



NICOLE GALLOWAY, CPA **Missouri State Auditor**

Honorable Michael L. Parson, Governor
and
Members of the General Assembly
and
Paula F. Nickelson, Acting Director
Department of Health and Senior Services
Jefferson City, Missouri

We completed audit work at the Department of Health and Senior Services (DHSS) as part of our annual statewide audits of the State of Missouri's financial statements and federal awards for the fiscal year ended June 30, 2021. We issued audit reports (Report Nos. 2022-002 and 2022-022) of the state's Annual Comprehensive Financial Report, in January and March 2022; and issued the Single Audit Report (Report No. 2022-043), in July 2022.¹ The purpose of this letter is to summarize, and communicate to stakeholders, the audit work performed at the DHSS 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 Annual Comprehensive 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 \$50 billion in total assets and \$35 billion in total expenses for fiscal year 2021. 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 internal controls for each of those accounts. For fiscal year 2021, our financial statement audit included work at the OA and 13 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 \$20.6 billion in federal funds for 305 programs in fiscal year 2021. We performed risk assessments on

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

each of the state's 33 Type A programs (programs with federal award expenditures more than \$30.96 million) and 26 larger Type B programs (programs with federal award expenditures between \$7.7 million and \$30.96 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 2021, our Single Audit included 20 major federal programs with expenditures totaling \$13.8 billion, administered by 10 state agencies.

Financial Statement Audit Work at the DHSS

For the DHSS, we audited revenue activity of \$1 billion and expenditure activity of \$999 million for the DHSS - Federal and Other Funds Fund, and expenditure activity of \$391 million for the General Revenue Fund.

Single Audit Work at the DHSS

The DHSS reported federal award expenditures totaling \$686 million for fiscal year 2021. We audited, as major, 2 programs with expenditures totaling \$321 million: the Child Nutrition Cluster (CNC)² and the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program. We also performed audit procedures related to the DHSS's cooperative agreements with the Department of Social Services (DSS) for the Medicaid Cluster, a major program at the DSS.

Audit Results and Findings at the DHSS

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 DHSS. The Single Audit reported material noncompliance with direct and material compliance requirements for the ELC program, and no material noncompliance for the other major programs audited at the DHSS.

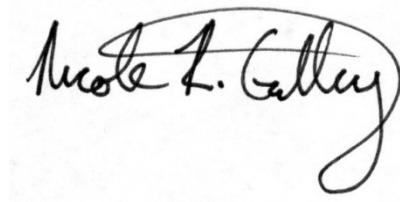
We are required by the audit standards and single audit requirements to report as audit findings certain significant or material conditions such as weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; fraud; and/or known or likely questioned costs greater than \$25,000. We reported 5 audit findings related to the DHSS's administration of federal awards.

- ELC Program Subrecipient Reimbursements (Finding No. 2021-009) - The Division of Community and Public Health (DCPH) did not have sufficient controls and procedures to ensure ELC program reimbursements to subrecipients were allowable, reasonable, and supported with sufficient documentation. As a result, unsupported reimbursements totaling \$105,507 were made to some subrecipients.
- ELC Program Subrecipient Monitoring (Finding No. 2021-010) - The DCPH did not perform subrecipient monitoring procedures in accordance with the DHSS's Financial Policy.
- DHSS FFATA Reporting (Finding No. 2021-011) - During state fiscal year 2021, the DHSS did not complete Federal Funding Accountability and Transparency Act (FFATA) reporting within required timeframes for some ELC program subawards.

²The CNC is administered by both the DHSS and the Department of Elementary and Secondary Education.

- Medicaid SPPC Participant Choice Agreements (Finding No. 2021-012) - The Division of Senior and Disability Services did not have effective controls in place to ensure Participant Choice Agreements were obtained and/or retained for participants of the State Plan Personal Care (SPPC) program.
- Medicaid Facility Survey Timeliness (Finding No. 2021-013) - The Section for Long-Term Care Regulation did not perform facility survey procedures within timeframes required by the State Operations Manual.

The DHSS disagreed with one of the audit findings. The audit findings and the DHSS's responses and Corrective Action Plans, including explanation and specific reasons for disagreement, are included in the Single Audit Report (Report No. 2022-043).

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

Nicole R. Galloway, CPA
State Auditor