MO5ADM 2016 - 1605MO5MAP and 1605MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)

As noted in our prior audit report,⁴ the MHD does not have adequate controls in place to ensure the proper management of receipts received by the division, which totaled approximately \$836 million during the year ended June 30, 2016. Of this amount, approximately \$792 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 Operations and Reporting 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's reconciliations of cash control numbers to deposits and monies on hand are not sufficient to account for all cash control numbers 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. Prior to late state fiscal year 2016, when a receipt entry needed revision, MHD staff were instructed to delete the existing cash control number and re-enter the receipt under a new cash control number.

Each day, MHD staff reconcile a system-generated deposit report to receipts deposited; and each week, MHD staff reconcile a system-generated open transaction report to monies in the MHD's safe. In March 2016, the MHD implemented a manual log for MHD staff to record each deleted cash control number. Subsequently, the MHD established a new procedure to revise existing cash control numbers with a non-monetary disposition code instead of deleting cash control numbers. However, employees still retained the ability to delete cash control numbers, and there is neither a reconciliation of the deleted cash control number log to deleted items in the MMIS nor an independent review of deleted or

⁴ *State of Missouri Single Audit*, finding numbers 2015-009A,B,&C.

revised cash control numbers. As a result, the MHD's procedures do not account for all cash control numbers assigned. Furthermore, our review of deleted cash control numbers noted instances where the deleted cash control number log was inaccurate and incomplete and MHD staff continued to delete cash control numbers after directed to stop the practice. 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 an accounts receivable and is ready for deposit, and this can take several days or months if the related participant or provider cannot be readily identified. During a count of undeposited items on July 26, 2016, we identified 146 money orders totaling \$15,030, some dated back to November 2015, that were not restrictively endorsed. Failure to restrictively endorse money orders immediately upon receipt increases the risk of misappropriation.
- C. The MHD does not adequately restrict user access within the cash receipts and accounts receivable modules of the MMIS. The Fiscal and Administration Manager Band 1 and the Accountant III continue to have the ability to record receipts and update or close the related accounts receivable in the MMIS. In addition, there is no documented independent or supervisory review of the MMIS entries and changes made by these employees, which increases the risk of misappropriation. MHD officials indicated these two employees need full access to the MMIS in case of unit employee absences and turnover.

Proper segregation of duties for user access in the MMIS should separate duties involving the recording of receipts and modification of accounts receivable records. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of MMIS entries and changes made by employees whose duties are not segregated are essential.

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." 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.

WE RECOMMEND the DSS through the MHD:

- A. Continue to review, strengthen, and enforce controls 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, or ensure documented supervisory reviews of MMIS entries and changes are performed.

AUDITEE'S RESPONSE

A&C. 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.

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

2016-005. Medicaid Aged, Blind, and Disabled Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program
	2015 - 1505MO5MAP and 1505MO5ADM
	2016 - 1605MO5MAP and 1605MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD) and Family Support Division (FSD)

As noted in our prior two audit reports,⁵ the DSS does not ensure monthly supervisory case reviews were completed as required for 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, 2016, approximately 238,000 were MHABD participants.

The FSD is responsible for determining the eligibility of MHABD participants. Approximately 260 FSD eligibility specialists (ES) perform the eligibility determinations and reinvestigations for MHABD participants. 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-

⁵ *State of Missouri Single Audit*, finding numbers 2015-012A and 2014-013A.

43 (2006), states management is responsible for ensuring supervisors have completed four reviews per ES per month. The results of the supervisory case reviews are used to train ES. Due to the recent FSD reorganization, the monthly supervisory case reviews were not always performed as required; however, DSS officials indicated in November 2015, supervisors were instructed to begin performing the reviews.

To test the DSS's case review control and compliance with DSS policy, we sampled 60 ES responsible for eligibility actions for MHABD participants. We randomly selected 1 month, during or after November 2015, for each ES sampled. Monthly supervisory case reviews were not performed as required for 48 of 60 (80 percent) ES reviewed. For the month reviewed, 23 ES did not have a case review, 2 had 1 case review, 3 had 2 case reviews, and 20 had 3 case reviews. DSS officials indicated due to a shortage of supervisors, when the monthly supervisory case reviews were resumed in November 2015, supervisors were verbally instructed to complete a minimum of 3 case reviews per month per ES, rather than the 4 required by policy. Supervisors did not comply with the policy (4 case reviews) for 80 percent of the ES reviewed and did not comply with the verbal directive (3 case reviews) for almost 50 percent of the ES reviewed.

