



Susan Montee, CPA
Missouri State Auditor

March 2007

State of Missouri

Single Audit

Year Ended
June 30, 2006



Office Of
Missouri State Auditor
Susan Montee

March 2007

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 Single Audit includes the federal awards expended by all state agencies, except for the public universities and various financing authorities that provide their financial information directly to the federal government. State agencies expended \$8.65 billion of federal grant funds during the year ended June 30, 2006. Expenditures of federal awards have increased significantly over the past five years. Although nineteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (95 percent). These six departments are: Social Services, Transportation, Labor and Industrial Relations, Elementary and Secondary Education, Health and Senior Services, and Public Safety. Overall, the state expended federal awards in 318 different programs.

The Department of Social Services (DSS) does not perform any analysis of the expenditures of Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) to ensure the funds are used for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline. Since we could not determine the amount of funds that may have been improperly used, our office questions the total \$21,705,174 transferred.

The State Emergency Management Agency (SEMA) does not have written policies and procedures for on-site monitoring of subrecipients to ensure federal Homeland Security Grant monies are expended for allowable activities and costs. As a result, we question costs totaling \$588,035 for expenditures in Miller and DeKalb counties.

The Department of Mental Health has also not adequately monitored all subrecipients to ensure an A-133 audit has been performed and submitted on a timely basis, or that problems reported in previous audits have been addressed.

The Department of Natural Resources also does not sufficiently monitor and ensure program subrecipients obtain and submit audits when applicable. In addition, the department has not established adequate procedures to ensure that required quarterly construction site inspections are performed.

A Department of Health and Senior Services internal review is currently underway to investigate concerns regarding how federal funds may have been improperly charged for services of the Information Technology Support Division. According to the review team, some possible discrepancies have been identified where federal grants may have been

YELLOW SHEET

improperly charged. Further review of these discrepancies is ongoing and formal findings, if any, have not yet been finalized.

Eligibility and payment documentation could not be located for some childcare cases at the Department of Social Services (DSS). Overpayments were made to some providers and management of case records and monitoring of providers are not adequate. We questioned a total of \$31,683 in federal childcare payments.

In addition, the DSS does not ensure entities paid more than \$25,000 are not suspended or debarred, or otherwise excluded from receiving federal funds. Also, certifications of salaries of employees working solely on a single federal program are not always prepared. We questioned \$63,887 in salaries and fringe benefits charged to various federal programs.

The DSS – Division of Budget and Finance (DBF) prepared a schedule of expenditures of federal awards (SEFA) which showed expenditures overstated by a net amount of approximately \$56 million. The majority of the errors resulted from the incorrect compilation of data from the programs' federal reports. In addition, expenditures to several entities from the SSBG, Child Care and Development Block Grant (CCDF), and Child Care Mandatory and Matching Funds of the CCDF programs appear to be to subrecipients. However, the SEFA prepared by the DBF did not report any amounts provided to subrecipients for these programs. In addition, it appears the DSS monitors these entities as if they were subrecipients. A similar condition was also noted in our prior report.

Eligibility documentation could not be located for some Temporary Assistance for Needy Families (TANF) cases reviewed. We questioned \$13,542 paid on these cases.

Auditors also identified expenditures totaling \$12,811 charged to the child support grant that were either unallowable or unnecessary, including attorney fees, judgments, and interest.

Also, included in the single audit report are recommendations related to the DSS- Children's Division Integrated Payment System, the Office of Attorney General's billing of Child Support Enforcement and Medical Assistance Program costs, and the DSS - Children's Division Random Moment Time Study.

All reports are available on our website: www.auditor.mo.gov

STATE OF MISSOURI
SINGLE AUDIT

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INTRODUCTION AND SUMMARY

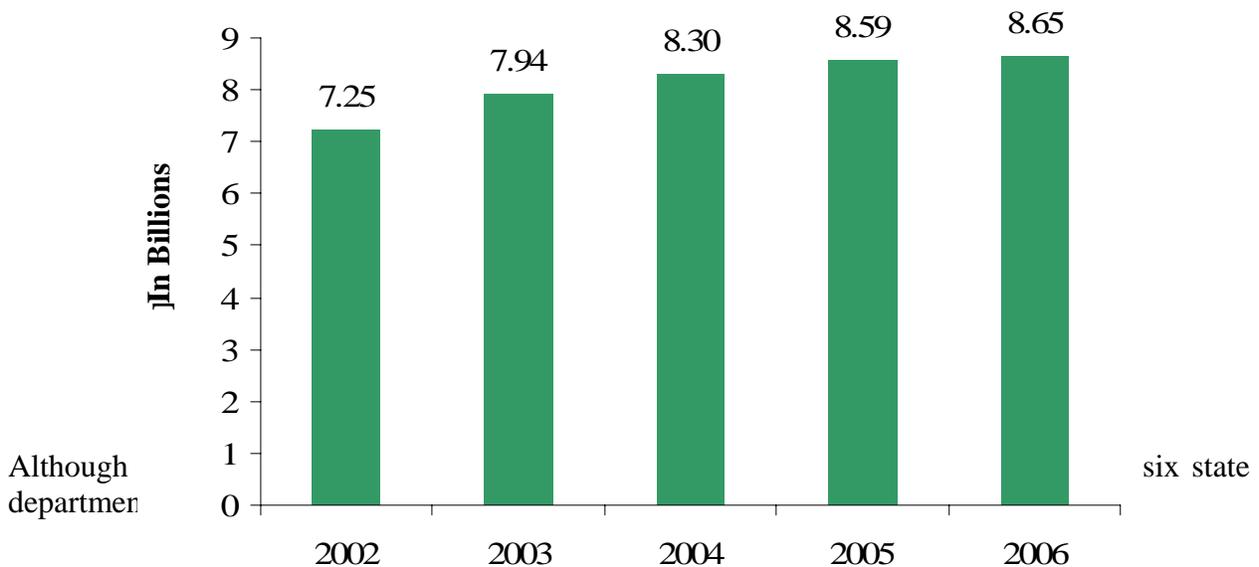
INTRODUCTION AND SUMMARY

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:

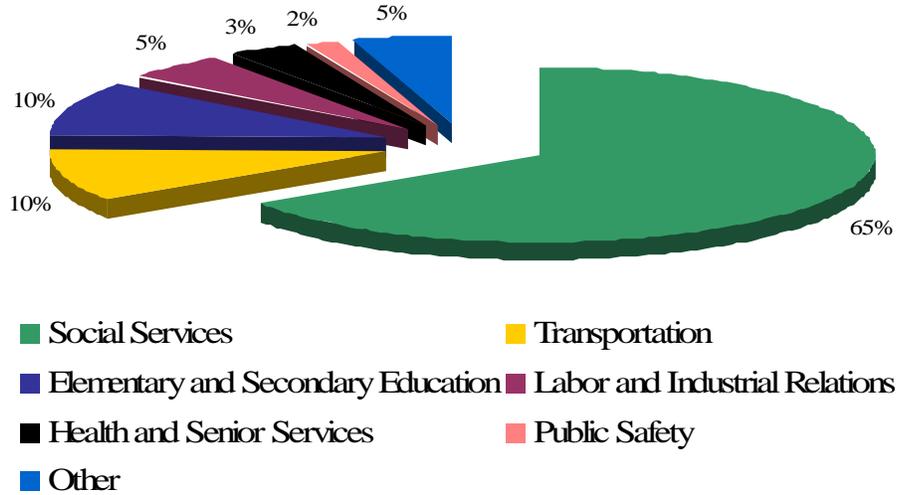
- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- 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 \$8.65 billion in federal awards during the year ended June 30, 2006. Expenditures of federal awards have increased over the past five years.

**Total Expenditures of Federal Awards
Five Year Comparison**

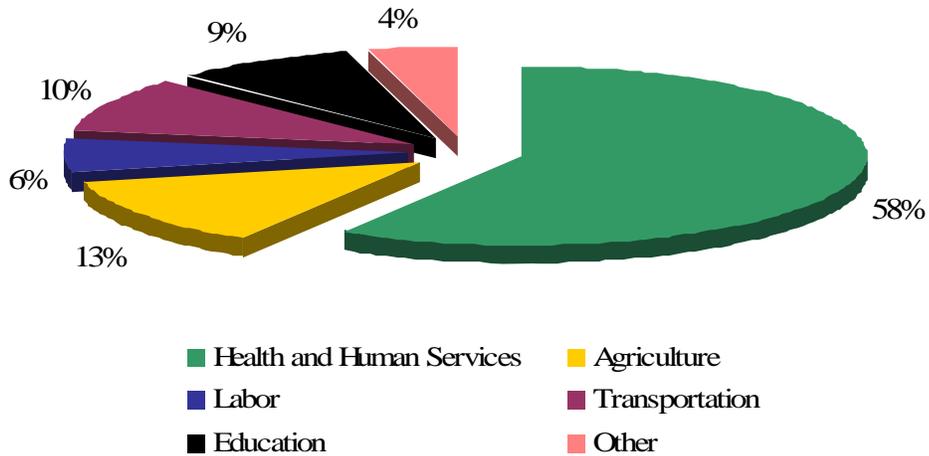


Expenditures of Federal Awards by State Department



The state received federal awards from 21 different federal agencies. Most of the federal awards (96 percent) came from five federal agencies.

Expenditures of Federal Awards by Federal Department

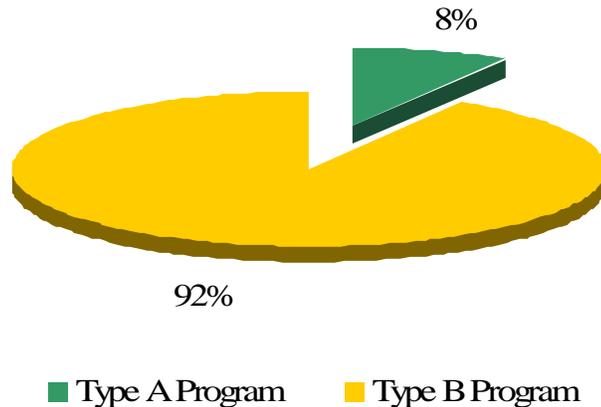


Overall, the state expended federal awards in 318 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold to distinguish between Type A programs and Type B programs at three-tenths of one percent (.003) of total awards expended.

| Determination of Type A Programs | |
|---|----------------------|
| Total expenditures of federal awards | \$ 8,645,433,023 |
| Three-tenths of one percent | .003 |
| Dollar Threshold | \$ 25,936,299 |

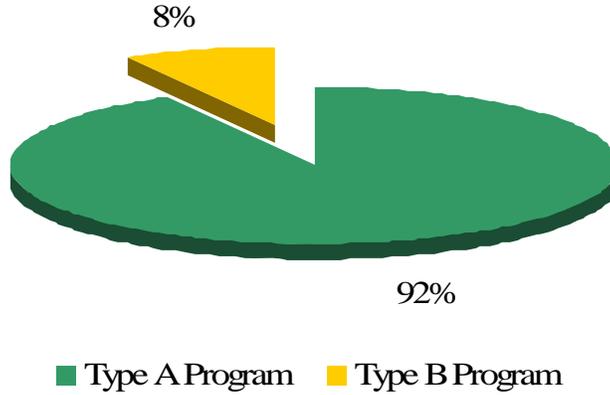
Programs with federal expenditures over \$25,936,299 are Type A programs and the programs under \$25,936,299 are Type B programs. Of the 318 different federal award programs, 27 were Type A programs and 291 were Type B programs.

**Type A and Type B Programs
Number of Programs**



The 27 Type A programs had expenditures of federal awards totaling \$7.9 billion, which was 92 percent of the total expenditures for all programs. The 291 Type B programs had expenditures of federal awards totaling \$705 million, which was only 8 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 use a risk-based approach to determine which federal award programs to audit as major programs. We performed a risk assessment on each Type A program and determined that 10 of the 27 Type A programs were low risk and did not need to be audited as major, based on the guidance in OMB Circular A-133.

OMB Circular A-133 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 that are 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 (\$8.65 billion times .0003 = \$2,593,630). We performed risk assessments on the 66 larger Type B programs that were over \$2,593,630 and determined that 16 of them were high risk. In accordance with OMB Circular A-133, we audited 10 (greater than one-half) of these 16 high risk Type B programs as major. As a result of the risk-based approach required under OMB Circular A-133, we audited 17 Type A programs and 10 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 | 17 | \$ 6,321,661,551 | |
| Type B major programs | 10 | <u>134,165,721</u> | |
| Total major programs | 27 | \$ 6,455,827,272 | 75% |
| Type A non-major programs | 10 | 1,618,312,411 | |
| Type B non-major programs | 281 | <u>571,293,340</u> | |
| Total non-major programs | 291 | 2,189,605,751 | 25% |
| Total all programs | 318 | \$ 8,645,433,023 | 100% |

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| CFDA Number | Federal Program Name | Federal Grantor Agency | Federal Awards Expended |
|----------------|---|---------------------------------|----------------------------|
| | Food Stamp Cluster: | | |
| 10.551 | Food Stamps | Agriculture | \$ 731,398,761 |
| 10.561 | State Administrative Matching Grants for Food Stamp Program | Agriculture | 42,040,048 |
| | Child Nutrition Cluster: | | |
| 10.553 | School Breakfast Program | Agriculture | 38,689,763 |
| 10.555 | National School Lunch Program | Agriculture | 132,292,056 |
| 10.556 | Special Milk Program for Children | Agriculture | 460,060 |
| 10.559 | Summer Food Service Program for Children | Agriculture | 7,707,332 |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | Agriculture | 70,593,252 |
| 10.558 | Child and Adult Care Food Program | Agriculture | 39,080,312 |
| 14.228 | Community Development Block Grants/State's Program | Housing and Urban Development | 28,227,637 |
| 17.225 | Unemployment Insurance | Labor | 439,225,337 |
| | Workforce Investment Act Cluster: | | |
| 17.258 | Workforce Investment Act - Adult Program | Labor | 14,990,061 |
| 17.259 | Workforce Investment Act - Youth Activities | Labor | 15,919,259 |
| 17.260 | Workforce Investment Act - Dislocated Workers | Labor | 21,397,411 |
| 20.205 | Highway Planning and Construction | Transportation | 764,401,879 |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | Environmental Protection Agency | 27,422,991 |
| 84.010 | Title I Grants to Local Educational Agencies | Education | 190,092,617 |
| | Special Education Cluster: | | |
| 84.027 | Special Education - Grants to States | Education | 216,555,549 |
| 84.173 | Special Education - Preschool Grants | Education | 11,462,395 |
| 84.032 | Federal Family Education Loans | Education | 84,347,287 |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States | Education | 54,721,245 |
| 84.367 | Improving Teacher Quality State Grants | Education | 49,983,794 |
| 93.268 | Immunization Grants | Health and Human Services | 29,700,803 |
| 93.283 | Centers for Disease Control and Prevention - Investigations and Technical Assistance | Health and Human Services | 28,069,517 |
| 93.558 | Temporary Assistance for Needy Families | Health and Human Services | 183,877,776 |
| 93.563 | Child Support Enforcement | Health and Human Services | 45,348,246 |
| 93.568 | Low-Income Home Energy Assistance | Health and Human Services | 71,070,767 |
| | Child Care and Development Fund Cluster: | | |
| 93.575 | Child Care and Development Block Grant | Health and Human Services | 67,187,683 |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | Health and Human Services | 51,420,417 |
| 93.658 | Foster Care - Title IV-E | Health and Human Services | 57,101,230 |
| 93.659 | Adoption Assistance | Health and Human Services | 31,435,407 |
| 93.667 | Social Services Block Grant | Health and Human Services | 54,806,016 |
| 93.767 | State's Children's Insurance Program | Health and Human Services | 82,060,376 |
| | Medicaid Cluster: | | |
| 93.775 | State Medicaid Fraud Control Units | Health and Human Services | 1,115,863 |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers | Health and Human Services | 12,907,026 |
| 93.778 | Medical Assistance Program | Health and Human Services | 4,180,980,148 |
| 96.001 | Social Security - Disability Insurance | Social Security Administration | 29,339,321 |
| | Homeland Security Cluster: | | |

