John Watson

Missouri State Auditor

State of Missouri

Single Audit

Year Ended
June 30, 2014

March 2015

Report No. 2015-014

http://auditor.mo.gov

March 2015

John Watson
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Fiscal Year 2014 Statewide Single Audit

Recusal

To avoid any appearance of a conflict of interest, the State Auditor recused himself from participation in this audit and directed the Deputy State Auditor to oversee the procedures performed by the State Auditor's professional audit staff.

Single Audit Background

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Act requires an audit of the state's financial statements and its use of federal awards.

Single Audit guidelines require audit work be conducted on "major" programs and utilize a risk-based approach to determine which specific programs are major. Using this methodology, for the fiscal year ended June 30, 2014 (FY2014), our Single Audit involved audit work on 14 major programs at 7 state departments, encompassing $6.93 billion (60 percent) of the total federal awards spent. The audit contains 14 findings with 18 recommendations. Several of these findings are summarized below.

2014 Federal Awards

The state spent approximately $11.49 billion in federal awards through 313 different federal programs during FY2014. Although 19 state departments and other state offices expended federal awards, 4 state departments expended the bulk of the federal awards (91 percent).

Medicaid Cost Recovery DSS

The Department of Social Services (DSS) - MO HealthNet Division (MHD) failed to timely take appropriate actions to recover funds from estates of thousands of deceased participants of the Medicaid program. As a result, the DSS-MHD likely forfeited the opportunity to possibly recover millions of dollars in medical expenses paid from state and federal funds.

Child Care Eligibility, Payments, and Provider Eligibility DSS

As noted in our four prior audit reports, significant weaknesses still exist in the DSS controls over the Child Care Development Fund eligibility and provider payments. The DSS could not locate all or part of the eligibility files for 13 percent of cases reviewed, eligibility documentation was not sufficient to support a valid need for childcare for 18 percent of cases reviewed, and 36 percent of payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. For 6 percent of cases reviewed, case file documentation did not support the authorizations for payments. In addition, 4 of 8 providers reviewed were paid for improperly claimed absences after holiday allowances were exhausted. The DSS also lacks adequate controls and procedures to ensure license-exempt child care providers comply with state law. State law does not require child care providers to be licensed if they care for four or less children to whom they are not related. We reviewed 7 license-exempt providers, each caring for between 5 and 15 children, and found that for 43 percent of the providers, the DSS incorrectly classified, or could not substantiate, the relationship between the providers and the related children.

Eligibility and TANF Assistance Payments, Work Participation, and Sanctions DSS	As noted in our three prior audit reports, the DSS-Family Support Division (DSS-FSD) paid Temporary Assistance for Needy Families (TANF) benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received. We noted concerns for 37 percent of recipients reviewed. In addition, for 40 percent of TANF cases flagged for non-cooperation we tested, either the Child Support Enforcement Unit did not promptly notify the DSS-FSD of the non-cooperation, or the DSS-FSD did not act to sanction the recipient upon notification. Also, as noted in the four prior audits, the DSS-FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan. For 48 percent of recipients tested, the work participation hours were not documented, not verified, and/or not reported correctly. The DSS-FSD still lacks adequate procedures to ensure Missouri Work Assistance contractors notified the DSS-FSD when TANF recipients failed to meet work participation requirements, and 3 percent of recipients tested were not properly sanctioned for noncompliance.
Payment Coding DSS	Coding errors by the DSS-Division of Finance and Administrative Services and Children's Division (CD) went undetected, causing approximately $1.5 million in federal expenditures to be incorrectly allocated to either the Adoption Assistance program or the Foster Care program.
Adoption Assistance Eligibility and Assistance Payments DSS	As noted in two previous audits of the Adoption Assistance program, the DSS-CD made payments on behalf of ineligible children, did not retain sufficient documentation to support some eligibility decisions made, and appears to have backdated some subsidy agreements. For 3 percent of cases tested, the adoption subsidy agreement was not signed and in effect before or at the date of adoption and for 2 percent of cases tested, the adoption subsidy agreement was not located in the case file. For some additional cases, it appears the subsidy agreements were not signed and in effect prior to or at the date of the adoption decree because the CD Director's signature date was apparently backdated.
Medicaid Home and Community Based Services Eligibility Redeterminations DHSS	As noted in the four prior audits, the Department of Health and Senior Services (DHSS)-Division of Senior Disability Services (DSDS) does not ensure annual reassessments are performed, as required, to determine continued need of services of Home and Community Based Services recipients. The DHSS-DSDS did not perform annual reassessments for 17 percent of the cases reviewed which required a reassessment.
Medicaid Participant Eligibility and Report Reviews DSS	The DSS-MHD did not ensure monthly supervisory reviews of eligibility determinations were completed as required to ensure compliance with participant enrollment requirements of aged, blind, and disabled individuals, and timely eligibility determinations were not always made. In addition, the DSS-MHD does not have effective controls for reviewing some reports to ensure compliance with enrollment requirements of the Medicare Buy-In program. The DSS-MHD failed to add or delete some participants in the Buy-In program when required.

Because of the compound nature of this audit report, no overall rating is provided.

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Common Abbreviations

ARRA	American Recovery and Reinvestment Act of 2009
CFDA	Catalog of Federal Domestic Assistance
CFR	Code of Federal Regulations
CSR	Code of State Regulations
OMB	Office of Management and Budget
RSMo	Missouri Revised Statutes
SAM II	Statewide Advantage for Missouri
USC	United States Code

INTRODUCTION AND SUMMARY

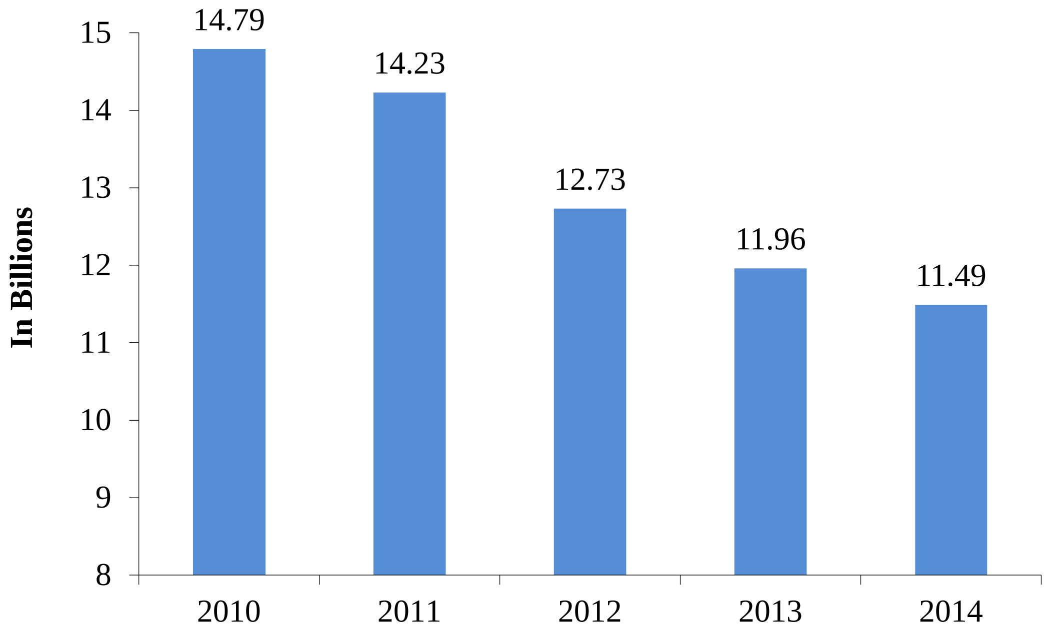
INTRODUCTION AND SUMMARY

The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Office of Management and Budget (OMB) issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to set forth standards for obtaining consistency and uniformity among federal agencies for the audit of non-federal entities expending federal awards. A single audit requires an audit of the state's financial statements and expenditures of federal awards. The audit is required to determine whether:

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- The state has adequate internal controls to ensure compliance with federal award requirements.
- The state has complied with the provisions of laws, regulations, and contracts or grants that could have a direct and material effect on federal awards.

The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended $11.49 billion in federal awards during the year ended June 30, 2014.

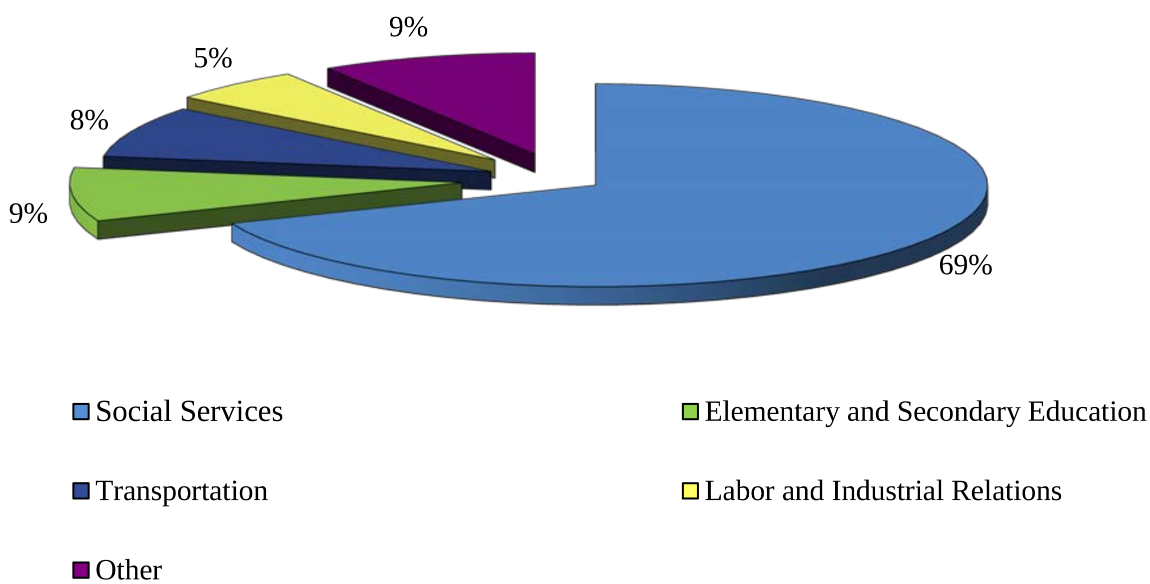
Total Expenditures of Federal Awards
Five Year Comparison



Expenditures of federal awards peaked in fiscal year 2010 due to additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of ARRA funds were expended by the end of fiscal year 2012; however, a few programs continued to have ARRA expenditures in fiscal year 2014.

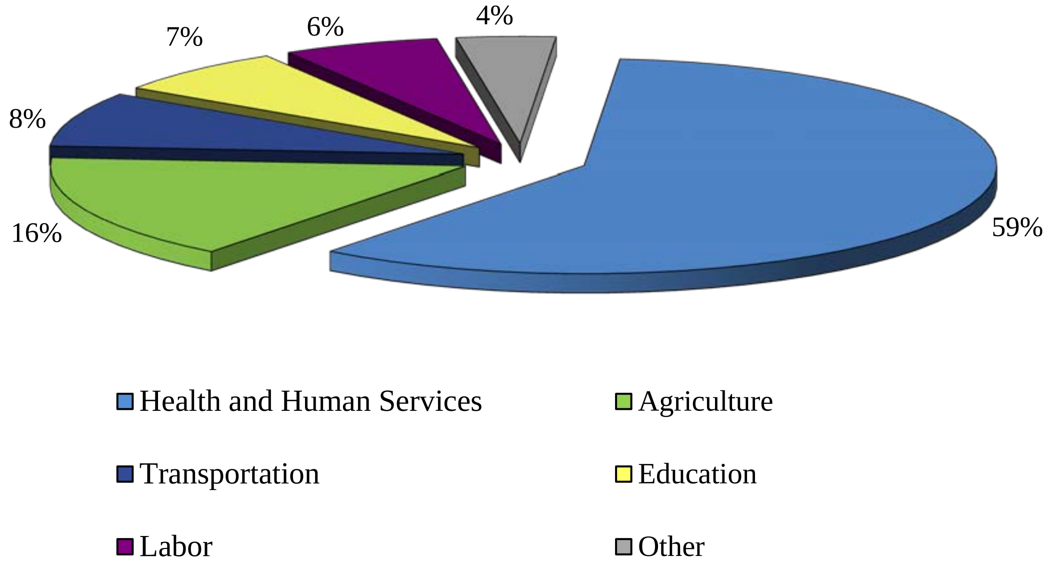
Although 19 state departments and other state offices expended federal awards, 4 state departments expended the bulk of the federal awards (91 percent).

Expenditures of Federal Awards by State Department



The state received federal awards from 23 different federal agencies. Most of the federal awards (96 percent) came from 5 federal agencies.

Expenditures of Federal Awards by Federal Department

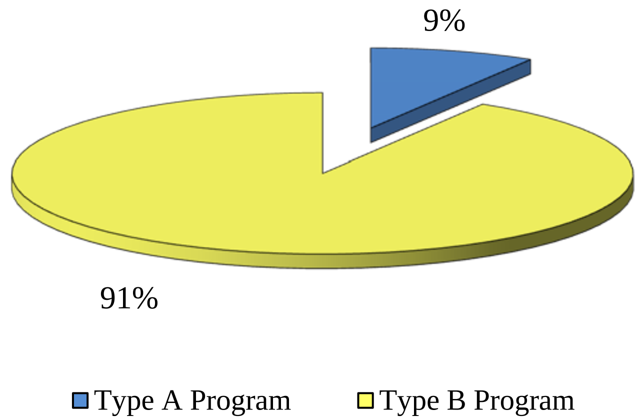


Overall, the state expended federal awards in 313 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program as the larger of $30 million or fifteen-hundredths of one percent (0.0015) of federal awards expended.

Determination of Type A Programs		
Larger of:		$30,000,000
		or
Total expenditures of federal awards	11,491,079,208	
Fifteen-hundredths of one percent	.0015	
		17,236,619
Dollar Threshold		$30,000,000

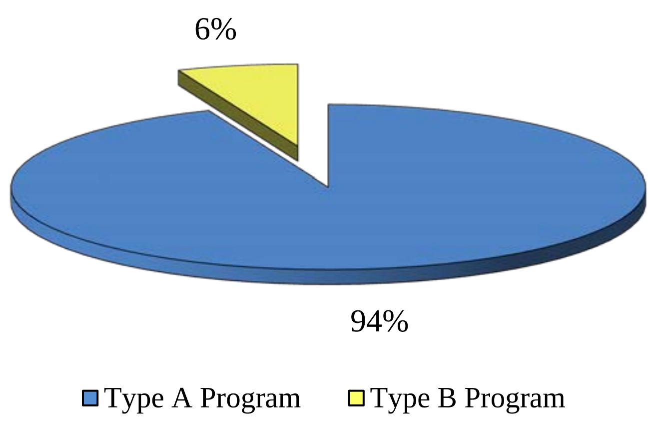
Programs with federal expenditures over $30 million are Type A programs and the programs under $30 million are Type B programs. Of the 313 different federal award programs, 27 were Type A programs and 286 were Type B programs.

Type A and Type B Programs
Number of Programs



The 27 Type A programs had expenditures of federal awards totaling approximately $10.8 billion, which was 94 percent of the total expenditures for all programs. The 286 Type B programs had expenditures of federal awards totaling approximately $699 million, which was only 6 percent of the total expenditures for all programs.

Type A and Type B Programs
Expenditures of Federal Awards



OMB Circular A-133 requires the auditor to perform risk assessments on Type A programs and to audit as major each Type A program assessed as high risk based on various risk factors. We performed a risk assessment on each Type A program and determined 15 of the 27 Type A programs were low risk and did not need to be audited as major. In accordance with OMB Circular A-133, we audited the 12 Type A programs assessed as high risk as major.

OMB Circular A-133 also requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs which were not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended ($11.49 billion times .0003 = $3,447,324). We performed risk assessments on the 50 larger Type B programs and determined 4 of them were high risk. In accordance with OMB Circular A-133, we audited 2 (at least one-half) of these 4 high risk Type B programs as major.

Major and Non-major Programs

Audit Coverage by Type of Program	Number of Programs	Expenditures	Percentage of Expenditures
Type A major programs	12	$ 6,910,636,735	
Type B major programs	2	18,133,732	
Total major programs	14	$ 6,928,770,467	60%
Type A non-major programs	15	$ 3,881,636,669	
Type B non-major programs	284	680,672,072	
Total non-major programs	299	$ 4,562,308,741	40%
Total all programs	313	$ 11,491,079,208	100%

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	$ 1,284,728,004
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	45,431,799
	Total SNAP Cluster		1,330,159,803
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	68,020,146
10.555	National School Lunch Program	Agriculture	223,050,696
10.556	Special Milk Program for Children	Agriculture	448,170
10.559	Summer Food Service Program for Children	Agriculture	10,553,323
	Total Child Nutrition Cluster		302,072,335
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	95,448,448
10.558	Child and Adult Care Food Program	Agriculture	50,282,413
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	40,036,520
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	31,965,186
	Total CDBG - State-Administered CDBG Cluster		31,965,186
17.225	Unemployment Insurance	Labor	616,720,973
17.225	ARRA - Unemployment Insurance	Labor	8,511,166
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	11,601,679
17.259	Workforce Investment Act - Youth Activities	Labor	14,857,119
17.278	Workforce Investment Act - Dislocated Worker Formula Grants	Labor	14,170,918
	Total WIA Cluster		40,629,716
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	839,307,873
20.205	ARRA - Highway Planning and Construction	Transportation	4,165,255
20.219	Recreational Trails Program	Transportation	3,009,755
	Total Highway Planning and Construction Cluster		846,482,883
64.015	Veterans State Nursing Home Care	Veterans Affairs	60,377,752
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	41,564,051
	Total Clean Water State Revolving Fund Cluster		41,564,051
84.010	Title I Grants to Local Educational Agencies	Education	229,976,237
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	221,983,907
84.173	Special Education - Preschool Grants	Education	1,416,083
	Total Special Education Cluster (IDEA)		223,399,990
84.032	Federal Family Education Loans	Education	148,593,115
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	59,378,348
84.367	Improving Teacher Quality State Grants	Education	42,480,932
93.268	Immunization Cooperative Agreements	Health and Human Services	61,319,631

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	Health and Human Services	179,856,587
	Total TANF Cluster		179,856,587
93.563	Child Support Enforcement	Health and Human Services	37,532,678
93.568	Low-Income Home Energy Assistance	Health and Human Services	76,702,921
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	44,366,322
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	61,087,195
	Total CCDF Cluster		105,453,517
93.658	Foster Care - Title IV-E	Health and Human Services	61,921,201
93.659	Adoption Assistance	Health and Human Services	30,234,942
93.667	Social Services Block Grant	Health and Human Services	51,593,338
93.767	Children's Health Insurance Program	Health and Human Services	131,705,663
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,525,484
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	17,286,013
93.778	Medical Assistance Program	Health and Human Services	5,783,934,637
93.778	ARRA - Medical Assistance Program	Health and Human Services	45,785,423
	Total Medicaid Cluster		5,848,531,557
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	39,341,501
	Total Disability Insurance/SSI Cluster		39,341,501
	Total Type A Programs (expenditures greater than $30,000,000)		10,792,273,404
	Total Type B Programs (expenditures less than $30,000,000)		698,805,804
	Total Expenditures of Federal Awards		$ 11,491,079,208

STATE AUDITOR'S REPORTS

THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

We have audited, 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 statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 12, 2015. Our report expressed a qualified opinion on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 27 percent of governmental activity revenues and 32 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Our report on the state of Missouri's financial statements also includes a reference to other auditors who audited the financial statements of:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 79 percent and 12 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which are both major funds and represent 34 percent and 54 percent of the assets and revenues, respectively, of the business-type activities.

3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 99 percent of the assets and additions, respectively, of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Conservation Employees' Insurance Plan, the Missouri State Employees' Insurance Plan, and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state's internal control. Accordingly, we do not express an opinion on the effectiveness of the state's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the state's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as finding number 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State's Response to Findings

The state of Missouri's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The state's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Harry J. Otto, CPA
Deputy State Auditor

January 12, 2015

JOHN WATSON

Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

Report on Compliance for Each Major Federal Program

We have audited the state of Missouri's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The state's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the state's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the state's compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As described in findings 2014-005, 2014-006, 2014-008, and 2014-009 in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding the following:

Finding Number	***CFDA Number***	***Program (or Cluster) Name***	***Compliance Requirement(s)***
2014-005	*93.575* *93.596*	*Child Care Development Fund Cluster*	*Activities Allowed and Unallowed, Allowable Costs and Cost Principles, and Eligibility*
2014-006	*93.575* *93.596*	*Child Care Development Fund Cluster*	*Eligibility and Special Tests and Provisions*
2014-008	*93.659*	*Adoption Assistance*	*Activities Allowed and Unallowed, Allowable Costs and Cost Principles, and Eligibility*
2014-009	*93.558*	*Temporary Assistance for Needy Families Cluster*	*Activities Allowed and Unallowed, Allowable Costs and Cost Principles, and Eligibility*

Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

Qualified Opinion on Certain Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the state of Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the state of Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as findings 2014-002, 2014-003, 2014-004, 2014-010, 2014-012, and 2014-014. Our opinion on each major federal program is not modified with respect to these matters.

The state of Missouri's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The state's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the state's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as findings 2014-004, 2014-005, 2014-006, and 2014-009 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as findings 2014-010, 2014-013, and 2014-014 to be significant deficiencies.

The state of Missouri's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The state's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Harry J. Otto, CPA
Deputy State Auditor

February 27, 2015

THOMAS A. SCHWEICH
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Jeremiah W. (Jay) Nixon, Governor
and
Members of the General Assembly

We have audited, 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 statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 12, 2015. Our report expressed a qualified opinion on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 27 percent of governmental activity revenues and 32 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded.

Our report on the state of Missouri's financial statements also includes a reference to other auditors who audited the financial statements of:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 79 percent and 12 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which are both major funds and represent 34 percent and 54 percent of the assets and revenues, respectively, of the business-type activities.

3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 99 percent of the assets and additions, respectively, of the fiduciary funds.

The financial statements of the Conservation Employees' Insurance Plan, the Missouri State Employees' Insurance Plan, and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards.*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the audit procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. The state of Missouri has excluded federal award expenditures of public universities and other component units from the accompanying schedule. In our opinion, except for the effects of the exclusion of federal award expenditures of public universities and other component units, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report is solely to provide an opinion on the Schedule of Expenditures of Federal Awards in relation to the basic financial statements as a whole based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Harry J. Otto, CPA
Deputy State Auditor

January 12, 2015

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Agriculture		$	
10.UNKNOWN	National Food Animal Veterinary Institute	137,484	113,685
10.UNKNOWN	School Lunch Commodity Refund	22,161	22,161
10.025	Plant and Animal Disease, Pest Control, and Animal Care	579,731	0
10.069	Conservation Reserve Program	1,320,619	444,679
10.153	Market News	2,576	0
10.165	Perishable Agricultural Commodities Act	3,452	0
10.170	Specialty Crop Block Grant Program - Farm Bill	426,092	385,656
10.435	State Mediation Grants	14,737	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	562,438	0
10.479	Food Safety Cooperative Agreements	144,952	0
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	1,284,728,004	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	45,431,799	10,585,875
	Total SNAP Cluster	1,330,159,803	10,585,875
	Child Nutrition Cluster:		
10.553	School Breakfast Program	68,020,146	68,020,146
10.555	National School Lunch Program	223,050,696	223,050,696
10.556	Special Milk Program for Children	448,170	448,170
10.559	Summer Food Service Program for Children	10,553,323	9,949,587
	Total Child Nutrition Cluster	302,072,335	301,468,599
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	95,448,448	23,709,400
10.558	Child and Adult Care Food Program	50,282,413	49,581,158
10.560	State Administrative Expenses for Child Nutrition	3,727,104	1,963,983
	Food Distribution Cluster:		
10.565	Commodity Supplemental Food Program	1,195,299	1,146,104
10.568	Emergency Food Assistance Program (Administrative Costs)	1,156,064	509,746
10.569	Emergency Food Assistance Program (Food Commodities)	9,518,806	0
	Total Food Distribution Cluster	11,870,169	1,655,850
10.574	Team Nutrition Grants	292,368	83,731
10.578	ARRA - WIC Grants to States (WGS)	182,130	0
10.579	Child Nutrition Discretionary Grants Limited Availability	1,494,015	72,599
10.582	Fresh Fruit and Vegetable Program	3,105,319	3,105,319
10.664	Cooperative Forestry Assistance	1,619,238	261,479
	Forest Service Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	5,463,317	5,463,317
	Total Forest Service Schools and Roads Cluster	5,463,317	5,463,317
10.675	Urban and Community Forestry Program	80,495	0
10.680	Forest Health Protection	346	0
10.912	Environmental Quality Incentives Program	196,852	0
Total Department of Agriculture		1,809,208,594	398,917,491
Department of Commerce			
11.555	Public Safety Interoperable Communications Grant Program	426,066	0
11.557	ARRA - Broadband Technology Opportunities Program (BTOP)	331,717	315,816
11.558	ARRA - State Broadband Data and Development Grant Program	2,373,642	1,487,172
Total Department of Commerce		3,131,425	1,802,988
Department of Defense			
12.AAG	Excess Property Program	4,010,495	4,010,495
12.UNKNOWN	Troops to Teachers	149,067	5,938
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	693,968	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	40,036,520	0
Total Department of Defense		44,890,050	4,016,433

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Housing and Urban Development			
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	31,965,186	30,794,974
	Total CDBG - State-Administered CDBG Cluster	31,965,186	30,794,974
14.231	Emergency Solutions Grants Program	3,019,735	2,985,230
14.238	Shelter Plus Care	10,900,584	10,837,916
14.241	Housing Opportunities for Persons with AIDS	683,815	683,815
14.401	Fair Housing Assistance Program - State and Local	666,759	0
Total Department of Housing and Urban Development		47,236,079	45,301,935
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	189,224	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	2,679,272	1,800,449
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	8,443,849	0
15.611	Wildlife Restoration and Basic Hunter Education	13,051,940	0
	Total Fish and Wildlife Cluster	21,495,789	0
15.608	Fish and Wildlife Management Assistance	200,857	0
15.615	Cooperative Endangered Species Conservation Fund	110,210	0
15.622	Sportfishing and Boating Safety Act	100,000	0
15.623	North American Wetlands Conservation Fund	138,657	0
15.634	State Wildlife Grants	943,349	0
15.657	Endangered Species Conservation - Recovery Implementation Funds	9,491	0
15.658	Natural Resource Damage Assessment, Restoration and Implementation	27	0
15.808	U.S. Geological Survey - Research and Data Collection	37,487	0
15.810	National Cooperative Geologic Mapping Program	139,069	0
15.814	National Geological and Geophysical Data Preservation Program	13,577	0
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	16,112	0
15.904	Historic Preservation Fund Grants-In-Aid	892,900	121,578
15.916	Outdoor Recreation - Acquisition, Development and Planning	1,492,741	218,618
15.935	National Trails System Projects	17,528	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	344,181	0
Total Department of the Interior		28,820,471	2,140,645
Department of Justice			
16.013	Violence Against Women Act Court Training and Improvement Grants	6,468	0
16.017	Sexual Assault Services Formula Program	187,397	176,956
16.523	Juvenile Accountability Block Grants	513,850	357,873
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	448,159	243,527
16.548	Title V - Delinquency Prevention Program	43,348	43,348
16.554	National Criminal History Improvement Program (NCHIP)	145,831	128,392
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	109,341	59,217
16.575	Crime Victim Assistance	6,925,039	6,696,229
16.576	Crime Victim Compensation	1,974,912	1,974,912
16.588	Violence Against Women Formula Grants	2,003,052	1,871,069
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	104,801	0
16.593	Residential Substance Abuse Treatment for State Prisoners	412,865	122,080
16.606	State Criminal Alien Assistance Program	258,678	0
16.610	Regional Information Sharing Systems	4,799,138	4,799,138
16.710	Public Safety Partnership and Community Policing Grants	305,837	0
16.726	Juvenile Mentoring Program	198,471	102,289
16.727	Enforcing Underage Drinking Laws Program	135,244	98,525
16.734	Special Data Collections and Statistical Studies	2,794	0
	JAG Program Cluster:		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	4,762,299	4,051,842
	Total JAG Program Cluster	4,762,299	4,051,842

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	317,262	0
16.741	DNA Backlog Reduction Program	683,215	0
16.750	Support for Adam Walsh Act Implementation Grant Program	395,000	0
16.812	Second Chance Act Reentry Initiative	17,273	0
16.813	NICS Act Record Improvement Program	763,157	737,931
16.816	John R. Justice Prosecutors and Defenders Incentive Act	63,968	60,839
Total Department of Justice		25,577,399	21,524,167
Department of Labor			
17.002	Labor Force Statistics	869,207	0
17.005	Compensation and Working Conditions	199,641	0
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	12,381,754	0
17.801	Disabled Veterans' Outreach Program (DVOP)	1,259,418	0
17.804	Local Veterans' Employment Representative Program	1,372,722	0
	Total Employment Service Cluster	15,013,894	0
17.225	Unemployment Insurance	616,720,973	0
17.225	ARRA - Unemployment Insurance	8,511,166	0
17.235	Senior Community Service Employment Program	1,962,095	1,904,873
17.245	Trade Adjustment Assistance	10,629,465	0
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	11,601,679	11,022,800
17.259	Workforce Investment Act - Youth Activities	14,857,119	13,421,888
17.278	Workforce Investment Act - Dislocated Worker Formula Grants	14,170,918	12,591,534
	Total WIA Cluster	40,629,716	37,036,222
17.261	WIA Pilots, Demonstrations, and Research Projects	317,066	52,906
17.268	H-1B Job Training Grants	157,194	126,754
17.271	Work Opportunity Tax Credit Program (WOTC)	383,164	0
17.273	Temporary Labor Certification for Foreign Workers	125,684	0
17.277	Workforce Investment Act (WIA) National Emergency Grants	4,970,798	4,780,451
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	115,239	0
17.504	Consultation Agreements	1,232,506	0
17.600	Mine Health and Safety Grants	215,020	0
Total Department of Labor		702,052,828	43,901,206
Department of Transportation			
20.106	Airport Improvement Program	25,902,167	25,887,677
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	839,307,873	114,623,311
20.205	ARRA - Highway Planning and Construction	4,165,255	1,325,614
20.219	Recreational Trails Program	3,009,755	1,018,826
	Total Highway Planning and Construction Cluster	846,482,883	116,967,751
20.218	National Motor Carrier Safety	3,295,338	1,243,086
20.232	Commercial Driver's License Program Improvement Grant	233,324	29,898
20.237	Commercial Vehicle Information Systems and Networks	78,564	0
20.238	Commercial Driver's License Information System Modernization	4,476	0
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	105,508	0
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	237,819	0
20.319	ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants	13,021,848	0
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	2,993,180	2,993,180
	Total Federal Transit Cluster	2,993,180	2,993,180
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	6,915,335	6,823,760
20.509	Formula Grants for Rural Areas	13,884,477	13,240,396