On October 31, 2016, the DSS issued policy Memorandum EMAIL-IM-67, repealing Memorandum IM-43 (2006) and requiring supervisors to complete 24 targeted case reviews monthly, instead of 4 full reviews, per ES. A targeted case review focuses only on the action selected for review while a full review includes all actions on the case.

Without ensuring supervisory case reviews are performed as required for MHABD cases, the DSS's 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.

WE RECOMMEND the DSS through the MHD and the FSD follow established DSS policy to ensure supervisory case reviews of MHABD cases are performed.

AUDITEE'S RESPONSE

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

2016-006.	Medicaid Developmental Disabilities Comprehensive Waiver Group Home Rates
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2015 - 1505MO5MAP and 1505MO5ADM 2016 - 1605MO5MAP and 1605MO5ADM
State Agency:	Department of Mental Health (DMH) - Division of Developmental Disabilities (DD)
Questioned Costs:	\$937,867

As noted in our prior audit report,⁶ 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 409 group homes during state fiscal year 2016. Residential habilitation services include care, supervision, and skills training in activities of daily living, home management, and community integration. Providers are paid a per diem rate for each participant receiving these services. Certain costs, such as room and board, are not allowed to be included in group home per diem rates under the waiver program.

Prior to October 2013, group home residential habilitation services per diem rates were established for each provider, and the same per diem rate was paid for all participants serviced by that provider. In October 2013, the DD began implementation of a new acuity-based system for establishing individualized per diem rates for each participant based on various factors including the participant's rate allocation score, which measures participant needs and market-based costs of services. For participants that received group home residential habilitation services during state fiscal year 2016, DD officials indicated the DMH paid acuity-based per diem rates for approximately 25 percent of participants and historical per diem rates for approximately 75 percent. During the year ended June 30, 2016, per diem payments for group home habilitation services totaled approximately \$140 million.

To test compliance with various Comprehensive Waiver program requirements, we tested 60 payments to service providers during the year ended June 30, 2016. Of these 60 payments, 21 were to group homes for habilitation services. The DD did not retain documentation to support the per diem rates for all 21 group home habilitation services payments tested. Payments to these 21 group homes for habilitation services provided to these participants during the year ended June 30, 2016, for which the per diem rates were not supported, totaled \$1,467,710. We question the federal share or \$937,867 (63.90 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

⁶ *State of Missouri Single Audit*, finding number 2015-015.

the Comprehensive Waiver program. In December 2016, the DMH received a residential rate study prepared by an outside vendor and plans to develop an implementation plan for setting new per diem rates beginning mid-2017. The new per diem rate procedure will be phased in over the next few years to replace existing acuity-based and historical per diem rates.

Without proper documentation of the payment rates, the DD cannot demonstrate that payments based on these rates are proper and only include allowable costs. Federal regulation 2 CFR Section 200.403(g) states costs must be adequately documented to be allowable. Also, the approved DD Comprehensive Waiver Program Application, Appendix I: Financial Accountability, section I-2(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 agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

Additional State Auditor's Reports:

The Missouri State Auditor's Office regularly issues audit reports on various programs, agencies, and divisions of the state of Missouri. Audit reports may include issues relating to the administration of federal programs. Reports issued from April 2016 to March 2017 were reviewed and the following report relates to a federal program and was analyzed to determine if any issues noted in the report were required to be reported in this Schedule of Findings and Questioned Costs in accordance with the Uniform Guidance.

<u>Report Number</u>	<u>Report Name</u>
2016-017	Public Safety - Missouri Veterans 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, 2016

The Uniform Guidance requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings included in 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, 2016 includes all findings from the audit for the year ended June 30, 2015 and certain findings from the audits for the years ended June 30, 2014, 2013, 2012, 2011, and 2010. This schedule was prepared by the management of the applicable state agencies.

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

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 Temporary Assistance for Needy Families (TANF) 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 Maintenance (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.

On June 21, 2016, the DSS received a decision letter from the Department of Health and Human Services - Administration for Children and Families (ACF) regarding the 2012-15B prior audit finding. The ACF accepted the department's corrective action plan response.

On June 22, 2016, the DSS received a decision letter from the ACF regarding the 2013-015B prior audit finding. The ACF accepted the department's corrective action plan response.

On July 7, 2016, the DSS received a decision letter from the ACF regarding the 2014-009B prior audit finding. The ACF accepted the department's corrective action plan response.

Status of 2014 Questioned Costs:

An adjustment was made on the September 30, 2015 quarterly report.

Contact Person: Jeriane Jaegers
Phone Number: (573) 751-1078

2014-010A. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families (TANF)
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 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 continues to improve procedures to ensure controls are timely and advantageous for staff and contractors. As of June 2016, the status of this finding includes the following updates:

The Missouri Work Assistance (MWA) Program Manager conducts conference calls with all contractors for reminders, changes, and best practices bi-weekly or if an emergent situation arises.

