



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, 2023. We issued audit reports (Report Nos. 2024-023 and 2024-036) of the state's Annual Comprehensive Financial Report, in March and May 2024; and issued the Single Audit Report (Report No. 2024-063), in September 2024.¹ 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 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 \$63 billion in total assets and \$38 billion in total expenses for fiscal year 2023. 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 2023, our financial statement audit included work at the OA and 13 other 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 \$20.9 billion in federal funds for 310 programs in fiscal year 2023. We performed risk assessments on each of the state's 37 Type A programs (programs with federal award expenditures more than \$31.3 million) and 25

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

larger Type B programs (programs with federal award expenditures between \$7.8 million and \$31.3 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 2023, our Single Audit included 16 major federal programs with expenditures totaling \$15.3 billion, administered by 8 state agencies.

Financial Statement Audit Work at the DSS

For the DSS, we audited financial activities and balances totaling more than \$26.7 billion for the following significant accounts:

General Revenue Fund:

- \$2.3 billion in expenditure activity
- an accounts receivable balance (and related deferred inflows of resources) of \$3 million

Pharmacy Rebates Fund:

- an accounts receivable balance (and related deferred inflows of resources) of \$100 million

Third Party Liability Collection Fund:

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

Federal Reimbursement Allowance Fund:

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

Children's Health Insurance Fund:

- \$345 million in expenditure activity

Title XIX Federal and Other Fund:

- \$5.2 billion in revenue activity
- \$5.2 billion in expenditure activity
- an accounts receivable balance (and related deferred inflows of resources) of \$217 million

Federal Medical Assistance Percentage (FMAP) Enhancement Fund:

- \$760 million in revenue activity

Nursing Facility Federal Reimbursement Allowance Fund:

- \$323 million in revenue activity
- \$468 million in expenditure activity

Title XIX Adult Expansion Federal Fund:

- \$2.5 billion in revenue activity
- \$2.5 billion in expenditure activity

Department of Social Services Federal and Other Fund:

- \$688 million in revenue activity
- \$607 million in expenditure activity
- an accounts receivable balance of \$34 million
- an accounts payable balance of \$31 million

FMAP Enhancement - Expansion Fund:

- \$717 million in revenue activity

In addition, we audited Medical Assistance Payments survey data totaling \$14.3 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 \$15.4 billion for fiscal year 2023. We audited, as major, 5 programs with expenditures totaling \$13 billion: the Food Distribution Cluster,² the Child Support Enforcement program, the Adoption Assistance program, the Children's Health Insurance Program (CHIP), and the Medicaid Cluster.³

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 uncorrected 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. FS2023-003) - 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, the accounts receivable data submitted to the OA for inclusion in the financial statements for the year ended June 30, 2023, was misstated. If the misstatements had not been identified during the audit, Government Wide - Governmental Activities and General Fund net accounts receivable would have been overstated by approximately \$7.2 million, deferred inflows of resources would have been overstated by approximately \$59.4 million, and revenues would have been understated by approximately \$52.2 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. 2024-036) and the DSS's Corrective Action Plan is included in the Single Audit Report (Report No. 2024-063).

We reported 9 audit findings related to the DSS's administration of federal awards.

- Medicaid National Correct Coding Initiative (Finding No. 2023-001) - As noted in our 3 previous audits, the MO HealthNet Division (MHD) did not fully implement the Medicaid National Correct Coding Initiative edits in the Medicaid Management Information System (MMIS) as required by 42 USC 1396b(r). The MHD through the MMIS contractor, did not reprocess claims when edit files

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

³ 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.

were implemented late. As a result, the claims processed during 103 of the days, or 28 percent, during the year ended June 30, 2023, were processed using outdated edits.

- Medicaid Management Information System Access (Finding No. 2023-002) - The MHD did not timely review MMIS access rights and remove user accounts for users no longer employed in positions needing access. Our sample of 40 MMIS users with access as of June 2023 identified 2 terminated users whose access had not been removed for 9 and 13 months.
- Medicaid and CHIP New Provider Eligibility (Finding No. 2023-003) - Improvement was needed to internal control to ensure new provider applications for participation in the Medicaid and the CHIP were properly reviewed and screened as required by federal regulations and state procedures. Missouri Medicaid Audit and Compliance Provider Enrollment Unit staff did not fully complete and/or retain new provider enrollment application checklists for 3 of 40 new providers sampled.
- Medicaid and CHIP Receipt Controls (Finding No. 2023-004) - The MHD did not have adequate controls in place to ensure the proper management of receipts. The MHD did not adequately restrict user access within the MMIS and did not account for all cash control numbers to ensure all checks and money orders received were properly deposited or returned to senders if the payment could not be accepted.
- Medicaid and CHIP MAGI-Based Participant Eligibility Redeterminations (Finding No. 2023-005) - As similarly noted in our 4 previous audits, the DSS did not have sufficient controls to ensure compliance with eligibility redetermination 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 approximately 11,500 MAGI-based participants, preventing their cases from being closed when necessary, and did not perform redeterminations for those participants requiring redeterminations once previously-suspended requirements resumed.
- Medicaid and CHIP Participant Eligibility Terminations (Finding No. 2023-006) - The DSS did not have sufficient controls to ensure benefits were terminated for participants no longer eligible for the Medicaid and the CHIP. Our review found a death match was not operating in the Medicaid Eligibility Determination and Enrollment System during the year ended June 30, 2023. Additionally, for 2 of 60 participant cases sampled, the DSS received information requiring participant case termination, but did not manually terminate the participants' eligibility in the applicable eligibility system. Questioned costs totaled \$1,555.
- Medicaid and CHIP Eligibility Determination Timeliness (Finding No. 2023-007) - As noted in our previous audit, 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 7 of 120 new enrollment participants reviewed. The late determinations were made 2 to 27 days after the required 45-day or 90-day requirement, and averaged 15 days late.
- Department of Social Services Cost Allocation (Finding No. 2023-008) - As similarly noted in our previous audit, DSS controls and procedures were not sufficient to ensure some administrative costs were allocated to federal programs in an equitable and consistent manner. Random moment time studies containing over 200 invalid staff surveys were used to allocate administrative costs. For the year ended June 30, 2023, costs totaling approximately \$1.08 million were incorrectly allocated to 6 programs. As a result, approximately \$546,000 (federal share) was allocated to state funding, that could have been allocated to federal funding for 4 programs.

- Adoption Savings (Finding No. 2023-009) - The DFAS did not have adequate internal controls and procedures related to adoption savings requirements. As a result, the amount of adoption savings reported in the federal fiscal year 2022 Annual Adoption Savings Calculation and Accounting Report was overstated by approximately \$1 million. If the error had not been identified during the audit, the DFAS would have had to demonstrate approximately \$1 million in additional expenditures for required services.

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. 2024-063).

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive style with a large initial "S" and "F".

Scott Fitzpatrick
State Auditor