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Transit Services Programs Cluster:		
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	267,199	144,436
20.516	Job Access and Reverse Commute Program	1,294,809	1,294,809
20.521	New Freedom Program	578,070	578,070
	Total Transit Services Programs Cluster	2,140,078	2,017,315
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	4,817,614	3,803,843
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	2,416,141	2,343,106
20.610	State Traffic Safety Information System Improvement Grants	605,031	604,382
20.612	Incentive Grant Program to Increase Motorcyclist Safety	115,506	0
20.613	Child Safety and Child Booster Seats Incentive Grants	196,064	62,637
	Total Highway Safety Cluster	8,150,356	6,813,968
20.607	Alcohol Open Container Requirements	18,141,398	3,116,741
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	4,816,572	2,391,833
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	178,013	0
20.616	National Priority Safety Programs	90,752	23,777
20.700	Pipeline Safety Program State Base Grant	572,192	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	366,440	126,795
20.720	State Damage Prevention Program Grants	40,000	0
20.721	PHMSA Pipeline Safety Program One Call Grant	8,912	0
20.816	America's Marine Highway Grants	1,422	0
Total Department of Transportation		947,661,054	181,676,177
Equal Employment Opportunity Commission			
30.UNKNOWN	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	557,968	0
Total Equal Employment Opportunity Commission		557,968	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	2,792,168	2,442,989
39.011	Election Reform Payments	348,737	348,731
Total General Services Administration		3,140,905	2,791,720
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	696,678	383,710
45.310	Grants to States	2,727,676	1,946,872
Total National Foundation on the Arts and the Humanities		3,424,354	2,330,582
Small Business Administration			
59.061	State Trade and Export Promotion Pilot Grant Program	526,260	489,861
Total Small Business Administration		526,260	489,861
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	883,726	0
64.015	Veterans State Nursing Home Care	60,377,752	0
64.024	VA Homeless Providers Grant and Per Diem Program	715,000	715,000
64.101	Burial Expenses Allowance for Veterans	765,442	0
64.115	Veterans Information and Assistance	479,095	0
Total Department of Veterans Affairs		63,221,015	715,000
Environmental Protection Agency			
66.032	State Indoor Radon Grants	146,168	0
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	646,678	0
66.039	National Clean Diesel Emissions Reduction Program	270,909	186,752
66.040	State Clean Diesel Grant Program	171,271	115,034
66.202	Congressionally Mandated Projects	32,535	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	170,000	0
66.433	State Underground Water Source Protection	160,855	0

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
66.454	Water Quality Management Planning	249,528	38,642
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	41,564,051	33,695,161
	Total Clean Water State Revolving Fund Cluster	41,564,051	33,695,161
66.460	Nonpoint Source Implementation Grants	4,647,861	2,211,631
66.461	Regional Wetland Program Development Grants	96,900	39,033
	Drinking Water State Revolving Fund Cluster:		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	26,129,184	14,314,643
	Total Drinking Water State Revolving Fund Cluster	26,129,184	14,314,643
66.474	Water Protection Grants to the States	10,228	0
66.475	Gulf of Mexico Program	36,488	34,287
66.605	Performance Partnership Grants	13,096,788	64,768
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	164,116	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	338,551	0
66.714	Regional Agricultural IPM Grants	25,052	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,553,620	331,311
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	500,159	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,171,968	125,181
66.817	State and Tribal Response Program Grants	1,185,359	0
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	28,366	0
Total Environmental Protection Agency		92,396,635	51,156,443
Department of Energy			
81.041	State Energy Program	737,098	164,988
81.042	Weatherization Assistance for Low-Income Persons	7,031,049	6,160,102
81.089	Fossil Energy Research and Development	32,594	0
81.092	Weldon Springs Site Remedial Action Project	355,357	0
81.104	Environmental Remediation and Waste Processing and Disposal	127,627	0
81.119	State Energy Program Special Projects	290,708	14,507
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	60,166	0
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	22,335	0
81.136	Long-Term Surveillance and Maintenance	64,151	0
81.138	State Heating Oil and Propane Program	5,702	0
Total Department of Energy		8,726,787	6,339,597
Department of Education			
84.UNKNOWN	Cooperative System Grant	14,444	0
84.002	Adult Education - Basic Grants to States	7,964,980	6,758,861
84.010	Title I Grants to Local Educational Agencies	229,976,237	228,439,710
84.011	Migrant Education - State Grant Program	1,388,559	1,363,661
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,444,503	1,431,071
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	221,983,907	198,358,473
84.173	Special Education - Preschool Grants	1,416,083	1,416,083
	Total Special Education Cluster (IDEA)	223,399,990	199,774,556
84.032	Federal Family Education Loans	148,593,115	0
84.048	Career and Technical Education - Basic Grants to States	18,466,552	16,831,957
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	59,378,348	0
84.144	Migrant Education - Coordination Program	82,593	82,593
84.169	Independent Living - State Grants	321,175	274,820
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	664,329	0
84.181	Special Education - Grants for Infants and Families	4,768,514	0
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	11,919	0
84.196	Education for Homeless Children and Youth	807,382	800,550
84.224	Assistive Technology	1,079,498	837,454
84.235	Rehabilitation Services Demonstration and Training Programs	75	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	47,550	0
84.282	Charter Schools	1,002,983	991,424
84.287	Twenty-First Century Community Learning Centers	20,628,689	20,073,134
84.323	Special Education - State Personnel Development	859,237	859,237
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	190,816	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	169,011	169,011
84.358	Rural Education	2,663,529	2,663,529
84.365	English Language Acquisition State Grants	5,249,895	5,187,384
84.366	Mathematics and Science Partnerships	2,590,460	2,587,458
84.367	Improving Teacher Quality State Grants	42,480,932	41,940,777
84.369	Grants for State Assessments and Related Activities	8,803,067	0
	Statewide Data Systems Cluster:		
84.372	Statewide Longitudinal Data Systems	1,372,347	0
	Total Statewide Data Systems Cluster	1,372,347	0
	School Improvement Grants Cluster:		
84.377	School Improvement Grants	13,494,308	13,108,767
	Total School Improvement Grants Cluster	13,494,308	13,108,767
84.378	College Access Challenge Grant Program	1,745,614	1,373,145
84.902	National Assessment of Educational Programs	135,673	0
Total Department of Education		799,796,324	545,549,099
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	80,782	48,251
Total National Archives and Records Administration		80,782	48,251
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	1,512,230	490,140
Total Elections Assistance Commission		1,512,230	490,140
Department of Health and Human Services			
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	99,349	7,830
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	338,052	109,218
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	359,920	355,135
	Aging Cluster:		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	6,923,180	6,215,865
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,022,790	10,870,084
93.053	Nutrition Services Incentive Program	3,719,244	3,719,244
	Total Aging Cluster	21,665,214	20,805,193
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	43,767	13,114
93.051	Alzheimer's Disease Demonstration Grants to States	3,315	0
93.052	National Family Caregiver Support, Title III, Part E	2,606,506	2,572,025
93.069	Public Health Emergency Preparedness	11,770,186	6,014,290
93.070	Environmental Public Health and Emergency Response	538,459	332,655
93.071	Medicare Enrollment Assistance Program	163,671	56,842
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	19,656	19,611
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	6,856	722
93.090	Guardianship Assistance	2,204,562	0
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	915,310	759,909
93.094	Well-Integrated Screening and Evaluation for Women Across the Nation	351,200	27,751
93.103	Food and Drug Administration - Research	1,342,606	10,500

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	72,979	68,878
93.110	Maternal and Child Health Federal Consolidated Programs	260,651	99,286
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	569,585	153,387
93.127	Emergency Medical Services for Children	74,740	0
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	253,746	57,045
93.136	Injury Prevention and Control Research and State and Community Based Programs	402,149	282,803
93.150	Projects for Assistance in Transition from Homelessness (PATH)	870,950	869,728
93.165	Grants to States for Loan Repayment Program	409,850	409,850
93.230	Consolidated Knowledge Development and Application (KD&A) Program	79,302	0
93.234	Traumatic Brain Injury State Demonstration Grant Program	307,831	234,197
93.235	Affordable Care Act (ACA) Abstinence Education Program	994,195	891,948
93.236	Grants to States to Support Oral Health Workforce Activities	42	0
93.240	State Capacity Building	317,356	0
93.241	State Rural Hospital Flexibility Program	352,308	193,876
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	6,897,709	6,427,196
93.251	Universal Newborn Hearing Screening	258,580	114,838
93.268	Immunization Cooperative Agreements	61,319,631	235,214
93.270	Adult Viral Hepatitis Prevention and Control	97,601	0
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	4,403,278	1,882,262
93.292	National Public Health Improvement Initiative	197,081	274
93.301	Small Rural Hospital Improvement Grant Program	284,734	284,734
93.414	ARRA - State Primary Care Offices	142,109	121,697
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	2,632,392	2,325,906
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	148,900	0
93.507	PPHF National Public Health Improvement Initiative	287,844	45,897
93.519	Affordable Care Act (ACA) - Consumer Assistance Program Grants	378,139	0
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	315,057	65,866
93.538	Affordable Care Act - National Environmental Public Health Tracking Program - Network Implementation	781,897	0
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds	698,213	480
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) Authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	157,432	30,840
93.556	Promoting Safe and Stable Families	5,870,840	0
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	179,856,587	0
	Total TANF Cluster	179,856,587	0
93.563	Child Support Enforcement	37,532,678	15,594,729
93.566	Refugee and Entrant Assistance - State Administered Programs	3,083,641	1,408,182
93.568	Low-Income Home Energy Assistance	76,702,921	30,574,649
93.569	Community Services Block Grant	16,558,543	15,463,797
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	44,366,322	5,497,041
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	61,087,195	0
	Total CCDF Cluster	105,453,517	5,497,041
93.576	Refugee and Entrant Assistance - Discretionary Grants	399,472	382,746
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	142,234	142,234
93.586	State Court Improvement Program	620,374	0
93.590	Community-Based Child Abuse Prevention Grants	562,736	562,736
93.597	Grants to States for Access and Visitation Programs	168,439	0
93.599	Chafee Education and Training Vouchers Program (ETV)	963,522	0
93.600	Head Start	205,078	205,078

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.603	Adoption Incentive Payments	504,948	0
93.609	The Affordable Care Act - Medicaid Adult Quality Grants	927,541	0
93.617	Voting Access for Individuals with Disabilities - Grants to States	75,637	75,637
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,337,836	375,369
93.643	Children's Justice Grants to States	490,299	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	5,206,321	0
93.652	Adoption Opportunities	165,751	0
93.658	Foster Care - Title IV-E	61,921,201	755,452
93.659	Adoption Assistance	30,234,942	0
93.667	Social Services Block Grant	51,593,338	11,286,515
93.669	Child Abuse and Neglect State Grants	480,737	0
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	2,122,327	2,121,319
93.674	Chafee Foster Care Independence Program	3,468,143	0
93.708	ARRA - Head Start	480,169	103,182
93.719	ARRA - State Grants to Promote Health Information Technology	6,199,523	6,192,623
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs - Financed by Prevention and Public Health Funds (PPHF)	345,347	328,842
93.735	State Public Health Approaches for Ensuring Quitline Capacity - Funded in Part by Prevention and Public Health Funds (PPHF)	364,645	364,645
93.744	PPHF: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories Solely Financed by Prevention and Public Health Funds	70,975	0
93.758	Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds (PPHF)	344,891	104,358
93.767	Children's Health Insurance Program	131,705,663	0
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	1,525,484	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	17,286,013	0
93.778	Medical Assistance Program	5,783,934,637	0
93.778	ARRA - Medical Assistance Program	45,785,423	0
	Total Medicaid Cluster	5,848,531,557	0
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	944,699	0
93.791	Money Follows the Person Rebalancing Demonstration	7,373,130	0
93.889	National Bioterrorism Hospital Preparedness Program	6,363,546	5,297,816
93.913	Grants to States for Operation of Offices of Rural Health	177,263	29,561
93.917	HIV Care Formula Grants	17,743,943	17,284,152
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2,717,115	169,761
93.940	HIV Prevention Activities - Health Department Based	3,898,360	2,128,581
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	599,462	286,622
93.945	Assistance Programs for Chronic Disease Prevention and Control	1,396,456	492,282
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	142,427	0
93.958	Block Grants for Community Mental Health Services	6,073,933	5,870,728
93.959	Block Grants for Prevention and Treatment of Substance Abuse	23,597,189	21,775,299
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,918,874	155,631
93.982	Mental Health Disaster Assistance and Emergency Mental Health	11,190	11,190
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	10,807	0
93.991	Preventive Health and Health Services Block Grant	1,771,813	177,602
93.994	Maternal and Child Health Services Block Grant to the States	12,020,181	6,741,474
	Total Department of Health and Human Services	6,787,847,671	197,840,830

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Corporation for National and Community Service			
94.003	State Commissions	278,298	4,485
94.006	AmeriCorps	2,449,153	2,421,028
94.009	Training and Technical Assistance	26,945	1,053
	Total Corporation for National and Community Service	2,754,396	2,426,566
Executive Office of the President			
95.001	High Intensity Drug Trafficking Areas Program	2,915,482	2,080,783
	Total Executive Office of the President	2,915,482	2,080,783
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	39,341,501	0
	Total Disability Insurance/SSI Cluster	39,341,501	0
	Total Social Security Administration	39,341,501	0
Department of Homeland Security			
97.008	Non-Profit Security Program	268,163	243,054
97.012	Boating Safety Financial Assistance	2,924,788	0
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	645,901	645,901
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	130,919	0
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	16,969,191	16,045,920
97.039	Hazard Mitigation Grant	29,102,100	28,556,532
97.041	National Dam Safety Program	178,292	0
97.042	Emergency Management Performance Grants	6,448,889	0
97.045	Cooperating Technical Partners	1,034,963	0
97.052	Emergency Operations Center	26,310	26,310
97.055	Interoperable Emergency Communications	3,000	3,000
97.067	Homeland Security Grant Program	17,432,007	14,555,369
97.082	Earthquake Consortium	27,408	0
97.088	Disaster Assistance Projects	629,370	609,259
97.091	Homeland Security Biowatch Program	437,697	354,497
	Total Department of Homeland Security	76,258,998	61,039,842
		$ 11,491,079,208	1,572,579,756

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the 2014 OMB Circular A-133 Compliance Supplement. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. Appendix VII of the supplement requires identifying expenditures of federal awards made under the American Recovery and Reinvestment Act of 2009 (ARRA) separately on the schedule with the inclusion of the prefix "ARRA-" in the name of the federal program.

The accompanying schedule includes all federal financial assistance administered by the state of Missouri, except for those programs administered by public universities and other component units and related organizations which are legally separate from the state of Missouri. Federal financial assistance provided to public universities and other component units and related organizations has been excluded from this audit. They were audited by other auditors under OMB Circular A-133.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133, which defines federal financial assistance as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

The schedule presents both Type A and B federal financial assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri during the year ended June 30, 2014, Type A programs are those which exceed $30 million in disbursements, expenditures, or distributions. The determination of major and non-major programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

The expenditures for each of the federal financial assistance programs are presented on the accounting basis as required by the federal agency which awarded the assistance. Most programs are presented on a cash basis, which recognizes expenditures of federal awards when disbursed in cash. However, some are presented on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Supplemental Nutrition Assistance Program Expenditures

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the ARRA. The portion of total expenditures for SNAP benefits that is supported by ARRA funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents the U.S. Department of Agriculture (USDA) from obtaining the regular and ARRA components of SNAP benefits expenditures through normal program reporting processes. As an alternative, the USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to ARRA funds. This methodology generates valid results at the national aggregate level but not at the individual state level. Therefore, the state cannot validly disaggregate the regular and ARRA components of its reported expenditures for SNAP benefits. At the national aggregate level, however, ARRA funds account for 0.64 percent of the USDA’s total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2014.

3. Special Supplemental Nutrition Program for Women, Infants and Children Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling $35,042,823, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR Section 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

4. Unemployment Insurance Expenditures

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling $572,673,432. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states, totaling $33,281,372, have also been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the state of Missouri, totaling $5,642,956, have been excluded from total expenditures.

5. Federal Loan Guarantees

The Department of Higher Education (DHE) guarantees student loans made by lenders under the Federal Family Education Loans program (CFDA 84.032). The original principal balance outstanding of all loans guaranteed by the DHE was $2,183,374,357 as of June 30, 2014. Additionally, the outstanding balance of defaulted loans (including principal and accrued interest) for which the federal government imposes continuing compliance requirements on the DHE was $335,891,452 as of June 30, 2014.

6. Nonmonetary Assistance

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch Program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled $24,657,410.

The Department of Public Safety distributes excess Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Excess Property program (CFDA No. 12.AAG). Property distributions totaled $16,936,213 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($4,010,495), which approximates the fair market value of the property at the time of distribution.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003). Property distributions totaled $11,791,248 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($2,792,168), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Cooperative Agreements program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled $57,377,283.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Unmodified for all opinion units except for governmental activities and the General Fund, which were qualified.

Internal control over financial reporting:

- Material weaknesses identified? __x__ yes ______ no
- Significant deficiencies identified that are not considered to be material weaknesses? ______ yes __x__ none reported

Noncompliance material to the financial statements noted? ______ yes __x__ no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? __x__ yes ______ no
- Significant deficiencies identified that are not considered to be material weaknesses? __x__ yes

Type of auditor's report issued on compliance for major programs: Qualified

Unmodified for all major programs except for the Child Care Development Fund Cluster, Adoption Assistance, and Temporary Assistance for Needy Families Cluster, which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? __x__ yes ______ no

The following programs were audited as major programs:

CFDA Number	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program
12.401	National Guard Military Operations and Maintenance (O&M) Projects
	Clean Water State Revolving Fund Cluster:
66.458	Capitalization Grants for Clean Water State Revolving Funds
84.010	Title I Grants to Local Educational Agencies
84.032	Federal Family Education Loans
84.367	Improving Teacher Quality State Grants
93.069	Public Health Emergency Preparedness
	TANF Cluster:
93.558	Temporary Assistance for Needy Families
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care - Title IV-E
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.778	ARRA - Medical Assistance Program
93.889	National Bioterrorism Hospital Preparedness Program

Dollar threshold used to distinguish between Type A and Type B programs: $30,000,000

Auditee qualified as a low-risk auditee? ______ yes __x__ no

Section II - Financial Statement Findings

2014-001. Financial Reporting Controls - Department of Social Services - MO HealthNet Division

As similarly noted in the prior report, the Department of Social Services (DSS) - MO HealthNet Division (MHD) and Division of Finance and Administrative Services (DFAS) do not have adequate procedures in place to ensure the accuracy of year-end financial data submitted to the Office of Administration - Division of Accounting (DOA). Accounts receivable amounts would have been overstated by $905.5 million and the related uncollectible amounts would have been overstated by $880.7 million in the note disclosures accompanying the financial statements in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2014, had the misstatements in the year-end financial data not been identified during our audit.

The MHD year-end financial data submitted to the DOA is to include gross accounts receivable, as well as an offsetting deduction for the portion considered likely to be uncollectible, resulting in an expected net accounts receivable. These amounts are used by the DOA to present accounts receivable activity in the CAFR financial statements and related note disclosures. However, when preparing the year-end financial data, the MHD reported incorrect data for both the gross accounts receivable and related uncollectible balances. While the net accounts receivable amount reported in the CAFR financial statements was not materially misstated, the gross accounts receivable and related uncollectible balances reported in the related note disclosures were materially misstated.

To generate the MHD financial information for CAFR purposes, MHD personnel obtained various accounts receivable reports from the Medicaid Management Information System (MMIS) as of June 30, 2014. MHD staff were aware significant data entry errors were made before and during fiscal year 2014 which affected the individual account receivable balances on the MMIS which were included in the reports. MHD staff made significant corrections and other adjustments to the data on the MMIS both before June 30, 2014, and within a few months thereafter. While these changes occurred prior to submission of financial data to the DOA for CAFR purposes, these corrections and adjustments were not considered when MHD staff determined the amounts to submit to the DOA. This resulted in gross receivable amounts being overstated by $905.5 million and the related uncollectible amounts being overstated by $880.7 million. As also noted in our prior audit report, the reports for accounts receivable are not adequately reviewed by the MHD for reasonableness to ensure the amounts are correct. The MHD and DFAS reviews did not detect the misstatements and the incorrect year-end financial data was submitted to the DOA.

When compiling the draft CAFR, the DOA incorporated the incorrect amounts reported by the MHD. During the prior audit, we informed the MHD that year-end financial data could be updated prior to the completion of the CAFR. However, only after we brought the fiscal year 2014 misstatements to the attention of the MHD was a correction submitted by the MHD and DFAS. The DOA made the correction to the CAFR in December 2014, prior to its completion.

Adequate systems of internal controls include the design and operation of controls which allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements.

<u>WE RECOMMEND</u> the DSS implement controls which allow for the detection and correction of misstatements when preparing the year-end financial data.

<u>AUDITEE'S RESPONSE</u>

We partially agree with the finding. DSS agrees with the statement in the audit finding which indicates the net accounts receivable amount reported in the CAFR financial statement was not materially misstated. DSS disagrees that the correction to the CAFR submitted by MHD was due to the data entry errors noted in the audit finding and instead proposes that the correction to the CAFR submitted by MHD was the result of account receivable posting changes by the MHD contractor.

DSS has updated internal CAFR procedures for Third Party Liability (TPL) to reflect a change in how the contractor (HMS) sets up and closes account receivables. HMS currently only sets up an account receivable when a check is received. As a result the HMS portion of the TPL Form 1 accounts receivable will be negligible. For in-house TPL collections MHD will continue to use the Accounts Receivable Summary Report as well as the Cash Control Month-to-Date Deposits Report. In addition, the MHD will review the data reported for reasonableness and compare prior year information to current year information and research any significant variances.

<u>AUDITOR'S COMMENT</u>

As noted in the audit finding, MHD staff made significant corrections and other adjustments to the data. Data entry errors were included in the initial submission to the DOA. For example, two accounts receivable entered in the system incorrectly included a ten-digit transaction number for the amount field instead of the actual payment amount. System truncation of the number of digits presented in the amount field further affected the errors, resulting in a net $200 million overstatement at June 30, 2014. MHD staff identified the errors and corrected the accounts receivable in the system, along with the contractor's posting process changes referenced in the auditee's response, all before the accounts receivable balance was submitted to the DOA. These corrections and other adjustments resolved both the data entry errors and the account receivable posting changes. However, no action was taken to ensure these corrections and adjustments were reflected on the accounts receivable balance submitted to the DOA. Further, there was no indication the DSS had planned to re-submit corrected amounts to the DOA before we brought our concerns to the attention of the DSS.

Section III - Federal Award Findings and Questioned Costs

2014-002. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2013 - 1305MO5MAP and 1305MO5ADM
2014 - 1405MO5MAP and 1405MO5ADM
State Agency: Department of Health and Senior Services (DHSS) - Division of

Senior and Disability Services (DSDS)
Questioned Costs: $81,981

As noted in the four prior audits, the DSDS does not ensure annual reassessments are performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. As a result, the DSDS has not ensured some HCBS recipients have a need for and are receiving the appropriate level of care.

The DSDS is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for seniors and adults with disabilities, including the two largest programs, State Plan Personal Care (SPPC) and Aged and Disabled Waiver (ADW). The Medicaid program is administered by the Department of Social Services (DSS) - MO HealthNet Division, while the DSDS is charged with assessing and reassessing the need for, and authorizing HCBS services for these Medicaid recipients. These services, which are authorized in a plan of care, provide assistance to help qualifying recipients remain in or return to their home or community, and include services such as bathing, grooming, and dressing; general toileting activities; cleaning, dusting, and laundry; meal preparation and/or assistance with eating and washing dishes; and transportation for shopping/errands and medical appointments. Other services include advanced personal care, authorized nurse visits, and respite care. During the year ended June 30, 2014, approximately 59,600 recipients were provided SPPC services and 16,300 were provided ADW services, with a total of 60,900 recipients receiving one or both services totaling approximately $630 million.

Backlogs of HCBS annual reassessments have existed for several years. During recent years, the DSDS has received additional funding and taken various measures in attempts to reduce backlogs, including the hiring (and subsequent firing) of an external assessment administrator, hiring additional full-time and temporary staff, paying HCBS providers to perform some annual reassessments, developing the new HCBS Web Tool, and giving providers access to the Web Tool. With these changes, there has been a significant reduction in the backlog of reassessments. According to DSDS officials, as of January 5, 2015, reassessments were due for approximately 10,075 Medicaid HCBS recipients, a 55 percent reduction from the backlog as of January 3, 2014, noted in our prior audit.

According to DSDS officials, and confirmed by our test results, the backlog consists of SPPC recipients still on the old legacy computer system since May 2011, when the new HCBS Web Tool was established. The backlog of reassessments due for Medicaid HCBS recipients of ADW services was eliminated as of September 2014 and there are no ADW recipients still in the legacy system. Currently, all new recipients are entered in the HCBS Web Tool, and existing recipients are moved from the legacy system to the HCBS Web Tool when their reassessments are performed. Because the HCBS Web Tool automatically suspends services for any recipient not receiving a required annual reassessment, the DSDS prioritizes and ensures these cases receive an annual reassessment. DSDS staff perform reassessments for the backlog of cases in the legacy system as time permits. A review of the cases in the legacy system noted the most recent reassessment for these recipients was completed 1 to 11 years ago, with over half the cases not having a reassessment since 2009 or before. According to DSDS officials, as of January 2015, approximately 75 percent of HCBS recipients were in the HCBS Web Tool and approximately 25 percent were in the legacy system. DSDS officials indicated during fiscal year 2014, approximately 65 percent of reassessments were performed by DSDS staff, while approximately 35 percent were performed by HCBS providers.

We tested assessment documentation for 60 Medicaid recipients who received SPPC and/or ADW services during the year ended June 30, 2014. Payments totaling $643,993 ($541,491 SPPC and $102,502 ADW) were made to providers on behalf of these recipients during this period. We found the DSDS did not perform annual reassessments for 9 of the 54 (17 percent) recipients requiring a reassessment. As a result, the DSDS could not demonstrate these 9 recipients needed the services for which the payments were made. All 9 of these recipients received SPPC services only. Payments for services provided to these recipients without annual reassessments during the year ended June 30, 2014, totaled $128,357 for SPPC. We question the federal share of $81,981 (63.87 percent).

The failure to perform annual reassessments as required can result in payments for services which are not necessary. Various regulations require that annual reassessments be performed for ADW and/or SPPC recipients to ensure the adequacy of the care plan and continued need for the level of care provided. These include federal regulation 42 CFR Section 441.302(c), Missouri statutes Sections 208.906 and 208.930, RSMo, state regulation 19 CSR 15-8.200, the Cooperative Agreement between the DSS and the DHSS, and the DSDS Home and Community Based Services Manual, Section 4.25. Furthermore, OMB Circular A-87, Attachment A, Section C.1.c provides that costs must be authorized or not prohibited under state or local laws or regulations to be allowable.

WE RECOMMEND the DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure annual reassessments are performed as required.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2014-003.	**Payroll Allocations**

Federal Agency: Department of Agriculture
Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2013 - 2013IS251443 and 2014 - 2014IS251443
93.575 Child Care and Development Block Grant
2013 - G1301MOCCDF and 2014 - G1401MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2013 - G1301MOCCDF and 2014 - G1401MOCCDF
93.778 Medical Assistance Program
2013 - 1305MO5ADM and 2014 - 1405MO5ADM

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

Questioned Costs: $25,841

As similarly noted in two previous audit reports, DFAS controls and procedures over the allocation of some payroll costs to federal programs were inadequate and, as a result, some employees continue to be assigned to the incorrect cost pools based on division assignment. In response to prior audit findings, DFAS staff now meet quarterly with the fiscal liaisons to review staff, labor code, and allocation changes to improve controls over the allocation of payroll costs.

Payroll costs are identified and allocated to federal programs administered by the department in accordance with the DSS cost allocation plan. These payroll costs are classified by use of labor codes. Payroll costs related to some labor codes are directly charged to specific federal programs while payroll costs related to other labor codes are included in the Income Maintenance (IM) or Children's Services (CS) cost pools. Payroll costs included in the cost pools are allocated to federal programs based on the percentage of time worked by employees on certain federal programs. Costs included in the IM cost pool are primarily allocated to programs administered by the Family Support Division (FSD), and costs included in the CS cost pool are primarily allocated to programs administered by the Children's Division (CD).

FSD, CD, and MO HealthNet Division Personnel Unit staff assign a labor code to each employee that reflects the employee's position, division, and other programmatic information related to the employee's duties. Each division has the authority to establish new labor codes or modify existing labor codes, as necessary, to account for new programs or facilitate reorganization of existing employees. The DFAS is primarily responsible for determining how those labor codes are to be processed through the cost allocation plan. DFAS officials indicated Personnel Unit staff notify and discuss with them changes to labor codes so the DFAS can make necessary changes in the allocation of labor codes to federal grants.

Our review of selected labor codes charged to the IM and CS cost pools during state fiscal year 2014 identified 1 of 60 employees reviewed (2 percent) was assigned a labor code that resulted in the employee's payroll costs being charged to the incorrect cost pool. The identified error represents one labor code which included at least one CD employee, but the DSS charged the code incorrectly to the IM cost pool. This error resulted in overstatements of payroll costs totaling $51,332 to three federal programs and understatements totaling $51,677 to four federal programs.

We question the federal share, or $25,841, of payroll costs related to the overstatements because those costs were not allowable costs of the applicable federal programs. The understatements relate to allowable costs the DSS can allocate to applicable federal programs through future adjustments on federal financial reports. Listed below is the federal share of questioned costs related to the overstatements:

CFDA	Program	Amount
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	$ 13,893
93.575/ 93.596	Child Care and Development Block Grant/ Child Care Mandatory and Matching Funds of the Child Care and Development Fund	456
93.778	Medical Assistance Program	11,492
Total		$ 25,841

In addition, the labor code noted above included one other employee who was not included in our test. The DSS should review and determine if this individual's payroll costs are also incorrectly charged to the IM cost pool and resolve any overpayments with the grantor agencies.