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| CFDA Number | Federal Program Name | Federal Grantor Agency | Federal Awards Expended |
|----------------|--|---------------------------------|----------------------------|
| 16.007 | State Homeland Security Grant Program | Department of Justice | 10,277,132 |
| 97.004 | State Domestic Preparedness Equipment Support Program | Department of Homeland Security | 19,034,790 |
| 97.067 | Homeland Security Grant Program | Department of Homeland Security | 3,232,398 |
| | Total Type A Programs (expenditures greater than \$25,936,299) | | <u>7,939,973,962</u> |
| | Total Type B Programs (expenditures less than \$25,936,299) | | <u>705,459,061</u> |
| | Total Expenditures of Federal Awards | | <u>\$ 8,645,433,023</u> |

STATE AUDITOR'S REPORTS



SUSAN MONTEE, CPA
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 Matt Blunt, Governor
and
Members of the General Assembly

We have audited 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, 2006, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 31, 2007. Our report was modified to include a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other auditors audited the financial statements of the Missouri Department of Transportation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 79 percent and 12 percent of the assets and revenues, respectively, of the governmental activities. Other auditors audited the financial statements of the State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 34 percent and 60 percent of the assets and revenues, respectively, of the business-type activities. Other auditors audited the financial statements of the component units. Other auditors audited the financial statements of the pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds, as described in our report on the state of Missouri's financial statements. 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 Fulton 54 Transportation Corporation, the Missouri Highway 179 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, the Springfield, MO State Highway Improvement Corporation, the Wentzville Parkway Transportation Corporation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Conservation Employees' Insurance Plan, the Missouri Development Finance Board, Northwest Missouri State University, and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*.

As described in Note 2 to the financial statements presented in the *Missouri Comprehensive Annual Financial Report*, the state of Missouri implemented Governmental Accounting Standards Board Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*; Statement No. 44, *Economic Condition Reporting: The Statistical Section*; and Technical Bulletin No. 2006-1, *Accounting and Financial Reporting by Employers and OPEB Plans for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D*. In addition, the state of Missouri will no longer present the agency funds State Retirement Contributions, Missouri State Employees' Deferred Compensation Incentive Plan Administration, and Missouri Consolidated Health Care Plan Benefit. Also, the state of Missouri will no longer discretely present the component units Fulton 54 Transportation Corporation, Missouri Highway 179 Transportation Corporation, Missouri Highway 63 Transportation Corporation, Springfield, MO State Highway Improvement Corporation, and Wentzville Parkway Transportation Corporation.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Missouri's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free of 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*.

The State Auditor's office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements. Our reports of these conditions do not modify our report dated January 31, 2007, on the basic financial statements.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Susan Montee".

Susan Montee, CPA
State Auditor

January 31, 2007



SUSAN MONTEE, CPA
Missouri State Auditor

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

Honorable Matt Blunt, Governor
and
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

Our compliance audit, described below, did not include the operations of the component units and related organizations that received federal financial assistance during the year ended June 30, 2006, because they engaged other auditors to perform audits in accordance with OMB Circular A-133.

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 Nonprofit 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. Our audit does not provide a legal determination of the state's compliance with those requirements.

As described in item 2006-5 in the accompanying schedule of findings and questioned costs, the state of Missouri did not comply with requirements regarding earmarking that are applicable to the Social Services Block Grant programs. Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the state of Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, 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 items 2006-4, 2006-6, 2006-8, 2006-13 and 2006-14.

Internal Control Over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the state's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the state's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-1 through 2006-7 and 2006-13.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2006-1, 2006-2, 2006-4 through 2006-7, and 2006-13 to be material weaknesses.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.

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

Susan Montee, CPA
State Auditor

February 16, 2007



SUSAN MONTEE, CPA
Missouri State Auditor

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

Honorable Matt Blunt, Governor
and
Members of the General Assembly

We have audited 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, 2006, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 31, 2007. Our report was modified to include a reference to other auditors. Our report also expressed a qualified opinion on the basic financial statements because we were not allowed access to tax returns and related source documents for income taxes. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other auditors audited the financial statements of the Missouri Department of Transportation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, the Transportation Self-Insurance Plan, and the Conservation Employees' Insurance Plan, which represent 79 percent and 12 percent of the assets and revenues, respectively, of the governmental activities. Other auditors audited the financial statements of the State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 34 percent and 60 percent of the assets and revenues, respectively, of the business-type activities. Other auditors audited the financial statements of the component units. Other auditors audited the financial statements of the pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 95 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds, as described in our report on the state of Missouri's financial statements. 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 Fulton 54 Transportation Corporation, the Missouri Highway 179 Transportation Corporation, the Missouri Highway 63 Transportation Corporation, the Springfield, MO State Highway Improvement Corporation, the Wentzville Parkway Transportation Corporation, the Missouri Consolidated Health Care Plan, the Missouri State Employees' Insurance Plan, the Conservation Employees' Insurance Plan, the Missouri Development Finance Board, Northwest Missouri State University, and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*.

Our audit was performed 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 OMB Circular A-133 and is not a required part of the basic financial statements. The state of Missouri has excluded federal award expenditures of public universities and other component units from the accompanying schedule of expenditures of federal awards. The information in the schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the exclusion of federal award expenditures of public universities and other component units, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the management of the state of Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo, this report is a matter of public record and its distribution is not limited.