MWA staff complete case reviews to ensure the contractor has documented and verified activities in accordance with the Work Verification Plan.

Monitoring visits are conducted which include review of the contractors' financial records, a random sample of the participant cases, interviews with the staff, community agencies, and participants. These monitoring visits include follow-up to ensure the incorrect cases have been corrected and, if findings were previously issued, the MWA staff work with the contractor to ensure the corrective action plan submitted by the contractor has been implemented. The MWA staff then must provide updates to the MWA Manager.

On February 9, 2015, the DSS received a decision letter from the Department of Health and Human Services – Administration for Children and Families (ACF) regarding the 2011-20A prior audit finding. The ACF accepted the department's corrective action plan response.

On June 21, 2016, the DSS received a decision letter from the ACF regarding the 2012-16A prior audit finding. The ACF accepted the department's corrective action plan response.

On June 22, 2016, the DSS received a decision letter from the ACF regarding the 2013-016A prior audit finding. The ACF accepted the department's corrective action plan response.

On July 7, 2016, the DSS received a decision letter from the ACF regarding the 2014-010A prior audit finding. The ACF accepted the department's corrective action plan response.

Contact Person: Jeriane Jaegers
Phone Number: (573) 751-1078

2015-001A&B. Financial Reporting Controls

State Agency: Office of the State Treasurer (STO)

The STO did not have adequate procedures in place to ensure the accuracy of year-end financial data submitted to the Office of Administration (OA) - Division of Accounting (DOA). Certain note disclosures and financial statement amounts would have been misstated in the *Missouri Comprehensive Annual Financial Report* (CAFR) had the errors not been identified during our audit.

Recommendation:

The STO implement controls which allow for the detection and correction of misstatements when preparing the year-end financial data.

Status of Finding:

This finding has been corrected. The STO has robust, existing systems of internal controls regarding the submission of year-end financial data to the OA-DOA, and, in response to this finding, the STO has bolstered relevant existing procedures and formalized the review process surrounding the submission of financial data for the CAFR.

Contact Person: Christopher Wray
Phone Number: (573) 751-4974

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
 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: \$12,647 (2015)
Similar Findings: 2014-005, 2013-009, 2012-11A&B, 2011-14A, and 2010-16A

The DSS controls over Child Care Development Fund (Child Care) subsidy 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 some Child Care subsidy cases reviewed, and overpayments were made to some providers.

Recommendation:

The DSS through the CD and the 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.

Status of Findings:

The DSS continues to review and strengthen policies and procedures regarding Child Care subsidy 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 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 subsidy applications. The paper applications are loaded to the ECM and staff are working as interdependent teams in this task-based system.

Early Childhood and Prevention Services (ECPSS): In August 2014, the DSS restructured the 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, 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 affords 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 drafted a Request for Proposal (RFP), for a Business Intelligence Solutions that will provide the DSS with a comprehensive,

time efficient system for the administration of the Child Care subsidy program. The RFP is being finalized by the Office of Administration. The RFP, which will be issued soon, will seek proposals for a system to include:

1. An electronic time and attendance system for all CCDF 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 4 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' record keeping, 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 subsidy 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 monthly documentation to ensure these readings continue. The results of the reviews will be used to assess the need for additional supervisor and staff training. The staff person making the errors is notified so he/she can correct the case and understand how to complete the work in the future. ECPSS staff continues to monitor the number of case readings that are completed monthly. The FSD regional and program manager oversight of the case review process will ensure that case reading standards are met.

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. ECPSS is revising the policy for reviewing Child Care subsidy cases in the CRS to allow continued monitoring of areas needing improvement. A statewide analysis outlining areas for improvement is provided to FSD leadership on a quarterly basis.

Casework Reference Guide (CRG) - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a 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
2016	10	9

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 subsidy 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 selected recommendations made by this committee.

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 subsidy 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. 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 five prior audit findings. The ACF concurred with the findings and recommendations. In January 2017, the DSS received a decision letter regarding the 2015 finding. The ACF concurred with the finding and recommendation.

Status of 2015 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 June 30, 2016 quarterly report.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2015-003. 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 (FSD)
Questioned Costs: \$4,687 (2015)
Similar Findings: 2014-006 and 2013-010

The DSS did not have adequate controls and procedures in place to ensure "four-or-less" (FOL) child care providers participating in the Child Care Development Fund (Child Care) subsidy program complied with statutory requirements for license-exempt status. In addition, the DSS could not verify the relationship for some children classified as related to their FOL registered providers.

Recommendation:

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.