OMB Circular A-87, Attachment A, Section C.3.a states that a cost is allocable to a particular cost objective if the related goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received. In addition, federal regulation 45 CFR Section 96.30(a) requires the DSS to have sufficient controls over block grants to ensure expenditures are allowable. To ensure payroll costs are allowable and allocable to the various federal programs, the DFAS should continue to improve controls including reviewing the purposes and definition of all labor codes.

WE RECOMMEND the DSS, through the DFAS, resolve the questioned costs with the grantor agency and continue to improve controls and procedures to ensure payroll costs are allowable and allocable. The DSS should also review other payroll costs charged to the labor code error to determine whether remaining payroll costs are appropriately charged to the IM cost pool and resolve any overpayments with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2014-004. Payment Coding

Federal Agency: Department of Health and Human Services
Federal Program 93.090 Guardianship Assistance
2013 - G1301MO1409 and 2014 - G1401MO1409

	93.658 Foster Care - Title IV-E 2013 - G1301MO1401 and 2014 - G1401MO1401 93.659 Adoption Assistance 2013 - G1301MO1407 and 2014 - G1401MO1407
State Agency:	Department of Social Services (DSS) - Children’s Division (CD) and Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$1,534,619

As similarly noted in our prior audit, DSS controls and procedures over the establishment and monitoring of assigned accounting system coding for assistance and administration payments are inadequate. Coding errors occurred and went undetected, and as a result, some payments were incorrectly allocated to the Foster Care and Adoption Assistance programs.

Several times each month, the DFAS processes payments from the Family and Children's Electronic System (FACES) to residential facilities, foster and adoptive parents, and legal guardians caring for children who are or were in state custody. Personnel in the DFAS Accounts Payable Unit then enter the total of the payments into the statewide accounting system (SAM II) using predetermined coding that designates how the expenditures will be allocated to federal programs. FACES payment information is included in a report identifying FACES expenditure totals by type of service (service code) and FACES fund code. The FACES fund code denotes the child's eligibility for various federal programs and service code denotes the types of services paid. For example, a specific FACES fund code is assigned to a child that is eligible for the Adoption Assistance program. The appropriate SAM II reporting category code then designates the expenditures as eligible to claim for the federal Adoption Assistance program. DFAS and CD personnel establish how FACES payments should be coded in SAM II and create the coding template used by DFAS Accounts Payable Unit staff. CD officials indicated the established SAM II coding is updated as needed if there are significant changes to FACES coding or federal program provisions.

In response to our prior audit finding, the DSS stated DFAS staff have been meeting on a regular basis to review the payment coding and have worked to improve communication about coding changes between DFAS Budget, Grants, and Accounts Payable staff. However, various errors continued to occur.

A. The DSS claimed all rehabilitative residential treatment room and board/supervision payments for adopted children to the Foster Care program in error.

   The DSS contracts with residential treatment facilities to provide room and board, supervision, and therapeutic rehabilitative services to children at various rates based on the child's level of need. The DSS began allocating the room and board/supervision portion of rehabilitative residential treatment facility payments to the Foster Care program during state fiscal 2013. To determine the allocation amount, the Office of Administration - Information Technology Services Division

(ITSD) prepares a monthly report of rehabilitative residential treatment facility payments processed through the FACES system. Payments are totaled on the ITSD report by the FACES fund code, and allocated to federal programs based on this code.

When developing the system for claiming rehabilitative residential treatment payments, payments assigned FACES fund code 98, "Medicaid Rehab Option - Adoption," were not separated from other rehabilitative residential treatment payments and were improperly claimed under the Foster Care program rather than the Adoption Assistance program. There was no subsequent documented review of this coding in state fiscal year 2013 or 2014, and as a result, the various costs were not separately identified as applicable to the Foster Care or Adoption Assistance programs on the ITSD report and the fund code 98 costs were incorrectly claimed to the Foster Care program. DSS officials confirmed these costs should not be allocated to the Foster Care program because the costs are paid on behalf of adopted children eligible for the Adoption Assistance program under 42 USC 673. Total applicable payments claimed to the Foster Care program related to fund code 98 in state fiscal year 2014 were $1,645,098. We question the federal share or, $1,017,657 (approximately 62 percent).

B. Additional coding errors occurred and went undetected, and as a result, some payments were incorrectly allocated to the Adoption Assistance program. We noted the following issues:

- The DSS incorrectly claimed $605,815 in Guardianship Assistance payments to the Adoption Assistance program by allocating payments coded to FACES fund codes 06 and 16, Guardianship Assistance and Administration, to the SAM II coding for Adoption Assistance. The DSS subsequently claimed these payments incorrectly as Adoption Assistance program expenditures on federal reports. To be an allowable Adoption Assistance program cost, the payments would have to be made on behalf of legally adopted children for whom the DSS has a signed adoption subsidy agreement pursuant to 42 USC 673 and 45 CFR Section 1356.40. Payments for children coded to FACES fund codes 06 and 16 for Guardianship Assistance would not meet these requirements. We question the federal share of $3,417 (approximately 62 percent) of assistance payments made through FACES fund code 06, and $300,152 (50 percent) of administration payments made through FACES fund code 16 that were charged to the Adoption Assistance program during state fiscal year 2014.

- The DSS assigned some service codes to the Adoption Assistance program which are unallowable. As a result, the DSS claimed $314,203 in unallowable legal payments and $7,163 in unallowable respite care payments to the Adoption Assistance program. According to DSS policy, the legal fees service code identifies legal fees for termination of parental rights for children in CD custody and should be paid from the Foster Care program. For legal fees to be an allowable cost under the Adoption Assistance program, the fees must be directly related to the legal adoption of a special needs child in accordance with 45 CFR Section 1356.41(i), and be claimed under a different service code. Also respite care is not an allowable expenditure for the Adoption Assistance program. We question the federal share, or $194,470 (approximately 62 percent) in legal fees and $4,426 (approximately 62 percent) in respite care costs charged to the Adoption Assistance program during state fiscal year 2014.

C. Procedures implemented by the DSS, in response to a similar finding in a previous audit report, to identify nonrecurring adoption expenses in excess of federal limits did not fully address the issue due to a misunderstanding of Adoption Assistance payment coding. In addition, the DSS did not perform these additional procedures for the final quarter of state fiscal year 2014. As a result, additional nonrecurring expenses continue to be claimed in excess of federal limitations.

In a previous audit (Report No. 2012-26, *State of Missouri Single Audit*, *Year Ended June 30, 2011*, issued in March 2012, finding number 2011-15), we noted the DSS did not have procedures in place to ensure nonrecurring adoption expenses were limited to $2,000 per placement, which is the total amount allowable and reimbursable at the administrative match rate per 45 CFR Section 1356.41(f)(1). In response, the DSS developed a process requiring CD staff to review a quarterly report of all federally eligible children with nonrecurring expenses paid. CD staff then are to adjust any amounts in excess of $2,000 by claiming the excess to FACES fund code 05 to designate the payment as a state-only expenditure. While the FACES fund code is changed, the underlying service code is not changed and still identifies the excess costs as nonrecurring expenses.

DSS personnel performing the quarterly review were not aware that DSS coding guidance designates all costs in the service code for nonrecurring expenses to be claimed to the federal Adoption Assistance administration reporting category regardless of the FACES fund code used. The DSS coding guidance is followed by DFAS Accounts Payable Unit staff to enter the costs into the SAM II accounting system and federal reports. As a result, the DSS continued to claim nonrecurring expenses in excess of $2,000 to the federal program in error. Payments totaling $19,522 were made that exceeded the $2,000 limit for 24 children. We question the federal share, or $9,761 (50 percent).

In addition, the review procedures were not performed for the fourth quarter of state fiscal year 2014 because the DSS Research and Evaluation Unit did not provide the necessary report to CD staff. Additional payments totaling $9,471 were made during this quarter that exceeded the $2,000 limit for 5 children. We question the federal share, or $4,736 (50 percent).

Good internal controls require adequate procedures to ensure amounts charged to federal programs are accurate and allowable for the program. SAM II and FACES coding established by CD and DFAS personnel dictates how the majority of payments made on behalf of foster, adoptive, or legal guardianship children through the FACES system are claimed for federal reimbursement. The lack of sufficient review allowed the above errors to go undetected by the DSS. Without effective controls to sufficiently review the SAM II coding, the DSS cannot ensure only allowable costs are charged to the various federal programs.

WE RECOMMEND the DSS, through the CD and DFAS, resolve the questioned costs with the grantor agency, and:

A&B. Continue to implement controls and procedures to ensure appropriate coding is established and expenditures are claimed to the appropriate federal program. Controls and procedures should include a periodic supervisory review of coding.

C. Strengthen procedures to ensure payment of nonrecurring adoption expenditure payments are compliant with federal regulations.

AUDITEE'S RESPONSE

A&B. We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

C. We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2014-005. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2013 - G1301MOCCDF and 2014 - G1401MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2013 - G1301MOCCDF and 2014 - G1401MOCCDF
State Agency: Department of Social Services (DSS) - Children’s Division (CD) and Family Support Division (FSD)
Questioned Costs: $59,601

As noted in our prior four audit reports, significant weaknesses exist in DSS controls over Child Care Development Fund (Child Care) eligibility and provider payments. Controls are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. Eligibility and payment documentation could not be located for many child care cases reviewed, and overpayments were made to some providers. The DSS has only limited procedures to review eligibility determinations and current procedures are inadequate to monitor payments to providers. During the year ended June 30, 2014, the DSS paid over 6,700 child care providers approximately $130 million for services provided to about 65,000 children of eligible clients.

The DSS provides funds to child care providers who serve eligible clients (parents/caregivers). Clients apply to FSD or CD case workers for participation in the Child Care program. Federal regulation 45 CFR Section 98.20 provides that to be eligible for services the child must 1) be under 13 years old, or at the option of the DSS under age 19 and physically or mentally incapable of caring for himself/herself or under court supervision, 2) live with a family who meets certain income guidelines, and 3) have parents who are working or attending a job training or educational program. Clients may also be eligible if physically or mentally incapacitated (supported by a written statement from their physician or psychologist), or if the client receives Temporary Assistance for Needy Families (TANF) benefits and satisfactorily participates in job search, training, volunteer work experience, or other activities through the Missouri Work Assistance (MWA) program.

Once approved, the client selects a child care provider and the DSS enters into an agreement with the provider for child care services. The DSS Income Maintenance (IM) manual requires that case workers set maximum authorized service units for the amount and type of care that best meets the family’s need; and maintain case file documentation, including the child care application or a signed system-generated interview summary and copies of income (including work hours) or educational program verifications to support eligibility determination. Federal regulation 45 CFR Section 98.90 also requires the DSS to retain program records for a period of three years.

The IM manual considers a client to be working only if working an average of 20 or more hours per week and only allows a client to receive child care subsidy while attending an educational program for a cumulative of 4 years. The IM manual also limits the number of absences and holidays eligible for reimbursement and prohibits subsidy payments to providers if the owner of the facility is also the child's parent or guardian.

The IM manual and provider agreements require that providers submit a monthly invoice electronically via the internet through the Child Care Online Invoicing System (CCOIS) or manually through the Child Care Provider Relations Unit. The CCOIS interfaces with the Family Assistance Management Information System (FAMIS) to process provider payments. Additionally, providers are required to maintain detailed attendance records documenting daily arrival and departure times and containing a client signature verifying the child received the services. Although all providers are required to retain attendance records for 5 years, the DSS only requires registered (license exempt) providers who submit manual invoices to submit attendance records for payment.

To test compliance with program requirements, we judgmentally selected 7 children who were either over age thirteen or for which the DSS paid higher dollar subsidy amounts and also selected a sample of 60 additional children. We reviewed eligibility case documentation, related provider agreements and payment documentation supporting one payment for each of these children. Eight of these 67 children attended child care providers who exhausted the maximum number of annual holidays allowed within the first six months of the year. We further reviewed selected attendance records for these providers. Payments totaling approximately $204,300 were made to child care providers on behalf of these 67 children during state fiscal year 2014. We noted the following:

- The DSS could not locate all or part of the Child Care eligibility case file for 9 of 67 (13 percent) cases reviewed. For four cases, the DSS could not locate any original signed information and provided only reprinted information from the FAMIS. The remaining five case files included information related to other benefit programs or child care information for other time periods; however, Child Care eligibility information for all or a part of the audit period was missing. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2014, totaled $51,456. We question the federal share of $37,280 (72.45 percent).

- Eligibility documentation was not sufficient to support a valid need for child care services for 12 of 67 (18 percent) cases reviewed. For five cases, the client provided information at the time of application or redetermination for Child Care or another assistance program that showed the client was employed less than an average of 20 hours per week or not employed and had no other valid need for services. For three cases, there was either no documentation supporting the need for child care while enrolled in an educational program, the client received child care due to an educational need exceeding the four year limit, and/or the client attended graduate courses, which is not considered a valid educational need. For another three cases, there was either no documentation of the client's enrollment with the TANF MWA training program for the entire fiscal year, the children attended the child care provider owned by their parent, or there was no written statement from a physician or psychologist determining the client to be incapacitated and supporting the need for child care. For one additional case, the client's child support income was not properly considered when determining eligibility and the additional income made her ineligible for traditional child care benefits. Payments totaling $16,476, made on behalf of these 12 children and their siblings, during the year ended June 30, 2014, were unallowable and/or unsupported by adequate documentation. We question the federal share of $11,937 (72.45 percent).

- Documentation was not adequate to support payments and/or payments were not in compliance with DSS policies for 24 of 67 (36 percent) cases reviewed. Some attendance records were not provided by child care providers upon our request, some attendance records were not signed by the client and/or provider, and some provider invoices did not agree to the corresponding attendance records, resulting in overpayment. Of these payments, six were for cases that also lacked eligibility documentation and were included in the questioned costs above. Payments for the remaining 18 cases totaled an additional $3,102. We question the federal share of $2,247 (72.45 percent).

- Case file documentation did not support authorizations for payments for 4 of 67 (6 percent) cases reviewed. For one case, two providers were simultaneously authorized to bill for a child because the DSS did not timely close the authorization for one provider, resulting in duplicate billings. For another case, the client was authorized to receive child care at the evening or weekend rate while in school but the client attended no night classes. For two cases, the clients were authorized to receive, and the providers billed for, both day and evening child care on the same days; but the client's work schedule did not support the need for child care during both times of day. Payments made on behalf of these 4 children and their siblings totaled $9,229. We question the federal share of $6,687 (72.45 percent). A portion of the payments for one of these cases was questioned above because the case also lacked some eligibility documentation.

- Four of the eight applicable providers improperly claimed absences on a day the center was closed for business after exhausting their annual allotment of 11 holidays per state fiscal year. Absences should only be claimed when the facility is open but an individual child is not in attendance. Claiming these as absences allowed the providers to exceed the limit on annual paid holidays. The providers were paid $2,002 for absences for various children. We question the federal share of $1,450 (72.45 percent).

The various errors noted above occurred because the DSS lacks sufficient controls to ensure eligibility determinations are accurate and adequately documented and payments are proper and adequately supported. At least four significant factors contributed to the weak control system including: limited supervisory review of Child Care eligibility determinations, limited on-site contract compliance reviews of child care providers, minimal other procedures in place to review provider attendance records, and poor case management and document retention.

In response to deficiencies identified in previous audits, the DSS implemented new controls over eligibility determinations. Effective March 1, 2012, the DSS required all FSD eligibility supervisors to review a minimum of three Child Care cases each month in the case review system. While the new procedures could improve controls over eligibility determinations, the number of reviews declined in fiscal year 2014. The CD detected the decline through their review procedures in November 2014 and plan to issue a directive that supervisory reviews should continue during reorganization. There are also no requirements for random case selection and only limited procedures to ensure the monthly case reviews are performed.

In September 2013, the DSS also began performing on-site reviews of child care providers to evaluate billing practices, compare attendance records to amounts invoiced, and review facility staffing ratios and fire safety. The Child Care Review Team (CCRT) completed approximately 1,000 provider reviews during the year ended June 30, 2014.

This process improves controls over provider payments; however, some weaknesses existed in the process. As noted in Report No. 2015-005, *Early Childhood Development, Education, and Care Fund*, issued in February 2015, the DSS did not always pursue timely corrective action, refer providers as necessary, or terminate providers who did not attend required trainings. In addition, the CCRT allows providers to submit missing attendance records after the on-site review and did not always calculate overpayments accurately. Officials indicated the high volume of reviews completed initially resulted in a backlog of follow-up tasks. Officials indicated steps have been taken to reduce the time between review and follow-up and the DSS is developing a computer system to better track these reviews.

The DSS needs to continue to review, strengthen and enforce policies and procedures to ensure child care payments are made only on behalf of eligible clients, invoices agree to the corresponding attendance records, attendance records are complete, payments are in accordance with department policy, and appropriate child care services are authorized. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified. Complete and accurate case records are critical in properly administering the program.

Payments associated with known questioned costs represented approximately 14 percent of payments reviewed. If similar errors were made on the remaining population of child care payments, questioned costs could be significant.

WE RECOMMEND the DSS through the CD and FSD, resolve the questioned costs with the grantor agency, and continue to review, strengthen and enforce policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2014-006. Child Care Provider Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2013 - G1301MOCCDF and 2014 - G1401MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2013 - G1301MOCCDF and 2014 - G1401MOCCDF

State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $3,083

As noted in our prior audit report, the DSS does not have adequate controls and procedures in place to ensure certain child care providers participating in the Child Care Development Fund (Child Care) subsidy program comply with statutory requirements for license-exempt status. By statute, child care providers are exempt from licensing requirements if they care for four or less unrelated children, known as "four-or-less" (FOL) registered providers. The DSS did not properly classify some children as unrelated or could not verify the relationship between some FOL providers and children in their care. During the year ended June 30, 2014, the DSS paid over 3,600 FOL child care providers approximately $20.2 million for child care services.

Child care providers must be licensed, or be exempt from licensure by statute, to participate in the program. FOL providers must sign a registration agreement attesting they understand the health and safety requirements of the program, will comply with such requirements, and will report true and accurate information. Once the provider registers with the DSS, clients participating in the Child Care subsidy program may request their children be authorized for care with the provider. The Child Care policy manual specifies the information the FSD eligibility specialists (ES) should review to verify the relationship between the children and the FOL providers. Examples specified include Missouri electronic birth records accessible via the Family Assistance Management Information System (FAMIS), paper birth certificates for individuals born in other states, marriage licenses, and other documents. The policy does not specify that the ES is required to document how they perform verification procedures, though the policy indicates the ES may not accept the parent's statement as the only verification. The FAMIS has built-in edits that only allow the ES to authorize a maximum of four unrelated children to a FOL provider at any given time. However, if the correct relationship code is not used, the edit will not prevent payment for more than four unrelated children.

To test compliance with various Child Care program requirements, we sampled eligibility documentation for 60 children. The DSS paid 10 FOL providers on behalf of some of these children; 7 of which were paid for more than four children for at least one month during state fiscal year 2014. For these 7 providers, we reviewed the relationship of all children listed as relatives and claimed for reimbursement during a selected month. The DSS paid each provider for 5 to 15 related and unrelated children for the month reviewed, 56 children in total. We asked the CD to verify the relationships using information available in FAMIS or available from the local FSD offices responsible for managing the cases.

For 3 of 7 (43 percent) FOL providers reviewed, the relationships between some of the children and their providers could not be verified or the ES did not use the correct relationship code. The eligibility specialists entered a relationship code specifying the relationship as aunt for 2 of the 15 related and unrelated children for one provider. The provider is actually the great-aunt of the children and should be considered as an unrelated person based on the statutory and DSS policy definitions of a relative. Also for this provider, eligibility specialists entered a relationship code of aunt for three other children during one eligibility period, but indicated the children were unrelated in a subsequent eligibility period. For the remaining two providers, the eligibility specialists did not document how they originally verified the relationship, and the DSS either could not confirm relationships, or found that the relationships should have indicated that the child was unrelated. As a result, these three providers may have cared, and been paid by the DSS, for more than the four unrelated children allowed during the month tested. If so, these three providers operated in violation of state child care licensing laws and were ineligible for the program. The DSS paid these three providers $4,256 during the month reviewed. We question the federal share of $3,083 (72.45 percent). If similar errors in the classification of relatives and inability to verify relationships were made for the remaining 1,147 FOL providers paid for more than four children for at least one month during state fiscal year 2014, questioned costs could be significant.

An eligible provider for the Child Care program is defined by 45 CFR Section 98.2 as a provider for child care services for compensation that is licensed, regulated, or registered under applicable state or local law and satisfies state and local requirements, including health and safety requirements. Section 210.211.1, RSMo, states it is unlawful for any person to establish, maintain, or operate a child care facility without a valid license issued by the Missouri Department of Health and Senior Services unless the provider meets one of the listed exemptions. Section 210.211.1(1), RSMo, exempts from licensure any person who is caring for four or fewer unrelated children. Children related to the provider by blood, marriage, or adoption within the third degree are not considered in the total number of children being provided care.

DSS officials indicated they plan to revise current policy to clarify the documentation requirements for the relationship between recipient and FOL child care providers, draft a Practice Point to address the appropriate use of FAMIS relationship codes to be distributed to eligibility specialists, and create and publish an invoice message to educate child care providers on the rules regarding relationship to remain in compliance as a registered FOL provider. However, as of February 2015, the DSS has not completed this process. Adequate documentation of the verification of a child's relationship to a FOL provider is necessary to ensure compliance with DSS policy and state law. In addition, documentation would allow supervisors to better review relationship determinations for children authorized to FOL providers.

WE RECOMMEND the DSS, through the CD, resolve questioned costs with the grantor agency and improve controls and procedures to ensure child care providers participating in the subsidy program are in compliance with state licensing requirements. These procedures should include maintaining adequate documentation to demonstrate verification of a child's relationship to the provider at the time of authorization.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2014-007. Foster Care Case Management Resource Development Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.658 Foster Care - Title IV-E 2013 - G1301MO1401 and 2014 - G1401MO1401
State Agency:	Department of Social Services (DSS) - Children’s Division (CD) and Division of Finance and Administrative Services (DFAS)

As similarly noted in our prior audit report, the DSS has not utilized established review procedures and related results to ensure contractor resource development payments (training costs) to Foster Care case management contractors are properly allocated and claimed to the Foster Care program. As a result, the DSS claimed payments for some training costs to the Foster Care program at a higher federal reimbursement rate than is allowed.

The DSS contracts with six Foster Care case management contractors, each a consortium of multiple local agencies, to provide case management/administration and room and board for children in state custody. The DSS awarded the current contracts in 2012 through a competitive bidding process and pays the contractors a monthly fixed price for a pre-established caseload. The DSS allocates the case management/administration costs to several federal programs based on the original budgets submitted by the contractors during the bidding process. Each contractor's budget separates case management/administration costs into five categories, including resource development. The DSS allocates resource development costs, or contractor training costs, to the Foster Care program and claims the costs at the 75 percent training reimbursement rate, the highest reimbursement rate for the program, after applying the average Foster Care penetration rate of approximately 66.5 percent. The DSS paid these contractors approximately $54.5 million during the year ended June 30, 2014, of which, approximately $2.3 million was for resource development. The federal share after applying the penetration rate and 75 percent training reimbursement rate was approximately $1.1 million.

In response to a similar finding in our previous audit report (Report No. 2011-11, *State of Missouri Single Audit, Year Ended June 30, 2010*, issued in March 2011, finding number 2010-17), the DSS developed procedures to compare contractors' monthly reports of actual costs to the amounts paid by the DSS for the various budget categories and the amounts claimed to the federal programs. The DSS performed quarterly reviews of all contractor costs for the last three quarters of state fiscal year 2014, and found that the average of actual training costs for all contractors were less than the average paid and claimed by the DSS for these services for all three quarters. For the three quarters reviewed, the DSS determined it allocated an average of approximately $190,000 per quarter per facility for training costs (and claimed an average of approximately $94,000 per facility each quarter to the federal program), but the facilities only spent an average of between approximately $39,000 and $42,000 for training. The DSS found one contractor did not have any training costs during the three quarters reviewed, although the DSS claimed approximately $47,000 in training costs for this contractor during this time. Despite the additional procedures and information available, DSS officials indicated they do not plan to change the method these costs are claimed to the federal programs and will only use this information when evaluating future budget categories during contract award. As a result, the DSS claimed and may continue to claim contractor training payments to the Foster Care program that are not supported by actual training costs incurred by the contractors.

OMB Circular A-87, Attachment A, Section C.3.a states that a cost is allocable to a particular cost objective if the related goods or services are chargeable or assignable to such cost objective in accordance with relative benefits received. Additionally, costs must be adequately documented to be allowable. Training payments charged to the Foster Care program in excess of the contractors' allocable share would be questionable; however, such costs may be allowable for the Foster Care program if claimed as administration costs at the 50 percent administration reimbursement rate or as general administration and allocated to various programs through DSS cost allocation procedures. As a result, the difference between the amount claimed for training and what is allowable to be claimed for administration would likely result in questioned costs; however, such questioned costs were not determined. Without utilizing available information to periodically analyze and allocate costs to federal programs, the DSS cannot ensure resource development costs are allowable and allocable training costs of the Foster Care program.

WE RECOMMEND the DSS, through the CD and DFAS, utilize results of cost reviews when claiming Foster Care case management payments to federal program to ensure all expenditures are allocated in accordance with federal regulations.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2014-008. Adoption Assistance - Eligibility and Assistance Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.659 Adoption Assistance 2013 - G1301MO1407 and 2014 - G1401MO1407
State Agency:	Department of Social Services (DSS) - Children’s Division (CD)
Questioned Costs:	$16,377

As noted in two previous audits of the Adoption Assistance program, the DSS made payments on behalf of ineligible children, did not retain sufficient documentation to support some eligibility decisions made, and appears to have backdated some subsidy agreements. During the year ended June 30, 2014, the DSS provided Adoption Assistance benefits totaling over $48 million for approximately 11,500 children.

The Adoption Assistance program assists families in adopting eligible children with special needs by providing subsidy payments to adoptive parents. To be eligible to receive benefits under the program, eligibility requirements outlined at 42 USC 673 must be met. The DSS is required to enter into adoption subsidy agreements with adoptive parents who receive subsidy payments on behalf of the child. The nature of services to be provided and nonrecurring expenses to be paid must be stated in the subsidy agreement as required by 45 CFR Section 1356.40 and 45 CFR Section 1356.41. In addition, the agreement must be signed and in effect prior to or at the time of the final adoption decree. The DSS Child Welfare Manual states documentation of the disability and the recommended treatment is required. Subsidized costs may include maintenance, child care, respite care, and nonrecurring adoption expenses.

To test compliance with these requirements, we reviewed eligibility and expenditure documentation for 60 children receiving Adoption Assistance. Assistance payments totaling approximately $247,500 were made on behalf of these children during the year ended June 30, 2014. Our review noted the following:

A. For two (3 percent) cases tested, payments were made on behalf of children ineligible for Adoption Assistance benefits because the adoption subsidy agreement was not signed and in effect before or at the date of adoption. For one of the cases tested, the adoption subsidy agreement did not contain a signature from the CD Director. For the second case, the adoption subsidy agreement was not signed and effective until 2 weeks after the adoption decree. For one additional case tested (2 percent), the adoption subsidy agreement was not in the file to demonstrate the agreement was in effect prior to the adoption. The DSS policy requires subsidy agreements be signed by both the adoptive parents and the CD Director to be considered in effect. In these three cases, payments totaling $11,268 were made on behalf of ineligible children during the year ended June 30, 2014. We question the federal share of $6,971 (approximately 62 percent).

   Cumulative payments, totaling $51,163, $45,227, and $48,790 for the three cases where the adoption subsidy agreement was not in effect before the adoption decree or the subsidy agreement was not in the file, respectively, were charged to the Adoption Assistance program from August 1999 to June 2014. The payments made for these cases during fiscal year 2014 were included in the questioned costs above.

B. For some additional cases, it appears the subsidy agreements were not signed and in effect prior to or at the date of the adoption decree because the CD Director's signature date was apparently backdated.

Subsidy agreements are established by case workers and reviewed by supervisors in the local offices. After the subsidy agreements are signed by the adoptive parents and reviewed and approved by local office supervisors, the agreements are sent to the Central Office Contract Management Unit (CMU) where the CD Director's signature is applied with a stamp by CMU staff.

For three (5 percent) cases tested, local office supervisors signed the agreement after the adoption date, but the CD Director's signature pre-dated the adoption, indicating the agreement was backdated and not in effect prior to the adoption decree. DSS officials indicated backdating of subsidy agreements by CMU personnel was permissible under DSS policy prior to May 2008, and backdating was utilized because of a backlog in processing and submitting the subsidy agreements to the CMU. For the three cases, payments totaling $15,204 were made during the year ended June 30, 2014. We question the federal share of $9,406 (approximately 62 percent). One of the subsidy agreements was established in 2006 and the other two were established in 2000. Cumulative payments, totaling $43,788, $92,515, and $33,800 for these three cases were charged to the Adoption Assistance program through June 30, 2014. The payments made for these three cases during fiscal year 2014 were included in the questioned costs above.

For another 16 cases, there is either a directive to backdate the agreement in the case file, the date of the CD Director's signature precedes the parents' or local supervisors' signature dates, or the CD Director's signature precedes the date the document was received by the CMU. However, the latest date shown on the subsidy agreement is before the adoption date so we are unable to determine if the agreement was in effect before the adoption decree. We will not question costs for these cases, but it is unclear why the DSS would backdate these agreements if they were truly effective before the adoption date.

In May 2008, the CD issued a policy memo prohibiting backdating of subsidy agreements. The subsidy agreements for the 19 cases noted above were established prior to this directive. Our review of subsidy agreements established after this directive noted no instances of apparent backdating.

The failure to ensure adoption subsidy agreements are signed prior to the adoption and payments are only for eligible children can result in federal reimbursements for ineligible children and/or unallowable costs. Payments associated with known questioned costs discussed above represented approximately 11 percent of payments reviewed. If similar errors were made on the remaining population of assistance payments, questioned costs could be significant.

WE RECOMMEND the DSS through the CD resolve questioned costs with the grantor agency and ensure all adoption subsidy agreements are signed and effective prior to the adoption, and subsidy agreements and adoption decrees are retained. In addition, the CD should refund the federal share of cumulative overpayments.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.

2014-009. Eligibility and TANF Assistance Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2013 - G1302MOTANF and 2014 - G1402MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$31,333

The FSD did not act promptly or properly on information affecting recipients' eligibility and did not maintain complete eligibility documentation for 10 Temporary Assistance for Needy Families (TANF) recipients reviewed. In addition, the FSD did not impose sanctions on some recipients who failed to cooperate with Child Support Enforcement (CSE) procedures. During the state fiscal year ended June 30, 2014, the DSS expended federal funding of about $180 million for the TANF program, including about $81 million in basic assistance payments to families. Similar conditions were noted in our prior three audits.