Susan Montee, CPA
State Auditor

January 31, 2007

SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|-------------------------|----------------------------------|
| Office of National Drug Control Policy | | | |
| 07. | HIDTA | 2,271,191 | 1,509,742 |
| Total Office of National Drug Control Policy | | <u>2,271,191</u> | <u>1,509,742</u> |
| Department of Agriculture | | | |
| 10. | School Lunch Commodity Refund | 8,306 | 8,306 |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | 906,749 | 0 |
| 10.072 | Wetland Reserve Program | 500,000 | 0 |
| 10.153 | Market News | 10,847 | 0 |
| 10.156 | Federal-State Marketing Improvement Program | 2,500 | 0 |
| 10.163 | Market Protection and Promotion | 7,798 | 0 |
| 10.435 | State Mediation Grants | 27,455 | 0 |
| 10.475 | Cooperative Agreements with States for Intrastate Meat and Poultry Inspection | 425,386 | 0 |
| 10.477 | Meat, Poultry, and Egg Products Inspection | 28,936 | 0 |
| 10.550 | Food Donation | 17,725,723 | 17,255,844 |
| 10.551 | Food Stamps | 731,398,761 | 0 |
| 10.553 | School Breakfast Program | 38,689,763 | 38,689,763 |
| 10.555 | National School Lunch Program | 132,292,056 | 130,969,925 |
| 10.556 | Special Milk Program for Children | 460,060 | 460,060 |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | 70,593,252 | 15,797,246 |
| 10.558 | Child and Adult Care Food Program | 39,080,312 | 38,631,031 |
| 10.559 | Summer Food Service Program for Children | 7,707,332 | 7,389,650 |
| 10.560 | State Administrative Expenses for Child Nutrition | 2,697,684 | 965,798 |
| 10.561 | State Administrative Matching Grants for Food Stamp Program | 42,040,048 | 0 |
| 10.565 | Commodity Supplemental Food Program | 480,823 | 393,679 |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | 1,136,109 | 936,318 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 4,674,160 | 4,674,160 |
| 10.574 | Team Nutrition Grants | 89,729 | 15,893 |
| 10.664 | Cooperative Forestry Assistance | 1,719,588 | 274,814 |
| 10.665 | Schools and Roads - Grants to States | 3,146,207 | 3,146,207 |
| 10.902 | Soil and Water Conservation | 90,139 | 0 |
| 10.912 | Environmental Quality Incentives Program | 23,147 | 0 |
| 10.916 | Watershed Rehabilitation Program | 150,784 | 0 |
| Total Department of Agriculture | | <u>1,096,113,654</u> | <u>259,608,694</u> |
| Department of Defense | | | |
| 12 AAG | Drug Interdiction and Counter Drug Activities (Note 4) | 74,885 | 74,885 |
| 12. | Troops to Teachers | 127,239 | 80,675 |
| 12.112 | Payments to States in Lieu of Real Estate Taxes | 1,083,174 | 1,083,174 |
| 12.113 | State Memorandum of Agreement Program for the Reimbursement of Technical Services | 923,718 | 56,491 |
| 12.401 | National Guard Military Operations and Maintenance Projects | 17,456,591 | 0 |
| Total Department of Defense | | <u>19,665,607</u> | <u>1,295,225</u> |
| Department of Housing and Urban Development | | | |
| 14.228 | Community Development Block Grants/State's Program | 28,227,637 | 27,271,087 |
| 14.231 | Emergency Shelter Grants Program | 1,331,732 | 1,331,732 |
| 14.238 | Shelter Plus Care | 5,736,432 | 5,736,432 |
| 14.241 | Housing Opportunities for Persons with AIDS | 391,604 | 391,604 |
| 14.401 | Fair Housing Assistance Program - State and Local | 669,646 | 0 |
| Total Department of Housing and Urban Development | | <u>36,357,051</u> | <u>34,730,855</u> |
| Department of the Interior | | | |
| 15.250 | Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining | 166,834 | 0 |
| 15.252 | Abandoned Mine Land Reclamation Program | 587,549 | 41,544 |
| 15.605 | Sport Fish Restoration | 8,348,751 | 0 |
| 15.611 | Wildlife Restoration | 6,886,562 | 0 |
| 15.615 | Cooperative Endangered Species Conservation Fund | 91,880 | 0 |
| 15.616 | Clean Vessel Act | 36,000 | 36,000 |
| 15.617 | Wildlife Conservation and Appreciation | 14,127 | 0 |
| 15.623 | North American Wetlands Conservation Fund | 583,000 | 0 |
| 15.633 | Landowner Incentive | 107,900 | 0 |
| 15.634 | State Wildlife Grants | 2,009,420 | 0 |
| 15.807 | Earthquake Hazards Reduction Program | 38,769 | 0 |
| 15.808 | U.S. Geological Survey - Research and Data Collection | 198,324 | 0 |
| 15.810 | National Cooperative Geologic Mapping Program | 205,612 | 0 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|----------------------------------|---|-------------------------|----------------------------------|
| 15.904 | Historic Preservation Fund Grants-In-Aid | 760,086 | 46,018 |
| 15.916 | Outdoor Recreation - Acquisition, Development and Planning | 2,224,111 | 1,191,094 |
| 15.921 | Rivers, Trails and Conservation Assistance | 1,357 | 0 |
| 15.978 | Upper Mississippi River System Long Term Resource Monitoring Program | 275,000 | 0 |
| 15.FFB | Webless Migratory Game Bird Research Program | 84,342 | 0 |
| 15.FFC | Fish and Wildlife Coordination Act | 20,336 | 0 |
| Total Department of the Interior | | 22,639,960 | 1,314,656 |
| Department of Justice | | | |
| 16. | Domestic Cannabis Eradication | 399,963 | 0 |
| 16.007 | Homeland Security Grant Program | 10,277,132 | 9,287,740 |
| 16.011 | Urban Areas Security Initiative | 8,918,733 | 8,918,733 |
| 16.202 | Prisoner Reentry Initiative Demonstration (Offender Reentry) | 441,890 | 0 |
| 16.523 | Juvenile Accountability Incentive Block Grants | 1,970,856 | 83,533 |
| 16.540 | Juvenile Justice and Delinquency Prevention - Allocation to States | 1,101,159 | 143,568 |
| 16.542 | Part D - Research, Evaluation, and Technical Assistance and Training | 822,110 | 0 |
| 16.548 | Title V - Delinquency Prevention Program | 302,437 | 0 |
| 16.549 | Part E - State Challenge Activities | 64,962 | 0 |
| 16.550 | State Justice Statistics Program for Statistical Analysis Centers | 95,451 | 0 |
| 16.554 | National Criminal History Improvement Program (NCHIP) | 1,261,425 | 288,931 |
| 16.560 | National Institute of Justice Research, Evaluation, and Development Project Grants | 513,872 | 0 |
| 16.575 | Crime Victim Assistance | 7,153,585 | 105,166 |
| 16.576 | Crime Victim Compensation | 2,726,446 | 0 |
| 16.579 | Edward Byrne Memorial Formula Grant Program | 9,587,379 | 831,556 |
| 16.580 | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program | 485,073 | 90,269 |
| 16.586 | Violent Offender Incarceration and Truth in Sentencing Incentive Grants | 6,952,369 | 0 |
| 16.588 | Violence Against Women Formula Grants | 2,376,054 | 87,037 |
| 16.589 | Rural Domestic Violence and Child Victimization Enforcement Grant Program | 53 | 0 |
| 16.592 | Local Law Enforcement Block Grants Program | 341,763 | 1,503 |
| 16.593 | Residential Substance Abuse Treatment for State Prisoners | 1,155,390 | 0 |
| 16.606 | State Criminal Alien Assistance Program | 289,930 | 0 |
| 16.610 | Regional Information Sharing Systems | 4,747,214 | 4,747,214 |
| 16.710 | Public Safety Partnership and Community Policing Grants | 1,741,206 | 0 |
| 16.727 | Enforcing Underage Drinking Laws Program | 752,896 | 694,709 |
| 16.735 | Protecting Inmates and Safeguarding Communities Discretionary Grant Program | 192 | 0 |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | 413,680 | 79,128 |
| 16.741 | Forensic DNA Capacity Enhancement Program | 135,351 | 0 |
| 16.743 | Forensic Casework DNA Backlog Reduction Program | 216,582 | 0 |
| Total Department of Justice | | 65,245,153 | 25,359,087 |
| Department of Labor | | | |
| 17.002 | Labor Force Statistics | 2,409,123 | 0 |
| 17.005 | Compensation and Working Conditions | 174,919 | 0 |
| 17.203 | Labor Certification for Alien Workers | 109,695 | 0 |
| 17.207 | Employment Service | 21,222,453 | 1,817,648 |
| 17.225 | Unemployment Insurance | 439,225,337 | 0 |
| 17.235 | Senior Community Service Employment Program | 1,948,967 | 1,924,738 |
| 17.245 | Trade Adjustment Assistance - Workers | 10,743,194 | 0 |
| 17.258 | Workforce Investment Act - Adult Program | 14,990,061 | 14,260,816 |
| 17.259 | Workforce Investment Act - Youth Activities | 15,919,259 | 14,331,414 |
| 17.260 | Workforce Investment Act - Dislocated Workers | 21,397,411 | 19,303,801 |
| 17.261 | WIA Pilots, Demonstrations, and Research Projects | 5,319 | 0 |
| 17.267 | Incentive Grants - WIA Section 503 | 1,003,169 | 1,003,169 |
| 17.504 | Consultation Agreements | 955,183 | 0 |
| 17.505 | OSHA Data Initiative | 38,032 | 0 |
| 17.600 | Mine Health and Safety Grants | 279,165 | 0 |
| 17.801 | Disabled Veterans' Outreach Program | 1,290,931 | 0 |
| 17.804 | Local Veterans' Employment Representative | 2,091,657 | 0 |
| Total Department of Labor | | 533,803,875 | 52,641,586 |
| Department of Transportation | | | |
| 20. | Federal Highway Administration | 6,642 | 0 |
| 20.106 | Airport Improvement Program | 18,652,547 | 18,247,195 |
| 20.205 | Highway Planning and Construction | 764,401,879 | 105,199,872 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|--|--|-------------------------|----------------------------------|
| 20.217 | Motor Carrier Safety | 328,561 | 0 |
| 20.218 | National Motor Carrier Safety | 2,938,540 | 1,290,332 |
| 20.219 | Recreational Trails Program | 959,238 | 884,409 |
| 20.500 | Federal Transit - Capital Investment Grants | 6,231,141 | 6,231,141 |
| 20.505 | Federal Transit - Metropolitan Planning Grants | 6,288,543 | 6,116,102 |
| 20.509 | Formula Grants for Other Than Urbanized Areas | 8,168,673 | 7,522,812 |
| 20.513 | Capital Assistance Program for Elderly Persons and Persons with Disabilities | 3,104,331 | 3,001,677 |
| 20.516 | Job Access - Reverse Commute | 2,702,265 | 2,702,265 |
| 20.600 | State and Community Highway Safety | 5,487,684 | 3,160,893 |
| 20.601 | Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants | 1,402,800 | 1,227,586 |
| 20.602 | Occupant Protection | 250,985 | 0 |
| 20.603 | Federal Highway Safety Data Improvements Incentive Grants | 2,141 | 0 |
| 20.604 | Safety Incentive Grants for Use of Seatbelts | 1,146,922 | 824,544 |
| 20.605 | Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons | 204,231 | 204,231 |
| 20.607 | Alcohol Open Container Requirements | 18,609,200 | 17,136,035 |
| 20.608 | Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 166,661 | 166,661 |
| 20.700 | Pipeline Safety | 286,280 | 0 |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | 254,131 | 240,605 |
| Total Department of Transportation | | 841,593,395 | 174,156,360 |
| Equal Employment Opportunity Commission | | | |
| 30.002 | Employment Discrimination - State and Local Fair Employment Practices Agency Contracts | 563,926 | 0 |
| Total Equal Employment Opportunity Commission | | 563,926 | 0 |
| General Services Administration | | | |
| 39.003 | Donation of Federal Surplus Personal Property | 1,598,859 | 1,428,459 |
| 39.011 | Election Reform Payments | 8,402,390 | 8,402,390 |
| Total General Services Administration | | 10,001,249 | 9,830,849 |
| National Foundation of Arts and the Humanities | | | |
| 45.024 | Promotion of the Arts - Grants to Organization and Individuals | 8,000 | 8,000 |
| 45.025 | Promotion of the Arts - Partnership Agreements | 574,750 | 236,320 |
| 45.026 | Leadership Initiatives | 20,000 | 20,000 |
| 45.310 | LSTA State Grants | 3,263,869 | 1,850,451 |
| Total National Foundation of Arts and the Humanities | | 3,866,619 | 2,114,771 |
| Department of Veterans Affairs | | | |
| 64.005 | Grants to States for Construction of State Home Facilities | 2,199,496 | 0 |
| 64.015 | Veterans State Nursing Home Care | 24,572,131 | 0 |
| 64.123 | Vocational Training for Certain Veterans Receiving VA Pension | 495,795 | 0 |
| 64.203 | State Cemetery Grants | 800,183 | 0 |
| Total Department of Veterans Affairs | | 28,067,605 | 0 |
| Environmental Protection Agency | | | |
| 66.032 | State Indoor Radon Grants | 167,694 | 13,266 |
| 66.034 | Surveys, Studies, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | 660,298 | 141,986 |
| 66.202 | Congressionally Mandated Projects | 806,472 | 421,189 |
| 66.419 | Water Pollution Control State and Interstate Program Support | 25,793 | 0 |
| 66.433 | State Underground Water Source Protection | 122,639 | 0 |
| 66.436 | Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements | 113,955 | 0 |
| 66.438 | Construction Management Assistance | 236 | 0 |
| 66.454 | Water Quality Management Planning | 127,194 | 8,561 |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds | 17,549,065 | 17,549,065 |
| 66.460 | Nonpoint Source Implementation Grants | 5,045,441 | 1,568,136 |
| 66.461 | Regional Wetland Program Development Grants | 174,512 | 0 |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | 27,422,991 | 25,595,368 |
| 66.471 | State Grants to Reimburse Operators of Small Water Systems for Training and Certification | 280,468 | 211,953 |
| 66.474 | Water Protection Grants to the States | 187,185 | 0 |
| 66.500 | Environmental Protection - Consolidated Research | 707,812 | 642,846 |
| 66.605 | Performance Partnership Grants | 11,554,973 | 1,105,714 |
| 66.608 | Environmental Information Exchange Network Grant Program and Related Assistance | 96,994 | 0 |
| 66.701 | Toxic Substances Compliance Monitoring Cooperative Agreements | 14,007 | 0 |
| 66.707 | TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals | 259,734 | 0 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---------------------------------------|---|-------------------------|----------------------------------|
| 66.708 | Pollution Prevention Grants Program | 70,769 | 18,066 |
| 66.709 | Multi-Media Capacity Building Grants for States and Tribes | 139,000 | 19,492 |
| 66.714 | Pesticide Environmental Stewardship Regional Grants | 19,496 | 0 |
| 66.717 | Source Reduction Assistance | 642 | 0 |
| 66.802 | Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | 2,165,219 | 358,316 |
| 66.805 | Leaking Underground Storage Tank Trust Fund Program | 718,934 | 95,474 |
| 66.813 | Alternative or Innovative Treatment Technology Research, Demonstration, Training, and Hazardous Substance Research Grants | 67,162 | 48,439 |
| 66.817 | State and Tribal Response Program Grants | 1,236,279 | 288,778 |
| 66.818 | Brownfields Assessment and Cleanup Cooperative Agreements | 22,449 | 3,628 |
| 66.951 | Environmental Education Grants | 5,047 | 0 |
| Total Environmental Protection Agency | | 69,762,460 | 48,090,277 |
| Department of Energy | | | |
| 81.039 | National Energy Information Center | 4,817 | 0 |
| 81.041 | State Energy Program | 293,652 | 8,828 |
| 81.042 | Weatherization Assistance for Low-Income Persons | 6,239,498 | 5,766,043 |
| 81.092 | Weldon Springs Site Remedial Action Project | 380,628 | 30,189 |
| 81.104 | Office of Environmental Cleanup and Acceleration | 109,620 | 1,692 |
| 81.117 | Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance | 5,468 | 0 |
| 81.119 | State Energy Program Special Projects | 177,955 | 86,372 |
| 81.902 | State Environmental Oversight and Monitoring | 48,941 | 0 |
| Total Department of Energy | | 7,260,579 | 5,893,124 |
| Department of Education | | | |
| 84. | Cooperative System Grant | 18,730 | 0 |
| 84.002 | Adult Education - State Grant Program | 9,849,082 | 9,330,365 |
| 84.010 | Title I Grants to Local Educational Agencies | 190,092,617 | 189,976,851 |
| 84.011 | Migrant Education-State Grant Program | 1,216,158 | 1,214,347 |
| 84.013 | Title I Program for Neglected and Delinquent Children | 1,131,107 | 1,107,233 |
| 84.027 | Special Education - Grants to States | 216,555,549 | 213,868,471 |
| 84.032 | Federal Family Education Loans | 84,347,287 | 0 |
| 84.048 | Vocational Education - Basic Grants to States | 24,528,579 | 23,367,419 |
| 84.069 | State Student Incentive Grant Program (Gallagher) | 594,194 | 594,194 |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States | 54,721,245 | 22,648 |
| 84.169 | Independent Living - State Grants | 324,312 | 284,745 |
| 84.173 | Special Education - Preschool Grants | 11,462,395 | 11,462,395 |
| 84.177 | Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind | 549,502 | 0 |
| 84.181 | Special Education - Grants for Infants and Families with Disabilities | 3,932,895 | 3,932,895 |
| 84.184 | Safe and Drug-Free Schools and Communities - National Programs | 440,153 | 440,153 |
| 84.185 | Byrd Honors Scholarships | 777,000 | 0 |
| 84.186 | Safe and Drug-Free Schools and Communities - State Grants | 8,250,614 | 7,705,230 |
| 84.187 | Supported Employment Services for Individuals with Severe Disabilities | 435,652 | 0 |
| 84.196 | Education for Homeless Children and Youth | 887,569 | 887,319 |
| 84.213 | Even Start - State Educational Agencies | 3,043,056 | 2,950,933 |
| 84.215 | Fund for the Improvement of Education | 531,496 | 531,496 |
| 84.235 | Rehabilitation Services Demonstration and Training Programs | 478,760 | 0 |
| 84.243 | Tech-Prep Education | 2,159,909 | 2,119,585 |
| 84.265 | Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training | 87,403 | 0 |
| 84.282 | Charter Schools | 67,807 | 59,999 |
| 84.287 | Twenty-First Century Community Learning Centers | 14,400,581 | 14,120,601 |
| 84.298 | State Grants for Innovative Programs | 3,877,591 | 3,673,574 |
| 84.318 | Education Technology State Grants | 7,463,115 | 6,960,403 |
| 84.323 | Special Education - State Personnel Development | 1,140,698 | 1,140,698 |
| 84.326 | Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities | 215,646 | 215,646 |
| 84.330 | Advanced Placement Program | 17,490 | 17,490 |
| 84.331 | Grants to States for Incarcerated Youth Offenders | 509,657 | 0 |
| 84.332 | Comprehensive School Reform Demonstration | 3,544,873 | 3,544,873 |
| 84.334 | Gaining Early Awareness and Readiness for Undergraduate Programs | 917,118 | 697,216 |
| 84.336 | Teacher Quality Enhancement Grants | 690,176 | 690,176 |
| 84.357 | Reading First State Grants | 17,280,009 | 17,009,222 |
| 84.358 | Rural Education | 2,941,003 | 2,708,791 |
| 84.365 | English Language Acquisition Grants | 4,614,421 | 4,614,421 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|--|---|-------------------------|----------------------------------|
| 84.366 | Mathematics and Science Partnerships | 1,639,219 | 1,633,046 |
| 84.367 | Improving Teacher Quality State Grants | 49,983,794 | 49,044,965 |
| 84.369 | Grants for State Assessments and Related Activities | 11,055,713 | 563,732 |
| 84.938 | Hurricane Relief - Temporary Emergency Impact Aid for Displaced Students | 4,150,483 | 4,150,483 |
| Total Department of Education | | 740,924,658 | 580,641,615 |
| National Archives and Records Administration | | | |
| 89.003 | National Historical Publications and Records Grants | 17,748 | 0 |
| Total National Archives and Records Administration | | 17,748 | 0 |
| Elections Assistance Commission | | | |
| 90.401 | Help America Vote Act Requirements Payments | 16,247,473 | 11,440,008 |
| Total Elections Assistance Commission | | 16,247,473 | 11,440,008 |
| Department of Health and Human Services | | | |
| 93.000 | Mammography Inspections | 184,399 | 0 |
| 93.006 | State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program | 26,426 | 24,961 |
| 93.041 | Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 83,606 | 83,606 |
| 93.042 | Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals | 306,409 | 52,718 |
| 93.043 | Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services | 428,479 | 428,479 |
| 93.044 | Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 7,449,904 | 6,392,414 |
| 93.045 | Special Programs for the Aging - Title III, Part C - Nutrition Services | 10,855,361 | 10,855,361 |
| 93.051 | Alzheimer's Disease Demonstration Grants to States | 221,811 | 219,763 |
| 93.052 | National Family Caregiver Support | 3,037,279 | 3,037,279 |
| 93.053 | Nutrition Services Incentive Program | 3,481,019 | 3,481,019 |
| 93.103 | Food and Drug Administration Research | 104,966 | 0 |
| 93.104 | Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 3,424,225 | 3,236,169 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | 273,545 | 67,502 |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | 745,321 | 201,501 |
| 93.127 | Emergency Medical Services for Children | 65,047 | 0 |
| 93.130 | Primary Care Services - Resource Coordination and Development | 208,530 | 62,000 |
| 93.135 | Centers for Research and Demonstration for Health Promotion and Disease Prevention | 59,174 | 0 |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | 787,172 | 649,935 |
| 93.150 | Projects for Assistance in Transition from Homelessness (PATH) | 775,000 | 775,000 |
| 93.165 | Grants to States for Loan Repayment Program | 144,066 | 144,066 |
| 93.197 | Childhood Lead Poisoning Prevention - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | 725,212 | 438,165 |
| 93.204 | Surveillance of Hazardous Substance Emergency Events | 79,597 | 0 |
| 93.206 | Human Health Studies - Applied Research and Development | 6,791 | 0 |
| 93.226 | Research on Healthcare Costs, Quality and Outcomes | 21 | 0 |
| 93.230 | Consolidated Knowledge Development and Application (KD&A) Program | 878,597 | 714,391 |
| 93.234 | Traumatic Brain Injury - State Demonstration Grant Program | 81,024 | 52,459 |
| 93.235 | Abstinence Education | 938,392 | 938,392 |
| 93.238 | Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement | 20,000 | 0 |
| 93.240 | State Capacity Building | 503,507 | 59,569 |
| 93.241 | State Rural Hospital Flexibility Program | 424,653 | 289,128 |
| 93.242 | Mental Health Research Grants | 93,225 | 74,549 |
| 93.243 | Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 8,903,846 | 7,856,905 |
| 93.251 | Universal Newborn Hearing Screening | 160,732 | 0 |
| 93.256 | State Planning Grant - Health Care Access for the Uninsured | 137,981 | 120,964 |
| 93.259 | Rural Access to Emergency Devices Grant | 178,644 | 153,864 |
| 93.260 | Family Planning - Personnel Training | 6,052 | 0 |
| 93.268 | Immunization Grants | 29,700,803 | 26,746,706 |
| 93.283 | Centers for Disease Control and Prevention - Investigations and Technical Assistance | 28,069,517 | 11,785,888 |
| 93.283-95-0026 | Uniform Alcohol and Drug Abuse Grants | 94,585 | 94,585 |
| 93.301 | Small Rural Hospital Improvement Grants | 233,294 | 221,466 |
| 93.556 | Promoting Safe and Stable Families | 9,103,911 | 0 |
| 93.558 | Temporary Assistance for Needy Families | 183,877,776 | 0 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---|---|-------------------------|----------------------------------|
| 93.563 | Child Support Enforcement | 45,348,246 | 14,549,161 |
| 93.566 | Refugee and Entrant Assistance - State Administered Programs | 2,463,498 | 0 |
| 93.568 | Low-Income Home Energy Assistance | 71,070,767 | 31,228,697 |
| 93.569 | Community Services Block Grant | 17,838,824 | 17,678,637 |
| 93.571 | Community Services Block Grant Discretionary Awards - Community Food and Nutrition | 62,217 | 0 |
| 93.575 | Child Care and Development Block Grant | 67,187,683 | 1,528,764 |
| 93.576 | Refugee and Entrant Assistance-Discretionary Grants | 797,972 | 754,161 |
| 93.584 | Refugee and Entrant Assistance - Targeted Assistance | 1,772,976 | 0 |
| 93.586 | State Court Improvement Program | 318,829 | 0 |
| 93.590 | Community-Based Child Abuse Prevention Grants | 545,178 | 544,014 |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 51,420,417 | 0 |
| 93.597 | Grants to States for Access and Visitation Programs | 171,130 | 0 |
| 93.599 | Chafee Education and Training Vouchers Program (ETV) | 275,591 | 0 |
| 93.600 | Head Start | 465,642 | 254,753 |
| 93.603 | Adoption Incentive Payments | 425,438 | 0 |
| 93.617 | Voting Access for Individual with Disabilities - Grants to States | 327,551 | 327,551 |
| 93.630 | Developmental Disabilities Basic Support and Advocacy Grants | 1,491,189 | 901,743 |
| 93.643 | Children's Justice Grants to States | 462,980 | 0 |
| 93.645 | Child Welfare Services - State Grants | 5,829,764 | 0 |
| 93.658 | Foster Care - Title IV-E | 57,101,230 | 0 |
| 93.659 | Adoption Assistance | 31,435,407 | 0 |
| 93.667 | Social Services Block Grant | 54,806,016 | 0 |
| 93.669 | Child Abuse and Neglect State Grants | 579,515 | 0 |
| 93.671 | Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes | 1,642,397 | 0 |
| 93.674 | Chafee Foster Care Independent Living | 2,801,334 | 0 |
| 93.767 | State Children's Insurance Program | 82,060,376 | 0 |
| 93.769 | Demonstration to Maintain Independence and Employment | 1,024,832 | 0 |
| 93.775 | State Medicaid Fraud Control Units | 1,115,863 | 0 |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers | 12,907,026 | 0 |
| 93.778 | Medical Assistance Program | 4,180,980,148 | 0 |
| 93.779 | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations | 939,926 | 155,874 |
| 93.786 | State Pharmaceutical Assistance Programs | 1,128,952 | 703,566 |
| 93.865 | Child Health and Human Development Extramural Research | 88,685 | 85,520 |
| 93.889 | National Bioterrorism Hospital Preparedness Program | 8,864,400 | 7,789,133 |
| 93.913 | Grants to States for Operation of Offices of Rural Health | 128,235 | 0 |
| 93.917 | HIV Care Formula Grants | 10,395,862 | 9,942,992 |
| 93.938 | Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 121,084 | 44,814 |
| 93.940 | HIV Prevention Activities - Health Department Based | 3,856,433 | 2,205,552 |
| 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance | 1,113,452 | 478,954 |
| 93.945 | Assistance Programs for Chronic Disease Prevention and Control | 1,235,855 | 661,494 |
| 93.946 | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | 23 | 0 |
| 93.958 | Block Grants for Community Mental Health Services | 7,015,916 | 6,685,357 |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 25,119,506 | 22,794,236 |
| 93.977 | Preventive Health Services - Sexually Transmitted Diseases Control Grants | 2,594,021 | 694,051 |
| 93.988 | Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems | 487,673 | 81,234 |
| 93.991 | Preventive Health and Health Services Block Grant | 2,585,538 | 701,649 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | 14,312,318 | 7,356,188 |
| Total Department of Health and Human Services | | 5,071,597,814 | 207,406,899 |
| Corporation for National Service | | | |
| 94.003 | State Commissions | 256,786 | 0 |
| 94.004 | Learn and Serve America - School and Community Based Programs | 268,237 | 195,119 |
| 94.006 | AmeriCorps | 2,292,862 | 2,292,861 |
| 94.007 | Planning and Program Development Grants | 9,747 | 0 |
| 94.009 | Training and Technical Assistance | 78,083 | 16,143 |
| Total Corporation for National Service | | 2,905,715 | 2,504,123 |
| Social Security Administration | | | |
| 96.001 | Social Security - Disability Insurance | 29,339,321 | 0 |
| 96.008 | Social Security - Work Incentives Planning and Assistance Program | 280,889 | 0 |