Status of Findings:

The DSS revised the child care subsidy policy in March 2015 to use a Child to Provider Relation form as an attestation of relationship between the child care provider and the child. The parent of the child in care and the child care provider must sign the Child to Provider Relation form as verification of relationship within the 3rd degree. The Child to Provider Relation form is kept with the official case record of the household.

In addition to the revised policy, a change to the Family Assistance Management Information System has been implemented which requires the Eligibility Specialist to confirm the Child to Provider Relation form has been received before the child care authorization can be completed.

In December 2015, the DSS received two decision letters from the Department of Health and Human Services - Administration for Children and Families (ACF) regarding the 2013-010 and 2014-006 findings. The ACF concurred with the findings and recommendations. In January 2017, the DSS received a decision letter regarding the 2015 finding. The ACF concurred with the finding and recommendation.

Status of 2015 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 June 30, 2016 quarterly report.

Contact Person: Marianne Dawson

Phone Number: (573) 522-2294

2015-004. Social Services Block Grant Subrecipient Monitoring

Federal Agency: Department of Health and Human Services

Federal Program: 93.667 Social Services Block Grant

State Agency: Department of Social Services (DSS)

The DSS did not establish adequate controls and procedures to monitor Caring Community Partnerships for compliance with Social Services Block Grant (SSBG) requirements.

Recommendation:

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.

Status of Finding:

The Community Partnership monitoring procedures have been modified as follows:

- The DSS Compliance and Quality Control Unit developed a risk-based monitoring plan for the Community Partnerships. The plan includes a schedule to monitor all Community Partnerships onsite over a 3-year period.
- The DSS Compliance and Quality Control Unit performed on-site financial monitoring visits of 5 of the 21 Community Partnerships during state fiscal year 2016.

The original 2013-2016 base contract with the Community Partnerships contained language informing them they were determined to be subrecipients, and were responsible for complying with OMB requirements. While the base contracts did not include specific federal award information, the DSS has since implemented a policy to send the federal award information to subrecipients. This information has been sent for more recent amendments to federal contracts with the Community Partnerships. The Federal Funds Disclosure forms for the base contracts, which identify the funding source and other required information, were sent to the Caring Community Partnerships on March 2, 2016.

Contact Person: Christina Davis

Phone Number: (573) 526-1457

2015-005. 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: \$11,538 (2015)
Similar Finding: 2014-008

The DSS made payments on behalf of ineligible children and appeared to backdate some subsidy agreements.

Recommendation:

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.

Status of Findings:

As noted in the 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 2015 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.

In October 2016, the DSS received a decision letter from the federal Department of Health and Human Services – Administration for Children and Families (ACF) regarding the 2014-008 prior audit finding. The ACF concurred with the finding.

Status of 2015 Questioned Costs:

An adjustment was made on the June 30, 2016 quarterly report.

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

2015-006. Cost Pool Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
93.658 Foster Care - Title IV-E
93.659 Adoption Assistance
93.778 Medical Assistance Program
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.

Recommendation:

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

Status of Finding:

The DSS has implemented changes to the Random Moment Time Study application to accurately reflect the Guardianship Assistance program.

Status of Questioned Costs:

Adjustments for the Foster Care and Adoption Assistance questioned costs were completed on the March 31, 2016 quarterly reports. Adjustments for the Medical Assistance Program were made on the June 30, 2016 quarterly report. The DSS is planning to adjust the Temporary Assistance for Needy Families questioned costs on a future quarterly report. The DSS is awaiting clearance from the federal grantor agency.

Contact Person: Kristen Pattrin
Phone Number: (573) 751-2170

2015-007. Payment Coding

Federal Agency: Department of Health and Human Services
Federal Program: 93.090 Guardianship Assistance
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: \$370,094 (2015)
Similar Findings: 2014-004B and 2014-004C

Coding errors identified during the prior audit were not corrected; and 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.

Recommendation:

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.

Status of Findings:

The DSS has strengthened procedures to ensure payments for adoption expenditures are within the federal guidelines. As noted in the audit, all prior corrective actions were completed during state fiscal year 2015 and no further coding corrective actions are required. Expenditures claimed to the IV-E Adoption grant should have been claimed to the IV-E Guardianship grant.

In October 2016, the DSS received a decision letter from the Department of Health and Human Services – Administration for Children and Families (ACF) regarding the 2014-004 prior audit findings. The ACF concurred with the findings and recommendations.

Status of 2015 Questioned Costs:

Adjustments were completed on the March 31, 2016 quarterly report.