A. The FSD paid TANF benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received. We tested 60 recipients, with payments totaling $100,232 for the year ended June 30, 2014, and noted concerns with 22 (37 percent) of the recipients tested. The purpose of the test was to determine whether proper eligibility determinations were made, and whether payments were calculated in accordance with program requirements, including obtaining any required documentation. Our test disclosed the following:

- The FSD could not locate the eligibility file for 10 of 60 (17 percent) of cases reviewed. While the case information recorded in the Family Assistance Management Information System (FAMIS) indicated the recipients were likely eligible; required supporting documentation, including the recipient's assistance application/eligibility statement, interview summary, and eligibility review form, could not be located. These forms contain questions concerning income, reasons for need, and required federal prohibitions and requirements, and must be promptly signed by the applicant certifying compliance with the requirements and attesting to the accuracy of the information provided. DSS staff indicated the reorganization of FSD regional offices and the related changes in workflow processing for TANF case management contributed to the inability to locate the eligibility files. Payments made on behalf of these 10 recipients during the year ended June 30, 2014, totaled $17,535.

Of the remaining 50 eligibility files which were located, our review identified one case for which the FSD did not obtain the recipient's signature on eligibility redetermination documentation as required. The recipient's TANF eligibility review form was received on June 28, 2013, but was not signed by the recipient. The recipient continued to receive benefits through May 2014, when the case was closed. Payments made on behalf of this recipient during the year ended June 30, 2014, totaled $1,122.

Under 45 CFR Section 205.60(a), the agency is required to maintain records for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and other pertinent information obtained.

Because the FSD did not maintain required case file documentation or obtain properly signed documents, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. We question all payments made during the year ended June 30, 2014 on behalf of these 11 recipients, totaling $18,657, for which we question the entire amount (100 percent federal share).

- The FSD identified unreported income or other changed circumstances for 13 recipients tested. For 1 case, the FSD took appropriate action, closed the case and established a claim for recoupment of the improper benefits. However, the FSD did not establish claims for recoupment for the other 12 cases or take appropriate actions on some. The FSD closed 3 cases at the time the unreported income was noted, eventually closed 4 more cases after the unreported income was noted, but did not take any action to adjust benefits or close the case for the other 5 cases. One of these cases is included in the questioned costs identified above. Improper benefits for the remaining 11 cases totaled $8,110, for which we question the entire amount (100 percent federal share).

  Under 45 CFR Section 205.56, the agency is required to initiate case action within 45 days of receipt of relevant information. Additionally, prompt determination of overpayments and establishment of claims are necessary since amounts recovered offset future program costs.

B. The FSD did not act upon some notices of non-cooperation from the CSE Unit to sanction recipients, and the CSE Unit did not always notify the FSD of non-cooperating clients. We obtained a listing of CSE cases flagged in the child support case management system for non-cooperation during the year ended June 30, 2014, and matched it against a listing of TANF cases. There were 1,492 TANF cases flagged for non-cooperation, with payments totaling more than $3.2 million during the fiscal year ended June 30, 2014. We tested 60 of these TANF recipients to determine whether the FSD was properly sanctioning recipients who were not cooperating with CSE procedures. TANF payments for the fiscal year for the 60 recipients totaled $132,558. For 24 of the 60 recipients (40 percent) tested, either the CSE Unit did not promptly notify the FSD of the non-cooperation or the FSD did not act to sanction the recipient upon notification.

- The CSE Unit did not properly notify the FSD of 16 non-cooperating clients tested. When non-cooperation occurs, the CSE Unit is to alert the FSD eligibility specialist via email comments or by sending a notice of non-cooperation form. For 7 cases, the notifications occurred between 1 and 7 months after the non-cooperation began, delaying the imposition of sanctions, and resulting in overpayments totaling $1,482 during the year ended June 30, 2014. For the other 9 cases, neither the FSD nor the CSE Unit had documentation the FSD had received a notice of non-cooperation, resulting in overpayments totaling $2,128 during the year ended June 30, 2014. For 2 of the 9 cases, there was no active TANF case at the time of the non-cooperation. When the recipient subsequently began receiving benefits, no sanctions were imposed because the FSD had not been notified of the non-cooperation. As a result of the failure of the CSE Unit to notify the FSD of non-cooperation, sanctions were not entered or not entered timely into the FAMIS. We question the federal share of overpayments totaling $3,610 (100 percent federal share).

- The FSD did not sanction 8 recipients when notified of referral for non-cooperation. For 4 recipients, the active TANF case was not sanctioned by the FSD, resulting in overpayments totaling $779 during the year ended June 30, 2014. The TANF case for one recipient was inactive when the notification was received, and consequently the FSD entered no sanctions for non-cooperation in the FAMIS. As a result, no sanctions were in effect when this case was subsequently re-activated and this recipient began receiving benefits again, resulting in overpayments totaling $177 during the year ended June 30, 2014. For the remaining 3 cases, the FSD did not record the sanctions because these cases were already sanctioned for other reasons. We question the federal share of overpayments, totaling $956 (100 percent federal share).

Under 45 CFR 264.30, the FSD must refer to the CSE Unit all appropriate individuals in the family of a child for whom paternity has not been established or for whom a child support order needs to be established, modified, or enforced. Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child. If the CSE Unit determines an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the CSE Unit, the FSD, or federal law, the CSE Unit must notify the FSD promptly. The FSD must then take appropriate action by either deducting an amount equal to at least 25 percent from the TANF assistance that would otherwise be provided to the family of the individual or denying the family assistance entirely. The DSS has determined the sanction will be 25 percent of the assistance amount. Additionally, 13 CSR 40-2.330 requires sanctions for applicants and recipients of TANF assistance who are not cooperating with the CSE Unit. It appears applicants who have failed to cooperate in the past should be sanctioned upon re-opening of their TANF cases unless or until they begin cooperating as required.

The FSD and the CSE Unit did not have an effective system to track cases requiring notification of non-cooperation and ensuring the notifications were sent and received. As a result, the FSD could not ensure or demonstrate compliance with federal requirements related to sanctioning of recipients who were not cooperating with CSE program requirements. Notifications should be sent and sanctions entered on all non-cooperating cases, including inactive cases and cases sanctioned for other reasons, so the sanction can be applied if the TANF case becomes active or the other sanctions expire. Effective July 2012, the FSD began requiring the eligibility specialists maintain a log for tracking requests for sanction and notating when the sanctions were added to FAMIS, and in April 2013 the FSD began requiring the CSE Unit notify both the eligibility specialist and the eligibility specialist's supervisor by email of requests for sanction and notify the eligibility specialist even when other sanctions are in place. However, our review indicates these procedures were not effective in ensuring compliance.

WE RECOMMEND the FSD resolve the questioned costs with the grantor agency and:

A. Maintain required eligibility documentation and case files and strengthen controls to ensure proper and timely action is taken regarding case closure, benefit adjustment, and the recoupment of overpayments.

B. Establish effective controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with CSE program requirements.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2014-010. TANF Work Participation and Sanctions

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2013 - G1302MOTANF and 2014 - G1402MOTANF
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned costs:	$170

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2014 and, as a result, the FSD has less assurance the data used to calculate the work participation rate is accurate. In addition, controls were not adequate to ensure recipients were sanctioned when they were not in compliance with federal and state requirements.

The FSD contracted with 10 community organizations for the 19 regions in the Missouri Work Assistance (MWA) program to perform many of the required TANF work activity functions. These duties include case management, enrollment and assistance to TANF recipients who are required to participate in eligible work activities, and reporting recipient noncompliance and hours of participation to the FSD. Payments to the contracted community organizations for the MWA program totaled about $20.2 million during the year ended June 30, 2014.

The FSD has adopted procedures to monitor the performance of the MWA contractors for compliance with the Work Verification Plan policies and procedures. Those procedures include periodic reviews of 3 to 5 percent of cases for proper handling, and quarterly testing of a sample of cases with no recorded hours of work activity for proper sanctioning. The FSD has also provided training to the MWA contractors based on the case testing results. Additionally, during state fiscal year 2014, the FSD and the Division of Finance and Administration performed on-site reviews at five of the MWA contractors covering 7 regions. As of January 2015, the DSS reported the results of 3 on-site reviews each of which determined the contractor failed to comply with the work verification plan and other contractual requirements, and the DSS required the contractor to submit a corrective action plan. The DSS indicated the other 2 reviews had identified similar concerns and the DSS will require those contractors to submit corrective action plans once the on-site review reports are issued. However, our review indicates monitoring activities and training were not effective in ensuring adequate contractor compliance. As a result, the FSD did not ensure MWA contractors complied with the state Work Verification Plan and policies for reporting recipients who do not comply with work requirements.

Under 45 CFR Section 265.3, states are required to submit quarterly TANF Data Reports which provide information regarding TANF recipients and work activities. The Department of Health and Human Services, Administration for Children and Families uses the TANF Data Reports to calculate the state work participation rate each fiscal year. In addition, under 45 CFR Section 261.62, the FSD is required to have a Work Verification Plan which includes requirements to maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In doing so, the FSD must have in place procedures to identify TANF recipients who are work-eligible, identify work activities that may count for work participation rate purposes, determine how to count and verify reported hours of work, and control internal data transmission and accuracy.

A. The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2014. A similar condition was noted in our prior four audit reports.

We obtained a June 2014 listing of those TANF recipients referred to the MWA contractors which included data on the status of each recipient's compliance with the work participation requirements and number of hours of participation in the various work related activities. Of the 14,518 TANF recipients meeting our selection criteria included in the report, 2,739 recipients had at least an hour of work activity reported. We selected 60 recipients with reported work activity for testing and obtained their case files. We noted for 29 (48 percent) of the cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan. In five instances, the errors led to incorrectly reporting the recipient as meeting or not meeting the work participation requirements. The net effect of these errors was an overstatement of approximately 2 percent in the work participation compliance rate for this group of 60 individuals. Our test results indicate there are a significant number of cases for which the reported work participation hours are not accurate and as a result, the FSD has less assurance the state's work participation rate requirement is being met.

The failure to maintain adequate controls to ensure accurate data is reported for measurement of work participation could result in a penalty, under 45 CFR Section 261.65, of not less than 1 percent and not more than 5 percent of the annual grant amount.

B. The FSD did not have adequate procedures in place to ensure MWA contractors notified the FSD when TANF recipients could not be located at the address recorded for the recipient or to ensure the FSD timely investigated notices from MWA contractors of incorrect addresses for recipients. As a result, some TANF recipients who could not be located and failed to meet work participation requirements were not sanctioned and continued to receive full benefits. A similar condition was noted in our prior three audit reports.

Of 14,518 individuals on the June 2014 listing of TANF recipients referred to the MWA contractors, there were about 11,800 recipients for which no work activities were reported. We tested 59 of these cases and noted 2 (3 percent) of the recipients were not appropriately sanctioned for non-compliance with work participation requirements. Thirty-seven recipients were appropriately sanctioned and the remaining 20 recipients were not subject to sanction during June 2014 due to various reasons, such as the recipient began participation or the FSD or the recipient closed the case. The DSS has established the sanction at 25 percent of the monthly benefit amount. We question the amount of the sanctions that were not imposed on these 2 recipients for the month of June 2014, which totaled $170 (100 percent federal share).

For one case, the MWA program contractor did not timely notify the FSD when the contractor was unable to locate or engage the recipient. For the other case, the FSD failed to act timely to locate the recipient after receiving notification from the contractor the recipient could not be located. In both cases, the recipient should have been sanctioned for the month of June 2014 if established procedures had been followed.

Under 45 CFR Section 261.14, for an individual who refuses to engage in work required under Section 407 of the Social Security Act, the state must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the state may establish. A state that fails to impose penalties on individuals in accordance with the provisions of Section 407(e) of the Social Security Act may be subject to penalty. Under 45 CFR Section 261.54, the federal agency may impose a penalty amount for a fiscal year of no less than 1 percent and no more than 5 percent of the annual grant amount.

The failure to enforce established controls to ensure recipients who are not in compliance with the work requirements are appropriately sanctioned has resulted in overpayment of benefits totaling $170.

WE RECOMMEND the FSD:

A. Develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

B. Enforce established controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

AUDITEE'S RESPONSE

We partially agree with the auditor's findings. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the findings.

2014-011. Medicaid Cost Recovery

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2013 - 1305MO5MAP and 1305MO5ADM 2014 - 1405MO5MAP and 1405MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD failed to timely take appropriate actions to recover funds from estates of thousands of deceased participants of the Medical Assistance Program. As a result, the MHD likely forfeited the opportunity to recover millions of dollars of medical expenses paid from state and federal funds.

The Medical Assistance Program, also known as Medicaid, is administered by the MHD under the federally approved Medicaid State Plan. Missouri statutes enable the MHD to seek recovery of expended Medicaid funds through the probate code as a state debt upon a participant's death. The DSS performs a daily automated comparison between Medicaid participants and death records from the Department of Health and Senior Services - Bureau of Vital Statistics. For deceased Medicaid participants identified, a probate estate case is automatically created in the Medicaid Management Information System (MMIS), which then requires further processing by MHD staff. When reviewing each probate estate case, the MHD Probate and Estate Unit staff determine if Medicaid funds were expended on behalf of the deceased participant and if the participant has assets potentially available for recovery. Once both criteria have been confirmed, the MHD prepares an estate claim and provides this claim to the Attorney General's office for filing in probate court. To be recoverable, a claim must be filed in probate court within one year from the date of death.

During the year ended June 30, 2014, the MHD reported closing 9,321 probate estate cases. The MHD recovered $8.3 million from approximately 6 percent of these cases, or an average of $15,000 per case with recovery. As of December 31, 2014, the MHD had not yet reviewed probate estate cases for over 44,000 deceased Medicaid participants. The participants in 30,804 of these cases had been deceased more than one year, meaning the MHD will no longer be able to file applicable claims in probate court. Based on the results achieved on the cases above that were processed and closed, had these other pending probate estate cases been processed within the required timeframe, additional amounts recovered could have possibly totaled over $27 million. MHD personnel indicated there are not sufficient staff in the Probate and Estate Unit to process all probate estate cases timely and cases are not prioritized in an effort to maximize recovery.

The Medicaid State Plan indicates upon the death of a Medicaid participant, the total amount expended on behalf of the participant shall be a debt due to the state. According to 42 CFR Section 433.36, the MHD may seek recovery of Medicaid funds from the estates of deceased participants. Section 473.020, RSMo, indicates the claim must be filed with the probate court within one year from the date of death in order to recover any funds. Without timely action on probate estate cases of deceased participants identified in the MMIS, the MHD is not in compliance with cost recovery requirements and loses the opportunity to recover state and federal funds.

WE RECOMMEND the MHD ensure appropriate actions are taken timely to maximize funds recovered for Medicaid expenditures from estates of deceased participants.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

2014-012. Pharmacy Dispensing Fees

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2012 - 1205MO5021 and 2013 - 1305MO5021 93.778 Medical Assistance Program 2013 - 1305MO5MAP and 1305MO5ADM 2014 - 1405MO5MAP and 1405MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs:	$4,645,763

The MHD has periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program and the Children's Health Insurance Program (CHIP); however, until March 2014, the state regulation authorizing these dispensing fees had not been updated since 1988. The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD under the federally approved Medicaid and CHIP State Plans.

In addition to paying pharmacies for the cost of each prescribed drug, the MHD also pays pharmacies a base fee of $4.84 for dispensing each participant's prescription. However, this dispensing fee is higher than the $3 established under 13 CSR 70-20.060(1). In addition, in 1991 the DSS, as part of a settlement agreement, agreed to increase the Medicaid pharmacy dispensing fee to $4.09 per prescription. While the payment amount was increased as required by the agreement, neither the State Plan nor the CSRs were updated to reflect this amount. The State Plan was updated to add general wording indicating the state would pay the applicable fee at the time the prescription is filled, but again, no specific dollar amount was noted.

Federal regulation 42 CFR Section 431.10(b)(2) requires the state to establish the legal authority for the Medicaid agency to administer the Medicaid State Plan, including making rules and regulations to follow in administering the plan. In accordance with this CFR, the Medicaid State Plan lists the various statutes allowing the DSS to establish rules and regulations to administer the plan. The MHD has created CSRs, such as the one mentioned above, to administer the Medicaid program. However, failure to update the related regulations when fee structures were changed caused the MHD to be noncompliant with its own regulations in administering the Medicaid State Plan.

During 2014, MHD personnel took action to update state regulations in response to our similar prior audit recommendations. The regulation, effective March 30, 2014, updated the base dispensing fee to $4.84, the current fee paid. The MHD paid pharmacies base dispensing fees totaling $47,785,552 during the period of July 1, 2013, through March 30, 2014, prior to the update in state regulations. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $40,380,766, a difference of $7,404,786. We question the federal share of the increased payments, or $4,645,763 (62.74 percent).

Similar findings were included in our three prior audit reports.

WE RECOMMEND the MHD resolve questioned costs with the grantor agency and ensure any future increases in payment rates are included in state regulations.

AUDITEE'S RESPONSE

We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.

2014-013. Participant Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2012 - 1205MO5021 and 2013 - 1305MO5021 93.778 Medical Assistance Program 2013 - 1305MO5MAP and 1305MO5ADM 2014 - 1405MO5MAP and 1405MO5ADM
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)

The MHD does not have sufficient controls in place over eligibility determinations to ensure compliance with participant enrollment requirements of aged, blind, and disabled individuals in the Medical Assistance Program. Additionally, eligibility determinations were not made timely, as required.

The Medical Assistance Program, also known as Medicaid, and the Children's Health Insurance Program (CHIP) are administered by the MHD under the federally approved Medicaid State Plan. The FSD is responsible for determining the eligibility of Medicaid and CHIP participants, including MO HealthNet for the Aged, Blind, and Disabled (MHABD) assistance programs. During the year ended June 30, 2014, Medicaid and CHIP payments totaled approximately $9.5 billion, of which approximately $6.0 billion was claimed as federal expenditures. The average monthly number of Medicaid and CHIP participants during fiscal year 2014 totaled approximately 960,000. Approximately 234,000 of them were MHABD participants.

A. The DSS did not ensure monthly supervisory reviews of eligibility determinations for MHABD participants were completed as required for 5 of 40 (13 percent) eligibility specialists we reviewed. Monthly supervisory reviews ensure information obtained to determine eligibility for all Medicaid and CHIP assistance is in compliance with federal regulations and properly and accurately entered into eligibility systems. While the DSS performs some other eligibility review procedures, those reviews are focused on targeted areas and do not include the entire population or all eligibility components. As a result, the DSS has not reviewed all eligibility components for the MHABD population to ensure eligibility determinations are in compliance with federal regulations.

DSS policy, last updated October 2013, indicates management is responsible for ensuring supervisors have completed four reviews per eligibility specialist during the month following the month action was taken on the case, which includes ensuring proper eligibility determination. However, management has not ensured this policy is applied consistently across the state. Some supervisors stated there was not sufficient time to complete the required reviews for all eligibility specialists. Without adequate supervisory reviews, an individual may be incorrectly given or denied benefits.

B. Adequate controls are not in place to ensure eligibility is determined timely for all new participants. The eligibility system tracks eligibility determination dates and notifies eligibility specialists when a deadline has passed. While reports are available to supervisors of all pending and past due eligibility determinations, there is no DSS policy requiring supervisors to review these reports for delinquent determinations.

We reviewed eligibility documentation in the case files for 40 participants eligible for Medicaid or CHIP at some time during the year ended June 30, 2014. Included were 24 participants requiring a yearly redetermination of eligibility and 8 participants with an initial eligibility determination. The remaining 8 participants reviewed did not require an assessment of eligibility during the year. The DSS did not determine Medicaid eligibility timely for 1 of the 8 participants (13 percent) reviewed with an initial eligibility determination.

According to 42 CFR Section 435.912, the DSS is required to determine eligibility and inform the applicant within 90 days of the application date when applying on the basis of a disability, and within 45 days of the application date for all other applicants. For the one exception noted in the previous paragraph, the eligibility determination was not made timely. A medical review team determined this individual was medically eligible within 90 days of the application date; however, the final MHD eligibility determination and notification to the individual was not made until 134 days after the date of application. As a result, the individual may not have received needed medical care during the delay. The FSD could not provide a reason why the determination and notification were delayed. This delay could have been identified had the reports of applications that are nearing or past the determination deadline been reviewed.

WE RECOMMEND the DSS:

A. Ensure supervisory reviews of cases are performed as required by internal policy.

B. Utilize available reports to ensure applications for services are processed within required timeframes.

AUDITEE'S RESPONSE

We agree with the auditor's findings. Our Corrective Action Plan includes our planned actions to address the findings.

2014-014.	**Report Reviews**

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2013 - 1305MO5MAP and 1305MO5ADM 2014 - 1405MO5MAP and 1405MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs:	$2,403

The MHD does not have effective controls in place for the review of some reports necessary to ensure compliance with enrollment requirements of the Medicare Buy-In program. The MHD failed to add or delete some participants in the Buy-In program when required. The Medical Assistance Program, also known as Medicaid, is administered by the MHD.

Some state Medicaid participants may also be enrolled simultaneously in the federal Medicare program, known as dually eligible. For these participants, the Medicare program is the primary insurance, and Medicaid is the secondary insurance. This arrangement is cost-beneficial to the state because the Medicaid program is only responsible for expenses not covered by Medicare, such as deductible and coinsurance amounts. When participants are dually eligible, they may also qualify for the Buy-In program. Under this program, the MHD may use Medicaid funds to pay the premiums and other charges for certain eligible participants in Medicare Part A (hospital insurance) and Part B (medical insurance), as allowed by federal regulations 42 CFR Section 406.26 and 42 CFR Section 431.625. Since the MHD is paying the premiums for participants in this program, it is important that only those participants that are eligible are enrolled in the program. MHD responsibilities for the Buy-In program include identifying existing Medicaid participants eligible for Buy-In, maintaining the records of Buy-In participants, removing participants when they become ineligible for the Buy-In program, and verifying payments made for Medicare premiums.

MHD staff review three system-generated reports of Medicaid participants with changes that may affect eligibility for the Buy-In program. While reviewing these reports, MHD personnel are to research each participant and manually add or delete the participants to/from the Buy-In program as necessary. During the year ended June 30, 2014, there were approximately 3,300 participants on these reports each month. We tested 40 participants from 2 of the reports and 80 from the 3rd report (160 participants in total) to determine if the MHD staff verified and properly changed the participants' Buy-In program eligibility.

- We identified 12 participants (8 percent) that were not reviewed by MHD personnel, including 10 participants qualified for the Buy-In program that were not added to the program and 2 participants that no longer qualified but were not deleted from the program. MHD personnel indicated that due to staffing limitations, those coded for addition were considered lesser priority and were not always reviewed, and the 2 participants that should have been deleted were overlooked during the review process.

- We identified 6 participants (4 percent) that were reviewed by MHD personnel but were not reviewed in a timely manner, resulting in enrollment actions not being performed timely. The MHD's review of these 6 participants didn't occur until 3 to 9 months after they became ineligible for the Buy-In program. Federal regulation 42 CFR 407.48(c) requires that the state send an ineligibility notice to the Department of Health and Human Services - Centers for Medicare and Medicaid Services within 2 months of when the participant becomes ineligible; the state can only recoup premiums paid in the 2 months prior to sending the ineligibility notice.

Without fully reviewing reports in a timely manner related to the Buy-In program and ensuring proper handling of those participants, the MHD is not able to ensure only eligible Medicaid participants are enrolled in the Buy-In program. When the MHD fails to enroll an eligible participant in the Buy-In program, the MHD does not cover the cost of the Medicare premium, leaving the participant responsible for payment. Conversely, when the MHD does not delete a participant from the Buy-In program when no longer eligible, the state unnecessarily continues to pay Medicare premiums for the participant. The ineligible Medicare premium payments made on behalf of the 8 participants mentioned above who should have been deleted from the Buy-In program totaled $3,881 during the year ended June 30, 2014. We question the federal share of the ineligible payments, or $2,403 (61.91 percent).

A similar finding was included in our previous audit report.

WE RECOMMEND the MHD resolve questioned costs with the grantor agency and establish controls to ensure the complete and timely review of all reports related to the Medicare Buy-In program. In addition, the MHD should establish controls to ensure timely performance of required Medicare Buy-In enrollment actions.

AUDITEE'S RESPONSE

We partially agree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement and any planned actions to address the finding.

Additional State Auditor's Reports:

The Missouri State Auditor's Office regularly issues audit reports on various programs, agencies, divisions, and departments of the state of Missouri. Audit reports may include issues relating to the administration of federal programs. Reports issued during fiscal year 2014 and through current were reviewed and the following reports relate to federal programs and were analyzed to determine if any issues noted in these reports were required to be reported in this Schedule of Findings and Questioned Costs in accordance with Section .510(a) of OMB Circular A-133.

Report Number	Report Name
2014-043	Natural Resources/Division of Environmental Quality, Hazardous Waste Program
2014-140	Social Services/MO HealthNet Division, Payment and Cost Recovery
2015-005	Early Childhood Development, Education, and Care Fund

All reports are available on the Missouri State Auditor's Office website: http://auditor.mo.gov

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013. In addition, this schedule is to report the status of findings included in the prior audit's Summary Schedule of Prior Audit Findings, except those that were listed as corrected, no longer valid, or not warranting further action. As a result, the Summary Schedule of Prior Audit Findings for the year ended June 30, 2014, also includes certain findings from prior audits for the years ended June 30, 2012, 2011, 2010, 2009, and 2008. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

Circular A-133 requires the auditor to follow-up on these prior audit findings; perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and report, as a current year finding, when the auditor concludes the Summary Schedule of Prior Audit Findings materially misrepresents the status of any prior audit findings.

The disposition of the findings from the year ended June 30, 2012, is as follows:

Findings numbered 4, 5, 7, 9, 10, 12A, 13B, 17, 18D, 19B, and 21 were corrected.

Findings numbered 6, 8, 11A-C, 12B, 13A, 14A-D, 15A-B, 16A-B, 18A-C, 19A, and 20 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2011, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 4A-B, 12, 14A-B, 16, 17, 18A, 19A-D, 20A-B, 22C, 23, 24, and 25A, which are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2010, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 6, 15, 16A, 17, 19, and 25, which are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2009, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 12 and 15A, which are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2008, all findings were corrected, no longer valid, or did not warrant further action, except for finding numbered 9A, which is included in the Summary Schedule of Prior Audit Findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2008-09A. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007 - H126A0700372 and 2008 - H126A080037
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)
Questioned Costs: $3,444,779

The FSD did not establish procedures to ensure adequate supporting documentation was prepared for personnel costs charged to the Vocational Rehabilitation (VR) grant. Personnel costs charged to the VR grant during state fiscal year 2008 for which the supporting documentation was inadequate or not prepared totaled $4,377,102, of which we questioned the federal share of costs totaling $3,444,779 (78.7 percent).

Recommendation:
The FSD resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.

Status of Finding:
The FSD/RSB has modified and implemented the processes to ensure compliance with regulations regarding personnel cost allocations effective July 1, 2009, with more recent modifications to improve the quality management and verification of accuracy. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards as dictated in regulations. The RSB and the Division of Finance and Administrative Services continue to meet on a regular basis to improve communications, and ensure compliance with regulations and documentation for auditors. The DSS received the program determination letter for the single audit for the period of July 1, 2007, through June 30, 2008, from the grantor agency. The DSS filed application for review with Office of Administrative Law Judges of the Department of Education.

The DSS appealed this finding based on the fact that even though the DSS did not have correct time study procedures in place, the DSS can prove that if those procedures were in place there would have been no difference in the actual personnel costs that were charged to the VR grant. The grantor agency approved the DSS' corrective action plan. A settlement agreement was reached and the grantor agency reduced the amount of the unallowable expenses to $73,393 from the original amount of $3,444,779.

This finding has been resolved with the grantor agency.

Status of Questioned Costs:
The DSS has settled the questioned costs with the grantor agency.

Contact Person: Kevin Faust
Phone Number: (573) 751-4249

2009-12. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2007 - G0701MOTANF
2008 - G0801MOTANF
2009 - G0901MOTANF
93.658 Foster Care - Title IV-E
2008 - G0801MO1401 and 2009 - G0901MO1401
93.659 Adoption Assistance
2008 - G0801MO1407 and 2009 - G0901MO1407
93.778 Medical Assistance Program
2008 - 0805MO5028 and 0805MO5048
2009 - 0905MO5028 and 0905MO5048
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $666,189

The DSS did not establish procedures to ensure all payments to Caring Communities partnerships were allowable and allocable to the various federal programs. Some of the costs associated with the partnerships were allocated through a cost pool based on the percentage of time worked by Children's Division employees on certain federal programs rather than based on actual services provided by the partnerships. As a result, we questioned $666,189, which was the federal portion of the costs allocated to these programs through the Social Services cost pool during the year ended June 30, 2009.

Recommendation:
The DSS, through the DFAS, resolve the questioned costs with the grantor agency, and establish procedures to ensure all payments to the Caring Communities partnerships are allowable and allocable to the various federal programs in accordance with OMB Circular A-87.

Status of Finding:

The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan was expected to be submitted by December 2014; however, there were some delays and the plan now is to submit the new cost allocation plan for the quarter ended March 31, 2015. The plan will be tested and finalized by June 30, 2015. The remaining portion of the plan will be implemented after successful completion of phase one.

The DSS has also assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Status of Questioned Costs:

Questioned costs were partially settled on federal reports during the quarter ended December 31, 2011. Remaining questioned costs were settled on the quarter ended September 30, 2013, federal reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2009-15A. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2007 - H126A0070037
2008 - H126A0080037
2009 - H126A0090037
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $1,623,730

Adequate supporting documentation was not always prepared for personnel costs, which consisted of salaries and related fringe benefits and indirect costs, charged to the Vocational Rehabilitation (VR) grant for approximately 160 employees. Personnel costs were charged solely to the VR grant for some employees who performed duties related to other programs. Personnel costs charged to the VR grant during state fiscal year 2009 for which the supporting documentation was inadequate or not prepared totaled $2,063,188, of which we questioned the federal share of costs totaling $1,623,730 (78.7 percent).

Recommendation:
The DSS, through the FSD and DFAS, resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.

