



## SCOTT FITZPATRICK MISSOURI STATE AUDITOR

Honorable Michael L. Parson, Governor  
and  
Members of the General Assembly  
and  
Robert J. Knodell, 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, 2022. We issued audit reports (Report Nos. 2023-010 and 2023-022) of the state's Annual Comprehensive Financial Report, in March and May 2023; and issued the Single Audit Report (Report No. 2023-030), in July 2023.<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 \$57 billion in total assets and \$34 billion in total expenses for fiscal year 2022. 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 2022, our financial statement audit included work at the OA and 14 other state agencies and offices. To avoid the appearance of a conflict of interest, the State Auditor recused himself from participation in the financial statement audit because he managed various cash and investment balances in his role as State Treasurer as of June 30, 2022. He directed the Audit Director to oversee procedures performed by the State Auditor's professional audit staff.

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

---

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

award expenditures of the public universities and other component units, reported the state expended \$18.4 billion in federal funds for 311 programs in fiscal year 2022. We performed risk assessments on each of the state's 40 Type A programs (programs with federal award expenditures more than \$30 million) and 26 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 2022, our Single Audit included 19 major federal programs with expenditures totaling \$13.9 billion, administered by 7 state agencies.

### **Financial Statement Audit Work at the DSS**

For the DSS, we audited financial activities and balances totaling more than \$20.1 billion for the following significant accounts:

#### General Revenue Fund:

- \$2.1 billion in expenditure activity
- an accounts receivable balance (and related deferred inflows of resources) of \$4 million

#### Pharmacy Rebates Fund:

- an accounts receivable balance (and related deferred inflows of resources) of \$56 million

#### Third Party Liability Collection Fund:

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

#### Federal Reimbursement Allowance Fund:

- \$1.9 billion in revenue activity
- \$3 billion in expenditure activity

#### Title XIX Federal and Other Fund:

- \$4.9 billion in revenue activity
- \$4.9 billion in expenditure activity
- an accounts receivable balance (and related deferred inflows of resources) of \$142 million

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

- \$744 million in revenue activity

#### Nursing Facility Federal Reimbursement Allowance Fund:

- \$317 million in revenue activity
- \$310 million in expenditure activity

#### Title XIX Adult Expansion Federal Fund:

- \$408 million in expenditure activity

#### Department of Social Services Federal and Other Fund:

- \$668 million in revenue activity
- \$611 million in expenditure activity
- an accounts payable balance of \$23 million
- an accounts receivable balance of \$23 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 \$10.6 billion for various funds, and food stamps distributions of \$1.6 billion.

### **Single Audit Work at the DSS**

The DSS reported federal award expenditures totaling \$12.9 billion for fiscal year 2022. We audited, as major, 7 programs with expenditures totaling \$12.1 billion: the Pandemic Electronic Benefit Transfer (EBT) Food Benefits program, the Supplemental Nutrition Assistance Program (SNAP) Cluster, the Rehabilitation Services Vocational Rehabilitation Grants to States (VR) program,<sup>2</sup> the Community Services Block Grant program, the Social Services Block Grant (SSBG) program, the Children's Health Insurance Program (CHIP), and the Medicaid Cluster.<sup>3</sup>

### **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 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 3 audit findings related to the DSS's internal controls over financial reporting.

- Department of Social Services Financial Reporting Controls - Medicaid Payments (Finding No. FS2022-002) - The DSS - MO HealthNet Division (MHD) did not have adequate controls and procedures over financial reporting of Medicaid payment data. As a result, Medicaid payment data submitted to the OA and used to estimate Medicaid accounts receivable and payable for inclusion in the financial statements for the year ended June 30, 2022, was misstated. If the misstatements had not been identified during the audit, Government Wide - Governmental Activities and General Fund accounts receivable would have been understated by approximately \$23 million and accounts payable would have been understated by approximately \$60 million in the financial statements.
- Department of Social Services Financial Reporting Controls - Medicaid Accounts Receivable (Finding No. FS2022-003) - The MHD did not have adequate controls and procedures over financial reporting of Medicaid drug rebate accounts receivable. As a result, data submitted to the OA for inclusion in the financial statements for the year ended June 30, 2022, was misstated. If the misstatement had not been identified during the audit, Government Wide - Governmental Activities and General Fund net accounts receivable and related liability balances would have been overstated by approximately \$30.6 million in the financial statements.

---

<sup>2</sup> The VR program is administered by both the DSS and the Department of Elementary and Secondary Education.

<sup>3</sup> The Medicaid Cluster includes the Medical Assistance Program (Medicaid), the State Medicaid Fraud Control Units program, and the State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare program.

- Department of Social Services Financial Reporting Controls - Accounts Payable (Finding No. FS2022-004) - The DSS - Division of Finance and Administrative Services (DFAS) 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 financial statements for the year ended June 30, 2022, was misstated. If the misstatement had not been identified during the audit, Government Wide - Governmental Activities and General Fund accounts payable would have been overstated by approximately \$5.9 million in the financial statements.

The audit findings and the DSS's responses are included in our Annual Comprehensive Financial Report - Report on Internal Control, Compliance, and Other Matters (Report No. 2023-022); and the DSS's Corrective Action Plans are included in the Single Audit Report (Report No. 2023-030).

We reported 6 audit findings related to the DSS's administration of federal awards.

- Medicaid National Correct Coding Initiative (Finding No. 2022-001) - As noted in our 2 previous audits, the MHD 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 MAGI-Based Participant Eligibility (Finding No. 2022-002) - As noted in our 3 previous audits, the DSS did not have sufficient controls to ensure compliance with the eligibility requirements of the Medicaid and the CHIP for certain participants whose eligibility is based on their Modified Adjusted Gross Income (MAGI). The DSS did not correct manual system overrides for some MAGI-based participants, preventing their cases from being closed when necessary.
- Medicaid and CHIP Eligibility Determination Timeliness (Finding No. 2022-003) - The DSS did not perform eligibility determinations within required timeframes for participants of the Medicaid and the CHIP. The DSS did not meet timeliness requirements for 40 of 115 new enrollment participants reviewed. The late determinations were made 2 to 144 days after the required 45 or 90-day requirement, and averaged 68 days late.
- Department of Social Services Cost Allocation (Finding No. 2022-004) - DFAS controls and procedures to allocate some administrative costs to federal programs were not sufficient to prevent and/or detect errors. For the year ended June 30, 2022, costs totaling approximately \$38.5 million were incorrectly allocated to 6 programs. As a result, approximately \$10.2 million (federal share) was allocated to state funding, that could have been allocated to federal funding for 4 programs.
- Pandemic Electronic Benefit Transfer (EBT) Food Benefits (Finding No. 2022-005) - DSS controls over the Pandemic EBT Food Benefits program were insufficient to prevent improper benefit issuances on behalf of school children. The audit sample of payments for 60 school children noted the DSS issued benefits on behalf of one ineligible child and made overpayments on behalf of another child.
- DSS FFATA Reporting (Finding No. 2022-006) - As similarly noted in our previous audit, the DFAS needed to strengthen internal controls related to Federal Funding Accountability and Transparency Act (FFATA) reporting. During state fiscal year 2022, the DFAS did not comply with FFATA reporting requirements for any of the subawards reviewed for the SSBG program.

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. 2023-030).

A handwritten signature in black ink that reads "Kim Spraggs". The signature is written in a cursive, flowing style.

Kim Spraggs, CPA, CGAP  
Director of Audits