Contact Person: Kristen Pattrin

Phone Number: (573) 751-2170

2015-008. Medicaid Management Information System Access

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)

The MHD did not have sufficient controls in place over Medicaid Management Information System (MMIS) access rights to ensure user accounts were timely removed from the system when users were no longer employed in positions needing access.

Recommendation:

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.

Status of Finding:

The following improvements have been made to the process:

- Security reviews now take place annually instead of biennially.
- The Privacy and Information Security Officer was added as a part-time resource to the review process in January 2016.
- The MHD worked with the fiscal agent to update user department and division information making it more consistent and easily identifiable. This reduces the amount of time it takes to identify all users in a specific department or division.

- Previously, user contact was made to verify access and then later the users were contacted again to verify security levels. Staff were sent multiple reminders and we waited for responses before access was terminated. In the new process, users are sent one request that verifies both access and security levels. Only one follow-up is made if a response is not received timely and then access is terminated.
- Fiscal agent staff are now included in the annual review. MHD identifies fiscal agent users and works with the Fiscal Agent Security Officer to ensure staff have the proper access and security levels.
- The MHD has enhanced internal controls by monitoring contract expiration dates to verify contractor staff access is terminated when contracts expire. Starting January 5, 2016, the Privacy and Information Security Officer and the Security Officer have access to a calendar that tracks these expiration dates and it is setup with alerts 2 weeks in advance of an expiring contract. The Security Officer will then request an updated report of active user accounts and identify users that need to be removed.

Contact Person: Valerie Huhn
Phone Number: (573) 751-1092

2015-009A. Receipt Controls

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)

The MHD did not perform a reconciliation of cash control numbers to receipts to ensure all Medical Assistance Program and Children's Health Insurance Program monies received were properly deposited or returned to senders.

Recommendation:

The DSS through the MHD establish controls to reconcile cash control numbers to receipts to ensure all receipts are deposited or returned to senders.

Status of Finding:

The MHD current procedures account for monies received daily through established processes in order to ensure all receipts are properly accounted for. There are existing and defined segregation of duties between staff, which ensures the staff member who logs the incoming checks is not the same staff member who prepares the deposits. In addition, the MHD has strengthened existing procedures to also include tracking deleted cash control numbers.

Contact Person: Valerie Huhn
Phone Number: (573) 741-1092

2015-009B. Receipt Controls

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)

The MHD did not restrictively endorse money orders immediately upon receipt.

Recommendation:

The DSS through the MHD establish controls to restrictively endorse money orders immediately upon receipt.

Status of Finding:

In order to ensure money orders are safeguarded, they are logged and scanned into the system by one staff member and posted by another staff member to the appropriate accounts receivable. A third staff member prepares the deposit. The MHD waits 1 business day or until a participant or provider is identified for posting before endorsing money orders in the event the MHD determines that the money order needs to be returned or the MHD receives a request to return it. In accordance with the MHD's existing protocol, money orders, along with checks, are kept locked in a safe until deposit. Checks and money orders are reconciled against the system to ensure all checks and money orders are accounted for.

Contact Person: Valerie Huhn
Phone Number: (573) 751-1092

2015-009C. Receipt Controls

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)

The MHD did not adequately restrict user access within the cash receipts and accounts receivable modules of the Medicaid Management Information System (MMIS).

Recommendation:

The DSS through the MHD restrict user access within the MMIS and adequately segregate duties related to record keeping and asset custody.

Status of Finding:

The MHD has segregation of duties and user access is restricted on varying levels for the Account Clerks, Medicaid Clerks, and Accountant I's in the unit. Only the Accountant III and Fiscal Band Manager or Supervisor of the unit have full access. Full access for these

roles is needed to ensure operations continue to function timely in the event of absences and turnover.

Contact Person: Valerie Huhn
Phone Number: (573) 751-1092

2015-010. Physician-Administered Drugs

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: 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.

Recommendation:

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.

Status of Finding:

The agency disagrees with the audit finding and the agency believes that corrective action is not required. The department's position was presented to the Office of Inspector General, Report Number A-07-14-06051, on May 13, 2015.

The State Auditor's Office calls for the MHD to 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. The MHD believes these controls are in place for tracking Medicaid reimbursements as outlined below.

The MHD filed a regulation in May 2015 to fully implement the claim requirements of the Affordable Care Act of 2010. The Division received comments from the provider community regarding their lack of readiness to fully comply with the regulation and indicating that it would be a hardship for many.

The MHD was able to reach an agreement with providers and implemented the regulation requiring submission of the National Drug Code (NDC) for all pharmacy drug claims. The implementation date of the regulation was April 1, 2016. A process has been established to exempt 340B entities from the NDC requirement.

Contact Person: Valerie Huhn
Phone Number: (573) 751-1092

2015-011. Medicare Buy-In Program 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: \$5,048 (2015)
Similar Findings: 2014-014 and 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. 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.