Status of Finding:
To ensure compliance with OMB Circular A-87 to document personnel salaries and wages to the benefiting grant, and to verify that dollars intended for specific costs are in fact covering those and only those costs as dictated in relevant regulations, underlying formulas used to calculate the distribution of the salaries and wages to the appropriate grant on a monthly spreadsheet used by the designated state unit (RSB) have been corrected. The RSB has also implemented a monthly verification process of comparing each person's monthly salary and wages from the RSB monthly spreadsheet to a monthly payroll extraction report from the DFAS, addressing any inconsistencies. The RSB and the DFAS continue to meet on a regular basis to improve communications, and ensure compliance with federal requirements for personnel cost allocations and allocable costs, and appropriate documentation for auditors.

This finding has been cleared by the Department of Education.

Status of Questioned Costs:
The Department of Education will not seek recovery of the questioned costs.

Contact Person: Kevin Faust
Phone Number: (573) 751-4249

2010-6. Eligibility Reassessments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO5048
2010 - 1005MO5MAP/XIX-MAP10 and
1005MO5ADM/XIX- ADM10
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 2010 - 1005MOARRA
State Agency: Department of Health and Senior Services (DHSS)
Questioned Costs: $598,286

The DHSS did not have effective controls in place to ensure annual reassessments to determine the eligibility of recipients receiving State Plan Personal Care or Aged and Disabled Waiver services were conducted, as required. The DHSS did not perform annual reassessments of eligibility for 49 of 66 (74 percent) cases reviewed. The payments made on behalf of the recipients without annual reassessments during the year ended June 30, 2010, totaled $806,967. We questioned the federal share of these payments or $598,286 (74.14 percent).

Recommendation:
The DHSS establish effective controls to ensure the annual reassessments are conducted as required. In addition, the DHSS should resolve the questioned costs with the grantor agency.

Status of Finding:
The fiscal year 2015 state budget includes funding for Home and Community Based Services (HCBS) providers to conduct reassessments. The ten Area Agencies on Aging also conduct reassessments. Reassessments by providers totaled 11,999 in fiscal year 2014, an increase of 7,473 over the previous fiscal year. Level of care reassessments for current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers and the Area Agencies on Aging.

Status of Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2010-15. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402 and 2010 - G1001MO1402
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407
93.674 Chafee Foster Care Independence Program
2009 - G0901MO1420 and 2010 - G1001MO1420
93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $2,168,919

DFAS controls and procedures over the quarterly allocation of costs to federal programs were not sufficient and as a result, numerous cost allocation errors were not prevented and/or detected. Our review of selected sections of state fiscal year 2010 Children's Division and Family Support Division cost allocation spreadsheets and supporting documentation identified overstatements totaling approximately $3.3 million for 5 federal programs and understatements totaling approximately $3.2 million for 11 federal programs due to spreadsheet formula and data entry errors. We questioned the federal share of costs related to the overstatements, or $2,168,919.

Recommendation:
The DSS, through the DFAS, resolve the questioned costs with the grantor agency, and strengthen controls and procedures to ensure the accurate allocation of costs to federal programs. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

Status of Finding:
The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan was expected to be submitted by December 2014; however, there were some delays and the plan now is to submit the new cost allocation plan for the quarter ended March 31, 2015. The plan will be tested and finalized by June 30, 2015. The remaining portion of the plan will be implemented after successful completion of phase one.

The DSS has also assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Status of Questioned Costs:
Questioned costs were settled on quarter ending March 2011 and quarter ending June 2011 federal reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2010-16A. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2009 - G0901MOCCDF and 2010 - G1001MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2009 - G0901MOCCDF and 2010 - G1001MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - 20091MOCCD7

State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $73,315

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers.

- Eligibility documentation such as a signed child care application or system-generated interview summary and/or income record(s) for 13 of 60 (22 percent) cases reviewed could not be located by the DSS. For six of these cases, the DSS could not locate the eligibility file. We questioned the federal share of payments made on behalf of these children and siblings of these children, or $70,092 (84 percent).

- For child care payments, 30 of 60 (50 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Of these 30 payments, 11 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 19 cases totaled an additional $3,837. We questioned the federal share, or $3,223 (84 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Status of Finding:
Corrective actions taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider.

The DSS continues to review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. The CD and the FSD hold quarterly quality improvement meetings. The Child Care Review Team (CCRT) has been implemented to monitor child care providers, both onsite and off. The FSD continues to work on enhancing document retention efforts. Additional efforts are as follows:

*FSD Reorganization and MEDE*S - The FSD continues to move forward with transitioning from a case management approach to a task based approach with specialized offices; for example housing child care eligibility with the Temporary Assistance for Needy Families program in one or more locations. The continued development of the MO

Eligibility Determination Electronic System (MEDES) will allow for a task based approach which results in greater efficiencies in the processing of program eligibility applications.

Early Childhood and Prevention Services - The CD has restructured the Early Childhood and Prevention Section by streamlining functions based on division responsibilities. As of August 2014, the Division of Finance and Administrative Services is responsible for the oversight and processing of child care provider payments. This change will afford the CD more time to concentrate on the substantial changes resulting from the Child Care Development Block Grant of 2014.

Child Care Electronic Provider System - The CD issued a Request for Information to gather information regarding available Business Intelligence Solutions that would provide the DSS with a comprehensive and time efficient system for the administration of the Child Care program. A Request for Proposal will be issued seeking proposals for a system that will include:

1. A child care provider registration and tracking system.
2. An electronic time and attendance system for all providers statewide.
3. A child care review system for the purpose of executing and managing a compliance monitoring process for the Child Care program.

Child Care Review Team - In August 2013, the DSS hired four staff to conduct compliance reviews of child care providers. The CCRT uses a risk based monitoring approach to detect providers who are at high risk of non-compliance. This process has created opportunities for identification of deficiencies in child care providers' performance, and a process to hold them accountable for the requirements of their contract/registration agreement. As of October 2014, the DSS has conducted more than 1,400 onsite reviews of child care providers.

Case Review Tool - A child care component to the FSD Case Review System was implemented in March 2012. The CD is utilizing output reports from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement. The output reports for fiscal year 2014 have been reviewed and indicate a 94.56 percent accuracy rate statewide.

A program development specialist completes second level reviews on randomly selected cases reviewed by eligibility specialist (ES) supervisors and compiles a quarterly list of critical areas for ES supervisors to focus on during the case review process. A statewide analysis is being prepared for FSD leadership on a quarterly basis. This analysis outlines areas for improvement.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. The CD is currently updating the CRG.

Child Care Manual Revisions - Early Childhood and Prevention Services program and policy staff is continually reviewing the child care manual for clarification and revision.

Calendar Year	Policy Memorandum Updates By Section	Practice Points/Alerts
2011	40	5
2012	82	1
2013	10	4
2014	5	2

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. From this initiative there were four project teams designated to identify deficiencies and problematic areas within the Child Care program: Eligibility, Provider Issues and Policy/Payments, Program Integrity, and Information and Systems Technology. Each team made five or six recommendations related to the team's assigned area. The DSS continues to implement the recommendations made by this committee.

Self-Employment Training - Effective August 1, 2011, the FSD ES and ES supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and ES supervisors were required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to successfully complete the online training prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component. Effective April 1, 2013, ES and ES supervisors are required to retake the online Child Care Assistance training every two years after initial completion.

Status of Questioned Costs:
This finding has been cleared by the Department of Health and Human Services - Administration for Children and Families. The questioned costs were adjusted on the federal report for quarter ended June 30, 2011.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2010-17. Performance Based Case Management Contracts

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407
93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM
State Agency: Department of Social Services (DSS) - Children's Division (CD)

The DSS had not established procedures to ensure all payments to performance based case management contractors were properly allocated to federal programs. As a result, some contractor payments were allocated to federal programs based on unrealistic budgeted expenditure categories rather than actual expenditures.

Recommendation:
The DSS, through the CD, establish procedures to ensure all payments to performance based case management contractors are allocated to federal programs in accordance with federal regulations.

Status of Finding:
The DSS believes that its current process for claiming performance based case management contractor payments is in accordance with federal regulations. However, to validate and improve our claiming process, the DSS awarded a work order to Public Consulting Group (PCG) to review and recommend improvements to the cost allocation methodology for foster care case management (FCCM) claiming. The initial review, data analysis, and recommendations report was received in draft form on December 21, 2011, and the final report was received on February 29, 2012. As a result of the recommendations, the DSS entered into a subsequent work order with PCG to implement the recommendations.

In April 2013, a Random Moment Sampling Time Study was implemented with the FCCM agencies in order to capture their work activities. In addition, PCG worked with the FCCM agencies to develop an individual cost allocation plan for each agency. This will be incorporated into any changes made to the overall DSS cost allocation plan, as applicable. The monthly expenditure report which is submitted by each FCCM agency was revised effective with the contract renewal on October 1, 2013.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2010-19. Residential Facility Training Reimbursements

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $19,467

The CD had not established sufficient procedures to review residential facility training reimbursements. As a result, reimbursements to these facilities were not always supported by sufficient documentation that training costs were allowable, and some reimbursed training costs appeared unallowable. Of the $30,656 in training reimbursements reviewed, payments totaling $25,957 (85 percent) were unsupported and/or unallowable, of which we questioned $19,467 claimed as the federal share.

Recommendation:
The DSS, through the CD, strengthen residential facility training reimbursement review procedures to ensure training activities reimbursed are for allowable activities outlined in federal regulations and are adequately supported. In addition, the DSS should resolve the questioned costs with the grantor agency.

Status of Finding:
On May 3, 2011, the CD issued to residential treatment providers reimbursed for training costs a letter outlining enhanced procedures that will ensure there is adequate documentation to support claiming those costs for Title IV-E training reimbursement. An invoice checklist has been developed and is being used to review all invoices and supporting documentation received. Prior to payment being issued, a second-level review is being completed by a member of the Division of Finance and Administrative Services (DFAS) staff.

Residential treatment providers are now required to code the training course to one of a list of Title IV-E allowable topics and to provide a rationale/justification for Title IV-E reimbursement of the course costs. Additionally, the DSS has developed an internal team to review to ensure the training meets Title IV-E training criteria. Trainings meeting this criteria will be approved. After all curriculums are reviewed a new process will be put in place to only reimburse for trainings already approved.

Additionally, the DFAS has strengthened department quality assurance and compliance functions to provide enhanced monitoring of programs and technical assistance to staff with fiscal responsibilities.

In June 2014, a decision letter was received from the grantor agency regarding this finding. The letter directed the DSS to return all Title IV-E Residential Treatment training costs claimed for fiscal year 2010. Further, the DSS agreed to discontinue claiming these dollars going forward until they are covered in a federally approved training plan.

Status of Questioned Costs:
An adjustment for all residential treatment training costs claimed to Title IV-E for fiscal year 2010 was made on the June 30, 2014, quarterly report, as directed by the grantor agency.

Contact Person: Sheila Tannehill
Phone Number: (573) 751-8962

2010-25. Provider Eligibility and Improper Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO5048
2010 - 1005MO5MAP/XIX-MAP10 and
1005MO5ADM/XIX- ADM10
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 2010 - 1005MOARRA
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $122

The MHD had not established controls to detect expired Medicaid provider licenses or to prevent, detect, and correct payments to providers who were deceased prior to the date the reimbursement claim indicated medical services were provided. As a result, the MHD improperly paid $164 during the year ended June 30, 2010, for three claims submitted for one Medicaid provider who was deceased prior to the reported date of service. We questioned the federal share of the three claims paid for which the reported dates of services were after the provider's date of death, or $122 (74.43 percent). In addition, the MHD had not established controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or the Title XX service program.

Recommendation:
The MHD develop procedures to ensure providers meet required criteria to be eligible Medicaid providers, including periodically verifying provider licenses, obtaining updated provider disclosures, and ensuring timely detection of deceased providers, to aid in the prevention and correction of improper claims paid. In addition, the MHD should resolve the questioned costs with the grantor agency.

Status of Finding:
In May of 2011, Missouri Medicaid Audit and Compliance (MMAC) began receiving and taking action based upon a License Not Renewed Report. MMAC personnel receive the report quarterly, and the report includes a list of all enrolled providers who hold licenses through the Department of Insurance, Financial Institutions, and Professional Registration, whose licenses were not renewed. These providers are consequently terminated from participation in the Medicaid program. MMAC personnel also review

the Medicare Exclusions Database monthly to monitor provider sanctions and exclusions and take action as necessary based upon this review. Additionally, MMAC personnel now receive notifications from the various boards which comprise professional registration when an enrolled provider’s license is suspended, and MMAC suspends the provider from participation in the Medicaid program.

The DSS corrective action plan includes addressing the provider's date of death issue through the current Fraud Waste and Abuse contract with Truven Analytics. The contractor purchased a license for the Social Security Master Death File and monthly updates. Additionally, the contractor provided the information for this match and planned on assessing a monthly charge for ongoing services. However, it was determined by the DSS to not be cost effective to pay for this information given the limited effectiveness gained from this enhancement.

Thus, the DSS addressed the provider’s required criteria for eligibility in the Request for Proposal (RFP) for the Provider Enrollment/Case Management system, section 2.3.29, which states "the solution shall provide ongoing monitoring of provider eligibility by automated matching against external databases for exclusions, licenses, death records, criminal records, National Provider Identifier deactivations, sanctions, and suspensions. Suspicious data and non-matches shall generate alerts for the end user for review and possible corrective action." The collection of social security numbers from providers will make validation through an external database of death records feasible through the provider enrollment system.

The bid evaluation process was concluded and the potential vendor selected. The RFP, the vendor response, and the Advanced Planning Document were submitted to the Department of Health and Human Services, Center for Medicare and Medicaid Services and approved on April 3, 2014. The MMAC awarded the bid for its Provider Enrollment/Case Management system to Digital Harbor in April 2014. The monitoring and screening modules of this system, which will provide the ongoing monitoring of provider eligibility by automated matching against external databases for exclusions, licenses, death records, criminal records, National Provider Identifier deactivations, sanctions, and suspensions, will be "live" in June or July 2015.

In the meantime, the MMAC relies on updates from billing agents (contractors that submit claims for providers), provider communications or any other department-wide notices that MMAC may be able to obtain that can be verified with vital records. Once providers enroll with Missouri Medicaid, they are typically enrolled permanently. The MMAC promulgated a rule to enforce the new federal requirement for revalidation, which became effective July 30, 2014. The revalidation schedule is set for reoccurring five year periods. Also, the MMAC has never required social security numbers as part of the enrollment process for some enrolling providers, such as corporations. The new system will capture social security numbers on individual providers and social security numbers on ownership disclosure information for an automatic validation.

The MMAC will start revalidating providers beginning in July 2015. The new enrollment regulation does not give the MMAC the ability to have an automated system. Rather, the automated system enhances the MMAC's ability to screen and monitor providers based upon many information sources and utilizing identifiers such as social security numbers. The automated system will allow the MMAC to more efficiently terminate or deny enrollment of ineligible providers. The MMAC will also benefit from the new requirement of pre-enrollment site visits for moderate and high risk providers.

At this time, MMAC personnel manually screen providers upon enrollment to ensure prospective providers are in good standing. Providers are also screened through the Office of Inspector General's List of Excluded Individuals and Entities, the Secretary of State's Office, and the National Sex Offender Registry.

The DSS corrective action plan also includes addressing the controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or Title XX service programs. Until the new provider enrollment system is fully implemented, forms have been updated manually to require this information from all new initial applications. Additionally, 42 CFR Section 424.514 (effective March 25, 2011) requires prospective institutional providers submitting an initial application or currently enrolled institutional providers submitting an application establishing a new practice location to submit enrollment credentials, which include disclosure information.

Status of Questioned Costs:
An adjustment was made on the December 31, 2011, quarterly report. The DSS is waiting for clearance from the grantor agency.

Contact Person: Jessica Dresner
Phone Number: (573) 751-6967

2011-4A. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $387,576

The DSDS did not have effective controls in place to ensure annual reassessments were performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. The DSDS did not perform annual reassessments of eligibility for 46 of 59 (78 percent) recipients reviewed. The payments for State Plan Personal Care and Aged and Disabled Waiver services provided to these recipients without annual reassessments during the year totaled $534,219. We questioned the federal share of $387,576 (72.55 percent).

Recommendation:
The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and establish effective controls to ensure the annual reassessments are performed as required. Such controls should include diligent monitoring of reassessments, if any, performed by HCBS providers.

Status of Finding:
The fiscal year 2015 state budget includes funding for HCBS providers to conduct reassessments. The ten Area Agencies on Aging also conduct reassessments. Reassessments by providers totaled 11,999 in fiscal year 2014, an increase of 7,473 over the previous fiscal year. Level of care reassessments for current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers and the Area Agencies on Aging.

Status of Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2011-4B. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA
2011 - 1105MOEXTN
State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $4,483

The DSDS could not locate the case file with documentation supporting the authorization of services provided to 1 of 60 (2 percent) Home and Community Based Services (HCBS) recipients tested. Payments totaling $6,179 were made to State Plan Personal Care and Aged and Disabled Waiver providers on behalf of this recipient during the year ended June 30, 2011. We questioned the federal share of $4,483 (72.55 percent).

Recommendation:
The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure case files are maintained for all HCBS recipients.

Status of Finding:
HCBS case records are transitioning to a web-based electronic system (Web Tool). Doing so will safeguard records, simplify/accelerate record retrieval, and reduce the amount of paper files that must be maintained.

Status of Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2011-12. Disaster Assistance Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2006 - FEMA-DR-1631-MO and FEMA-DR-1635-MO
2007 - FEMA-DR-1673-MO, FEMA-DR-1676-MO, FEMA-DR-1708-MO, and FEMA-DR-1728-MO
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO
2009 - FEMA-DR-1809-MO, FEMA-DR-1822-MO, and FEMA-DR-1847-MO
2010 - FEMA-DR-1934-MO
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

The SEMA did not adequately track subrecipients to ensure an independent Single Audit had been completed, when required, and submitted to the SEMA on a timely basis.

Recommendation:
The SEMA develop procedures to ensure subrecipients obtain and submit independent Single Audits when required.

Status of Finding:
Implemented. The SEMA has established a monitoring plan to include annual certifications for A-133 Single Audit compliance by our local subrecipients, on-site monitoring visits, and review of hard copy audits from local subrecipients in conjunction with review of electronic audit statuses from the federal audit clearinghouse. Annual certification letters are also mailed to subrecipients. Two years have passed since the audit report in which the finding occurred was submitted to the federal clearinghouse and the federal agency is not currently following up with the state agency on the audit finding.

Contact Person: Shelly Honse
Phone Number: (573) 526-7324

2011-14A. Eligibility and Child Care Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $42,204

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers.

- The DSS could not locate the eligibility file for 6 of 60 cases reviewed. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2011, totaled $46,466. We questioned the federal share of $37,637 (81 percent).

- Eligibility documentation was not sufficient to support a valid need for child care for 3 of 60 cases reviewed. Payments totaling $4,610, made on behalf of these children and their siblings, were unallowable and/or unsupported by adequate documentation. We questioned the federal share of $3,734 (81 percent).

- For child care payments, 13 of 60 payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Of these 13 payments, 2 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 11 cases totaled an additional $1,028. We questioned the federal share of $833 (81 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Status of Finding:
Corrective actions taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider.

The DSS continues to review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. The CD and the FSD hold quarterly quality improvement meetings. The Child Care Review Team (CCRT) has been implemented to monitor child care providers, both onsite and off. The FSD continues to work on enhancing document retention efforts. Additional efforts are as follows:

FSD Reorganization and MEDES: The FSD continues to move forward with transitioning from a case management approach to a task based approach with specialized offices; for example housing child care eligibility with the Temporary Assistance for Needy Families program in one or more locations. The continued development of the MO Eligibility Determination Electronic System (MEDES) will allow for a task based approach which results in greater efficiencies in the processing of program eligibility applications.

Early Childhood and Prevention Services - The CD has restructured the Early Childhood and Prevention Section by streamlining functions based on division responsibilities. As of August 2014, the Division of Finance and Administrative Services is responsible for the oversight and processing of child care provider payments. This change will afford CD more time to concentrate on the substantial changes resulting from the Child Care Development Block Grant of 2014.

Child Care Electronic Provider System - The CD issued a Request for Information to gather information regarding available Business Intelligence Solutions that would provide the DSS with a comprehensive and time efficient system for the administration of the Child Care program. A Request for Proposal will be issued seeking proposals for a system that will include:

1. A child care provider registration and tracking system.
2. An electronic time and attendance system for all providers statewide.
3. A child care review system for the purpose of executing and managing a compliance monitoring process for the Child Care program.

Child Care Review Team - In August 2013, the DSS hired four staff to conduct compliance reviews of child care providers. The CCRT uses a risk based monitoring approach to detect providers who are at high risk of non-compliance. This process has created opportunities for identification of deficiencies in child care providers' performance, and a process to hold them accountable for the requirements of their contract/registration agreement. As of October 2014, the DSS has conducted more than 1,400 onsite reviews of child care providers.

Case Review Tool - A child care component to the FSD Case Review System (CRS) was implemented in March 2012. The CD is utilizing output reports from the CRS to identify programmatic strengths and challenges and areas for policy, field, and training improvement. The output reports for fiscal year 2014 have been reviewed and indicate a 94.56 percent accuracy rate statewide.

A program development specialist completes second level reviews on randomly selected cases reviewed by eligibility specialist (ES) supervisors and compiles a quarterly list of critical areas for ES supervisors to focus on during the case review process. A statewide analysis is provided to FSD leadership on a quarterly basis. This analysis outlines areas for improvement.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. The CD is updating the CRG.

Child Care Manual Revisions - Early Childhood and Prevention Services program and policy staff is continually reviewing the child care manual for clarification and revision.

Calendar Year	Policy Memorandum Updates By Section	Practice Points/Alerts
2011	40	5
2012	82	1
2013	10	4
2014	5	2

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. From this initiative there were four project teams designated to identify deficiencies and problematic areas within the Child Care program: Eligibility, Provider Issues and Policy/Payments, Program Integrity, and Information and Systems Technology. Each team made five or six recommendations related to the team's assigned area. The DSS continues to implement the recommendations made by this committee.

Self-Employment Training - Effective August 1, 2011, the FSD ES and ES supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and ES supervisors were required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

FSD Workers Online Child Care Training - The FSD administers the Child Care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to successfully complete the online training prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component. Effective April 1, 2013, ES and ES Supervisors are required to retake the online Child Care Assistance training every two years after initial completion.

Status of Questioned Costs:
This finding has been cleared by the Department of Health and Human Services - Administration for Children and Families. The DSS recovered some of the questioned costs via processing claims against parents or providers. The DSS completed the remaining adjustments on the March 31, 2012, quarterly report.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2011-14B. Eligibility and Child Care Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2010 - G1001MOCCDF and 2011 - G1101MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7

State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $16,011

Payments were made on behalf of clients ineligible for an ARRA Child Care Initiative. We noted 9 of 49 clients reviewed were receiving Temporary Assistance for Needy Family (TANF) benefits, although the initiative provided that clients receiving TANF benefits were not eligible. We questioned the federal share of the payments made on behalf of these clients, or $16,011 (100 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and revise its methodology for identifying clients who were ineligible for non-TANF ARRA Child Care Initiative benefits and recoup any improper payments identified.

Status of Finding:
On April 29, 2011, memorandum CD11-41/OEC11-110 was sent to field staff to reinforce the use of the non-TANF job search. Along with the memo, a listing of TANF recipients who potentially received the non-TANF job search child care benefit anytime between May 2010 and March 2011 was issued to FSD eligibility staff. During the subsequent months in which the program was in effect, the CD issued to field staff a non-TANF job search list for review and potential cleanup. The non-TANF job search program ended August 2011. The CD worked with the FSD to identify cases with unallowable costs. The case reviews were completed and inappropriately claimed funds have been repaid. This finding has been cleared by the Department of Health and Human Services - Administration for Children and Families.

Status of Questioned Costs:
The DSS recovered a portion of the questioned costs via claims against parents or providers. The DSS is in discussions with the grantor agency on how to adjust for remaining questioned costs since the ARRA grant has expired.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2011-16. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 - G1001MOSOSR and 2011 - G1101MOSOSR
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS controls and procedures over the allocation of costs to the Social Services Block Grant program were not sufficient and as a result, cost allocation errors were not prevented and/or detected.

Recommendation:

The DSS, through the DFAS, strengthen controls and procedures to ensure the accurate allocation of costs to the Social Services Block Grant. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

Status of Finding:

The DSS is working in consultation with the Department of Health and Human Services (DHHS) to rewrite the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has contracted with a third party to help develop and implement a new cost allocation plan and system. The first phase/portion of the new cost allocation plan was expected to be submitted by December 2014; however, there were some delays and the plan now is to submit the new cost allocation plan for the quarter ended March 31, 2015. The plan will be tested and finalized by June 30, 2015. The remaining portion of the plan will be implemented after successful completion of phase one.

The DSS has also assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-17. Earmarking

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2010 - G1001MOSOSR and 2011 - G1101MOSOSR
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $6,461,316

Controls and procedures to ensure Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) were used for programs and services to eligible individuals were not sufficient. During preparation of the Post-Expenditure report for the year ended June 30, 2011, DFAS personnel allocated expenditures totaling $6,461,316 of TANF transfer funding to programs other than allowable case management and residential treatment. The DFAS did not have support to demonstrate the expenditures for the other programs reported were allowable. We questioned the $6,461,316 allocated in error to unapproved programs.

Recommendation:
The DSS, through the DFAS, resolve the questioned costs with the grantor agency. In addition, the DFAS should strengthen controls and procedures to ensure TANF funds transferred to the SSBG are used for programs and services to eligible individuals and transferred funds are accurately reported. These procedures should include a detailed and documented supervisory review of program reports.

Status of Finding:
The DSS does track and report funds transferred from TANF to SSBG. There was an oversight due to staff changes and reports have been revised and resubmitted to the federal agency. The DSS also provided the basis for its assurance that funds expended from TANF transfers to SSBG are used for children and their families with income less than 200 percent of the federal poverty level. The actual expenditure of funds met the requirements and was allowable; therefore, the DSS disagrees with the questioned costs.

Status of Questioned Costs:
This finding is the subject of continued discussion with the grantor agency, but no resolution has yet been finalized. Questioned costs have not been resolved with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-18A. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $15,070

The FSD paid Temporary Assistance for Needy Families (TANF) benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received.

- For 4 of 60 recipients tested, the eligibility specialist did not act on information timely when quarterly wage matches between various federal and state databases and the TANF case management system showed significant unresolved differences in income earned during state fiscal year 2011. The FSD determined these four recipients received overpayments totaling $4,246, for which we questioned the entire amount (100 percent federal share).

- For 3 of 60 recipients tested, the FSD did not maintain adequate eligibility documentation to support payments made. Payments made for these three cases during the year ended June 30, 2011, totaled $10,824, of which we questioned the entire amount (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and strengthen controls to ensure income information is reviewed periodically and proper and timely action is taken regarding the updated income information, including case sanctions, case closures and recoupment of overpayments, if warranted. In addition, the FSD should maintain required eligibility documentation in all case files.

Status of Finding:
The FSD continues to ensure cases are thoroughly reviewed and acted upon in a timely manner for reported household income changes, at points of assistance application, and identified at scheduled continued-eligibility reviews. Once TANF is in the Missouri Eligibility Determination and Enrollment System, the FSD Income Maintenance (IM) staff will develop a Quarterly Wage Match (QWM) report for staff. IM Memo #53 (6/25/12) was issued to staff with detailed steps to process QWM reports within 15 days of receipt.

Status of Questioned Costs:
Questioned costs were adjusted on the March 31, 2012, and September 30, 2012, quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 751-8973

2011-19A. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $25,810,891

The DSS claimed unallowable state foster care, adoption assistance, and subsidized guardianship costs under the Temporary Assistance for Needy Families (TANF) program. The foster care, adoption assistance, and subsidized guardianship costs claimed included non-emergency assistance, and the costs claimed for emergency assistance were not separately identified; therefore, all costs were unallowable. We questioned all state fiscal year 2011 costs for foster care, adoption assistance, and subsidized guardianship claimed under the TANF program, totaling $25,810,891 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure prior approved program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012, and was submitted on January 24, 2013, to our grantor agency for review.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children and Families (ACF) on February 21, 2014, addressing a similar finding (prior audit finding 2010-21A). The ACF did not sustain the similar finding or the questioned costs.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-19B. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS included unallowable educational expenditures totaling $19,034,632 in the amounts reported for the annual maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) program.

Recommendation:
The DSS ensure expenditures claimed as MOE are allowable.

Status of Finding:

The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012, and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children and Families (ACF) on February 21, 2014, addressing a similar finding (prior audit finding 2010-21B). For the similar finding, the ACF determined early education program expenditures were includable as MOE and did not sustain the finding or questioned costs.

The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-19C. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $18,493,665

For the quarter ended September 30, 2010, the DSS claimed costs under the Temporary Assistance for Needy Families (TANF) program, totaling $18,493,665, related to three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships. The DSS had not determined and documented there was any correlation between those programs and any of the four allowable TANF purposes. We questioned the state fiscal year 2011 costs for scholarship programs that were claimed under the TANF program, totaling $18,493,665 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012, and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The DSS has changed its claiming process to claim these funds as TANF, instead of TANF MOE to align its claiming with the above information.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children and Families (ACF) on February 21, 2014, addressing a similar finding (prior audit finding 2010-21C). The ACF did not sustain the similar finding and did not pursue a TANF misuse of funds penalty.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-19D. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS control system was not effective in ensuring the types of costs claimed under the Temporary Assistance for Needy Families (TANF) program or recorded as TANF maintenance of effort (MOE) met all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant.

Recommendation:
The DSS establish a formal control system to ensure the types of costs claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012, and was submitted on January 24, 2013, to our grantor agency for review. The status is still under discussion with the grantor agency.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children and Families (ACF) on February 21, 2014, addressing a similar finding (prior audit finding 2010-21D). The ACF did sustain the similar finding and recommendation, but did not pursue a TANF penalty action.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2011-20A. Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services - Family Support Division (FSD)

The FSD was not in compliance with certain work activity reporting requirements contained in the Temporary Assistance for Needy Families Work Verification Plan in effect for state fiscal year 2011. We noted for 17 of 60 cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan.

Recommendation:
The FSD develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

Status of Finding:
The Missouri Work Assistance (MWA) Case Management system was available for data entry June 28, 2011, and entries ceased in the Toolbox system on June 23, 2011. Inquiry access to Toolbox has continued to ensure necessary data was converted from Toolbox to the MWA System.

A Case Review form was developed for use by all MWA Coordinators to provide consistency when reviewing data entries and physical files of MWA participants each contractor is serving. This tool is used by all MWA coordinators effective July 1, 2011.

