



NICOLE GALLOWAY, CPA **Missouri State Auditor**

Honorable Michael L. Parson, Governor
and
Members of the General Assembly
and
Jennifer Tidball, Acting Director
Department of Social Services
Jefferson City, Missouri

We completed audit work at the Department of Social Services (DSS) as part of our annual statewide audits of the state's financial statements and federal awards for the fiscal year ended June 30, 2020. We issued audit reports (Report Nos. 2021-006 and 2021-017) of the state's Comprehensive Annual Financial Report, in February and March 2021; and issued the Single Audit Report (Report No. 2021-024), in May 2021.¹ The purpose of this letter is to summarize and communicate to stakeholders, the audit work performed at the DSS during these audits and the audit results.

Statewide Audits and Methodology

We conducted the annual financial statement audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statement audit includes, among other things, expressing an opinion on whether the state's financial statements are fairly presented, in all material respects. The Office of Administration (OA) prepared the Comprehensive Annual Financial Report (financial statements) from various sources including the statewide accounting (SAM II) system and survey data received from state agencies and offices. The state's financial statements covered \$47 billion in total assets and \$31 billion in total expenses for fiscal year 2020. To satisfy our audit objectives, we evaluated and identified the accounts significant to each opinion unit within the state's financial statements and performed various audit procedures, including reviews of related internal controls for each of those accounts. For fiscal year 2020, our financial statement audit included work at the OA and 12 state agencies and offices.

We conducted the annual Single Audit 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). The Single Audit includes, among other things, expressing an opinion on whether the state 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 state's Schedule of Expenditures of Federal Awards (SEFA), which did not include federal award expenditures of the public universities and other component units, reported the state expended more than \$17 billion in federal funds for 308 programs in fiscal year 2020. We performed risk assessments on

¹ Audit reports are available at: <<https://auditor.mo.gov/AuditReport/Menu>>.

each of the state's 31 Type A programs (programs with federal award expenditures more than \$30 million) and 24 larger Type B programs (programs with federal award expenditures between \$7.5 million and \$30 million) and audited (as major) each program assessed as high risk in accordance with the Uniform Guidance. For each major program, we performed various audit procedures, including testing and reviews of internal control over compliance requirements that could have a direct and material effect on the program. For fiscal year 2020, our Single Audit included 15 major federal programs with expenditures totaling \$12.6 billion, administered by 9 state agencies.

Financial Statement Audit Work at the DSS

For the DSS, we audited financial activities and balances totaling more than \$17 billion for the following significant accounts:

Federal Reimbursement Allowance Fund:

- \$1.8 billion in revenue activity
- \$3 billion in expenditure activity

Title XIX Federal and Other Fund:

- \$4.2 billion in revenue activity,
- \$4.2 billion in expenditure activity
- an accounts receivable balance of \$92 million

Department of Social Services Federal and Other Fund:

- \$1 billion in revenue activity
- \$757 million in expenditure activity
- an accounts receivable balance of \$13 million
- an accounts payable balance of \$65 million

Nursing Facility Federal Reimbursement Allowance Fund:

- \$363 million in revenue activity
- \$529 million in expenditure activity

General Revenue Fund:

- \$1.5 billion in expenditure activity
- an accounts receivable balance of \$3 million

Life Sciences Research Trust Fund:

- \$32 million in expenditure activity

Pharmacy Rebates Fund:

- an accounts receivable balance of \$43 million

Third Party Liability Collection Fund:

- an accounts receivable balance of \$2 million

Temporary Assistance for Needy Families Fund

- an accounts receivable balance of \$2 million

Department of Social Services Educational Improvement Fund

- an accounts receivable balance (and related deferred inflows of resources) of \$3 million

In addition, we audited Medical Assistance Payments survey data totaling \$9 billion for various funds and food stamps distributions of \$1.3 billion.

Single Audit Work at the DSS

The DSS reported federal award expenditures totaling \$10.1 billion for fiscal year 2020. We audited, as major, 4 programs with expenditures totaling \$8.1 billion: the Food Distribution Cluster,² the Adoption Assistance program, the Children's Health Insurance Program (CHIP), and the Medicaid Cluster.

Audit Results and Findings at the DSS

Our responsibility for the statewide audits is limited to the previously stated objectives. The audit reports of the state's financial statements reported no material misstatements for the DSS. The Single Audit reported material noncompliance with direct and material compliance requirements for the CHIP and the Medicaid Cluster, and no material noncompliance for the other major programs audited at the DSS.

We are required by the audit standards and single audit requirements to report as audit findings certain significant or material conditions such as weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; fraud; and/or known or likely questioned costs greater than \$25,000.

We reported an audit finding related to the DSS's internal controls over financial reporting.

- Department of Social Services Financial Reporting Controls (Finding No. FS2020-002) - The DSS - Division of Finance and Administrative Services did not have adequate controls and procedures over financial reporting of accounts payable. As a result, accounts payable data submitted to the OA for inclusion in the Comprehensive Annual Financial Report for the year ended June 30, 2020, was misstated. If the misstatement had not been identified during the audit, accounts payable would have been overstated by approximately \$17.5 million in the Comprehensive Annual Financial Report.

The audit finding and the DSS's response are included in our Comprehensive Annual Financial Report - Report on Internal Control, Compliance, and Other Matters (Report No. 2021-017) and the DSS's Corrective Action Plan is included in the Single Audit Report (Report No. 2021-024).

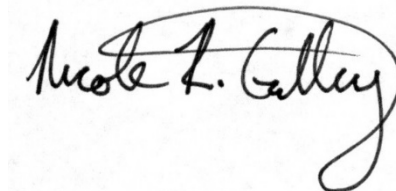
We reported 4 audit findings related to the DSS's administration of federal awards.

- Medicaid Nursing Facility Cost Report Audits (Finding No. 2020-001) - As noted in our previous audit, the DSS - MO HealthNet Division (MHD) did not ensure periodic audits of cost reports or other financial information of nursing facilities participating in the Medical Assistance Program (Medicaid) were conducted as required by the Missouri Medicaid State Plan.
- Medicaid National Correct Coding Initiative (Finding No. 2020-002) - The DSS-MHD had not fully implemented the Medicaid National Correct Coding Initiative edits in the Medicaid Management Information System (MMIS) as required by 42 USC 1396b(r). In addition, the DSS-MHD did not ensure confidentiality agreements containing required elements to protect the confidentiality of the edit files were in place with the MMIS contractor.

² The Food Distribution Cluster is administered by both the DSS and the Department of Health and Senior Services.

- Medicaid and CHIP MAGI-Based Participant Eligibility (Finding No. 2020-003) - As noted in our previous audit, the DSS did not have sufficient controls to ensure compliance with the eligibility redetermination requirements of the Medicaid and the CHIP for participants whose eligibility is based on their Modified Adjusted Gross Income (MAGI), prior to suspension of the requirements in March 2020. Questioned costs totaled \$1,928.
- Adoption Assistance Eligibility and Payments (Finding No. 2020-004) - As similarly noted in our 6 previous audits of the Adoption Assistance program, the DSS made payments on behalf of ineligible children and did not have sufficient controls to prevent and/or detect certain unallowable payments. From the Adoption Assistance program, the DSS - Children's Division made payments on behalf of 5 ineligible children with backdated subsidy agreements, and made an unallowable payment for an additional child. Questioned costs totaled \$14,465.

The DSS partially agreed with one or more of the audit findings. The audit findings and the DSS's responses and Corrective Action Plans, including explanation and specific reasons for disagreement, are included in the Single Audit Report (Report No. 2021-024).

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

Nicole R. Galloway, CPA
State Auditor