Recommendation:

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.

Status of Findings:

The MHD had previously established and implemented controls to ensure the complete and timely review of all reports related to the Medicare Buy-In Program. 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 the Information Technology Services Division on 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.

The SAO identified \$5,048.09 in unallowable payments as a result of participants being included in the Buy-In program which were no longer qualified. Upon further review, the DSS has determined that amount should be reduced to \$2,190.50. The reduction is based on the stop date guideline made by Centers for Medicare and Medicaid Services (CMS). The CMS sends out quarterly processing schedules for deletion record submissions that are not always at the end of the month. Therefore, there may be deletions processed at the end of the month that will not appear on that particular month's deletion reports.

Status of 2015 Questioned Costs:

Adjustments were completed on the June 30, 2016 quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Robin Beeler
Phone Number: (573) 751-9312

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

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)
 and Family Support Division (FSD)
Similar Finding: 2014-013A

The DSS did not ensure monthly supervisory case reviews for MO HealthNet for the Aged, Blind, and Disabled (MHABD) participants were completed as required.

Recommendation:

The DSS through the MHD and the FSD follow established DSS policy to ensure monthly supervisory case reviews of MHABD cases are performed.

Status of Findings:

The Case Review System (CRS) was developed to make case reading a more effective management tool. During the audit period, the FSD was already putting improvements into place. Current FSD policy requires supervisors to complete four case reviews per worker for all non-probationary workers, which consists of a combination of Food Stamp, Temporary Assistance, and Medicaid cases by using the CRS. Supervisors may conduct case reviews outside of the CRS that would not be reflected in the reports used for the findings.

The reorganization of the FSD has altered the duties of some Eligibility Specialists (ES). Due to this, not all ES complete case actions in determining eligibility for public assistance programs.

In November 2015, supervisors in the MHABD processing centers were directed to begin to complete MHABD case reviews, utilizing the CRS, as required by policy to ensure timely and accurate determinations.

Due to modernization and reorganization, Food Stamp, Temporary Assistance, and Modified Adjusted Gross Income (MAGI) cases are now completed in a work flow approach. This means that one ES does not complete an application from start to finish. The FSD determined that the CRS needed to be revised. A work group is currently reviewing the CRS and developing updated rules to meet the needs of the current agency structure.

Once the CRS rules are updated, the FSD will resume use of the CRS for Food Stamp, Temporary Assistance, and MAGI case reviews to monitor for accurate and efficient eligibility determinations.

The FSD will issue a memorandum clarifying case review requirements for all ES who complete case actions in the determination of eligibility for public assistance benefits.

Contact Person: Heather Atkins
Phone Number: (573) 751-6507

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

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)
 and Family Support Division (FSD)

The DSS did not ensure annual reinvestigations were performed timely, as required, to determine continued need of Medical Assistance Program benefits for MO HealthNet for the Aged, Blind, and Disabled (MHABD) participants.

Recommendation:

The DSS through the MHD and the FSD ensure MHABD eligibility reinvestigations are completed timely as required.

Status of Finding:

The FSD currently has a 99 percent completion rate of reinvestigations due. For the month of June 2016, there were 25,587 reinvestigations due. The FSD completed 25,586 reinvestigations in June 2016, leaving 1 overdue MHABD reinvestigation as of June 30, 2016.

The DSS is currently in the process of contracting for a third party eligibility verification system. Once implemented, this system will be used to assist with the completion of the annual reinvestigations.

The FSD continues to monitor MHABD eligibility reinvestigations to ensure timely completion. A group of Eligibility Specialists (ES) has been identified to complete the eligibility reinvestigations. Weekly updates are received on the progress the ES group is making to ensure the timely completion of the reviews.

Contact Person: Heather Atkins
Phone Number: (573) 751-6507

2015-013. Income Eligibility and Verification System

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: \$10,395 (2015)
Similar Findings: 2014-009A, 2013-015A, 2012-15A, and 2011-18A

The FSD did not establish adequate controls to ensure appropriate actions were 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 eligibility or benefits for some recipients reviewed.

Recommendation:

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.

Status of Findings:

The FSD acknowledges the IEVS match was not being properly worked in all cases. When FSD moved from caseload-based processes to task-based processes, system alerts were not assigned to individuals. These alerts are now identified through reports which have been customized to show the wage match income and income reported by the recipient in the Family Assistance Management Information System (FAMIS).

In September 2015, the FSD designated a section called Data Integrity that began working on a number of program management reports and taking action on unresolved alerts. The wage matches were added to this section in November 2015 when the first report became available.