A Case Review Guide was written and shared with MWA staff August 2011, (and upgraded December 2011) to ensure the MWA coordinators understand where policies regarding the form are located in the policy manual and request for proposal to assist contractors with any incorrect findings. This guide and the case review form have also been shared with MWA contractors for use when reviewing their staff case files.

Effective August 1, 2011, MWA coordinators report to the FSD program manager responsible for the MWA program (before that time coordinators reported to regional FSD staff). The change in supervision ensures that positions are dedicated to the MWA program and coordinator accountability for assigned work by the MWA FSD program manager. All field managers and coordinators continue to be dedicated to the support of the MWA program and report to the MWA unit manager.

With this change, four teams have been designated to further develop the MWA program. These teams are:

- MWA System and Data - user guides, system enhancements, reports;
- MWA Policy and Training - policy manual updates, training materials;
- MWA Contracts and Monitoring - monitoring tools, compliance; and
- Special Projects and Research - MWA webpage, research to improve the work participation rates.

Tools developed by these teams will provide contractors with information to ensure participation activities meet work verification standards and supported with adequate documentation. Resources developed will also serve to increase the work participation rate for the state and provide performance measures to the contractors.

MWA staff completed targeted case file reviews in March 2012, for individuals participating in Vocational Education as an activity. The review was conducted to ensure contractors were obtaining actual attendance sheets (work verification) for this activity rather than entering hours based on a class schedule. This review, and regular case file reviews examine if work verification standards are met.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2011-20B. Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services - Family Support Division (FSD)
Questioned Costs: $1,134

The FSD did not have adequate procedures in place to ensure contractors notified the FSD when Temporary Assistance for Needy Families (TANF) recipients failed to meet work participation requirements. As a result, many TANF recipients who failed to meet work participation requirements were not sanctioned. We noted 18 of 55 recipients tested were not appropriately sanctioned for non-compliance with work participation requirements. We questioned the amount of the sanctions that were not imposed for these recipients for the month reviewed, which totaled $1,134 (100 percent federal share). In addition, the FSD did not ensure TANF recipients referred to Missouri Work Assistance (MWA) contractors were assigned case managers.

Recommendation:
The FSD develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

Status of Finding:
The FSD continues to perform the following activities to evaluate contractor compliance with notification requirements to ensure TANF recipients are sanctioned according to policy and procedure.

The Case Review form includes an evaluation of the conciliation and sanction referral process. This tool continues to determine appropriate and timely actions of the MWA contractors should TANF recipients fail to meet the work participation requirements.

The MWA field managers and coordinators review the mass participation screens for case managers in each office to identify those individuals that are not participating in an activity and work with the contractors to identify those that should be placed in conciliation and possibly sanctioned.

Quarterly, the MWA coordinators review a sample of participants that have no hours of participation, no conciliation activity, or no sanction in place. Individuals identified are shared with the contractor for immediate contact and initiation of the conciliation and sanctioning process to ensure participants failing to meet the work participation requirement are sanctioned as required. These reviews have continued through state fiscal year 2014. Contractors are provided with information on any case file discovered during these reviews that require attention.

Status of Questioned Costs:
An adjustment was made to the March 31, 2012, quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2011-22C. Medicaid Management Information System

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA

2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $78

The Medicaid Management Information System (MMIS) did not properly process certain spend down claims, allowing some participants with medical claims that extended between 2 or more calendar months to receive benefits without meeting spend down requirements in any of the months. Of nine claims reviewed for spend down participants, we noted one paid claim where the participant had not met the required monthly spend down amount. The payments related to the claim tested totaled $109. We questioned the federal share of the total payments, or $78 (71.61 percent).

Recommendation:
The MHD identify and resolve questioned costs with the grantor agency related to spend down participant claims paid in error.

Status of Finding:
The MHD identified spend down claims with dates of service extending across two or more months that did not process correctly. The claims were mass adjusted in the MMIS on the January 10, 2014, adjudication cycle. The mass adjustment amount was reflected on the June 30, 2014, quarterly report.

Status of Questioned Costs:
Questioned costs were adjusted on the March 31, 2014, quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Todd Meyer
Phone Number: (573) 751-7996

2011-23. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs: $2,620

Adequate controls were not in place to ensure all required documentation was obtained and maintained supporting eligibility of participants related to the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP). The FSD did not obtain or maintain all documentation required for eligibility for 3 of 60 Medicaid and CHIP participants reviewed. The ineligible payments made on behalf of these participants totaled $3,717 during the year ended June 30, 2011. We questioned the federal share or $2,620 (70.49 percent).

Recommendation:
The DSS ensure all information required to determine participant eligibility is obtained, verified, and retained to ensure compliance with applicable federal requirements. In addition, the DSS should resolve questioned costs with the grantor agency.

Status of Finding:
The DSS has taken steps to ensure staff is following existing policy for obtaining verified Social Security Numbers, verifying citizenship and for exploring potential income sources when approving assistance applications and conducting periodic reviews. To enhance measures already in place and to continue to ensure correct case results, the corrective actions include the following:

- MHD Program and Policy has released a memorandum, IM-93 on November 27, 2012, reminding staff of required verification of citizenship, identification, and income when determining eligibility for MHD programs, IM-46 on June 1, 2012, to remind staff of the policies on citizenship and immigrant status and to apply policies appropriately, and IM-49 on August 25, 2011, to clarify reasonable opportunity to present documentary evidence of citizenship for MHD programs.

- Effective 2014, the FSD electronically verifies citizenship using the Federal Services Data Hub exchange system through the Missouri Eligibility Determination and Enrollment System (MEDES) for households requiring eligibility determinations based on Modified Adjusted Gross Income (MAGI) methodology. MO HealthNet Program and Policy has released a memorandum, IM-14 on March 20, 2014, introducing a code and user guide to remove participants who have not cooperated in providing verification of citizenship within 90 days for MO HealthNet programs.

When an applicant applies and declares to be a citizen or national, the eligibility specialist must follow policy as outlined in Income Maintenance Manual Policy Section 0110.020.02. From November 2011 to September 2012, the FSD Quality Assurance/Quality Control Unit reviewed a random sampling of MO HealthNet for Families (MHF), MO HealthNet for Kids (MHK), MO HealthNet for The Aged, Blind, and Disabled (MHABD), and MO HealthNet for Pregnant Women (MPW) applications through the Payment Error Rate Measurement Reviews (PERM) process. While reviewing a case for PERM, if it was found that the case file did not contain the necessary documentation to verify citizenship, the Quality Assurance/Quality Control Unit verified citizenship, if possible, and then forwarded the verification to the field office to update the case record. PERM review summaries were distributed to the county of origin for follow up and corrective action.

Due to the conversion in determination methodology for MHF, MHK and MPW to MAGI, PERM reviews were temporarily placed on hold by Centers for Medicare & Medicaid Services (CMS) until 2017. However, the CMS has implemented the Payment Accuracy Review for MO HealthNet (PARM) pilot project to review eligibility determinations based on MAGI methodology. The FSD Quality Assurance/Quality Control Unit started completing PARM reviews on cases with determination dates as of January 2014. While reviewing a case for PARM, if it is found that the case file does not contain the necessary documentation to verify citizenship, Quality Assurance/Quality Control Unit will verify citizenship, if possible, and then forward the verification to the field office to update the case record. PARM review summaries are distributed to the county of origin for follow up and corrective action.

Since November 2011, FSD supervisors have continued to conduct random case readings of MHF, MHK, MHABD, and MPW cases identified on reports available on the Managed Reporting System to measure eligibility specialist's performance in determining eligibility and providing correct benefits.

A request for automation of adverse actions when citizenship or ID verification has not been received within 90 days was submitted to the Family and Medical Information System (FAMIS) for inclusion on a list of planned systems enhancements. Due to the conversion currently in process from FAMIS to the MEDES, as well as budgetary constraints, the request was not completed. However, this automated function is included with the business requirements for the MEDES.

Status of Questioned Costs:
The DSS will resolve the questioned costs with the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 751-8973

2011-24. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021
93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $6,909,934

The MHD periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP); however, the state regulation authorizing these dispensing fees had not been updated since 1988 and the current rate paid exceeded a 1991 settlement agreement that increased the pharmacy dispensing fee. The MHD did not have adequate documentation to support the determination of the current dispensing fee structure. The MHD paid pharmacies base dispensing fees totaling $62,331,717 during the year ended June 30, 2011. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $52,672,877, a difference of $9,658,840. We questioned the federal share of the difference, or $6,909,934 (71.54 percent).

Recommendation:
The MHD ensure state regulations related to administration of the Medicaid program and the CHIP are updated when changes are justified, and resolve questioned costs with the grantor agency. In addition, the MHD should ensure increases in payment rates are adequately supported and actuarially sound, as required by federal guidelines.

Status of Finding:
The MHD disagreed with the finding. The MHD makes payments in accordance with the Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS) approved state plan. Furthermore, pharmacy dispensing fees paid under Title XIX and CHIP are communicated in documents during the budget process and authorized by the General Assembly through the appropriations process.

The proposed rule was published on November 1, 2013, Volume 38, No. 21, page 1768, for the regulatory changes necessary to reflect the current pharmacy dispensing fee.

Status of Questioned Costs:
On September 16, 2014, the CMS sent the DSS a demand letter regarding SAO findings 2011-24, 2012-20 and 2013-018, requesting the State of Missouri return the questioned costs. The DSS responded on October 1, 2014, to the demand letter. This finding is the subject of discussions with the grantor agency, but no resolution has yet been finalized.

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Phone Number: (573) 522-9879

2011-25A. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO05021

93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA
2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD identified Medical Assistance Program and Children's Health Insurance Program claims requiring post-payment reviews and generated daily exception reports; however, these reports were not reviewed during the year ended June 30, 2011.

Recommendation:
The MHD review the report of claims that have been identified for post-payment reviews to ensure erroneous billings are properly recouped.

Status of Finding:
The MHD has completed its review of the daily exception reports to verify the need for any exception to have a status of 4. Unit program managers were contacted to make the decision for their specific program areas. We received confirmation from the managers to change many status 4 exceptions to a different status because reporting the claims is not necessary. The size of the daily report has decreased from an average of 2,200 pages to 150 pages or less. Of this amount, many of the exceptions are utilized by Xerox through the CMSP contract (Clinical Management Services and System for Pharmacy Claims and Prior Authorization). The MHD has completed its review of the CMSP exceptions to determine the need to continue using a status of 4. Since the report has decreased to a manageable size, the MHD is able to review the report.

Originally, the MHD thought it would submit a request to change the way report GMCM6500-R018 is produced. Currently, if an internal control number (ICN) posts more than one exception (up to 25) and any of the exceptions have a status of 4, the ICN will repeat on the report for every exception listed. After review, it was determined that if there is more than one exception posted to a claim, it could be possible for one or more units to need to review the individual claim at different levels depending on which exception posted. Therefore it was decided not to make changes to the way report GMCM6500-R018 works.

We continue our efforts to confirm the necessity of this report as it applies to our claims processing and payment systems today. We are finding that the majority of this report is simply outdated, while newer, more advanced system tools provide the required editing for the MO HealthNet program.

This finding has been closed by the Centers for Medicare and Medicaid Services.

Contact Person: Dianne Sinden
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2012-6. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)
Questioned Costs: $297,964

The DSDS did not ensure annual reassessments were performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. Assessment documentation was tested for 60 Medicaid recipients who received State Plan Personal Care (SPPC) and/or Aged and Disabled Waiver (ADW) services during the year ended June 30, 2012. The DSDS did not perform annual reassessments of eligibility for 40 of the 58 (69 percent) recipients requiring a reassessment. The payments for SPPC and ADW services provided to these recipients without annual reassessments during the year ended June 30, 2012, totaled $468,570. We questioned the federal share, or $297,964 (63.59 percent).

Recommendation:
The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure annual reassessments are performed as required.

Status of Finding:
The fiscal year 2015 state budget includes funding for HCBS providers to conduct reassessments. The ten Area Agencies on Aging also conduct reassessments. Reassessments by providers totaled 11,999 in fiscal year 2014, an increase of 7,473 over the previous fiscal year. Level of care reassessments for current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers and the Area Agencies on Aging.

Status of Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2012-8. Payroll Cost Allocation Procedures

Federal Agency: Department of Agriculture
Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2011 - 2011IS252043, 2011IE251843, 2011CQ270343, and 2011IQ390343
2012 - 2012IS252043, 2012IE251843, and 2012IQ390343
93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.658 Foster Care - Title IV-E
2011 - G1101MO1401 and 2012 - G1201MO1401
93.659 Adoption Assistance
2011 - G1101MO1407 and 2012 - G1201MO1407
93.667 Social Services Block Grant
2011 - G1101MOSOSR and 2012 - G1201MOSOSR
93.778 Medical Assistance Program
2011 - 1105MO5ADM and 2012 - 1205MO5ADM

State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

Questioned Costs: $148,884

DFAS controls and procedures over the allocation of some payroll costs to federal programs were inadequate, and, as a result, several errors were not prevented and/or detected. Incorrect labor codes were assigned to some employees, resulting in payroll costs for those employees being charged to the wrong cost pools. These cost pool errors resulted in overstatements of payroll costs totaling approximately $236,000 ($148,884 federal share) and understatements totaling approximately $139,000 ($86,000 federal share) for seven federal programs for the year ended June 30, 2012. We questioned the federal share of the overstatements, or $148,884.

Recommendation:
The DSS, through the DFAS, resolve the questioned costs with the grantor agency, and establish controls and procedures to ensure payroll costs are allowable and allocable. These procedures should include a periodic documented review of labor codes assigned to employees and the purpose and definition of labor codes to ensure associated payroll costs are charged to appropriate federal programs directly or through the proper cost pool.

Status of Finding:
The DSS - DFAS continues to work with program staff to ensure that staff is assigned to the appropriate labor codes that correspond to their job functions. The DFAS is also currently working to revise the Public Assistance Cost Allocation Plan. Currently, the labor code is part of the position code for each employee and is used to allocate payroll costs to various federal grants or cost pools. The DFAS has completed changes to allocate salaries to allowable cost pools through the Labor Distribution Profile (LDPR) codes in SAM II. The reporting categories which identify which federal grant or pool to allocate to will be part of the LDPR code in SAM II.

Status of Questioned Costs:
Questioned costs were adjusted on the September 30, 2013, quarterly reports. The DSS is waiting on clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-11A. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Legal Services
Questioned Costs: $55,465

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers.

- The DSS could not locate the child care eligibility file for 5 of 60 (8 percent) cases reviewed. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2012, totaled $51,884. We questioned the federal share of $42,026 (81 percent).

- Eligibility documentation was not sufficient to support a valid need for child care for 5 of 60 (8 percent) cases reviewed. Payments totaling $12,603, made on behalf of these children and their siblings, were unallowable and/or unsupported by adequate documentation. We questioned the federal share of $10,208 (81 percent).

- For child care payments, 22 of 60 (37 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Of these 22 payments, 6 were for cases which also lacked eligibility documentation and were included in the questioned costs above, or were absence and/or holiday payment errors and were questioned in Finding 2012-11B. Payments for the remaining 16 cases totaled an additional $3,989. We questioned the federal share of $3,231 (81 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Status of Finding:
Corrective actions taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider.

The DSS continues to review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. The CD and the FSD hold quarterly quality improvement meetings. The Child Care Review Team (CCRT) has been implemented to monitor child care providers, both onsite and off. The FSD continues to work on enhancing document retention efforts. Additional efforts are as follows:

*FSD Reorganization and MEDE*S - The FSD continues to move forward with transitioning from a case management approach to a task based approach with specialized offices; for example, housing child care eligibility with the Temporary Assistance for Needy Families program in one or more locations. The continued development of the MO Eligibility Determination Electronic System (MEDES) will allow for a task based approach which results in greater efficiencies in the processing of program eligibility applications.

Early Childhood and Prevention Services - The CD has restructured the Early Childhood and Prevention Section by streamlining functions based on division responsibilities. As of August 2014, the Division of Finance and Administrative Services is responsible for the oversight and processing of child care provider payments. This change will afford the CD more time to concentrate on the substantial changes resulting from the Child Care Development Block Grant of 2014.

Child Care Electronic Provider System – The CD issued a Request for Information to gather information regarding available Business Intelligence Solutions that would provide the DSS with a comprehensive and time efficient system for the administration of the Child Care program. A Request for Proposal will be issued seeking proposals for a system that will include:

1. A child care provider registration and tracking system.
2. An electronic time and attendance system for all providers statewide.
3. A child care review system for the purpose of executing and managing a compliance monitoring process for the Child Care program.

Child Care Review Team - In August 2013, the DSS hired four staff to conduct compliance reviews of child care providers. The CCRT uses a risk based monitoring approach to detect providers who are at high risk of non-compliance. This process has created opportunities for identification of deficiencies in child care providers' performance, and a process to hold them accountable for the requirements of their contract/registration agreement. As of October 2014, the DSS has conducted more than 1,400 onsite reviews of child care providers.

Case Review Tool - A child care component to the FSD Case Review System was implemented in March 2012. The CD is utilizing output reports from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement. The output reports for fiscal year 2014 have been reviewed and indicate a 94.56 percent accuracy rate statewide.

A program development specialist completes second level reviews on randomly selected cases reviewed by eligibility specialist (ES) supervisors and compiles a quarterly list of critical areas for ES supervisors to focus on during the case review process. A statewide analysis is being prepared for FSD leadership on a quarterly basis. This analysis outlines areas for improvement.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. The CD is currently updating the CRG.

Child Care Manual Revisions - Early Childhood and Prevention Services program and policy staff is continually reviewing the child care manual for clarification and revision.

Calendar Year	Policy Memorandum Updates By Section	Practice Points/Alerts
2011	40	5
2012	82	1
2013	10	4
2014	5	2

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. From this initiative there were four project teams designated to identify deficiencies and problematic areas within the Child Care program: Eligibility, Provider Issues and Policy/Payments, Program Integrity, and Information and Systems Technology. Each team made five or six recommendations related to the team's assigned area. The DSS continues to implement the recommendations made by this committee.

Self-Employment Training - Effective August 1, 2011, the FSD ES and ES supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and ES supervisors were required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to successfully complete the online training prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component. Effective April 1, 2013, ES and ES supervisors are required to retake the online Child Care Assistance training every two years after initial completion.

Status of Questioned Costs:
The DSS recovered some of the questioned costs via processing claims against parents or providers. The DSS completed the remaining adjustments on the September 30, 2013, quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Marianne Dawson
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2012-11B. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Legal Services (DLS)

Questioned Costs: $243,382

Controls and procedures over absence and holiday payments were inadequate. Our review of DSS expenditure data determined the DSS paid at least 680 providers on behalf of at least 2,900 children for absences and/or holidays in months with no attendance reported for the child during either the month reported or the subsequent month. Identified payments made on behalf of these children with fiscal year 2012 service dates totaled $300,471. We questioned the federal share, or $243,382 (81 percent). In addition, some payment edit checks in the Family Assistance Management Information System and Child Care Online Invoicing System (CCOIS) were not in place or were not operating effectively.

Recommendation:

The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and implement procedures to ensure payments for absences and holidays are allowable and reviewed in accordance with policy. In addition, system controls should be strengthened to ensure claimed absences are limited in accordance with policy and service dates claimed are timely.

Status of Finding:

The CD clarified payment and attendance policies to identify when it is appropriate to claim absences and holidays during a service month. The policy clarification has been shared with FSD staff and child care providers.

The CD implemented system enhancements to address the absence and holiday issue in the CCOIS. System edits have been implemented in the CCOIS to disallow a provider from billing and being paid for absences and holidays in a service month when actual care has not been provided to a child. These system edits were implemented in March 2013. The CD tested the system edit using payment data from the last three months of fiscal year 2013 and the first four months of data for fiscal year 2014.

Staff identified all child care providers paid for absences and holidays with no actual attendance, during service months covering fiscal year 2012 and fiscal year 2013. Claims have been entered against these providers, if claims were not already established during previous reviews. Staff is reviewing all child care providers paid in fiscal year 2013 and fiscal year 2012 for payment of more than the allowable amount of absences and holidays and claims are in the process of being established.

Provider information and billing patterns were reviewed for possible referral to Attendance and Payment Accuracy training and/or referral to the DLS - Welfare Investigations Unit (WIU) for investigation. Referrals were made to the WIU and returned to the CD because there was no evidence to suggest fraudulent activity. The Child Care Payments Unit initiated the claims process on the additional claims for absence and holiday overpayments in February 2015.

Status of Questioned Costs:
The DSS completed the remaining adjustments on the September 30, 2013, quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2012-11C. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7
State Agency: Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Legal Services (DLS)

Controls over child care fraud investigations were not sufficient to ensure cases were investigated timely and effectively.

Recommendation:
The DSS, through the DLS, improve controls and procedures over fraud investigations, and ensure cases are investigated timely, appropriate actions are taken to recover overpayments, and eligibility is not approved when the client is not repaying.

Status of Finding:
DLS Investigations Unit management is working towards ensuring all investigations are completed in a timely manner. Management has conducted a case closing study for the period of January 2010 through September 2012 and established timeframes for closing cases and/or completing various types of investigations. The case closing study allowed management to develop new performance objectives which is expected to increase the accountability for both investigators and supervisors. These performance objectives have been added to both Investigator II and Investigator III job expectations and took effect with cases opened after March 1, 2013. Because of these objectives, statistics are routinely being reviewed to ensure timely case closings. The last review was conducted in April 2014. Once timely case closings and uniformity are accomplished, then it will only be necessary for management to conduct an annual review.

Management has conducted a statewide review of all open cases/investigations to address all case closing deficiencies and to ensure that all appropriate steps were taken. Each investigation opened prior to January 1, 2011, was reviewed and prioritized to ensure closure prior to the statute of limitations. Any case beyond the statute of limitations was investigated and referred to the FSD or the CD for appropriate action. Management will conduct an annual review to ensure timely investigations.

As a result of the statewide review, management has been successful in identifying deficiencies in each region. The Assistant Chief of Investigations currently performs a bi-monthly review of all pending cases to ensure timely closing.

To ensure that provider child care investigations are completed timely, management created a specialized team of investigators in the St. Louis region. These designated investigators will exclusively handle provider child care fraud investigations. All open child care fraud investigations have been prioritized by opening date.

As of October 9, 2014, the DLS Investigations Unit has 72 child care provider investigations open, and of those, 2 have been referred for prosecution.

During fiscal year 2014, 51 child care provider cases were closed. During July 2014 an internal review of open child care provider referrals was conducted. This review resulted in the closing of 56 investigations that were referred back to the Early Childhood and Prevention Services Section (ECPSS) because of possible contractual violations. There was no allegation of fraud.

All of the absences and holiday investigations have been returned to the ECPSS because there was no evidence to suggest fraudulent activity.

While the DLS Investigations Unit does not determine eligibility we have taken a proactive approach by requesting a monthly report of clients currently approved for child care assistance with an active child care claim. Each client is then reviewed to see if they have entered into a repayment agreement and if payments are being made. If the client does not have a repayment agreement or is not current on payments the FSD Program Integrity Unit is notified so steps can be taken to close the client's child care case.

Contact Person: Bridget Hug
Phone Number: (573) 751-0903

2012-12B. Child Care Reporting and Earmarking

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2011 - G1101MOCCDF and 2012 - G1201MOCCDF
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)

DFAS procedures needed improvement to ensure Child Care and Development Fund (CCDF) federal earmarking requirements (targeted funds) were met. As a result, the DFAS did not report meeting two of three targeted fund requirements for federal fiscal year 2012, and some reported amounts were not supported.

Recommendation:
The DSS, through the DFAS, ensure earmarking requirements are met and improve controls for tracking and reporting targeted fund expenditures. Controls should be sufficient to ensure targeted fund expenditures are allowable and supported.

Status of Finding:
Discretionary funds include targeted funds. The CCDF grant terms and conditions require states to liquidate the discretionary funds by the end of the third fiscal year. The DSS has sufficient controls in place to track and report all targeted fund expenditures, and ensure the requirements are met within the liquidation period.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-13A. Vocational Rehabilitation

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2011 - H126A110037 and 2012 - H126A120037
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)
Questioned Costs: $5,903

The RSB did not adequately review employment services (ES) provider billings and other supporting documentation and did not obtain independent verification of employment of the clients prior to payment for job placement services for the Vocational Rehabilitation (VR) program. For seven of eight cases reviewed, payments of $7,501 were made even though at least one or more of the required reports or monthly logs was not submitted by the provider. In addition, a monthly log for one case appeared to be a duplicate of the prior month's log with a client signature that was not consistent with other signatures made by the client in the file. We questioned the federal share of payments for ES services for these seven cases, or $5,903 (78.7 percent).

Recommendation:
The DSS, through the FSD and RSB, resolve the questioned costs with the grantor agency. In addition, the FSD should establish procedures to improve the billing review process for ES providers, conduct independent verification of job placement for VR clients, and ensure adequate supporting documentation is obtained for all expenditures. The RSB

should also consider more closely reviewing the remainder of the billings reimbursed to this provider.

Status of Finding:
The RSB has enhanced communication procedures between counselors and rehabilitation assistants to ensure adequate supporting documentation and independent verification of job placement is obtained as part of the bill review process for ES providers. The RSB has provided training directed to vocational counselors, rehabilitation assistants, and district supervisors regarding reconciliation of invoices specifically for employment services with required reports, any other supporting documentation that services invoiced have been delivered and resultant case record documentation prior to submitting those same invoices for processing. The DSS continues to communicate with the grantor agency to resolve the questioned costs and related federal reports.

Status of Questioned Costs:
The DSS is awaiting clearance from the grantor agency.

Contact Person: Kevin Faust
Phone Number: (573) 751-4249

2012-14A. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division
Questioned Costs: $32,412,572

The DSS claimed unallowable state foster care, adoption assistance, and subsidized guardianship costs under the Temporary Assistance for Needy Families (TANF) program. The foster care, adoption assistance, and the subsidized guardianship costs claimed included non-emergency assistance, and the costs claimed for emergency assistance were not separately identified; therefore, all costs were unallowable. We questioned all state fiscal year 2012 costs for foster care, adoption assistance, and subsidized guardianship claimed under the TANF program, totaling $32,412,572 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure prior approved program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort

(MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012, and was submitted on January 24, 2013, to our grantor agency for review.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children and Families (ACF) on February 21, 2014, addressing a similar finding (prior audit finding 2010-21A). The ACF did not sustain the similar finding or the questioned costs.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-14B. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division

The DSS included unallowable early childhood educational expenditures of the Missouri Pre-School Program totaling $14,307,089 in the amounts reported for the annual maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) program.

Recommendation:
The DSS ensure expenditures claimed as MOE are allowable.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012 and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children and Families (ACF) on February 21, 2014, addressing a similar finding (prior audit finding 2010-21B). For the similar finding, the ACF determined early childhood education program expenditures were includable as MOE and did not sustain the finding or questioned costs.

The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-14C. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division
Questioned Costs: $24,213,235

For the quarter ended September 30, 2011, the DSS claimed costs under the Temporary Assistance for Needy Families (TANF) program, totaling $24,213,235, related to two scholarship programs: A+ Schools, and Bright Flight Scholarships. The DSS had not determined and documented there was any correlation between those programs and any of the four TANF purposes. We questioned the state fiscal year 2012 costs for scholarship programs that were claimed under the TANF program, totaling $24,213,235 (100 percent federal share).

Recommendation:
The DSS resolve the questioned costs with the grantor agency and ensure program costs claimed under the TANF program comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012, and was submitted on January 24, 2013, to our grantor agency for review.

Additionally, during this process, the third party validated the allowability of the claim in question, citing 1999 TANF Final Rule (page 17825), which supports the DSS's contention that it claimed these funds correctly.

We would like to point out that federal TANF funds may also be used to pay for "nonassistance" activities (such as those identified in this finding) that meet the purposes of the program as given in Sections 401(a)(1)-(4) of the Social Security Act and 45 CFR Section 260.20. Federal TANF funds may also be used for activities that benefit non-needy families in some cases, e.g., activities that meet the purpose of either Section 401(a)(3) or (a)(4) of the Act. In this respect, there may be more flexibility in the expenditures that are allowable uses of federal funds than those that are allowable for MOE purposes. This is because federally funded services or benefits do not necessitate a determination of financial eligibility (need) if they do not meet the definition of assistance. Thus, states may use federal TANF funds (in accordance with Section 404 of the Act) to provide "nonassistance" services or benefits to eligible individuals who meet the state's other, nonfinancial, objective criteria for the delivery of such benefits.

The DSS has changed its claiming process to claim these funds as TANF, instead of TANF MOE to align its claiming with the above information.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children and Families (ACF) on February 21, 2014, addressing a similar finding (prior audit finding 2010-21C). The ACF did not sustain the similar finding and did not pursue a TANF misuse of funds penalty.

Status of Questioned Costs:
The status is still under discussion with the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-14D. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF

State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS control system was not effective in ensuring the types of costs claimed under the Temporary Assistance for Needy Families (TANF) program or recorded as TANF maintenance of effort (MOE) met all federal regulatory and grant requirements which resulted in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant.

Recommendation:
The DSS establish a formal control system to ensure the types of costs claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a manual, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This desk manual will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE as the definitions of allowable costs vary between the two. The desk manual was finished December 2012, and was submitted on January 24, 2013, to our grantor agency for review. The status is still under discussion with the grantor agency.

The DSS received a decision letter from the Department of Health & Human Services - Administration for Children and Families (ACF) on February 21, 2014, addressing a similar finding (prior audit finding 2010-21D). The ACF did sustain the similar finding and recommendation, but did not pursue a TANF penalty action.

Contact Person: Ami Patel
Phone Number: (573) 751-2170

2012-15A. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $18,024

The FSD paid Temporary Assistance for Needy Families (TANF) benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received.

- For 5 of 60 recipients tested, the eligibility specialist did not act promptly or properly on available information affecting recipient eligibility, resulting in payment of improper benefits. We questioned the amount of improper benefits paid to these five recipients, totaling $6,342 (100 percent federal share).

- For 4 of 60 recipients tested, the FSD identified unreported income and took action to close the case; however, the FSD did not establish claims for improper benefits until we inquired about the cases. We questioned the amount of improper benefits identified totaling $2,369 (100 percent federal share).

- For 4 of 60 recipients tested, the FSD did not maintain adequate documentation to demonstrate compliance with federal requirements related to eligibility for the TANF program. Payments made for these four cases during the year ended June 30, 2012, totaled $9,313, for which we questioned the entire amount (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and strengthen controls to ensure information affecting eligibility is properly reviewed periodically and proper and timely action is taken regarding the information, including case closures and recoupment of overpayments if warranted. In addition, the FSD should maintain required eligibility documentation in all case files.