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

| CFDA Number | Federal Grantor Agency - Program | Federal Awards Expended | Amount Provided to Subrecipients |
|---------------------------------------|---|----------------------------|-------------------------------------|
| Total Social Security Administration | | 29,620,210 | 0 |
| Department of Homeland Security | | | |
| 97.004 | State Domestic Preparedness Equipment Support Program | 19,034,790 | 17,688,396 |
| 97.008 | Urban Areas Security Initiative | 11,231,157 | 11,231,157 |
| 97.017 | Pre-Disaster Mitigation (PDM) Competitive Grants | 299,021 | 299,021 |
| 97.023 | Community Assistance Program - State Support Services Element | 252,743 | 53,867 |
| 97.032 | Crisis Counseling Assistance - Regular Services | 60,677 | 51,512 |
| 97.034 | Disaster Unemployment Assistance | 62,635 | 0 |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 5,476,124 | 5,423,184 |
| 97.039 | Hazard Mitigations Grant | 2,163,314 | 2,160,218 |
| 97.041 | National Dam Safety Program | 43,808 | 0 |
| 97.042 | Emergency Management Performance Grants | 3,437,857 | 3,437,857 |
| 97.045 | Cooperating Technical Partners | 620,132 | 0 |
| 97.047 | Pre-Disaster Mitigation | 119,215 | 119,215 |
| 97.063 | Pre-Disaster Mitigation Disaster Resistant Universities | 16,687 | 16,687 |
| 97.067 | State Homeland Security Grant Program | 3,232,398 | 2,799,056 |
| 97.070 | Map Modernization Management Support | 99,352 | 0 |
| 97.074 | Law Enforcement Terrorism Prevention Program | 599,950 | 593,006 |
| 97.078 | Buffer Zone Protection Program (BZPP) | 156,709 | 156,710 |
| 97.091 | Homeland Security Biowatch Program | 512 | 0 |
| Total Department of Homeland Security | | 46,907,081 | 44,029,886 |
| Total Expenditures of Federal Awards | | \$ 8,645,433,023 | 1,462,567,757 |

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

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*. The circular requires a schedule of expenditures of federal awards showing total expenditures for each federal financial assistance program as identified in the catalog of federal domestic assistance (CFDA), and identification of federal financial assistance programs which have not been assigned a CFDA number.

The accompanying schedule includes all federal financial assistance programs 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 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, 2006, Type A programs are those which exceed \$25,936,299 in disbursements, expenditures, or distributions. The determination of major and nonmajor 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. Special Supplemental Nutrition Program for Women, Infants and Children Program Rebates

The state received cash rebates from an infant formula manufacturer, totaling \$31,267,904 on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants and Children Program (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) 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.

3. Unemployment Insurance Expenditures

Expenditures of federal awards for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$406,992,446 and \$24,391,840 funded by federal grants. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri, totaling \$5,761,455, have been excluded from total expenditures.

4. Nonmonetary Assistance

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Grants program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled \$25,789,810.

The State Agency for Surplus Property distributes federal surplus property (CFDA No. 39.003) to eligible donees under the Donation of Federal Surplus Personal Property program. Property distributions totaled \$6,862,055 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 23.3 percent of the historical cost (\$1,598,859), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program (CFDA No. 12.AAG). Property distributions totaled \$321,395 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 23.3 percent of the historical cost (\$74,885), which approximates the fair market value of the property at the time of distribution.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

The auditor's report on the financial statements was qualified.

The audit did not note any reportable conditions in the internal control over financial reporting.

The audit did not note any noncompliance material to the financial statements.

Federal Awards

The auditor's report on compliance on the major programs was qualified.

The audit identified reportable conditions in the internal controls over major programs.

Some of these reportable conditions were considered to be material weaknesses.

The audit identified findings related to compliance on major programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

The state of Missouri did not qualify as a low-risk auditee under the provisions of OMB Circular A-133.

The dollar threshold to distinguish between Type A programs and Type B programs was **\$25,936,299**.

The following programs were audited as major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------|--|
| | Child Nutrition Cluster: |
| 10.553 | School Breakfast Program |
| 10.555 | National School Lunch Program |
| 10.556 | Special Milk Program for Children |
| 10.559 | Summer Food Service Program for Children |
| 17.225 | Unemployment Insurance |
| 20.205 | Highway Planning and Construction |
| 39.011 | Election Reform Payments |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds |
| 84.010 | Title I Grants to Local Education Agencies |

Special Education Cluster:

84.027 Special Education - Grants to States

84.173 Special Education - Preschool Grants

84.032 Federal Family Education Loans

84.048 Vocational Education - Basic Grants to the States

84.181 Special Education - Grants for Infants and Families with Disabilities

84.186 Safe and Drug-Free Schools and Communities - State Grants

84.287 Twenty-First Century Community Learning Centers

84.357 Reading First State Grants

84.367 Improving Teacher Quality State Grants

90.401 Help America Vote Act Requirements Payments

93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)

93.268 Immunization Grants

93.283 Centers for Disease Control and Prevention – Investigations and Technical Assistance

93.558 Temporary Assistance for Needy Families

93.563 Child Support Enforcement

Child Care Cluster:

93.575 Child Care and Development Block Grant

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

93.667 Social Services Block Grant

93.767 State Children's Insurance Program

Medicaid Cluster:

93.775 State Medicaid Fraud Control Units

93.777 State Survey and Certification of Health Care Providers and Suppliers

93.778 Medical Assistance Program

Homeland Security Cluster:

16.007 State Homeland Security Grant Program

97.004 State Domestic Preparedness Equipment Support Grant

97.042 Emergency Management Performance Grant

97.067 State Homeland Security Grant Program

97.008/16.011 Urban Areas Security Initiative

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

| | |
|----------------|--|
| 2006-1. | Review of Information Technology Support Division |
|----------------|--|

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

Federal Program: 10.557 Special Supplemental Nutrition Program for Women,
Infants, and Children
2006 - 06WIC
2005 - 05WIC
2005 - 3MO700754
2004 - 04WIC

93.116 Project Grants and Cooperative Agreements for
Tuberculosis Control Programs
2006 - CCU700495-24
2005 - CCU700495-23

93.268 Immunization Grants
2006 - CCH722543-04
2005 - CCH722543-03

93.283 Centers for Disease Control and Prevention - Investigations
and Technical Assistance
2006 - CCU716971-06
2005 - CCU722433-03
2004 - CCU716971-4A

93.777 State Survey and Certification of Health Care Providers
and Suppliers
2006 - 06TITLEXVIII
2005 - 05TITLEXVIII

93.889 National Bioterrorism Hospital Preparedness Program
2006 - 3RHS05937-01
2005 - MC03938-01

93.991 Preventive Health and Health Services Block Grant
2006 - 06PHS
2005 - 05PHS
2004 - 04PHS

93.994 Maternal and Child Health Services Block Grant to the
States
2006 - 06MCH
2005 - 05MCH

State Agency: Department of Health and Senior Services (DHSS)

A DHSS internal review is currently underway to investigate concerns regarding how federal funds were used by its Information Technology Support Division (ITSD).

The ITSD provides information technology and information systems support to all divisions of the DHSS. The ITSD is funded largely through various federal grants. Thus, problems in the manner that these grant monies are charged could represent material noncompliance with various federal regulations/requirements. According to department records, ITSD operating costs for fiscal year 2006 totaled approximately \$13.2 million, involving both state and federal funds. The following table shows how state and federal dollars were expended (in millions) for ITSD personal service and expense and equipment for fiscal year 2006:

| | STATE | FEDERAL | TOTALS |
|-----------------------|-------|---------|--------|
| Personal Service | \$2.0 | 3.9 | \$5.9 |
| Expense and Equipment | 1.6 | 5.7 | 7.3 |
| Totals | \$3.6 | 9.6 | \$13.2 |

During 2005, the Governor's office ordered the state-wide consolidation of information technology staff and resources, which resulted in the DHSS's ITSD reorganizing under the state's Office of Administration effective July 1, 2006. According to department officials, to promote an orderly transition, the DHSS conducted a financial review of the ITSD's fiscal operations and project management systems. This review began in May 2006, with some initial results being reported in July 2006. That initial review reported some areas of interest or concern including:

- Risk of incorrect funding for contractual expenditures and a lack of a centralized project management system and reporting;
- Time accounting and employee timesheets not corresponding to actual work performed in some instances;
- Risk of incorrect funding used for expense and equipment expenditures; and
- Inconsistency in funding used on employee expense accounts as compared to payroll records.

Because of the seriousness of these concerns, DHSS management decided to expand the review to determine the extent that amounts should have been charged to federal funds or other appropriate fund sources. This expanded review began in late July 2006 and covered fiscal years 2005 and 2006. The DHSS advised the State Auditor's Office of this situation and the expanded review in September 2006.

This review has focused on the following areas/issues:

- Contractual services - In this area, transactions involving the main contractor used by the ITSD were reviewed to determine if the proper federal grants were being charged based upon the scope of the project and/or work that was contracted.
- Personal services - In this area, ITSD personnel time sheets and employee individual status reports were compared to identify and investigate discrepancies.

- Equipment purchases - In this area, disbursements greater than \$10,000 were analyzed to determine whether the appropriate federal grant was charged for the cost of the equipment.
- Expense accounts - In this area, payroll funding sources for individual employees were compared to funding sources for corresponding employee expense accounts to identify any differences.