It is important to note that not all matches result in a claim or recoupment due to the following:

- Quarterly matches may be outdated and not reflect the case's current wage earnings. The reports are received by FSD approximately 4 to 5 months after the end of the quarter. For example, the report FSD received on February 8, 2016 was for July – September 2015.
- Reports do not indicate the wages received by month, but instead the entire amount for the quarter. Therefore, the wages reported may or may not impact the case.
- Wages matched may be for any person in the family receiving assistance even if the income doesn't impact the case. For example, wage matches may include income earned by children under 18 or a non-needy caregiver.

The FSD has taken the following actions to strengthen controls regarding IEVS wage matches, also known as "wage match."

- Staffing:
 - 8 staff started working the quarterly wage matches in November 2015.
 - 3 additional staff were added at the end of January 2016.
 - Approximately 600 hours were dedicated through the end of February 2016.
- Numbers:
 - 2,870 wage matches have been worked as of June 30, 2016.
 - Nearly 700 cases have been sent to the Claims Unit.

On average, the wage match reports approximately 3,000 individuals with income on the wage match greater than what is reported in FAMIS. One strategy that FSD has developed to more effectively apply its resources to the wage match report is to evaluate the highest risk cases. High risk cases are identified by reviewing cases on the wage match report with \$0 income in FAMIS and then reviewing cases which have greater income on the wage match than in FAMIS.

Status of 2015 Questioned Costs:

An adjustment was made on the June 30, 2016 quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Jeriane Jaegers
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2015-014. TANF Work Participation 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: \$217 (2015)
Similar Findings: 2014-010B, 2013-016B, 2012-16B, and 2011-20B

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.

Recommendation:

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.

Status of Findings:

A TANF recipient without work activity may not have failed to meet the work participation requirements. They may, for example, have children under the age of 1, reside in a location where childcare is unavailable, be unable to work because of disability, or be in a situation involving domestic violence.

In order to ensure recipients who fail to work participation requirements are properly sanctioned, the FSD continues to implement controls that are timely and useful to staff and contractors. The status of this finding includes the following updates:

- The FSD continues to perform monthly reviews of a percentage of cases in each region. On a quarterly basis, targeted reviews are conducted on a definitive selection of cases in which the Missouri Work Assistance (MWA) team reviews identified areas on each case.
- The MWA Program Development Specialist (PDS) continues to conduct meetings with contractors.
- The FSD provides additional training to MWA contractors based on case testing results.
- The MWA PDS or contractors review various reports including a report of the participants' anticipated sanction date, a report of cases that have had no case notes in the last 30 days, and a report of cases in which the system did not take action to enact a sanction or lift a sanction on the date expected.

System changes made to assist the contractor in ensuring sanctions are enacted timely include displaying the expected sanction date.

The MWA Program Manager conducts conference calls with all contractors for reminders, changes, and best practices bi-weekly or if an emergent situation arises.

On February 9, 2015, the DSS received a decision letter from the Department of Health and Human Services – Administration for Children and Families (ACF) regarding the 2011-20B prior audit finding. The ACF accepted the department's corrective action plan response.

On June 21, 2016, the DSS received a decision letter from the ACF regarding the 2012-16B prior audit finding. The ACF accepted the department's corrective action plan response.

On June 22, 2016, the DSS received a decision letter from the ACF regarding the 2013-016B prior audit finding. The ACF accepted the department's corrective action plan response.

On July 7, 2016, the DSS received a decision letter from the ACF regarding the 2014-010B prior audit finding. The ACF accepted the department's corrective action plan response.

Status of 2015 Questioned Costs:

An adjustment was made on the June 30, 2016 quarterly report. The DSS is awaiting clearance from the grantor agency.

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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
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, 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.

Recommendation:

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.

Status of Finding:

The DD contracted with an outside vendor to perform a study of residential rates. The final product was received December 6, 2016. The DD is working on a revision to its rate setting rule to reflect the shift to acuity-based rates. This rule should be final by mid-2017. Even with the new rates study, existing rates still need to be standardized. It will take multiyear funding for the DD to be able to standardize group home and individualized supported living rates. The Comprehensive Waiver application has already been adjusted to reflect an acuity-based rate methodology.

Status of Questioned Costs:

The DD is working with the state Department of Social Services and the federal Centers for Medicare and Medicaid Services to resolve this issue.

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2015-016. Medicaid Developmental Disabilities Comprehensive Waiver Payments

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

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

Recommendation:

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.