Status of Finding:
The FSD continues to ensure cases are thoroughly reviewed and acted upon in a timely manner for reported household income changes, at points of assistance application, and identified at scheduled continued-eligibility reviews. Once TANF is in the Missouri Eligibility Determination and Enrollment System, the FSD Income Maintenance (IM) staff will develop a Quarterly Wage Match (QWM) report for staff. IM Memo #53 (6/25/12) was issued to staff with detailed steps to process QWM reports within 15 days of receipt.

Status of Questioned Costs:
An adjustment was made on the September 30, 2013, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 751-8973

2012-15B. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $2,237

The FSD did not act upon some notices of non-cooperation from the Child Support Enforcement (CSE) Unit to sanction recipients of the Temporary Assistance for Needy Families (TANF) program, and the CSE Unit did not always notify the FSD of non-cooperating clients.

- The CSE Unit did not notify the FSD of 23 non-cooperating clients tested. Of the 23 cases reviewed, 6 recipients received overpayments totaling $1,199 during the year ended June 30, 2012. We questioned the federal share of overpayments totaling $1,199 (100 percent federal share).

- The FSD did not sanction 11 recipients when notified of referral for noncooperation, resulting in overpayments totaling $1,038 during the year ended June 30, 2012. We questioned the federal share of overpayments, totaling $1,038 (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and develop additional controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with CSE program requirements.

Status of Finding:
The FSD Income Maintenance (IM) section continues to work closely with the division's Child Support (CS) section to further ensure non-cooperation notifications from the CS section are promptly reviewed by IM staff for potential sanctions, and subsequently imposed as warranted. The FSD CS section notified CS staff with CS Memo #20 (April 15, 2013) about non-cooperation procedures for TANF and MO HealthNet recipients. The FSD is moving toward a specialized Temporary Assistance office, so all referrals will be going to one location. This will make it easier to track and have staff follow up.

Status of Questioned Costs:
An adjustment was made on the September 30, 2013, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 526-6598

2012-16A. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2012. For 25 of the

60 cases we tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan.

Recommendation:
The FSD develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

Status of Finding:
The Missouri Work Assistance (MWA) Case Management system was available for data entry June 28, 2011, and entries ceased in the Toolbox system on June 23, 2011. Inquiry access to Toolbox has continued to ensure necessary data was converted from Toolbox to the MWA system.

A Case Review form was developed for use by all MWA coordinators to provide consistency when reviewing data entries and physical files of MWA participants each contractor is serving. This tool is used by all MWA coordinators effective July 1, 2011.

A Case Review Guide was written and shared with MWA staff August 2011, (and upgraded December 2011) to ensure the MWA coordinators understand where policies regarding the form are located in the policy manual and request for proposal to assist contractors with any incorrect findings. This guide and the case review form have also been shared with MWA contractors for use when reviewing their staff case files.

Effective August 1, 2011, MWA coordinators report to the FSD program manager responsible for the MWA program (before that time coordinators reported to regional FSD staff). The change in supervision ensures that positions are dedicated to the MWA program and coordinator accountability for assigned work by the MWA FSD program manager. All field managers and coordinators continue to be dedicated to the support of the MWA program and report to the MWA unit manager.

With this change, four teams have been designated to further develop the MWA program. These teams are:

- MWA System and Data - user guides, system enhancements, reports;
- MWA Policy and Training - policy manual updates, training materials;
- MWA Contracts and Monitoring - monitoring tools, compliance; and
- Special Projects and Research - MWA webpage, research to improve the work participation rates.

Tools developed by these teams will provide contractors with information to ensure participation activities meet work verification standards and supported with adequate documentation. Resources developed will also serve to increase the work participation rate for the state and provide performance measures to the contractors.

MWA staff completed targeted case file reviews in March 2012, for individuals participating in Vocational Education as an activity. The review was conducted to ensure contractors were obtaining actual attendance sheets (work verification) for this activity rather than entering hours based on a class schedule. This review, and regular case file reviews examine if work verification standards are met.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2012-16B. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2011 - G1102MOTANF and 2012 - G1202MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $393

The FSD did not have adequate procedures in place to ensure Missouri Work Assistance (MWA) contractors notified the FSD when Temporary Assistance for Needy Families (TANF) program recipients failed to meet work participation requirements. For 6 of 57 cases tested, recipients were not appropriately sanctioned for non-compliance with work participation requirements. We questioned the amount of the sanctions that were not imposed on these six recipients for the tested month of February 2012, which totaled $393 (100 percent federal share).

Recommendation:
The FSD develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

Status of Finding:
The FSD continues to perform the following activities to evaluate contractor compliance with notification requirements to ensure TANF recipients are sanctioned accordingly to policy and procedure.

The Case Review form includes an evaluation of the conciliation and sanction referral process. This tool continues to determine appropriate and timely actions of the MWA contractors should TANF recipients fail to meet the work participation requirements.

The MWA field managers and coordinators review the mass participation screens for case managers in each office to identify those individuals that are not participating in an activity and work with the contractors to identify those that should be placed in conciliation and possibly sanctioned.

Quarterly, the MWA coordinators review a sample of participants that have no hours of participation, no conciliation activity, or no sanction in place. Individuals identified are shared with the contractor for immediate contact and initiation of the conciliation and sanctioning process to ensure participants failing to meet the work participation requirement are sanctioned as required. These reviews have continued through state fiscal year 2014. Contractors are provided with information on any case file discovered during these reviews that require attention.

Status of Questioned Costs:
An adjustment was made on the September 30, 2013, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2012-18A. Participant Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs: $3,311,503

Controls were not adequate to ensure participants transferred to a new eligibility determination system were completely converted to the new system. As a result, some annual redeterminations were not conducted timely to evaluate the continued eligibility of participants in the Medical Assistance Program (Medicaid) and Children's Health Insurance Program. Of 894 cases not converted in the Family Assistance Management Information System (FAMIS) as of October 2012, 747 cases did not receive a redetermination during the year ended June 30, 2012, as required. Participants in 584 of the 747 cases had payments made on their behalf after the date a redetermination was due. These ineligible payments totaled $5,207,584 for the year ended June 30, 2012. We questioned the federal share of the total payments, or $3,311,503 (63.59 percent).

Recommendation:
The DSS establish controls to ensure all participants transferred to the FAMIS are finalized in the system so annual redeterminations of eligibility will be automatically initiated. In addition, the DSS should resolve questioned costs with the grantor agency.

Status of Finding:
The FSD obtained weekly reports from the Information Technology Services Division listing the cases remaining in the controlled flow to be converted into the FAMIS. The cases listed on the reports were reviewed each week by MHD Program and Policy staff. After review of the cases, MHD Program and Policy staff followed up with county office

staff to ensure the completion of the cases. The conversion of all cases that remained in the flow to be converted into the FAMIS was completed April 8, 2013.

Local FSD office staff have completed reviews and provided documentation to FSD central office staff to verify eligibility for the 584 cases with payments made on their behalf after the date a redetermination was due. The FSD review concentrated on review of eligibility of the cases with the highest dollar amounts first, and then began review of the lower dollar amounts. Of the 584 cases receiving a full eligibility review, 286 cases were found to be eligible for payment and 298 cases were found to be ineligible for payment. Payments made on behalf of the cases that have been reviewed and determined eligible were allowed. Of the total federal questioned costs, the FSD can confirm that $578,004.33 of the total federal questioned costs were ineligible for payment.

The FSD is completing the claims process for all cases found to be ineligible for payment.

Status of Questioned Costs:
The DSS will resolve the questioned costs with the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 751-8973

2012-18B. Participant Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO5021 and 2011 - 1105MO5021 93.778 Medical Assistance Program 2011 - 1105MO5MAP and 1105MO5ADM 2012 - 1205MO5MAP and 1205MO5ADM
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs:	$219,768

The MHD identified Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP) payments made on behalf of approximately 400 children from 2009 to 2012 who were later determined to be ineligible for these programs at the time of service; however, the MHD has not taken steps to resolve these questioned costs with the grantor agency. The ineligible payments made on behalf of the 122 participants with Medicaid or CHIP payments during the year ended June 30, 2012, totaled $345,602. We questioned the federal share of the total payments, or $219,768 (63.59 percent).

Recommendation:
The DSS resolve questioned costs regarding payments for ineligible children with the grantor agency.

Status of Finding:
Further investigation of these claims was performed to determine eligibility by program type based on the dates of service. Results of this review indicate a total of $96,163 ($61,150 federal share) was paid for claims on dates of service for which the children were ineligible.

Status of Questioned Costs:
An adjustment was made on the June 30, 2013, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Sheila Tannehill
Phone Number: (573) 751-8962

2012-18C. Participant Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO5021 and 2011 - 1105MO5021 93.778 Medical Assistance Program 2011 - 1105MO5MAP and 1105MO5ADM 2012 - 1205MO5MAP and 1205MO5ADM
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division
Questioned Costs:	$13,824

The FSD did not obtain or maintain all documentation required to support eligibility for 6 of 60 cases reviewed.

- A signed application was not obtained or retained for five participants reviewed. Payments totaling $21,414 were made on behalf of these five participants during the year ended June 30, 2012. We questioned the federal share of the payments, or $13,617 (63.59 percent).

- Citizenship was not verified during determination of eligibility for one Medicaid participant reviewed. This participant's grace period expired May 21, 2012, at which time the eligibility should have ended. The ineligible payments made on behalf of this participant after expiration of the grace period totaled $326 during the year ended June 30, 2012. We questioned the federal share of the total payments, or $207 (63.59 percent).

Recommendation:
The DSS ensure all information required to determine participant eligibility is obtained, verified, and retained to ensure compliance with applicable federal requirements. In addition, the DSS should resolve questioned costs with the grantor agency.

Status of Finding:
The FSD correctly completed the annual Medicaid reviews with Supplemental Nutrition Assistance Program (SNAP) applications. As stated in Section 208.147, RSMo, "1. The family support division shall conduct an annual income and eligibility verification review of each recipient of medical assistance. Such review shall be completed not later than twelve months after the recipient's last eligibility determination. 2. The annual eligibility review requirement may be satisfied by the completion of a periodic food stamp redetermination for the household."

The FSD reviewed the case record of the five participants identified and found that each one had a signed SNAP application in the file. The annual Medicaid redetermination was completed using information obtained by the completion of the SNAP redetermination for the household. Therefore, no adjustment to federal reports is necessary since the cases were determined to be correct.

On March 12, 2013, the FSD issued Income Maintenance memorandum IM-31 "MO HealthNet Case Maintenance" to clarify required documentation.

Effective January 1, 2014, the FSD electronically verifies eligibility factors using the Federal Services Data Hub exchange system through the Missouri Eligibility Determination and Enrollment System for households requiring eligibility determinations based on modified adjusted gross income methodology, which will eliminate much documentation.

Status of Questioned Costs:
The DSS will resolve the questioned costs with the grantor agency.

Contact Person: Kimberly O'Hara
Phone Number: (573) 751-8980

2012-19A. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD did not review daily exception reports of the Medical Assistance Program and Children's Health Insurance Program claims requiring post-payment reviews during the year ended June 30, 2012.

Recommendation:
The DSS review the report of claims that have been identified for post-payment reviews to ensure erroneous billings are properly recouped.

Status of Finding:
The MHD has completed its review of the daily exception reports to verify the need for any exception to have a status of 4. Unit program managers were contacted to make the decision for their specific program areas. We received confirmation from the managers to change many status 4 exceptions to a different status because reporting the claims is not necessary. The size of the daily report has decreased from an average of 2,200 pages to 150 pages or less. Of this amount, many of the exceptions are utilized by Xerox through the CMSP contract (Clinical Management Services and System for Pharmacy Claims and Prior Authorization). The MHD has completed its review of the CMSP exceptions to determine the need to continue using a status of 4. Since the report has decreased to a manageable size, the MHD is able to review the report.

Originally, the MHD thought it would submit a request to change the way report GMCM6500-R018 is produced. Currently, if an internal control number (ICN) posts more than one exception (up to 25) and any of the exceptions have a status of 4, the ICN will repeat on the report for every exception listed. After review, it was determined that if there is more than one exception posted to a claim, it could be possible for one or more units to need to review the individual claim at different levels depending on which exception posted. Therefore it was decided not to make changes to the way report GMCM6500-R018 works.

We continue our efforts to confirm the necessity of this report as it applies to our claims processing and payment systems today. We are finding that the majority of this report is simply outdated, while newer, more advanced system tools provide the required editing for the MO HealthNet program.

Contact Person: Dianne Sinden
Phone Number: (573) 751-8193

2012-20. Pharmacy Dispensing Fees

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2010 - 1005MO5021 and 2011 - 1105MO5021
93.778 Medical Assistance Program
2011 - 1105MO5MAP and 1105MO5ADM
2012 - 1205MO5MAP and 1205MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $6,319,991

The MHD periodically changed the rate paid to pharmacies for dispensing prescription drugs under the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP); however, the state regulation authorizing these dispensing fees had not been updated since 1988, and the current rate paid exceeded a 1991 settlement agreement that increased the pharmacy dispensing fee. The MHD did not have adequate documentation to support the determination of the current dispensing fee structure. The MHD paid pharmacies base dispensing fees totaling $64,137,459 during the year ended June 30, 2012. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $54,198,803, a difference of $9,938,656. We questioned the federal share of the difference, or $6,319,991 (63.59 percent).

Recommendation:
The MHD ensure state regulations related to administration of the Medicaid program and the CHIP are updated when changes are justified, and resolve questioned costs with the grantor agency. In addition, the MHD should ensure increases in payment rates are adequately supported and actuarially sound, as required by federal guidelines.

Status of Finding:
The MHD disagreed with the finding. The MHD makes payments in accordance with the Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS) approved state plan. Furthermore, pharmacy dispensing fees paid under Title XIX and CHIP are communicated in documents during the budget process and authorized by the General Assembly through the appropriations process.

The proposed rule was published on November 1, 2013, Volume 38, No. 21, page 1768, for the regulatory changes necessary to reflect the current pharmacy dispensing fee.

Status of Questioned Costs:
On September 16, 2014, the CMS sent the DSS a demand letter regarding SAO findings 2011-24, 2012-20 and 2013-018 requesting the State of Missouri return the questioned costs. The DSS responded on October 1, 2014, to the demand letter. This finding is the subject of discussions with the grantor agency, but no resolution has yet been finalized.

Contact Person: Rhonda Driver
Phone Number: (573) 522-9879

2013-003. Medicaid Home and Community Based Services

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2012 - 1205MO5MAP and 1205MO5ADM
2013 - 1305MO5MAP and 1305MO5ADM
State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)

Questioned Costs: $238,623

The DSDS did not ensure annual reassessments were performed, as required, to determine continued need of services of Home and Community Bases Services (HCBS) recipients. Assessment documentation was tested for 60 Medicaid recipients who received State Plan Personal Care (SPPC) and/or Aged and Disabled Waiver (ADW) services during the year ended June 30, 2013. The DSDS did not perform annual reassessments of eligibility for 32 of the 59 (54 percent) recipients requiring a reassessment. The payments for SPPC and ADW services provided to these recipients without annual reassessments during the year ended June 30, 2013, totaled $315,027 for SPPC and $58,464 for ADW ($373,491 total). We questioned the federal share of $238,623 comprised of $201,271 for SPPC and $37,352 for ADW (63.89 percent).

Recommendation:
The DHSS, through the DSDS, resolve the questioned costs with the grantor agency and ensure annual reassessments are performed as required.

Status of Finding:
The fiscal year 2015 state budget included funding for HCBS providers to conduct reassessments. The ten Area Agencies on Aging also conduct reassessments. Reassessments by providers totaled 11,999 in fiscal year 2014, an increase of 7,473 over the previous fiscal year. Level of care reassessments for current clients will be scheduled for completion based upon the anniversary date of the last assessment. DHSS staff will review and approve all reassessments submitted by HCBS providers and the Area Agencies on Aging.

Status of Questioned Costs:
DHSS staff has met with staff from the federal Centers for Medicare and Medicaid Services to discuss the issues raised in the audit. The meetings are ongoing.

Contact Person: Celesta Hartgraves
Phone Number: (573) 526-3626

2013-004. Medicaid Developmental Disabilities Comprehensive Waiver

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2012 - 1205MO5MAP and 2013 - 1305MO5MAP
State Agency: Department of Mental Health (DMH)
Questioned Costs: $22,432

Established controls over the Home and Community Based Services (HCBS), Developmental Disabilities Comprehensive Waiver (Comprehensive Waiver) Program were not always being followed. As a result, assessments of need for services were not always performed prior to individuals receiving Medicaid assistance under the program.

Five of 40 new participants tested (12.5 percent) did not have a required functional limitation assessment on file prior to acceptance into the Comprehensive Waiver Program. This resulted in $35,398 in ineligible payments made on their behalf. We questioned the federal share of these payments, or $22,432 (63.37 percent).

Recommendation:
The DMH resolve the questioned costs with the grantor agency and perform established procedures to ensure assessments of participants' functional limitations are completed and documented prior to admittance into the Comprehensive Waiver program.

Status of Finding:
This recommendation has been implemented. An enhancement to the Customer Information Management, Outcomes, and Reporting (CIMOR) system is now in effect that requires the functional assessment screen be completed in the system before a waiver slot can be assigned. If the assessment has not been completed, the CIMOR system will reject the slot request for the participant.

Status of Questioned Costs:
The Division of Developmental Disabilities identified all specific Medicaid claims that were found by the audit to not be in compliance with Comprehensive Waiver guidelines. These claims were voided in the MO HealthNet system which resulted in a recoupment of the state and federal share from future payments to these specific vendors.

Contact Person: Janet Gordon
Phone Number: (573) 751-8067

2013-005A. Reporting and Period of Availability

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO
2009 - FEMA-DR-1809-MO
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO, and FEMA-DR-4012-MO
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

The SEMA did not have controls and procedures in place to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA), and as a result, subawards were not reported as required.

Recommendation:

The SEMA establish procedures to ensure the subaward information required to be reported per the FFATA is complete, accurate, and submitted timely.

Status of Finding:

Implemented. The SEMA has implemented a new policy to ensure compliance with the FFATA. At the end of each month the fiscal section sends the SEMA program staff responsible for grant administration a request for the information needed to complete the upload for the FFATA Subaward Reporting System (FSRS). Information received by the fiscal staff is entered into a subrecipient award tracking database. Using this database the fiscal section determines which awards need to be uploaded to the FSRS and enters data into a spreadsheet that is uploaded into the FSRS by the end of each month. The SEMA has received information from the Department of Homeland Security, Federal Emergency Management Agency, Region 7, that the issue is resolved and has provided additional information as requested to close this issue.

Contact Person: Shelly Honse
Phone Number: (573) 526-7324

2013-005B. Reporting and Period of Availability

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO
2009 - FEMA-DR-1809-MO
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO, and FEMA-DR-4012-MO
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)
Questioned Costs: $194,867

The SEMA did not ensure certain financial reports for various Public Assistance (PA) awards were submitted timely to the awarding agency. In addition, the SEMA did not ensure expenditures were liquidated timely. None of the six final SF-425 reports filed for PA program awards during fiscal year 2013 were submitted timely to the federal awarding agency. Additionally, we reviewed these six awards and identified expenditures, totaling $194,867, were charged to the awards after the date when obligations could be liquidated. We questioned the federal share of these costs, or $194,867 (100 percent).

Recommendation:
The SEMA resolve the questioned costs with the grantor agency, and ensure federal PA awards are liquidated and reported in a timely manner.

Status of Finding:
Partially implemented. The SEMA is continuing to work with the Department of Homeland Security (DHS) - Federal Emergency Management Agency (FEMA), Region 7, to resolve the questioned costs and has provided additional information as requested to resolve and close this issue. To avoid this issue in the future, the SEMA will get written direction from the FEMA as to grant closing dates and will ensure reports are submitted timely.

Status of Questioned Costs:
The SEMA is continuing to work with the DHS - FEMA, Region 7, to resolve the questioned costs and has provided additional information as requested to resolve and close this issue.

Contact Person: Shelly Honse
Phone Number: (573) 526-7324

2013-006A. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO
2009 - FEMA-DR-1809-MO, FEMA-DR-1822-MO, and FEMA-DR-1847-MO
2010 - FEMA-DR-1934-MO
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO, and FEMA-DR-4012-MO
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

The SEMA did not adequately document reviews performed of subrecipient expenditures to demonstrate compliance with subrecipient monitoring requirements. When the percentage of expenditures reviewed for a subaward is less than 100 percent, the SEMA did not always document which specific expenditures were reviewed.

Recommendation:
The SEMA maintain adequate documentation of reviews performed of subrecipient expenditures to ensure costs are allowable.

Status of Finding:
Implemented. In order to more concisely document payments to applicants (subrecipients) the disaster section staff of the SEMA that process payments for the Public Assistance program have been instructed to retain and file all applicant documentation, spreadsheets and/or notes related to the review of the applicant documentation, as a single payment file, rather than returning the documents to other file categories such as labor, materials equipment, etc. Maintaining a single file for applicant financial documentation will allow the SEMA to better demonstrate the agency's financial review efforts. The SEMA has received information from the Department of Homeland Security, Federal Emergency Management Agency, Region 7, that the issue is resolved and provided additional information as requested to close this issue.

Contact Person: Shelly Honse
Phone Number: (573) 526-7324

2013-006B. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2008 - FEMA-DR-1736-MO, FEMA-DR-1742-MO, FEMA-DR-1748-MO, FEMA-DR-1749-MO, and FEMA-DR-1773-MO
2009 - FEMA-DR-1809-MO, FEMA-DR-1822-MO, and FEMA-DR-1847-MO
2010 - FEMA-DR-1934-MO
2011 - FEMA-DR-1961-MO and FEMA-DR-1980-MO, and FEMA-DR-4012-MO
State Agency: Department of Public Safety - State Emergency Management Agency (SEMA)

The SEMA had not established an adequate tracking system to ensure Public Assistance program subrecipients expending $500,000 or more in federal funds obtained independent Single Audits as required. In addition, the SEMA did not follow-up on findings reported in subrecipient Single Audits.

Recommendation:
The SEMA improve the system to obtain and track Single Audit reports expected and received from applicable subrecipients. In addition, the SEMA should document its review and follow-up of all subrecipient Single Audit reports received.

Status of Finding:
Implemented. The SEMA has established a monitoring plan to include annual certifications for A-133 Single Audit compliance by our local subrecipients and the review of hard copy audits from local subrecipients in conjunction with a review of

electronic audit status' from the federal audit clearinghouse. Certification letters are mailed annually to subrecipients. The SEMA uses a subrecipient award tracking database to notify subrecipients of A-133 Single Audit requirements at the time of award. Any follow-up with subrecipients is documented in the A-133 tracking database. The SEMA has received information from the Department of Homeland Security - Federal Emergency Management Agency, Region 7, that the issue is resolved and provided additional information as requested to close this issue.

Contact Person: Shelly Honse
Phone Number: (573) 526-7324

2013-007A. Payroll Allocations and Salary Certifications

Federal Agency: Department of Agriculture
Department of Health and Human Services
Federal Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2012 - 2012IS251443 and 2013 - 2013IS251443
93.558 Temporary Assistance for Needy Families
2012 - G1202MOTANF and 2013 - G1302MOTANF
93.575 Child Care and Development Block Grant
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
93.658 Foster Care - Title IV-E
2012 - G1201MO1401 and 2013 - G1301MO1401
93.659 Adoption Assistance
2012 - G1201MO1407 and 2013 - G1301MO1407
93.667 Social Services Block Grant
2012 - G1201MOSOSR and 2013 - G1301MOSOSR
93.778 Medical Assistance Program
2012 - 1205MO5ADM and 2013 - 1305MO5ADM
State Agency: Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Questioned Costs: $291,064

DFAS controls and procedures over the allocation of some payroll costs to federal programs were inadequate. Incorrect labor codes were assigned to some employees, resulting in payroll costs for those employees being charged to wrong cost pools. These cost pool errors resulted in overstatements of payroll costs totaling approximately $525,000 ($291,000 federal share) and understatements totaling approximately $487,000 ($308,000 federal share) for seven federal programs for the year ended June 30, 2013. We questioned the federal share of the overstatements, or $291,064.

Recommendation:
The DSS, through the DFAS, resolve the questioned costs with the grantor agency and establish controls and procedures to ensure payroll costs are allowable and allocable. These procedures should include periodic documented reviews of labor codes assigned to employees and the purpose and definition of labor codes to ensure associated payroll costs are charged to appropriate federal programs directly or through the proper cost pool.

Status of Finding:
All the payroll codes have been reviewed and all changes were made effective January 1, 2014, in the SAM II Human Resource system. In addition to staff from Grants Management, Human Resources, Compliance and Quality Control, and the fiscal liaisons performing quarterly reviews of the labor codes, the DSS is also working on revising the cost allocation methodology through the Public Assistance Cost Allocation Plan.

This finding has been cleared by the Department of Health and Human Services.

Status of Questioned Costs:
An adjustment was made on the March 31, 2014, quarterly report.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2013-007B. Payroll Allocations and Salary Certifications

Federal Agency: Department of Agriculture
Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
2012 - 2012IS251443 and 2013 - 2013IS251443
93.558 Temporary Assistance for Needy Families
2012 - G1202MOTANF and 2013 - G1302MOTANF
93.575 Child Care and Development Block Grant
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
93.658 Foster Care - Title IV-E
2012 - G1201MO1401 and 2013 - G1301MO1401
93.659 Adoption Assistance
2012 - G1201MO1407 and 2013 - G1301MO1407
93.667 Social Services Block Grant
2012 - G1201MOSOSR and 2013 - G1301MOSOSR
93.778 Medical Assistance Program
2012 - 1205MO5ADM and 2013 - 1305MO5ADM

State Agency: Department of Social Services (DSS) - Division of Finance and

Administrative Services (DFAS)

Questioned Costs: $179,982

The DSS did not prepare salary certifications for employees whose personnel costs were charged wholly to the Title IV-E Foster Care program. Personnel costs (salaries, benefits, and indirect costs) for these employees totaled $359,964. We questioned the federal share, or $179,982 (50 percent).

Recommendation:

The DSS, through the DFAS, resolve the questioned costs with the grantor agency and prepare semi-annual salary certifications as required.

Status of Finding:

The DSS has included the employees working solely with the Statewide Automated Child Welfare Information System (SACWIS) on the semi-annual salary certifications.

The DSS does not agree that the personnel costs for these employees should be disallowed. The SACWIS operating costs are allowed under the Title IV-E Foster Care program.

This finding has been cleared by the Department of Health and Human Services.

Status of Questioned Costs:

This finding has been cleared by the grantor agency.

Contact Person: Ami Patel

Phone Number: (573) 751-7302

2013-008A. Residential Treatment and Case Management Payments

Federal Agency: Department of Health and Human Services

Federal Program: 93.558 Temporary Assistance for Needy Families
2012 - G1202MOTANF and 2013 - G1302MOTANF
93.658 Foster Care - Title IV-E
2012 - G1201MO1401 and 2013 - G1301MO1401
93.659 Adoption Assistance
2012 - G1201MO1407 and 2013 - G1301MO1407
93.778 Medical Assistance Program
2012 - 1205MO5ADM and 2013 - 1305MO5ADM

State Agency: Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)

Questioned Costs: $7,357,204

The DSS did not have adequate documentation to support the daily rate used to allocate a portion of payments to residential treatment facilities to the Foster Care and Temporary

Assistance for Needy Families (TANF) programs, and controls and procedures over the allocation of rehabilitative residential treatment payments needed improvement.

- The DSS did not have documentation to support how the room and board/supervision daily rate was determined. The DSS allocated residential treatment facility room and board/supervision payments totaling $4,281,830 to the Foster Care program and $4,721,309 to the TANF program during state fiscal year 2013. We questioned the entire federal share of $2,635,895 (61.56 percent) and $4,721,309 (100 percent) for the Foster Care and TANF programs, respectively.

- Errors existed in the system logic the Information Technology Services Division (ITSD) used to prepare the monthly report which calculated the room and board/supervision portion of residential treatment facility payments. As a result, the DSS allocated duplicate residential treatment payments totaling approximately $4,800 to the Foster Care program for 2 of the 15 children reviewed. Additionally, if the amount paid to the residential treatment facility was higher than the maximum Missouri rate, the excess payments were not properly allocated between room and board/supervision and rehabilitative services. Payments related to report logic errors were included in the questioned costs above.

Recommendation:

The DSS, through the CD and DFAS, resolve questioned costs with the grantor agency and ensure that the room and board/supervision rate is adequately supported and reflects actual costs as required by federal regulations. Additionally, the DSS should determine if programming changes are needed to improve the accuracy of the monthly ITSD report.

Status of Finding:

The period under review was state fiscal year 2013 (July 1, 2012 - June 30, 2013). The time study used to validate the room and board/supervision was completed from July 29 through August 18, 2013. Results of this time study were applied to cost reports gathered previously from the residential treatment providers. The time period of costs gathered was previous to state fiscal year 2013. The results of this time study adequately support the daily rate being claimed to Title IV-E Foster Care for residential treatment costs and validate that no material change in the rate claimable to Title IV-E had occurred.

The DSS evaluates the accuracy of the reports completed by the ITSD on a monthly basis. Any discrepancies or issues that arise are addressed with the ITSD immediately.

Status of Questioned Costs:

The DSS will resolve the questioned costs with the grantor agency.

Contact Person: Sheila Tannehill
Phone Number: (573) 751-8962

2013-008B. Residential Treatment and Case Management Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2012 - G1202MOTANF and 2013 - G1302MOTANF
93.658 Foster Care - Title IV-E
2012 - G1201MO1401 and 2013 - G1301MO1401
93.659 Adoption Assistance
2012 - G1201MO1407 and 2013 - G1301MO1407
93.778 Medical Assistance Program
2012 - 1205MO5ADM and 2013 - 1305MO5ADM
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)

The DSS had not utilized established procedures to ensure all payments to Foster Care case management (FCCM) contractors were properly allocated to federal programs. As a result, some contractor payments were allocated to federal programs based on the contractors' budgeted expenditure categories rather than contractors' actual expenditures.

Recommendation:

The DSS, through the CD and DFAS, establish procedures to ensure all payments to Foster Care case management contractors are allocated to federal programs in accordance with federal regulations.

Status of Finding:

In state fiscal year 2013, the DSS developed an expenditure validation plan which includes an analytical review of case management/administration to compare the amount paid to contractors (via the contracted case rate) to the actual costs incurred by the contractors and to the amount claimed to federal programs. The purpose of this analytical review is to determine the reasonableness of the case rate as compared to actual costs incurred by contractors and federal dollars claimed. This validation plan was submitted to and approved by the Administration for Children and Families. The first quarter for which this analytical review of case management/administration was completed was the first quarter of federal fiscal year 2014. While the DSS has agreed to analytically review the actual costs incurred by the FCCM contractors, it should be noted that the FCCM contractor's actual costs are not subject to federal guidelines for allowability, or any other compliance requirement under the federal OMB Circulars; as they are not subrecipients of this grant program/contract. Rather, it is the DSS's payments made to them that are subject to these federal requirements/guidelines.

