



## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

Honorable Michael L. Parson, Governor  
and

Members of the General Assembly  
and

Robert J. Knodell, 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 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.<sup>1</sup> 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 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

<sup>1</sup>Audit 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 DSS**

For the DSS, we audited financial activities and balances totaling more than \$19 billion for the following significant accounts:

Federal Reimbursement Allowance Fund:

- \$1.9 billion in revenue activity
- \$3.2 billion in expenditure activity

Title XIX Federal and Other Fund:

- \$4.6 billion in revenue activity
- \$4.7 billion in expenditure activity
- an accounts receivable balance of \$153 million

Department of Social Services Federal and Other Fund:

- \$670 million in revenue activity
- \$702 million in revenue activity
- an accounts receivable balance of \$53 million
- an accounts payable balance of \$32 million

Nursing Facility Federal Reimbursement Allowance Fund:

- \$317 million in revenue activity
- \$463 million in expenditure activity

General Revenue Fund:

- \$2 billion in expenditure activity
- an accounts receivable balance of \$3 million

Life Sciences Research Trust Fund:

- \$33 million in expenditure activity

Pharmacy Rebates Fund:

- an accounts receivable balance of \$74 million

Third Party Liability Collection Fund:

- an accounts receivable balance of \$3 million

Temporary Assistance for Needy Families Fund:

- an accounts receivable balance of \$17 million

Department of Social Services Educational Improvement Fund:

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

## Federal Medical Assistance Percentage (FMAP) Enhancement Fund:

- \$719 million in revenue activity

In addition, we audited Medical Assistance Payments survey data totaling \$9.6 billion for various funds, and food stamps distributions of \$1.7 billion.

## Single Audit Work at the DSS

The DSS reported federal award expenditures totaling \$11.3 billion for fiscal year 2021. We audited, as major, 8 programs with expenditures totaling \$9.3 billion: the Emergency Solutions Grant Program, the Crime Victim Assistance (CVA) program, the Temporary Assistance for Needy Families (TANF) program, the Low-Income Home Energy Assistance (LIHEAP) program, the Child Care and Development Fund (CCDF) Cluster, the Foster Care Title IV-E 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. FS2021-003) - The DSS - Division of Finance and Administrative Services (DFAS) did not have adequate controls and procedures over financial reporting of federal grant accounts receivable. As a result, accounts receivable data submitted to the OA for inclusion in the financial statements for the year ended June 30, 2021, was misstated. If the misstatement had not been identified during the audit, accounts receivable would have been understated by approximately \$16.3 million in the financial statements.

The audit finding and the DSS's response are included in our Annual Comprehensive Financial Report - Report on Internal Control, Compliance, and Other Matters (Report No. 2022-022) and the DSS's Corrective Action Plan is included in the Single Audit Report (Report No. 2022-043).

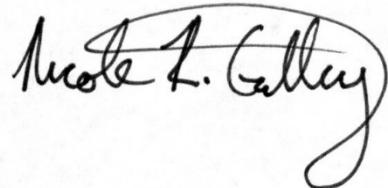
We reported 5 audit findings related to the DSS's administration of federal awards.

- Medicaid National Correct Coding Initiative (Finding No. 2021-004) - As noted in our previous audit, the DSS - MO HealthNet Division had not fully implemented the Medicaid National Correct Coding Initiative edits in the Medicaid Management Information System as required by 42 USC 1396b(r).
- Medicaid and CHIP Participant Eligibility (Finding No. 2021-005) - As similarly noted in our previous audits, the DSS did not have sufficient controls to ensure compliance with the eligibility redetermination requirements of the Medicaid Cluster and the CHIP for certain participants whose eligibility is based on their Modified Adjusted Gross Income (MAGI). The DSS did not correct

system overrides for some MAGI-based participants, preventing their cases from being closed when necessary.

- Foster Care Maintenance Payment Rates (Finding No. 2021-006) - The DSS had not documented policies and procedures, including a periodic schedule, for reviews of Foster Care program maintenance payment rates. In addition, the DSS could not provide documentation supporting any review of the rates in effect for the year ended June 30, 2021.
- Child Care Corrective Payments (Finding No. 2021-007) - DSS controls over the Child Care Development Fund program's corrective (manual) subsidy payments to child care providers were not sufficient to prevent improper payments. The DSS made unsupported corrective payments and/or overpaid providers on behalf of 3 children.
- DSS FFATA Reporting (Finding No. 2021-008) - The DFAS needed to strengthen internal controls related to Federal Funding Accountability and Transparency Act (FFATA) reporting for the TANF, LIHEAP, and CVA programs. During state fiscal year 2021, the DFAS did not fully comply with FFATA reporting requirements for more than half of the subawards reviewed.

The DSS partially agreed or disagreed 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. 2022-043).

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is fluid and cursive, with "Nicole" on the top line and "R. Galloway" on the bottom line.

Nicole R. Galloway, CPA  
State Auditor