As of February 2007, this expanded review was still ongoing. During this review, the State Auditor's Office monitored its progress and provided some input to the review team. These monitoring procedures included, but were not limited to, attending the review team's weekly progress meetings and having detailed discussions with individual review team members regarding the work/procedures being performed and the results being noted for selected transactions. According to the review team, some possible discrepancies have been identified where federal grants may have been inappropriately charged. Further review of these discrepancies is ongoing and formal findings, if any, have not yet been reported.

In August 2006, the federal Department of Health and Human Services, Office of Inspector General directed the DHSS (by subpoena) to provide copies of all documents relevant to its initial review of ITSD operations. Copies of these records were provided to this federal agency shortly thereafter. As of February 2007, DHSS officials indicated the department has had no further contact with this federal agency.

The State Auditor's Office will continue monitoring this review and ensure its results are properly communicated to the appropriate federal authorities. Further, the State Auditor's Office will report the results of the review, along with the resolution of any findings and questioned costs, in future Single Audit reports.

WE RECOMMEND the DHSS complete the expanded review of ITSD operations and funding which is currently in progress. Any findings and questioned costs should be properly reported to the applicable federal authorities. In addition, the DHSS should implement appropriate corrective action(s) to ensure proper controls and procedures are in place to prevent any reported problems from reoccurring in the future.

AUDITEE'S RESPONSE

We agree with the auditor's finding. However, because the expanded review is in progress, our corrective action plan will only address the planned completion of the expanded review and resolution of any noted findings. When the review is complete, any findings noted in the final report will necessitate the development of a full corrective action plan, which will be submitted to the Office of Administration.

Federal Agency: Department of Health and Human Services
 Federal Program: 93.104 Comprehensive Community Mental Health Services for
 Children with Serious Emotional Disturbances (SED)
 St. Louis Transitions Grant - #5 U79 SM56220-04,
 Contract periods – October 1, 2004 to September 30, 2005
 and October 1, 2005 to September 30, 2006
 State Agency: Department of Mental Health (DMH) - Division of Comprehensive
 Psychiatric Services

The DMH has not adequately monitored all subrecipients related to the above referenced program to ensure an A-133 audit has been performed and submitted to the DMH on a timely basis, as required, or that problems reported in previous audits have been addressed.

As of December 31, 2006, one of the department's two subrecipients under this program had not filed an A-133 audit with the department for its fiscal year ended December 31, 2005, even though it expended over \$1.3 million under this program during that fiscal year. The A-133 audit of this subrecipient for the two fiscal years ending December 31, 2004 and 2003, was not received by the DMH until June 2006, approximately nine months after it was due. Further, the DMH has not issued a management decision regarding some audit findings and questioned costs reported in that audit, nor has it made any other documented efforts to ensure the applicable subrecipient has taken appropriate and timely corrective action to address the problems reported.

OMB Circular A-133 requires grant recipients to ensure that subrecipients obtain an A-133 audit when grant expenditures exceed \$500,000 in a fiscal year. That audit report is required to be filed with the recipient agency within nine months of the end of the subrecipient's fiscal year. In addition, the recipient agency is required to make a management decision on audit findings within six months after receipt of a subrecipient's audit report and ensure the subrecipient takes appropriate and timely corrective action.

WE RECOMMEND the DMH ensures it performs adequate subrecipient monitoring procedures related to this program. This would include, but not be limited to, ensuring that all subrecipients submit an A-133 audit on a timely basis, as required, issuing a management decision on audit findings within six months after receipt of a subrecipient audit report, and ensuring subrecipients take appropriate and timely corrective action related to any problems reported.

AUDITEE'S RESPONSE

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

Federal Agency: Environmental Protection Agency
 Federal Program: 66.458 Capitalization Grants for Clean Water State Revolving Funds
 2004-CS290001-09 and 2005-CS290001-08
 66.468 Capitalization Grants for Drinking Water State Revolving Funds
 FS997629-04, FS997629-03, FS997629-02,
 FS997629-01, FS997629-00, FS997629-99,
 FS997629-98, and FS997629-97
 State Agency: Department of Natural Resources (DNR)

The DNR does not sufficiently monitor and ensure program subrecipients obtain and submit audits to the DNR when applicable. In addition, the DNR has not established adequate procedures to ensure that required quarterly construction site inspections are performed. During the year ended June 30, 2006, approximately \$45 million of State Revolving Funds were expended, with \$43 million of this amount distributed to subrecipients.

- A. The DNR has a system for tracking federal awards paid to subrecipients, which includes information on audit requirements for the subrecipients; however, the monitoring reports generated by the system are not sufficiently reviewed. As a result, the DNR does not adequately monitor to ensure applicable subrecipients obtain audits and submit copies of the audit reports. The DNR did not have audit reports on file for 11 of the 24 subrecipients that were required to obtain audits during the year ended June 30, 2006. In addition, we contacted three of the subrecipients that didn't submit audits, and all three indicated that they did obtain audits but apparently did not submit copies to the DNR. The DNR does not normally contact subrecipients to ensure the required audits are submitted.

OMB Circular A-133 requires grant recipients to ensure that subrecipients obtain audits when a subrecipient's grant expenditures exceed \$500,000 during a fiscal year. Monitoring the use of federal awards by obtaining and reviewing audit reports provides reasonable assurance that the subrecipients administer Federal awards in compliance with applicable laws and regulations.

- B. The State Revolving Funds are primarily used by subrecipients throughout the state for new construction and improvements to drinking water and wastewater systems. The DNR does not always perform and/or document quarterly construction site inspections as required by its written policy. Of the 23 projects tested, 11 had no documentation of the required quarterly inspections. As a result, the DNR has less assurance these construction projects met the approved plans and specifications, or whether the subrecipients complied with applicable state and federal regulations.

WE RECOMMEND the DNR:

- A. Establish procedures to better monitor subrecipients and ensure subrecipients obtain and submit audit reports as required by OMB Circular A-133.
- B. Ensure quarterly construction site inspections are performed as required by department policy, and the results of those inspections are documented.

AUDITEE'S RESPONSE

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

| | |
|----------------|---------------------------------|
| 2006-4. | Homeland Security Grants |
|----------------|---------------------------------|

| | |
|-------------------|--|
| Federal Agency: | Department of Homeland Security |
| Federal Program: | 16.007 State Homeland Security Grant Program – 2004-GE-T4-0049, 2003-TE-TX-0159, and 2003-MU-T3-0003 16.011 Urban Areas Security Initiative – 2003-EU-T3-0030 97.004 State Domestic Preparedness Equipment Support Grant Program – 2004-GE-T4-0049 97.008 Urban Areas Security Initiative – 2004-TU-T4-0007 97.042 Emergency Management Performance Grant – 2004-GE-T4-0049, 2003-TE-TX-0159, and 2003-MU-T3-0003 97.067 State Homeland Security Grant Programs – 2005-GE-T5-0022 |
| State Agency: | Department of Public Safety (DPS) – State Emergency Management Agency (SEMA) |
| Questioned Costs: | \$588,035 |

The SEMA has not established adequate policies or procedures for on-site monitoring of subrecipients to ensure federal monies expended are for allowable activities and costs.

Currently, the SEMA performs on-site monitoring to ensure subrecipients are properly trained on homeland security equipment, but performs no on-site monitoring of expenditures. The SEMA indicated they were planning to begin on-site subrecipient monitoring of expenditures; however, as of January 2007, written policies and procedures have not been developed and on-site monitoring had not been started. Without proper policies and procedures in place, the SEMA cannot ensure that subrecipients are spending federal funds for allowable activities and costs, or that proper purchasing and bidding requirements were followed.

Had onsite monitoring been performed by the SEMA, the following problems noted in audits performed by the State Auditor's Office may have been noted and corrected on a more timely basis.

1. In December 2006, the Missouri State Auditor's Office issued audit report No. 2006-71, **Miller County**. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at www.auditor.mo.gov.) The report indicated that Miller County did not have an internal control system in place to adequately monitor the procurement and installation of equipment and services funded through the State Homeland Security grant program. As a result, \$284,493 in federal expenditures were questioned. The report included the following findings, which have been summarized:

Bid documentation for a Computer Aided Dispatch (CAD) system was inadequate and the equipment installed did not agree to the bid or to the paid invoice. In addition, bid documentation for an upgrade to the county's mapping system could not be located. Furthermore, the county commission minutes indicated that only one bid was received and accepted for the purchase of both systems, and payments were not made to vendors before reimbursement was requested from the state. The county submitted copies of checks to the SEMA as proof of payment to receive reimbursement; however, the checks were subsequently voided and reissued once federal monies were received. The cost of the CAD system and the mapping system upgrade was approximately \$249,598 and \$34,895, respectively.

2. In December 2006, the Missouri State Auditor's Office issued audit report No. 2006-74, **DeKalb County**. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the Internet at www.auditor.mo.gov.) The report indicated that the multi-county ACCD 911 Board, which includes Andrew, Caldwell, Clinton, and DeKalb counties, did not have adequate procurement procedures and did not closely follow the terms of the State Homeland Security grant program for emergency communications equipment received. As a result, \$303,542 in federal expenditures were questioned. The report included the following findings, which have been summarized:

The multi-county ACCD 911 Board received a grant award in the amount of \$677,084 for equipment, installation, and consulting and engineering items. Due to favorable pricing on its initial bid for equipment and installation, the board purchased additional equipment with the remaining grant funding, totaling \$235,542. The board could not provide documentation of approval from the SEMA for these additional purchases, nor were the additional purchases bid as required. In addition, the board contracted for consulting and engineering services, totaling \$68,000, without soliciting requests for qualifications. Lastly,

the board did not ensure these vendors met federal suspension and debarment requirements.

To ensure subrecipients are following the terms and conditions of the State Homeland Security Grant program and federal monies are only spent for allowable activities and costs, the SEMA should ensure adequate subrecipient monitoring policies and procedures are in place and operating effectively.

WE RECOMMEND the Department of Public Safety, through the State Emergency Management Agency, establish written policies and procedures for on-site monitoring and perform such monitoring to ensure subrecipients are expending federal monies for allowable activities and costs, and following proper purchasing and bidding requirements.

AUDITEE'S RESPONSE

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

2006-5.

Earmarking — Social Services Block Grant

Federal Agency: Department of Health and Human Services
Federal Program: 93.667 Social Services Block Grant
2005 - G0501MOSOSR and 2006 - G0601MOSOSR
State Agency: Department of Social Services (DSS)
Questioned Costs: \$21,705,174

The DSS has not established procedures to ensure Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) are being used for programs and services to eligible individuals. The State may transfer up to ten percent of its TANF funds for a given fiscal year to carry out programs under the SSBG. According to department records, during the year ended June 30, 2006, TANF funds totaling \$21,705,174 were expended to carry out programs under the SSBG.

The department does not track or perform any analysis of the expenditures of TANF funds transferred to the SSBG to ensure the funds are used for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline. As a result, TANF funds transferred to the SSBG could be used for programs and services that are not allowed. Because these expenditures are not tracked or analyzed, we could not determine the amount of funds that may have been improperly used. As a result, we question the \$21,705,174 transferred.

42 United States Code Section 604(d)(3)(A) and 9902(2) provides that the State shall use all of the amount transferred into the SSBG from TANF only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by the DHSS.

WE RECOMMEND the DSS resolve the questioned costs with the grantor agency and implement procedures to ensure that TANF funds transferred to the SSBG are used for programs and services to children or their families whose income meets program guidelines.

AUDITEE'S RESPONSE

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

2006-6.

Child Care Payments

| | |
|-------------------|---|
| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.575 Child Care and Development Block Grant 2005 - G0501MOCCDF and 2006 - G0601MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2005 - G0501MOCCDF and 2006 - G0601MOCCDF |
| State Agency: | Department of Social Services (DSS) - Children's Division (CD), Family Support Division (FSD), and Division of Budget and Finance (DBF) |
| Questioned Costs: | \$31,683 |

Eligibility and payment documentation could not be located for some child care cases reviewed, and overpayments were made to some providers. In addition, management of the case records is poor and provider monitoring procedures are not adequate. During the year ended June 30, 2006, the DSS paid over 13,000 child care providers approximately \$151.4 million for over 82,000 children.

The DSS provides monies to child care providers who serve eligible clients. Federal regulation 45 CFR 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. Also, 45 CFR 98.54 provides that, with regard to services to students enrolled in grades 1 through 12, no funds may be used for services provided during the regular school day, services for which the students receive academic credit toward graduation, or instructional services that supplant or duplicate the academic program of any public or private school.

To comply with federal requirements, the DSS's Income Maintenance manual requires authorizations for the amount of care that best meets the family's need, and case file documentation including the child care application or a signed system-generated interview summary and copies of income verifications to support eligibility determinations. In addition, the manual and provider agreements require that providers

submit a monthly invoice and maintain attendance records signed by the parent/caregiver to verify the child received the services.

Parents/caregivers apply to the FSD or CD case workers to participate in the program. Once approved, the parent/caregiver selects a child care provider and the DSS enters into an agreement with the provider to provide child care services. Case workers assess the child care needs and set maximum authorized service units for each provider and child. Child care providers can be either licensed by the state or unlicensed, depending on the number of children cared for. Providers bill the DSS monthly for services, either by the DSS's on-line invoicing system or by a manual invoice. Unlicensed providers are required to submit an attendance sheet that is signed by the parent/caregiver to verify the child received the services. Although licensed providers are required to keep attendance records, the DSS does not require them to submit these records.

- A. To test compliance with these requirements, we reviewed eligibility documentation, provider agreements, and expenditure documentation for 60 children on whose behalf child care payments were made to child care providers. Eligibility documentation, such as a signed child care application or system-generated interview summary, for 6 of 60 (10 percent) cases reviewed could not be located by the DSS, nor could the DSS locate case files for two other children. The total child care payments made on behalf of these children during the year ended June 30, 2006, totaled \$33,868. We question the federal share of \$27,189 (80.28 percent).

In addition, some child care payments were not supported by adequate documentation. Attendance records were not always signed by the parent/caregiver, some provider invoices did not agree to the corresponding attendance records, some provider invoices could not be located, some attendance records did not include all applicable children and dates of service, and an agreement with one provider could not be located. Also, overpayments were made because the DSS sometimes authorized more than one provider for a child during the same time period or authorized full time child care services during months the child attended school. Finally, the DSS was inconsistent in authorizing the maximum number of days of child care per month for a child. Sometimes 22 days were authorized and other times 23 days were authorized. The payments related to the inadequate documentation and overpayments total \$5,598. We question the federal share of \$4,494 (80.28 percent).

Overall for the cases reviewed, case records supporting eligibility, provider invoices, attendance sheets, and other records appeared disorganized and incomplete. Without complete and accurate case records, adequate documentation is not available to verify the eligibility of the clients, support the appropriateness of child care payments, and provide an adequate audit trail. The DSS needs to review and strengthen its policies and procedures regarding case record documentation and retention of records. In addition, the DSS needs to ensure that child care payments are made on behalf of eligible children, invoices

agree to the corresponding attendance records, and appropriate child care services are authorized.