Contact Person: Sheila Tannehill
Phone Number: (573) 751-8962

2013-009A. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $71,846

Controls over eligibility and provider payments were not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers.

- The DSS could not locate the child care eligibility file for 7 of 60 (12 percent) cases reviewed. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2013, totaled $47,147. We questioned the federal share of $34,889 (74 percent).

- Eligibility documentation was not sufficient to support a valid need for child care for 11 of 60 (18 percent) cases reviewed. Payments totaling $46,507, made on behalf of these children and their siblings, during the year ended June 30, 2013, were unallowable and/or unsupported by adequate documentation. We questioned the federal share of $34,415 (74 percent).

- Child care payments made on behalf of 20 of 60 (33 percent) children reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Of these payments, five were for cases that also lacked eligibility documentation and were included in the questioned costs above. Payments for the remaining 15 cases totaled an additional $3,435. We questioned the federal share of $2,542 (74 percent).

Recommendation:
The DSS through the CD and FSD, resolve the questioned costs with the grantor agency and review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Status of Finding:
Corrective actions taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider.

The DSS continues to review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. The CD and the FSD hold quarterly quality improvement meetings. The Child Care Review Team (CCRT) has been implemented to monitor child care providers, both onsite and off. The FSD continues to work on enhancing document retention efforts. Additional efforts are as follows:

FSD Reorganization and MEDES - The FSD continues to move forward with transitioning from a case management approach to a task based approach with specialized offices; for example housing child care eligibility with Temporary Assistance for Needy Families program in one or more locations. The continued development of the MO Eligibility Determination Electronic System (MEDES) will allow for a task based approach which results in greater efficiencies in the processing of program eligibility applications.

Early Childhood and Prevention Services - The CD has restructured the Early Childhood and Prevention Section by streamlining functions based on division responsibilities. As of August 2014, the Division of Finance and Administrative Services is responsible for the oversight and processing of child care provider payments. This change will afford the CD more time to concentrate on the substantial changes resulting from the Child Care Development Block Grant of 2014.

Child Care Electronic Provider System - The CD issued a Request for Information to gather information regarding available Business Intelligence Solutions that would provide the DSS with a comprehensive and time efficient system for the administration of the Child Care program. A Request for Proposal will be issued seeking proposals for a system that will include:

1. A child care provider registration and tracking system.
2. An electronic time and attendance system for all providers statewide.
3. A child care review system for the purpose of executing and managing a compliance monitoring process for the child care program.

Child Care Review Team (CCRT) - In August 2013, the DSS hired four staff to conduct compliance reviews of child care providers. The CCRT uses a risk based monitoring approach to detect providers who are at high risk of non-compliance. This process has created opportunities for identification of deficiencies in child care providers' performance, and a process to hold them accountable for the requirements of their contract/registration agreement. As of October 2014, the DSS has conducted more than 1,400 onsite reviews of child care providers.

Case Review Tool - A child care component to the FSD Case Review System (CRS) was implemented in March 2012. The CD is utilizing output reports from the CRS to identify programmatic strengths and challenges and areas for policy, field and training improvement. The output reports for fiscal year 2014 have been reviewed and indicate a 94.56 percent accuracy rate statewide.

A program development specialist completes second level reviews on randomly selected cases reviewed by eligibility specialist (ES) supervisors and compiles a quarterly list of critical areas for ES supervisors to focus on during the case review process. A statewide analysis is provided to FSD leadership on a quarterly basis. This analysis outlines areas for improvement.

Casework Reference Guide - The FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. The CD is updating the CRG.

Child Care Manual Revisions - Early Childhood and Prevention Services program and policy staff is continually reviewing the child care manual for clarification and revision.

Calendar Year	Policy Memorandum Updates By Section	Practice Points/Alerts
2011	40	5
2012	82	1
2013	10	4
2014	5	2

Child Care Steering Committee - During the summer of 2012, the DSS formed a steering committee to address child care issues. From this initiative there were four project teams designated to identify deficiencies and problematic areas within the Child Care program: Eligibility, Provider Issues and Policy/Payments, Program Integrity, and Information and Systems Technology. Each team made five or six recommendations related to the team's assigned area. The DSS continues to implement the recommendations made by this committee.

Self-Employment Training - Effective August 1, 2011, the FSD ES and ES supervisors are required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and ES supervisors were required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

FSD Workers Online Child Care Training - The FSD administers the Child Care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors were able to access online child care training through the FSD Training Unit intranet page. New FSD employees are required to successfully complete the online training prior to enrolling in the in-person Basic Child Care Orientation training. New staff access and complete the training through the DSS Employee Learning Center with the online assessment component. Effective April 1, 2013, ES and ES supervisors are required to retake the online Child Care Assistance training every two years after initial completion.

Status of Questioned Costs:

An adjustment was made on the March 31, 2014, quarterly report. The DSS will address remaining questioned costs with the grantor agency. The DSS is waiting for clearance from the grantor agency.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2013-009B. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $411

Some payment edit checks in the Family Assistance Management Information System (FAMIS) were not operating effectively. As a result, some providers were paid for more than the authorized number of days or more than the allowed number of absences and/or holidays. The DSS paid child care providers multiple times for the same child and service month for about 12,600 children during state fiscal year 2013. We reviewed payments to child care providers made on behalf of 40 of these children.

- For 4 of the 40 (10 percent) payments reviewed, the FAMIS system paid the provider for more than the child's authorized number of days for the calendar month.

- For 5 of the 40 (13 percent) payments reviewed, the FAMIS system paid the provider more than the allowed number of absences and/or holidays.

Overpayments due to the above identified system errors totaled $556. We questioned the federal share, or $411 (74 percent).

Recommendation:

The DSS through the CD and FSD, resolve the questioned costs with the grantor agency and improve system controls to ensure payments are limited to authorized days and payments for absences and holidays are limited in accordance with policy.

Status of Finding:
Information Technology Services Division - FAMIS staff have identified duplicate authorizations being made, but has not been able to identify the cause of the problem. While FAMIS staff are working to resolve the issue, a report of duplicate authorizations is created monthly to take action to avoid duplicate invoices and payment. This report will continue to be provided to CD staff until the system issue is resolved.

Payment of excessive absences and holidays was identified in the fiscal year 2012 Single Audit. The issue was corrected in FAMIS in November 2013.

Status of Questioned Costs:
An adjustment was made on the March 31, 2014, quarterly report. The DSS is waiting for clearance from the grantor agency.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2013-010. Child Care Provider Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2012 - G1201MOCCDF and 2013 - G1301MOCCDF
State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $21,146

The DSS did not have adequate controls and procedures in place to ensure certain child care providers participating in the Child Care Development Fund subsidy program complied with statutory requirements for license-exempt status. By statute, child care providers were exempt from licensing requirements if they cared for four or less unrelated children, known as "four-or-less" (FOL) registered providers.

For 8 of 10 (80 percent) FOL providers reviewed, the relationships between some of the children and their providers could not be verified or the FSD eligibility specialist did not use the correct relationship code. As a result, these eight providers may have cared, and been paid by the DSS, for more than the four unrelated children allowed during the month tested. The DSS paid these eight providers $28,576 during the month reviewed. We questioned the federal share of $21,146 (74 percent).

Recommendation:
The DSS, through the CD, resolve questioned costs with the grantor agency and improve controls and procedures to ensure child care providers participating in the subsidy

program are in compliance with state licensing requirements. These procedures should include maintaining adequate documentation to demonstrate verification of a child's relationship to the provider at the time of authorization.

Status of Finding:
The CD is revising the policy, which clarifies documentation requirements for relationship between recipient and FOL child care providers. The CD is drafting a Practice Point to address the appropriate use of Family Assistance Management Information System relationship codes to be distributed to eligibility specialists (ES).

The CD will create and publish an invoice message to educate child care providers on the rules regarding relationship to remain in compliance as a registered FOL.

The CD has established a program development specialist position whose responsibilities include completing second level reviews on randomly selected cases reviewed by ES supervisors and compiling a quarterly list of critical areas for ES supervisors to focus on during the case review process. The CD has started discussions with FSD leadership regarding the results of the second level reviews. The issue of documentation of relationship between recipient and FOL child care provider will be included in those discussions.

Status of Questioned Costs:
An adjustment was made on the March 31, 2014, quarterly report. The DSS is waiting for clearance from the grantor agency.

Contact Person: Marianne Dawson
Phone Number: (573) 522-2294

2013-011. Foster Care Payment Coding

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2012 - G1201MO1401 and 2013 - G1301MO1401
93.659 Adoption Assistance
2012 - G1201MO1407 and 2013 - G1301MO1407
State Agency: Department of Social Services (DSS) - Division of Finance and Administration Services (DFAS) and Children's Division (CD)
Questioned Costs: $1,146,008

DSS controls and procedures over the establishment and monitoring of assigned accounting system coding for assistance payments were inadequate. Coding errors occurred and went undetected, and as a result, some payments to residential facilities were incorrectly allocated to the Adoption Assistance program instead of the Foster Care program. Since October 2011, the DSS incorrectly claimed $3,857,991 in residential facility payments to the Adoption Assistance program ($2,408,911 federal share), including $1,850,490 for the year ended June 30, 2013. We questioned the federal share of fiscal year 2013 payments claimed incorrectly, or $1,146,008 (61.93 percent).

Recommendation:
DSS, through the CD and the DFAS, resolve questioned costs with the grantor agency and develop controls and procedures to ensure appropriate coding is established and expenditures are claimed to the appropriate federal program. Controls and procedures should include a periodic supervisory review of coding.

Status of Finding:
DFAS staff have been meeting on a regular basis to review the payment coding to ensure the accuracy of coding. DFAS staff has worked to improve communication about coding sheet changes between DFAS Budget, Grants, and Accounts Payable staff.

Status of Questioned Costs:
An adjustment was made on the December 31, 2013, quarterly report. The DSS is waiting on clearance from the grantor agency.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2013-012. Foster Care Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2012 - G1201MO1401 and 2013 - G1301MO1401
State Agency: Department of Social Services (DSS) - Division of Finance and Administration (DFAS)
Questioned Costs: $30,143

DFAS controls and procedures over the allocation and calculation of the federal portion of costs for the Title IV-E Foster Care program needed improvement and as a result, errors were not prevented and/or detected.

The DSS contracted with four state universities to provide educational assistance to students preparing for a Master's Degree in Social Work (MSW) and reimbursed the universities for both direct and indirect costs. The DSS incorrectly claimed MSW contract indirect costs at the 75 percent enhanced training federal financial participation (FFP) rate rather than the 50 percent administrative FFP rate. The incorrect calculations involved indirect costs totaling approximately $183,000 reimbursed to universities. We questioned $30,143, the amount of federal costs claimed in excess of the appropriate federal share.

Recommendation:
The DSS, through the DFAS, resolve questioned costs with the grantor agency and implement controls to ensure indirect costs are claimed at the proper federal financial participation rate. These procedures should include a detailed and documented supervisory review of cost allocation spreadsheets.

Status of Finding:
The DFAS is reviewing all current cost allocation spreadsheets as it prepares for a revision of the Public Assistance Cost Allocation Plan.

Status of Questioned Costs:
The DSS changed methodology used to claim these costs on the cost allocation spreadsheets to address the questioned costs.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2013-013. Foster Care Residential Facility Training Reimbursements

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2012 - G1201MO1401 and 2013 - G1301MO1401
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $17,055

The CD had not established sufficient procedures to monitor residential facility training reimbursements. As a result, reimbursements to these facilities continued to be unsupported and/or unallowable. Of the $72,334 in training reimbursements reviewed, payments totaling $22,741 (31 percent) were unsupported and/or unallowable, of which we questioned $17,055 claimed as the 75 percent federal share.

Recommendation:
The DSS, through the CD, resolve questioned costs with the grantor agency and improve residential facility monitoring procedures to ensure training costs reimbursed are for allowable activities outlined in federal regulations and are adequately supported.

Status of Finding:
On May 3, 2011, the CD issued to residential treatment providers reimbursed for training costs a letter outlining enhanced procedures that will ensure there is adequate documentation to support claiming those costs for Title IV-E Foster Care training reimbursement. An invoice checklist has been developed and is being used to review all invoices and supporting documentation received. Prior to payment being issued, a second-level review is being completed by a member of the Division of Finance and Administrative Services (DFAS) staff.

Residential treatment providers are now required to code the training course to one of a list of Title IV-E Foster Care allowable topics and to provide a rationale/justification for Title IV-E reimbursement of the course costs. Additionally, the DSS has developed an internal team to review to ensure the training meets Title IV-E Foster Care training criteria. Trainings meeting this criterion will be approved. After all curriculums are reviewed a new process will be put in place to only reimburse for trainings already approved.

Additionally, DFAS has strengthened department quality assurance and compliance functions to provide enhanced monitoring of programs and technical assistance to staff with fiscal responsibilities.

In June 2014, a decision letter was received from the grantor agency regarding a similar 2010 finding. The letter directed the DSS to return all Title IV-E Foster Care Residential Treatment training costs claimed for state fiscal year 2010. Further, DSS agreed to discontinue claiming these dollars going forward until they are covered in a federally approved training plan.

Status of Questioned Costs:
Questioned costs were adjusted on the March 31, 2014, and June 30, 2014, quarterly reports. The DSS will address remaining questioned costs with the grantor agency. The DSS is waiting on clearance from the grantor agency.

Contact Person: Sheila Tannehill
Phone Number: (573) 751-8962

2013-014. Section 1512 Reporting

Federal Agency: Department of Health and Human Services
Federal Program: 93.719 ARRA - State Grants to Promote Health Information Technology
2009 - 90HT001201
State Agency: Department of Social Services (DSS) - Division of Finance and Administration (DFAS)

The DSS did not report the identity of vendors paid by the subrecipient for the ARRA - Health Information Technology program as required for Section 1512 reporting.

Recommendation:
The DSS, through the DFAS, work with the grantor agency to determine if Section 1512 reports should be amended to reflect the required data elements not previously reported.

Status of Finding:
The DSS reported all previous payments made by the subrecipient Missouri Health Connection on the final Section 1512 reporting period for quarter ending December 31, 2013.

Contact Person: Donna Imhoff
Phone Number: (573) 751-1526

2013-015A. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2012 - G1202MOTANF and 2013 - G1302MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $2,325

The FSD paid Temporary Assistance for Needy Families (TANF) benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received.

- The FSD identified unreported income or other changed circumstances for 4 of 60 recipients tested and took action to close the cases; however, the FSD did not establish claims for recoupment of the improper benefits until we inquired about these cases. The FSD determined improper benefits for these cases totaled $1,405. We questioned the amount of the improper benefits identified totaling $1,405 (100 percent federal share).

- The FSD did not maintain adequate documentation for 1 of 60 recipients tested. The recipient's assistance application/eligibility statement and system-generated interview summary were printed in January 2013, but not signed by the recipient until August 2013, after we requested the case file. Payments made for this recipient during the year ended June 30, 2013, totaled $920, for which we questioned the entire amount (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and strengthen controls to ensure proper and timely action is taken regarding the recoupment of overpayments. In addition, the FSD should maintain required eligibility documentation in all case files.

Status of Finding:
The FSD continues to ensure cases are thoroughly reviewed and acted upon in a timely manner for reported household income changes, at points of assistance application, and identified at scheduled continued-eligibility reviews. Once TANF is in the Missouri Eligibility Determination and Enrollment System, the FSD Income Maintenance (IM) staff will develop a Quarterly Wage Match (QWM) report for staff. IM Memo #53

(6/25/12) was issued to staff with detailed steps to process QWM reports within 15 days of receipt.

Status of Questioned Costs:
An adjustment will be made on the December 31, 2014, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 751-8973

2013-015B. Eligibility and TANF Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2012 - G1202MOTANF and 2013 - G1302MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $1,126

The FSD did not act upon some notices of non-cooperation from the Child Support Enforcement (CSE) Unit to sanction recipients of the Temporary Assistance for Needy Families (TANF) program, and the CSE Unit did not always notify the FSD of non-cooperating clients.

- The CSE Unit did not properly notify the FSD of 18 of 60 non-cooperating clients tested. Of the 18 cases reviewed, 3 recipients received overpayments totaling $650 during the year ended June 30, 2013. We questioned the federal share of overpayments totaling $650 (100 percent federal share).

- The FSD did not sanction 12 of 60 recipients when notified of referral for non-cooperation, resulting in overpayments totaling $476 during the year ended June 30, 2013. We questioned the federal share of overpayments, totaling $476 (100 percent federal share).

Recommendation:
The FSD resolve the questioned costs with the grantor agency and develop additional controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with CSE program requirements.

Status of Finding:
The FSD Income Maintenance (IM) section continues to work closely with the division's Child Support (CS) section to further ensure non-cooperation notifications from the CS section are promptly reviewed by IM staff for potential sanctions, and subsequently imposed as warranted. The FSD CS section notified CS staff with CS Memo #20 (April 15, 2013) about non-cooperation procedures for TANF and MO HealthNet recipients.

The FSD is moving toward a specialized Temporary Assistance office, so all referrals will be going to one location. This will make it easier to track and have staff follow up.

Status of Questioned Costs:
An adjustment will be made on the December 31, 2014, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Valerie Howard
Phone Number: (573) 526-6598

2013-016A. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2012 - G1202MOTANF and 2013 - G1302MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2013. For 20 of the 60 cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan.

Recommendation:
The FSD develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan.

Status of Finding:
The Missouri Work Assistance (MWA) Case Management system was available for data entry June 28, 2011, and entries ceased in the Toolbox system on June 23, 2011. Inquiry access to Toolbox has continued to ensure necessary data was converted from Toolbox to the MWA system.

A Case Review form was developed for use by all MWA coordinators to provide consistency when reviewing data entries and physical files of MWA participants each contractor is serving. This tool is used by all MWA coordinators effective July 1, 2011.

A Case Review Guide was written and shared with MWA staff August 2011 (and upgraded December 2011) to ensure the MWA coordinators understand where policies regarding the form are located in the policy manual and RFP to assist contractors with any incorrect findings. This guide and the case review form have also been shared with MWA contractors for use when reviewing their staff case files.

Effective August 1, 2011, MWA coordinators report to the FSD program manager responsible for the MWA program (before that time coordinators reported to regional FSD staff). The change in supervision ensures that positions are dedicated to the MWA program and coordinator accountability for assigned work by the MWA FSD program manager. All field managers and coordinators continue to be dedicated to the support of the MWA program and report to the MWA unit manager.

With this change, four teams have been designated to further develop the MWA program. These teams are:

- MWA System and Data - user guides, system enhancements, reports;
- MWA Policy and Training - policy manual updates, training materials;
- MWA Contracts and Monitoring - monitoring tools, compliance; and
- Special Projects and Research - MWA webpage, research to improve the work participation rates.

Tools developed by these teams will provide contractors with information to ensure participation activities meet work verification standards and supported with adequate documentation. Resources developed will also serve to increase the work participation rate for the state and provide performance measures to the contractors.

MWA staff completed targeted case file reviews in March 2012, for individuals participating in Vocational Education as an activity. The review was conducted to ensure contractors were obtaining actual attendance sheets (work verification) for this activity rather than entering hours based on a class schedule. This review and regular case file reviews examine if work verification standards are met.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2013-016B. TANF Work Participation and Sanctions

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2012 - G1202MOTANF and 2013 - G1302MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $612

The FSD did not have adequate procedures in place to ensure Missouri Work Assistance (MWA) contractors notified the FSD when Temporary Assistance for Needy Families (TANF) program recipients failed to meet work participation requirements or ensure timely investigation of notices from MWA contractors of incorrect addresses for recipients. For 9 of 60 cases tested, recipients were not appropriately sanctioned for non-compliance with work participation requirements. We questioned the amount of the sanctions that were not imposed on these 9 recipients for the tested month of February 2013, which totaled $612 (100 percent federal share).

Recommendation:
The FSD develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required. In addition, the FSD should resolve the questioned costs with the grantor agency.

Status of Finding:
The FSD continues to perform the following activities to evaluate contractor compliance with notification requirements to ensure TANF recipients are sanctioned according to policy and procedure.

The Case Review form includes an evaluation of the conciliation and sanction referral process. This tool continues to determine appropriate and timely actions of the MWA contractors should TANF recipients fail to meet the work participation requirements.

The MWA field managers and coordinators review the mass participation screens for case managers in each office to identify those individuals that are not participating in an activity and work with the contractors to identify those that should be placed in conciliation and possibly sanctioned.

Quarterly, the MWA coordinators review a sample of participants that have no hours of participation, no conciliation activity, or no sanction in place. Individuals identified are shared with the contractor for immediate contact and initiation of the conciliation and sanctioning process to ensure participants failing to meet the work participation requirement are sanctioned as required. These reviews have continued through state fiscal year 2014. Contractors are provided with information on any case file discovered during these reviews that require attention.

Status of Questioned Costs:
An adjustment was made on the March 30, 2014, quarterly report. The DSS is awaiting clearance from the grantor agency.

Contact Person: Jennifer Roberts
Phone Number: (573) 526-5444

2013-017A. Child Support Enforcement

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2012 - G1204MO4005 and 2013 - G1304MO4005
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Child Support Enforcement (CSE) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $200,960

The FSD reimbursed unallowable personnel severance costs for 15 employees totaling $200,960 to one county providing child support services. The FSD failed to identify the unallowable costs included on the county's invoice for October 2012 and did not require the county provide supporting documentation for the unusually large amount of personnel costs claimed for some employees. We questioned the amounts reimbursed for personnel severance costs for the 15 employees totaling $200,960 (100 percent federal share).

Recommendation:
The DSS, through the FSD and DFAS, resolve the questioned costs with the grantor agency and develop additional controls to ensure costs are allowable and adequate documentation is maintained prior to issuing payment.

Status of Finding:
To avoid any possible future audit findings of this nature, if the DSS receives a request for severance pay, permission of the cognizant federal agency (Department of Health and Human Services) will be requested.

Status of Questioned Costs:
The questioned costs have been offset against the December 2012 invoice from the Jackson County Prosecuting Attorney's Office that had not been paid**.**

Contact Person: John Ginwright
Phone Number: (573) 751-4995

2013-017B. Child Support Enforcement

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
2012 - G1204MO4005 and 2013 - G1304MO4005
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) - Child Support Enforcement (CSE) and Division of Finance and Administrative Services (DFAS)
Questioned Costs: $106,609

The DFAS incorrectly recorded costs from one vendor invoice for call center services provided in February 2013, resulting in $106,609 being improperly overcharged to the CSE program. We questioned the unallowable costs totaling $106,609 (100 percent federal share).

Recommendation:
The DSS, through the FSD and DFAS, resolve the questioned costs with the grantor agency and develop additional controls to ensure costs are properly allocated to federal programs and recorded in the state accounting system.

Status of Finding:
DFAS staff has been meeting on a regular basis to review payment coding to ensure accuracy. DFAS staff has worked to improve communication about coding sheet changes between DFAS Budget, Grants and Accounts Payable staff.

Status of Questioned Costs:
An adjustment was made on the September 30, 2014, quarterly report.

Contact Person: Ami Patel
Phone Number: (573) 751-7302

2013-018. Pharmacy Dispensing Fees

Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 Children's Health Insurance Program 2011 - 1105MO5021 and 2012 - 1205MO5021 93.778 Medical Assistance Program 2012 - 1205MO5MAP and 1205MO5ADM 2013 - 1305MO5MAP and 1305MO5ADM
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs:	$6,102,152

The MHD had periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP); however, the state regulation authorizing these dispensing fees had not been updated since 1988, and the current rate paid exceeded a 1991 settlement agreement that increased the pharmacy dispensing fee. The MHD paid pharmacies base dispensing fees totaling $63,037,007 during the year ended June 30, 2013. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $53,268,876, a difference of $9,768,131. We questioned the federal share of the difference, or $6,102,152 (62.47 percent).

Recommendation:
The MHD resolve questioned costs with the grantor agency and ensure any future increases in payment rates are included in state regulations.

Status of Finding:
The MHD disagreed with the finding. The MHD makes payments in accordance with the Department of Health and Human Services, Center for Medicare and Medicaid Services (CMS) approved state plan. Furthermore, pharmacy dispensing fees paid under Title XIX and CHIP are communicated in documents during the budget process and authorized by the General Assembly through the appropriations process.

The proposed rule was published on November 1, 2013, Volume 38, No. 21, page 1768, for the regulatory changes necessary to reflect the current pharmacy dispensing fee.

Status of Questioned Costs:

On September 16, 2014, the CMS sent the DSS a demand letter regarding SAO findings 2011-24, 2012-20 and 2013-018 requesting the State of Missouri return the questioned costs. The DSS responded on October 1, 2014, to the demand letter. This finding is the subject of discussions with the grantor agency, but no resolution has yet been finalized.

Contact Person: Rhonda Driver
Phone Number: (573) 522-9879

2013-019A. Cash Receipt Controls

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2011 - 1105MO5021 and 2012 - 1205MO5021
93.778 Medical Assistance Program
2012 - 1205MO5MAP and 1205MO5ADM
2013 - 1305MO5MAP and 1305MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD did not restrictively endorse checks and money orders immediately upon receipt or deposit receipts in a timely manner.

Recommendation:

The DSS establish controls to restrictively endorse checks and money orders immediately upon receipt and deposit all receipts in a timely manner.

Status of Finding:

The MHD has modified policies and procedures to restrictively endorse checks and money orders immediately upon receipt and deposit all receipts within 5 business days.

Contact Person: Brenda Roush
Phone Number: (573) 751-1092

2013-019B. Cash Receipt Controls

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2011 - 1105MO5021 and 2012 - 1205MO5021
93.778 Medical Assistance Program
2012 - 1205MO5MAP and 1205MO5ADM
2013 - 1305MO5MAP and 1305MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD did not adequately restrict user access within the cash receipts and accounts receivable modules of the Medicaid Management Information System (MMIS), increasing the risk of misappropriation.

Recommendation:
The DSS restrict user access within the MMIS accounting system and adequately segregate duties related to record keeping and asset custody.

Status of Finding:
The MHD has worked with the MMIS security staff to develop procedures to ensure that user access within the MMIS accounting system is restricted and duties are segregated related to record keeping and asset custody.

Contact Person: Brenda Roush
Phone Number: (573) 751-1092

2013-020. Pharmacy Reimbursement Allowance Tax

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
2011 - 1105MO5021 and 2012 - 1205MO5021
93.778 Medical Assistance Program
2012 - 1205MO5MAP and 1205MO5ADM
2013 - 1305MO5MAP and 1305MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)

The MHD did not have effective controls in place to ensure or demonstrate compliance with requirements of the Pharmacy Reimbursement Allowance (PRA) program. As a result, due to a data entry error taxes totaling at least $104,646 were not properly assessed to a pharmacy.

Recommendation:
The DSS establish controls to ensure all pharmacies are assessed and billed the correct amount of PRA taxes. In addition, the DSS should pursue collection of the $104,646 in taxes owed.

Status of Finding:
The MHD has implemented an electronic reporting requirement for pharmacy chains which will assist providers in accurately reporting their gross receipts. To ensure the information provided is accurately transferred to the Pharmacy Tax database, the provider’s data will be electronically transferred and validated by MHD staff. Gross sales are collected annually. MHD requests the gross sales in March for the previous calendar year. The MHD collected the $104,646 in taxes owed on November 21, 2013.

Contact Person: Andrew Haslag
Phone Number: (573) 751-2226

2013-021. Report Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2012 - 1205MO5MAP and 1205MO5ADM
2013 - 1305MO5MAP and 1305MO5ADM
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $1,024

A. MHD personnel did not ensure timely review of a claims report for Medicaid participants who had recently become Medicare dually eligible to determine if recoupment from the provider was needed. We identified 6 of 40 (15 percent) claims tested were not reviewed timely or at all.

B. The MHD did not have sufficient procedures to ensure reports related to Buy-In program eligibility were reviewed to determine the proper enrollment of participants. As a result, the MHD failed to add 9 participants and delete 5 ineligible participants from the Buy-In program. The ineligible payments made on behalf of the 5 ineligible participants totaled $1,668 during the year ended June 30, 2013. We questioned the federal share of the ineligible payments, or $1,024 (61.37 percent).

Recommendation:
The MHD resolve the questioned costs with the grantor agency and establish controls to ensure complete and timely review of all reports related to participants who become Medicare dually eligible and the Medicare Buy-In program. In addition, the MHD should establish controls to ensure action taken as a result of the reviews is properly applied to the participant.

Status of Finding:
The MHD has reviewed the current list of Medicare Buy-In reports and developed more efficient processes to review the reports in a timeframe consistent with established policies and procedures. The MHD has enhanced internal controls by implementing quarterly staff reviews to ensure the accuracy of actions taken resulting from the report reviews.

Status of Questioned Costs:
An adjustment was made on the June 30, 2014, quarterly report. The DSS is waiting for clearance from the grantor agency.

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2013-022. Davis-Bacon Act

Federal Agency: Department of Transportation
Federal Program: 20.319 ARRA - High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants
FR-HSR-0071-11-01-00 and FR-HSR-0076-11-01-00
State Agency: Missouri Department of Transportation (MoDOT)

The MoDOT did not have adequate controls in place to ensure compliance with Davis-Bacon Act prevailing wage requirements on High-Speed Rail Corridors and Intercity Passenger Rail Service - Capital Assistance Grants (HSIPR) projects. The MoDOT personnel did not review payroll documents or perform other procedures to ensure wages paid by a railroad company to its employees for work on HSIPR projects complied with the company's collective bargaining agreement. In addition the railroad company used a construction management firm to monitor and ensure its HSIPR contractors and subcontractors complied with prevailing wage requirements. However, documentation of MoDOT project managers' monitoring of this oversight activity was not prepared or maintained.

Recommendation:
The MoDOT establish controls to monitor wages paid by the railroad company for compliance with the Davis-Bacon Act, and ensure adequate documentation of all monitoring procedures is prepared and maintained.

Status of Finding:
Implemented. The MoDOT has developed monitoring procedures and is maintaining documentation to show the MoDOT has reviewed wages in correlation with collective bargaining agreements and contractor wages in relation to prevailing wages to ensure compliance with the Davis-Bacon Act. Those procedures involve obtaining the applicable wage rate schedules from any pertinent collective bargaining agreements and obtaining applicable payroll records of those working on HSIPR projects.

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