Status of Finding:

The DD completed the electronic Utilization Review (UR) Budget project ahead of schedule in July 2016, and has been training staff on the use of the new process and implementing the system on a rolling basis statewide. The DD UR Budget process begins with a case manager inputting a budget request. In the case of a change in services from the previous plan year or increase in cost, the budget request is then forwarded to a UR panel for review. The UR panel reviews the services requested and associated cost, and may return the proposed budget request to the case manager for additional information or changes; or the UR panel may forward the proposed budget to the Regional Office Director for approval. All budgets, and obligation of DD funding for items identified in the budgets, are approved in the system by the Regional Office Director or his/her designee.

The DD UR Budget process also tracks the status changes a budget request goes through. It also records the time and date a change takes place, in addition to recording which user made the change. This information is available to all staff.

Segregation of duties is accomplished by the various layers of security built into the DD UR Budget system. These layers prohibit the same staff member who entered a budget request from approving the same budget.

The software update is completed and training for UR budget system process will be fully completed within the next several months and more than 75% implemented within 9 months. Changes may be required in the Targeted Case Management contract which is renewed each July 1 to make the requirement mandatory for all agencies. The DD is developing an internal directive outlining required segregation of duties for manual data entry of authorizations and approvals until all DD consumers are trained on the new UR Budget System.

Status of Questioned Costs:

The funds were returned in state fiscal year 2016. The authorization was corrected and the claims were rebilled.

Contact Person: Bryan Connell

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

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039 Hazard Mitigation Grant
97.042 Emergency Management Performance Grants
State Agency: Department of Public Safety (DPS) - State Emergency Management Agency (SEMA) and Department of Public Safety - Office of Director (OD)

The SEMA and the OD did not establish 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.

Recommendation:

The DPS, through the SEMA 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.

Status of Finding:

The SEMA has established procedures to obtain and track Single Audit reports expected and received from applicable subrecipients. These procedures include documentation of the review and follow up of all subrecipient Single Audit reports received.

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

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
97.039 Hazard Mitigation Grant
97.042 Emergency Management Performance Grants
State Agency: Department of Public Safety (DPS) - State Emergency Management Agency (SEMA) and Department of Public Safety - Office of Director

For some Hazard Mitigation Grants (HMG) and Public Assistance (PA) program projects, the SEMA did not adequately monitor or enforce existing policies to ensure

subrecipients complied with procurement requirements. We identified deviations from subrecipient procurement policies or guidelines for several HMG and PA projects reviewed.

Recommendation:

The DPS through the SEMA 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.

Status of Finding:

The SEMA has hired a full-time Grants Program and Monitoring Specialist dedicated to ensure subrecipient monitoring is completed. The SEMA has developed a monitoring plan that includes performing risk assessments, on-site monitoring visits, review of local procurement documentation and procedures, and review of audits.

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Phone Number: (573) 526-7324

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

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared
 Disasters)
 97.039 Hazard Mitigation Grant
 97.042 Emergency Management Performance Grants
State Agency: Department of Public Safety (DPS) - State Emergency
 Management Agency (SEMA) and Department of Public Safety -
 Office of Director

The SEMA did not have effective procedures to ensure Public Assistance subrecipients submitted quarterly progress reports, extension requests, and/or reimbursement requests within the required timeframes.

Recommendation:

The DPS through the SEMA 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.

Status of Finding:

The SEMA has developed a subrecipient monitoring plan that includes procedures to ensure subrecipients remit progress reports and reimbursement requests timely and that projects are completed by the completion date.

Contact Person: Shelly Honse
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2015-018. Emergency Management Performance Grants - Period of Performance

Federal Agency: Department of Homeland Security
Federal Program: 97.042 Emergency Management Performance Grants
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.

Recommendation:

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.

Status of Finding:

The SEMA has developed procedures that require fiscal staff to verify expenditures claimed to grant programs comply with the period of performance requirements.

Status of Questioned Costs:

The SEMA has returned the \$38,383 to the Federal Emergency Management Agency.

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2015-019. Medicaid Home and Community Based Services Reassessments

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: \$15,504 (2015)
Similar Findings: 2014-002, 2013-003, 2012-6, 2011-4A, and 2010-6

The DSDS still had a backlog of Home and Community Based Services annual reassessments due.

Recommendation:

The DHSS through the DSDS ensure annual reassessments are performed as required.

Status of Findings:

Our corrective action plan reported continued funding to the DHSS for Home and Community Based Services providers to perform client reassessments. The department was successful in reducing the backlog of overdue assessments from 36,836 in May 2011 to 0 as of June 30, 2016.

Status of 2015 Questioned Costs:

DHSS staff met with staff from the federal Centers for Medicare and Medicaid Services (CMS) to discuss the issues raised in the audit. We submitted correspondence notifying the CMS that all clients have current assessments as of June 30, 2016.

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