B. The policies and procedures for monitoring child care providers need improvement. Beginning in February 2006, the DBF started performing on-site contract compliance reviews of 160 providers each month. Results of the reviews are referred to the CD for follow-up. Weaknesses in the monitoring process include:

- The compliance review instructions do not require the comparison of invoice dates and times to attendance records. Our review of the compliance review documentation for two providers revealed some billing errors which were not identified by the DBF monitoring staff. Without comparing the dates and times billed to the supporting attendance records, the DSS cannot ensure payments made to providers are appropriate.
- Child care providers in a ten-county region surrounding and south of the metro-St. Louis area have been excluded from monitoring by the DBF. The DBF divided the state into nine regions, and conducts reviews in eight of those regions. According to DBF personnel, the DSS planned to have various caring communities partnerships review providers in the other region; however, the DSS did not follow through with the plan. The DBF needs to ensure all providers are included in the population to be monitored.
- The DBF has not established a risk-based approach to selecting providers to monitor. Providers are selected on a random basis. A risk-based approach would evaluate risk factors, such as amount of the agreement, prior experience with the provider, type of information submitted by the provider, and expected level of compliance with DSS policies. This type of approach could be used to determine the type and extent of monitoring to perform, including whether a site visit is necessary.
- The DBF supervisor responsible for reviewing contract compliance review reports does not document her review and approval. Initialing or signing and dating the compliance review documentation denotes proper review and approval of the monitoring report.

WE RECOMMEND the DSS through the CD, FSD, and DBF:

A. Resolve the questioned costs with the grantor agency, and review and strengthen the policies and procedures regarding child care case record documentation and retention of records. The DSS should ensure child care payments are made on behalf of eligible children, invoices agree to the corresponding attendance records, and appropriate child care services are authorized.

On the date of our review of the EPLS, none of the entities were found to be suspended or debarred.

Federal Regulation 45 CFR 76.300, requires recipients of federal awards to verify vendors/subrecipients paid more than \$25,000 are not suspended or debarred by adding a clause or condition to the contract with the entity, collecting a certification from the entity, or reviewing the EPLS.

The DSS should implement procedures to notify the OA when contracts exceeding \$25,000 are funded with federal funds and of the need to include the suspension and debarment certification and/or clause, or to review of the EPLS in the procurement process.

WE RECOMMEND the DSS implement procedures to ensure all vendors/subrecipients paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

AUDITEE'S RESPONSE

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

| | |
|----------------|------------------------------|
| 2006-8. | Salary Certifications |
|----------------|------------------------------|

| | |
|-------------------|--|
| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.563 Child Support Enforcement 2005 - G0504MO4004 and 2006 - G0604MO4004 |
| | 93.658 Foster Care - Title IV-E 2005 - G0501MO1401 and 2006 - G0601MO1401 |
| | 93.674 Chafee Foster Care Independent Living 2004 - G0401MO1420 and 2005 - G0501MO1420 |
| State Agency: | Department of Social Services (DSS) – Family Support Division (FSD) and Children’s Division (CD) |
| Questioned Costs: | \$63,887 |

Certifications supporting salaries of employees working solely on a single federal program are not always prepared and are not prepared by the employee or supervisor having specific knowledge of the employee’s work.

Salary certifications are only prepared for those employees working solely on a single program in the last pay period of the reporting period. As a result, employees who worked on a single program for periods other than the last payroll of the reporting period are not certified. According to payroll reports, 26 CD employees worked solely on the Foster Care - Title IV-E or the Chafee Foster Care Independent Living programs for the period April to June 2006. However, for 8 (31 percent) of these employees, a

certification was not prepared. We question the federal share of the salaries and fringe benefits, totaling \$56,673, for these employees for this period. It appears these employees were either terminated or repositioned during the certification period, causing them not to be included in the certification.

Additionally, certifications were not prepared for 2 (2 percent) of 94 FSD employees working on the Child Support Enforcement (CSE) program for the period July to September 2005. We question the federal share of the salaries and fringe benefits, totaling \$7,214, for these employees for this period. According to DSS officials, CSE employees always work solely on the CSE program. Without accurate and complete certifications, the DSS has not fully substantiated the salary costs charged to the various federal programs.

We also noted that the certifications are prepared and signed by an official in the FSD/CD Financial Management and Operational Services unit, rather than the employees and/or supervisors that have knowledge of the employees' duties and responsibilities during the period. Without having certifications prepared by the employees and/or supervisor having specific knowledge of the employees' work during the period, there is limited assurance those employees did work solely on the program.

The Office of Management and Budget (OMB) Circular A-87 requires that charges for salaries and related salary costs of employees who work solely on a single federal award or cost objective be supported by periodic certifications that the employees worked solely on that program. These certifications are required to be prepared at least semi-annually, and signed by either the employee or a supervisor having specific knowledge of the work performed by the employee.

WE RECOMMEND the DSS resolve the questioned costs with the grantor agency and ensure salary certifications are prepared for all employees who work solely on a single program in accordance with OMB Circular A-87.

AUDITEE'S RESPONSE

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

2006-9.

Children's Services Integrated Payment System

| | |
|------------------|---|
| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.556 Promoting Safe and Stable Families 2005 - G0501MO00FP and 2006 - G0601MO00FP |
| | 93.558 Temporary Assistance for Needy Families 2005 - G0501MOTANF and 2006 - G0601MOTANF |
| | 93.575 Child Care and Development Block Grant 2005 - G0501MOCCDF and 2006 - G0601MOCCDF |

93.596 Child Care Mandatory and Matching Funds of the Child
Care and Development Fund

2005 - G0501MOCCDF and 2006 - G0601MOCCDF

93.658 Foster Care - Title IV-E

2005 - G0501MO1401 and 2006 - G0601MO1401

93.667 Social Services Block Grant

2005 - G0501MOSOSR and 2006 - G0601MOSOSR

93.778 Medical Assistance Program

2005 - 05-0505MO5028 and 2006 - 05-0605MO5028

State Agency: Department of Social Services (DSS) and Office of Administration
- Information Technology Services Division (ITSD)

In October 2006, the Missouri State Auditor's Office issued audit report No. 2006-61, ***Social Services, Children's Services Integrated Payment System – Data Accuracy and Integrity***. (A copy of the complete audit report can be obtained from: Missouri State Auditor's Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the internet at www.auditor.mo.gov.)

The Children's Services Integrated Payment System (CSIPS), managed by the ITSD, processes child welfare payments for various DSS programs. The DSS plans to replace the CSIPS with a new system in 2008. The report included the following findings which have been summarized:

- A. The CSIPS did not record or track the exact calendar days services were provided. In fiscal year 2005, the DSS overpaid vendors at least \$31,898 due to exact service dates not being recorded on the payment transactions. In addition, other potential overpayments were identified.
- B. Established data validation and edit controls were not working effectively and some edit controls had not been included in the system. In fiscal year 2005, the DSS overpaid vendors \$19,730 due to weaknesses in controls over duplicate payments. Other potential overpayments were also identified.
- C. The DSS did not perform post-payment reviews or authorize payment source documents electronically after input to ensure the amount approved on the source document equals the amount input on the payment transaction.
- D. The DSS did not monitor the use of overrides on the CSIPS payment transactions.
- E. The DSS had not formally documented procedures for tracking overpayments and processing deductions, processing transaction errors, or for the retention of payment source documents.

WE RECOMMEND

The DSS:

Recoup the overpayments identified in this report and investigate the potential overpayments to determine if amounts need to be recouped.

The DSS through the ITSD:

- A. Include the capability to document exact service dates instead of only the service month and year for children services payment transactions in the CSIPS and/or include this functionality in the design and development of the new system.
- B. Establish procedures to ensure all payment data is checked for accuracy, propriety, and completeness by proper data validation and edit controls before and during processing. Specifically, the DSS should review the following edits to consider adding them to the CSIPS and/or to the design and development of the new system:
 - Require service units and service rates on all payment transactions with the appropriate minimum and maximum units and rates.
 - Place data validation rules on service codes to ensure payment data is compliant with the service code restrictions and to ensure the appropriate rate is used.
 - Limit the payments for clothing to ensure compliance with the Child Welfare Manual.
 - Revise the duplicate payment edit to review the entire payment history instead of just the pending payment file.
 - Revise the child care edit to review payment history to ensure only 23 days are allowed in a month.
 - Establish edits limiting absences and holidays for child care payments.
 - Differentiate between weekend and evening child care payments and establish appropriate edits limiting the days allowed.
- C. Establish procedures for reviewing payments to ensure the amount input agrees to the amount approved. The DSS should consider adding a workflow requirement to apply electronic signatures to authorize or approve source documents before the system will allow payments to process and/or include this functionality in the design and development of the new system.
- D. Develop policies and procedures for monitoring override transaction usage to ensure payments are being properly processed.
- E.1. Develop procedures for tracking child service overpayments to ensure monies are recouped from future vendor payments or are repaid by the vendor. DSS and ITSD officials should evaluate the cost of modifying the current child welfare

The cooperative agreement between the AGO and DSS provides the salary and fringe benefits for individuals who work solely on a single federal program be direct billed and that all costs of the unit providing the services for federal programs be included in the allocation calculation when individuals work on federal and non-federal activities.

- B. Time records were not adequate to determine the extent that billings to the DSS may have been incorrect. Also, some timesheets were not signed by the employees.

Office of Management and Budget (OMB) Circular A-87 requires that where employees work on multiple programs or cost objectives, the distribution of their salaries or wages needs to be supported by personnel activity reports or equivalent documentation which reflect total actual activity of each employee. This circular also requires these time records be signed by the employee. The cooperative agreement provides that the AGO comply with the provisions of OMB Circular A-87.

- C. All allowable FSD expense and equipment expenditures were not included in the billing calculation.

The cooperative agreement provides that all FSD allowable costs under OMB Circular A-87 be included in the billing.

WE RECOMMEND the AGO:

- A. Revise its policies and procedures to ensure compliance with the cooperative agreement with the DSS. The salaries and fringe benefits for employees working solely on one federal program should be billed directly to the program and all FSD employees should be included in the billing allocation calculation.
- B. Ensure all time records used in the allocation calculation are complete and accurate. Also, the time records should be signed by the employee.
- C. Ensure all FSD allowable costs are included in the billing calculation.

AUDITEE'S RESPONSE

A&C. 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.

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

| | |
|------------------|--|
| Federal Agency: | Department of Health and Human Services (DHHS) |
| Federal Program: | 93.558 Temporary Assistance for Needy Families 2005 - G0501MOTANF and 2006 - G0601MOTANF |
| | 93.658 Foster Care - Title IV-E 2005 - G0501MO1401 and 2006 - G0601MO1401 |
| | 93.659 Adoption Assistance 2005 - G0501MO1407 and 2006 - G0601MO1407 |
| | 93.667 Social Services Block Grant 2005 - G0501MOSOSR and 2006 - G0601MOSOSR |
| | 93.778 Medical Assistance Program 2005 - 05-0505MO5028 and 2006 - 05-0605MO5028 |
| State Agency: | Department of Social Services (DSS) – Children’s Division (CD) and Division of Budget and Finance (DBF) |

The CD has a low response rate for its random moment time study (RMTS). During the year ended June 30, 2006, the RMTS's response rate ranged from 65 percent to 72 percent per quarter. According to officials of the DHHS, Division of Cost Allocation, the response rate for the RMTS should be at least 90 percent. The results of the time study are used to determine how employees spend their time, and the study's sampling plan provides for a sample of 2,160 moments each quarter. To obtain this number of moments, the number of requests sent each quarter ranged from 3,200 to 3,700 during the year ended June 30, 2006.

During each quarter, selected caseworkers are contacted by email at random moments and are requested to record what program/activity they are engaged in at that moment. The caseworkers are required to submit the information electronically to the DSS's intranet web-site within 72 hours. Based on the sample results, the DBF allocates various costs to its federal and state programs.

Although the CD has specific policies and procedures explaining the use of the study, many CD employees failed to complete and submit the RMTS request. According to CD personnel, some requests may go to terminated employees because the employee is selected from payroll records at the beginning of the quarter and have terminated employment during the quarter. Additionally, since some employees travel, they are unable to respond within the 72 hours.

The CD needs to better communicate to employees the necessity of responding to the RMTS requests and provide training on the use of the RMTS.

WE RECOMMEND the DSS-CD implement procedures to achieve a 90 percent response rate from employees for the RMTS.

AUDITEE'S RESPONSE

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

| | |
|-----------------|---|
| 2006-12. | Schedule of Expenditures of Federal Awards |
|-----------------|---|

| | |
|------------------|--|
| Federal Agency: | Department of Agriculture Department of Education Department of Health and Human Services |
| Federal Program: | 10.561 State Administrative Matching Grants for Food Stamp Program 2005 and 2006 - IE251843, IS251443, and IS252043 84.126 Rehabilitation Services – Vocational Rehabilitation Grants to States 2005 and 2006 H126A040037 93.556 Promoting Safe and Stable Families 2005 - G0501MO00FP and 2006 - G0601MO00FP 93.558 Temporary Assistance for Needy Families 2005 - G0501MOTANF and 2006 - G0601MOTANF 93.566 Refugee and Entrant Assistance - State Administered Programs 2003 - G03AAMO7110, 2004 - G03AAMO7110, 2005 - G05AAMO7100, and 2006 - G06AAMO7100 93.568 Low-Income Energy Assistance 2005 - G05B1MOLIEA and 2006 – G0561MOLIEA 93.575 Child Care and Development Block Grant 2005 - G0501MOCCDF and 2006 - G0601MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2005 - G0501MOCCDF and 2006 - G0601MOCCDF 93.658 Foster Care - Title IV-E 2005 - G0501MO1401 and 2006 - G0601MO1401 93.659 Adoption Assistance 2005 - G0501MO1407 and 2006 - G0601MO1407 93.667 Social Services Block Grant 2005 - G0501MOSOSR and 2006 - G0601MOSOSR 93.778 Medical Assistance Program 2005 - 05-0505MO5028 and 2006 – 05-0605MO5028 |
| State Agency: | Department of Social Services (DSS) – Division of Budget and Finance (DBF), Family Support Division (FSD), and Children’s Division (CD) |

- A. Expenditures reported on the original schedule of expenditures of federal awards (SEFA) prepared by the DBF were overstated by a net amount of approximately \$56 million. Listed below are the misstatements applicable to each program:

| CFDA # | Program | Overstated/ (Understated) |
|---------------|---|----------------------------------|
| 93.558 | Temporary Assistance for Needy Families | \$ 44,139,613 |
| 93.575 | Child Care and Development Block Grant | 11,973,442 |
| 93.659 | Adoption Assistance | 45,118 |
| 93.778 | Medical Assistance Program | (33,717) |

The majority of the errors resulted from the incorrect compilation of data from the programs' federal reports. The DBF uses these reports, which are records of expenditures of federal programs, to prepare the SEFA. Temporary Assistance for Needy Families (TANF) monies, totaling over \$44 million, transferred to the Social Services Block Grant (SSBG) and the Child Care and Development Block Grant (CCDF) during the year were shown as expenditures in both TANF and the two programs in which the funds were transferred. Monies transferred should be shown in expenditures of the program in which they were spent. In addition, TANF monies totaling almost \$12 million transferred to and spent in the CCDF program were inadvertently included in the CCDF expenditures twice. Also, incorrect amounts from the federal reports were used for the Adoption Assistance and Medical Assistance Programs.

A reconciliation of the federal reports to the prepared SEFA would have detected these misstatements and helped ensure the SEFA was accurate. The DBF made revisions to the schedule after our review.

Section .310(b) of Office of Management and Budget (OMB) Circular A-133 requires the DSS to prepare a schedule of expenditures of federal awards showing the financial activity for each federal program. The DBF needs to establish effective procedures to ensure the schedule is complete and accurate. To be effective, the procedures should include a detailed supervisory review.

- B. Our review of expenditures from the SSBG, CCDF, and Child Care Mandatory and Matching Funds of the CCDF programs noted payments to several entities which appear to be subrecipients. However, the SEFA prepared by the DBF did not report any amounts provided to subrecipients for these programs and these entities are not furnished applicable federal regulations and are not required to obtain A-133 audits, when needed.

For example, the DSS does not identify local community partnerships, receiving funding from various federal programs (listed in the federal programs above) as subrecipients. The DSS provides funding to local community partnerships, for the state's Caring Communities Program, through various federal grants in coordination with several other state agencies. The DSS paid these partnerships

approximately \$19.6 million during the year ended June 30, 2006. The partnership contracts explicitly state the partnerships are not considered subrecipients within the meaning of the Office of Management and Budget (OMB) Circular A-133. The DSS believes the partnerships do not meet the definition of a subrecipient under OMB Circular A-133.

However, we believe, based upon the substance of the arrangements, the arrangements with the partnerships represent a subrecipient relationship. OMB Circular A-133, section .210, indicates the partnerships should be considered subrecipients because: 1) the partnerships have their performance (core results) measured against contract objectives, and some of these objectives directly relate to the federal program objectives, 2) the partnerships make programmatic decisions related to their core results, 3) the allowable costs under the contracts are evaluated by the DSS based upon allowable costs under the federal grants, 4) the partnerships administer a large portion of some of the state's various federal grants, and 5) the DSS establishes the expectations, terms, and conditions of the arrangement with the partnerships.

In addition, it appears the DSS monitors these partnerships as if they were subrecipients. The DSS has developed a written monitoring program to evaluate the partnerships' activities and requires financial statement audits of the partnerships be submitted to the DSS, for their review. However, the DSS does not require audits of federal funds under OMB Circular A-133. Section .210 also states that when evaluating whether a subrecipient relationship exists, the "substance of the relationship is more important than the form of the agreement."

To meet the DSS's responsibilities under OMB Circular A-133, section .400, the DSS should identify and classify appropriate entities as subrecipients and provide all required information to the entities including the requirement that subrecipients obtain A-133 audits, when applicable.

A similar condition was also noted in our prior report, and there has been no resolution of this issue provided by the applicable federal agency.

WE RECOMMEND the DSS-DBF:

- A. Implement procedures to ensure the schedule of expenditures of federal awards is complete and accurate.
- B. Classify appropriate entities as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, when applicable.

AUDITEE'S RESPONSE

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

| |
|--|
| 2006-13. Temporary Assistance For Needy Families Compliance |
|--|

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2005 - G0501MOTANF and 2006 - G0601MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Questioned Costs: \$13,451

Eligibility documentation could not be located for some Temporary Assistance for Needy Families (TANF) cases reviewed. During the year ended June 30, 2006, TANF assistance payments totaled approximately \$123.8 million, of which approximately \$69.1 million was claimed as federal expenditures.

Our audit noted that the FSD did not maintain documentation to support the recipients' need and eligibility for the TANF program assistance for 11 of 60 cases tested. We randomly sampled 60 TANF payments totaling \$13,542 made to TANF recipients. The purpose of this test was to determine whether the proper eligibility determinations were made, and whether payments were calculated in accordance with program requirements, including obtaining any required documentation and performing required verifications. Our test of TANF payments disclosed the following:

- For nine cases reviewed, the FSD did not maintain documentation of the recipient's signed assistance application/eligibility statement or system-generated interview summary. The application/eligibility statement and interview summary contain questions concerning income, reasons for need, and required federal prohibitions and requirements, and must be signed by the applicant certifying compliance with the requirements.
- For three cases reviewed (one of which was included above), the FSD did not maintain documentation of the verification of employment, income, and/or unemployment compensation.

45 CFR 206.10(a)(ii) requires that applications for program participation be in writing on an agency prescribed form and signed by the applicant or an appropriate representative. 45 CFR 205.55 requires that agencies obtain wage and unemployment compensation verification information at the first opportunity following receipt of the application and

periodically while the recipient is receiving benefits. In addition, 45 CFR 205.60(a) requires the agency 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 DSS did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. The payments related to the above mentioned errors totaled \$2,757, and the payments to these clients during the year ended June 30, 2006, totaled \$24,075. We question the federal share of the total payments, or \$13,451 (55.87 percent).

WE RECOMMEND the FSD improve internal controls to ensure complete case files are maintained to adequately support applications, eligibility determinations, case decisions, and expenditures. In addition, the FSD should resolve questioned costs 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.

2006-14.

Child Support Allowable Costs

| | |
|-------------------|---|
| Federal Agency: | Department of Health and Human Services |
| Federal Program: | 93.563 Child Support Enforcement 2005 - G0504MO4004 and 2006 - G0604MO4004 |
| State Agency: | Department of Social Services – Family Support Division (FSD) |
| Questioned Costs: | \$12,811 |

We identified expenditures totaling \$12,811 (federal share) charged to the child support grant that were either unallowable or unnecessary.

Costs totaling approximately \$11,826 for attorney fees, judgments, and interest were claimed for reimbursement, but are not allowable costs. Attorney fees of \$600 were paid to a non-custodial parent's attorney because the division willfully and continuously ignored a decree of the court, causing the non-custodial parent to take further legal action against the department. In addition, another attorney's fee of approximately \$8,887 plus interest of \$489 was paid as a condition of settlement of a suit against the State of Missouri. Another \$1,850 was paid as compensation to the attorney of another non-custodial parent when it was determined the division had taken wrongful actions.

Other unallowable costs identified include a \$300 donation to a national, charitable, community-based organization, \$280 for employee retirement plaques, \$9 for state sales tax, and overpayments totaling \$396 resulting from an error when allocating shared costs and approving expenses which exceeded the department meal reimbursement policy.

Division personnel code and accumulate costs based on expenditure categories. The questioned costs related to attorney fees and interest discussed above were the only expenditures coded to those expenditure categories in fiscal year 2006. Therefore, it does not appear there are additional similar expenditure items that would result in questioned costs.

OMB Circular A-87 (A-87) and its Attachments A and B establish principles and standards for determining allowable costs for Federal awards. A-87 identifies selected items of cost determined to be unallowable, which include, but are not limited to, donations and contributions, fines and penalties, and taxes. Basic guidelines in A-87 require costs be necessary and reasonable for proper and efficient performance and administration of Federal awards, and not be prohibited under state or local laws or regulations. A-87, Attachment B, Sections 12, 16, and 40, address donations, fines and penalties, and taxes which are unallowable for federal reimbursement. While A-87, Attachment B, Section 13, allows costs related to employee morale, it is not clear that retirement plaques improve working conditions, employer-employee relations, or employee morale and/or employee performance.

WE RECOMMEND the FSD resolve the questioned costs with the grantor agency. In addition, the division should establish procedures to ensure costs charged to the grant are allowable and necessary to administer the child support program.

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.

FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

STATE OF MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Our prior audit report issued for the year ended June 30, 2005, included no audit findings that *Government Auditing Standards* require to be reported for an audit of financial statements.

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 in the prior audit for the year ended June 30, 2005, and the findings from the prior audits for the years ended June 30, 2004 and 2003, except those that were listed as corrected, no longer valid, or not warranting further action. 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 that 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, 2004, is as follows:

Findings numbered 1, 2, 4, 6, 9, 10, and 11G were corrected.

Findings numbered 3, 5, 7, 8, and 11A-F&H are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2003, all of the findings were corrected, no longer valid, or did not warrant further action.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2004-3A.1. Federal Family Education Loan Program

Federal Agency: Department of Education
Federal Program: 80.032 – Federal Family Education Loans
State Agency: Department of Higher Education (DHE)

The loan servicer had not developed a system to ensure all cash transactions had been posted to the computerized accounting system and reconciled to a cash balance. In addition, DHE had not developed a system to monitor the posting and reporting of all transactions.

Recommendation:

The DHE ensure the loan servicer develops a system to ensure all transactions are posted to the accounting system and reconciled to a cash balance. In addition, DHE should monitor the posting of transactions to ensure unposted and unidentified transactions are resolved in a timely manner and accounted for fully.

Status of Finding:

The DHE's loan servicer has implemented procedures to ensure all cash transactions are posted to the computerized accounting system and reconciled to a cash balance. The DHE is closely monitoring unposted and unidentified transactions by reviewing daily reports, participating in bi-weekly status calls, and tracking a retroactive audit of payment posting.

Contact Person: Leanne Cardwell
Phone number: (573) 751-2361

2004-3A.2. Federal Family Education Loan Program

Federal Agency: Department of Education
Federal Program: 84.032 – Federal Family Education Loans
State Agency: Department of Higher Education (DHE)

The loan servicer had not developed adequate written policies and procedures for processing cash receipts and issuing refunds.

Recommendation:

The DHE ensure the loan servicer develops adequate policies and procedures for processing cash receipts and issuing refunds.

Status of Finding:

The DHE has worked closely with its loan servicer to implement written policies and procedures that have greatly improved controls. The procedures include the utilization

of a lockbox account that dramatically decreased the number of checks the loan servicer handles. The DHE will continue to work with its loan servicer to enhance the existing policies and procedures as necessary.

In addition, the DHE loan servicer has implemented procedures for issuing refunds. The DHE will continue to monitor the refund process by reviewing weekly and monthly overpayment reports and tracking the issuance of borrower refund checks.

Contact Person: Leanne Cardwell
Phone number: (573) 751-2361

2004-3B. Federal Family Education Loan Program

Federal Agency: Department of Education
Federal Program: 84.032 – Federal Family Education Loans
State Agency: Department of Higher Education (DHE)

DHE did not ensure the new loan servicer developed a quality control review process to verify that claims paid (such as for defaults, disability, bankruptcy, and death) were valid and met federal program requirements for reinsurance. In addition, DHE did not randomly test claims paid for validity, other than a limited sample performed during the September 2004 onsite review.

Recommendation:

The DHE ensure the loan servicer develops a quality control review process to verify the validity of claims paid. DHE should also monitor the process to ensure it is operating effectively.

Status of Finding:

The DHE's loan servicing system automatically verifies the timeliness, validity, and accuracy of each claim. In addition, in September 2004, the DHE's loan servicer updated its loan processing procedures to include a secondary, independent review of each claim. Finally, during 2006, the DHE implemented a monthly sampling process to confirm the timeliness and validity of claims approved for payment.

The DHE believes that no further action is necessary.

Contact Person: Leanne Cardwell
Phone number: (573) 751-2361

2004-3C. Federal Family Education Loan Program

Federal Agency: Department of Education
Federal Program: 84.032 – Federal Family Education Loans
State Agency: Department of Higher Education (DHE)

The new loan servicer did not develop written policies and procedures and adequate supporting documentation for the preparation and review of required federal reports (known as Form 2000 reports). Additionally, due to the lack of supporting information, DHE had not yet developed its own written policies and procedures for vouching the reasonableness and accuracy of the federal reports.

Recommendation:

The DHE continue working with the loan servicer to develop written policies and procedures and produce adequate supporting documentation for the preparation and vouching of the federal reports. In addition, DHE should develop written policies and procedures for verifying the reasonableness and accuracy of the federal reports.

Status of Finding:

Both the DHE and the DHE's loan servicer have implemented written policies and procedures for the preparation and review of the federal reports. During 2005, the US Department of Education (USDE) performed a review of the DHE's federal reporting and in 2006 issued a review report in which the USDE did not note any areas of non-compliance relating to the DHE's federal reporting (Form 2000) process.

The DHE believes that no further action is necessary.

Contact Person: Leanne Cardwell

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2004-5A. Subrecipient Monitoring – Equipment Support Program

Federal Agency: Department of Homeland Security

Federal Program: 97.004 – State Domestic Preparedness Equipment Support Program

State Agency: Department of Public Safety – State Emergency Management Agency (SEMA)

The SEMA had not established a tracking system to monitor and ensure program subrecipients obtain and submit A-133 audits to the SEMA, when applicable. As a result, the SEMA did not obtain and review A-133 audits from applicable subrecipients.

Recommendation:

The SEMA ensure all subrecipients submit an A-133 audit, when applicable.

Status of Finding:

We implemented the Auditor's suggestion. We have established a subrecipient monitoring system to address the audit finding.

Contact Person: Craig Rodick

Phone number: (573) 526-9106

2004-5B.1. Subrecipient Monitoring – Equipment Support Program

Federal Agency: Department of Homeland Security
Federal Program: 97.004 – State Domestic Preparedness Equipment Support Program
State Agency: Department of Public Safety – State Emergency Management Agency (SEMA)

A lack of clear, written minimum staffing level requirements had resulted in understaffing on some response teams.

Recommendation:

The SEMA establish and enforce clear, written minimum staffing level requirements for the teams. In addition, the SEMA should take the necessary steps to ensure existing teams meet minimum staffing level requirements.

Status of Finding:

We agree with the Auditor’s finding and have taken the following action. The Department of Public Safety-State Emergency Management Agency has developed a standard operating guideline which will insure that all teams will meet the staffing requirements. Regionalization of the teams will address this issue by combining some teams and resources of the teams.

Contact Person: Bob Dopp
Phone number: (573) 526-9237

2004-5B.2. Subrecipient Monitoring – Equipment Support Program

Federal Agency: Department of Homeland Security
Federal Program: 97.004 – State Domestic Preparedness Equipment Support Program
State Agency: Department of Public Safety – State Emergency Management Agency (SEMA)

SEMA had not established an adequate monitoring system for the State Domestic Preparedness Equipment Support Program. SEMA did not possess complete or accurate information regarding team equipment and personnel resources because some teams had not submitted their statistical information, some teams submitted incomplete reports, and some inaccuracies appeared to exist on other reports.

Recommendation:

The SEMA continue to work on establishing an adequate system to monitor the program, including the development of equipment and personnel resource listings and ensuring compliance with team contract provisions.

Status of Finding:

We agree with the Auditor’s finding. The Department of Public Safety- State Emergency Management Agency has assigned a full-time Homeland Security Response team

coordinator. We have developed a monitoring system and a checklist to monitor the response team's capability and equipment as well as personnel resources.

Contact Person: Bob Dopp
Phone number: (573) 526-9237

2004-7. Eligibility for Adoption Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 – Adoption Assistance
State Agency: Department of Social Services – Children's Division (CD)
Questioned Costs: \$12,112

Subsidy contracts, adoption decrees, and supporting documentation for some payments could not be located and some payments exceeded contract limits. We reviewed eligibility documentation, subsidy contracts, and expenditure documentation for 60 Adoption Assistance recipients. We could not locate adoption decrees for 3 of 60 (5 percent) cases reviewed. In addition, for cases that an adoption decree was available, we could not locate subsidy contracts for 2 of 57 (3 percent) cases reviewed. We could not locate invoices or other supporting documentation for some payments on five of twenty-eight (18 percent) cases reviewed. We did not question costs for the missing adoption decrees because the case files contained other information supporting the adoptions. The expenditures relating to the remaining errors totaled \$19,856, and we questioned the federal share of \$12,112 (61 percent).

Recommendation:

The CD resolve the questioned costs with the grantor agency. In addition, the CD should ensure subsidy contracts are signed prior to the adoption, all subsidy contracts and adoption decrees are retained, payments do not exceed contract limits, and all payments are supported by adequate documentation. In addition, the CD should pursue reimbursement of the over payment and ensure that duplicate payments do not occur.

Status of Finding:

Missing documentation has been located.

Status of Questioned Costs:

ACF did not sustain the questioned costs. This finding is resolved.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-8A. Foster Care Compliance

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 – Foster Care – Title IV-E
State Agency: Department of Social Services – Children’s Division (CD)
Questioned Costs: \$6,857

Eligibility and payment documentation could not be located for some cases reviewed. We reviewed eligibility documentation and expenditure documentation for 60 Foster Care benefit recipients. In four cases selected, there was no placement of a child outside of the family and, as a result, the family was the benefit recipient. Judicial determinations or voluntary placements agreements were not located for 3 of 56 (5 percent) applicable cases reviewed. Efforts to pursue termination of parental rights or compelling reasons for not pursuing the termination were not documented for 2 of 22 (9 percent) cases reviewed. In addition, we could not locate invoices or other adequate supporting documentation for some payments on 37 of 60 (62 percent) cases reviewed. The expenditures relating to the abovementioned errors totaled \$11,241, and we questioned the federal share of \$6,857 (61 percent).

Recommendation:

The CD resolve the questioned costs with the grantor agency and ensure Foster Care placements are supported by a judicial determination or a voluntary placement agreement, petitions to terminate parental rights are filed for parents whose children are in custody for 15 of the most recent 22 months or compelling reasons for not filing the petition are documented, and all payments are supported by adequate documentation.

Status of Finding:

Missing documentation has been located.

Status of Questioned Costs:

ACF did not sustain the questioned costs. This finding is resolved.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2004-8B. Foster Care Compliance

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 – Foster Care – Title IV-E
State Agency: Department of Social Services – Children’s Division (CD)

The CD did not verify residential facility and day care contractors paid more than \$25,000 were not suspended or debarred from participating in federal government programs.

Recommendation:

The CD implement procedures to ensure all Foster Care contractors paid more than \$25,000 are not suspended or debarred from participation in federal government programs.

Status of Finding:

This recommendation has been implemented. Debarment language was added to affected CD contracts.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

2004-11A. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family
Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)

FSD caseworkers were not performing annual eligibility re-determinations as required by federal and state regulations.

Recommendation:

The Department of Social Services ensure case re-determinations are performed in accordance with federal regulation. If staffing limits compliance with these requirements, procedures should be established to ensure cases with the most risk for potential ineligibility are reviewed timely.

Status of Finding:

This recommendation has been implemented. As of July 31, 2006, staff has achieved a 99.67% statewide reinvestigation currency rate for the Medicaid population, compared to the 84.5% reported at the end of July 2005.

Contact Person: D. Wayne Osgoode

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2004-11B. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)
Questioned Costs: \$11,767

Audit tests on food stamp cases closed during the year ended June 30, 2003, indicated 9 of 35 recipients (26 percent) had active Medicaid cases which should have closed at the time the food stamp cases closed. These recipients received medical care and had claims of approximately \$19,000 paid after they should have lost their eligibility. We questioned costs of \$11,767 which was the federal share of Medicaid payments.

Recommendation:

The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should ensure policies established for caseworkers to use relevant information obtained during other assistance eligibility re-determinations to evaluate a recipient's continued Medicaid eligibility are complete. The DSS should establish monitoring procedures to ensure those policies are complied with.

Status of Finding:

This recommendation has been implemented. FSD implemented an automated method to update Medicaid eligibility (in Legacy) based on interfacing with the Food Stamps case through FAMIS in 2005.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency.

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2004-11C. Medicaid Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program
State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)

Caseworkers were not obtaining valid social security numbers on all applicable recipients. In addition, as of June 30, 2003, the FSD's computer system indicated 10,236 recipients' social security numbers were not verified by the Social Security

Administration as required by federal regulations.

Recommendation:

The Department of Social Services review the available options to obtain recipient social security numbers from the Social Security Administration. Procedures should be established to obtain social security numbers for all recipients and to submit those social security numbers to the Social Security Administration for verification as federally required. In addition, the DSS should resume receiving the monthly social security number exception report.

Status of Finding:

This recommendation has been implemented. As the Family Support Division does redeterminations, Social Security numbers are updated. The Division is 99.67% current with redeterminations as of July 31, 2006. In addition, we continue to work with the Department of Health and Senior Services (DHSS) to interface and provide Social Security numbers to the Department of Social Services.

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2004-11D. Medicaid Eligibility

Federal Agency: Department of Health and Human Services

Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program

State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)

Questioned Cost: 93.767 – \$173,236 and 93.778 – \$644,639

Procedures to close cases with age ineligible children were not effective. Audit tests identified that as of July 2003, \$1,040,915 in Medicaid payments and \$237,864 in SCHIP payments were made for 950 recipients and 263 recipients, respectively, age 19 or older after the recipients became ineligible. We questioned costs of \$644,639 and \$173,236, which was the federal share of Medicaid payments and SCHIP payments, respectively.

Recommendation:

The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should establish procedures to ensure recipients reaching age eligibility limits are reviewed for potential ineligibility and age exception reports are being received by caseworkers in a timely manner.

Status of Finding:

The status of this finding has not changed since the last update. Although we agree with the statement in the finding, we still disagree with the Auditor's analysis of questioned costs. The questioned costs as shown in the Single Audit are for children who have reached the age of 19 but are not removed from Medicaid coverage. Federal rules

require the Division to review the eligibility of children at the point at which the child ages out of the MC+ or SCHIP program to see if they are eligible under any other category. At the point these cases were reviewed by the auditor, they were still categorized as children. However, the Division was still reviewing their eligibility for other categories as required by the federal government. A limited review of recipients with the highest questioned costs in this category showed that they were indeed eligible for Medicaid coverage in another category, yet the audit shows them as ineligible.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode

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2004-11E. Medicaid Eligibility

Federal Agency: Department of Health and Human Services

Federal Program: 93.767 – State Children's Insurance Program (SCHIP)

 93.778 – Medical Assistance Program

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

 Children's Division (CD)

 Division of Medical Services (DMS)

Questioned Cost: 93.767 – \$1,457 and 93.778 – \$87,941

Procedures to identify recipients who have died were not as effective as possible. Medicaid payments totaling at least \$142,000 and SCHIP payments totaling at least \$2,000 were made for 64 recipients and 2 recipients, respectively, after their death. We questioned costs of \$87,941 and \$1,457, which was the federal share of Medicaid payments and SCHIP payments, respectively.

Recommendation:

The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should revise procedures used to match Medicaid recipients to DHSS records to include a history of prior and current month death records and allow the match criteria to be more flexible to identify more possible matches of deceased recipients. Also, the DSS should ensure caseworkers are aware of and use all available inquiries which provide death information to assist in determining an applicant's initial and continued eligibility.

Status of Finding:

The current procedures of the Family Support Division regarding the match for deceased recipients involve a monthly file match with DHSS of FSD clients that the Bureau of Vital Statistics reports as dying in Missouri. FSD matches on the first two letters of the first name and the first three letters of the last name, the date of birth, and the Social Security number. If the case is a single person case or a case with only one active client the case will automatically close and a monthly report of closing will be sent to the county worker.

If the case has multiple active clients the information is put on a report of death and sent to the county worker for necessary action within 30 days. The Division of Medical Services (DMS) is notified of the date of death and DMS proceeds with any necessary action to stop or recoup payments for services after the date of death.

In the April 27, 2004 audit, it was indicated that the division would review the match criteria. After careful review of the current process, the Family Support Division, still believes relaxing data match criteria as recommended in the audit report would result in an unacceptable number of incorrect case closings.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode

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2004-11F. Medicaid Eligibility

Federal Agency: Department of Health and Human Services

Federal Program: 93.767 – State Children's Insurance Program (SCHIP)
93.778 – Medical Assistance Program

State Agency: Department of Social Services – Family Support Division (FSD)
Children's Division (CD)
Division of Medical Services (DMS)

Questioned Cost: \$1,247

Cases where children were active on Medicaid simultaneously in the FSD and the CD were not being appropriately monitored. The CD removed children from a home and the only adult on the case was kept active on Medicaid. The adult on this case should have lost her Medicaid eligibility but did not. The state paid \$2,014 in claims during the time the adult was ineligible. We questioned costs of \$1,247, which was the federal share of Medicaid payments.

Recommendation:

The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should establish procedures to ensure recipients who are dually eligible under a separate CD case are reviewed for potential ineligibility. The children taken from the home report should be adjusted so the output is cumulative with cases from previous periods continuing to be reported until closed or resolved. Also, the DSS should establish policies to ensure costs are recovered on applicable cases when a CD recipient is determined to be ineligible.

Status of Finding:

This recommendation has been implemented. A report is generated monthly, with a cumulative output, to the FSD/Income Maintenance caseworker alerting of a child opened in Alternative Care or Division of Youth Services and also open in the IM

Medicaid system – this is triggered by an in-common identifier cross (Departmental Client Number or “DCN”) match. In addition the worker gets a daily alert when the child is opened in the Children’s Division (Alternative Care) or the Division of Youth Services.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

2004-11H. Medicaid Eligibility

Federal Agency: Department of Health and Human Services

Federal Program: 93.767 – State Children's Insurance Program (SCHIP)

93.778 – Medical Assistance Program

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

Children's Division (CD)

Division of Medical Services (DMS)

Questioned Cost: \$21,676

Audit tests identified 111 recipients who were active on Medicaid as of June 30, 2003, whose Medicaid eligibility start date preceded their birth date. Of these 111 recipients, unnecessary costs totaling at least \$35,000 were noted for seven of these recipients. We questioned costs of \$21,676, which was the federal share of Medicaid payments.

Recommendation:

The Department of Social Services resolve the questioned costs with the grantor agency. In addition, the DSS should correct the edit which ensures a Medicaid recipient's eligibility cannot precede his or her birth date.

Status of Finding:

This recommendation has been implemented. An edit was initiated on January 26, 2004, to keep caseworkers from entering a Title XIX Medicaid date prior to the date of birth.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

2005-1A. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission,
and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

The SOS did not adequately monitor subrecipients or advise them of applicable grant administration requirements. Formal written policies and procedures for monitoring subrecipients were not developed prior to distributing grant funds to subrecipients, and monitoring policies and procedures were still being developed. In addition, the SOS had not developed a system to ensure subrecipients obtain A-133 audits, when applicable, and submit these audit reports to the SOS for review. Also, applicable compliance requirements, such as cash management, financial, or performance reporting requirements, equipment and property management requirements, and A-133 audit requirements were not adequately communicated to subrecipients.

Recommendation:

The SOS develop formal written policies and procedures to monitor subrecipient activities. Specific compliance requirements including cash management, reporting, and equipment/property management should be fully communicated to the subrecipients. In addition, the SOS needs to ensure subrecipient monitoring is performed and documented.

Status of Finding:

Corrective Action Taken and Improvements On-going.

The SOS has developed written policies and procedures for its subrecipient monitoring program and improved the documentation of subrecipient compliance with HAVA requirements and reporting, including the following:

- *Developed a grant monitoring handbook that addresses fiscal and programmatic activities.*
- *Developed an on-site equipment monitoring handbook, with training materials, action plan, and 116 local election authority specific notebooks.*
- *Developed a risk assessment procedure for subrecipient monitoring of fiscally high-risk local election authorities (LEA).*

Additional actions and procedures to enhance review of subrecipient performance have been developed by the SOS and include the following:

- *Conducted on-site visits to monitor HAVA compliant, election voting equipment in all 116 local election jurisdictions (LEA).*

- *Developed a Financial Status Report (FSR) that has been sent to all LEAs for completion, then collected, organized, and analyzed for needed follow-up with LEAs. This process is on-going.*
- *Developed a Status Report of the Counties, a survey of LEA progress toward meeting performance goals for grant programs, that has been transmitted to all LEAs for completion, then collected, organized, and began analysis and follow-up with LEAs for additional information.*
- *Developed A-133 surveys that have been transmitted to all LEAs for completion, then collected, organized, and analyzed for needed follow-up with LEAs. On-going activities include monitoring the type and cycle of local audits and scheduling reminders to LEAs to obtain A-133 audits and submit the completed audit reports to the SOS.*
- *Developed an Election Improvement Grant survey that has been transmitted to all LEAs for completion, then collected, organized, and analyzed to supplement other information and to determine the use of grant funds distributed in the fall of 2004 for general improvement of elections.*
- *Developed and conducted on-site training and technical visits for purposes of the HAVA compliant Missouri Centralized Voter Registration (MCVR) database computer equipment and internet connectivity grants.*
- *Began high-risk assessment composed of desk reviews and/or on-site reviews. This will remain on-going as the activities above and others identify LEAs that warrant additional monitoring.*

Furthermore, the SOS has improved communication to subrecipients by employing several communication strategies including the following:

- *Conducted a survey of the LEAs to determine the most effective and preferred method(s) of communication to ensure that LEAs receive compliance information.*
- *Increased the use of email and fax dissemination of information of high importance as well as traditional forms of communication.*
- *Increased direct interaction (phone and on-site visits) with LEAs in regards to survey, fiscal matters, MCVR and other compliance issues.*

The SOS has informed subrecipients of the federal requirements through grant applications, subrecipient agreements, purchase orders, letters, and website references. To again ensure subrecipients were aware of the requirements, the SOS issued in July, 2006, a Federal Information Summary with specific references to law, circulars, guidelines, and reporting requirements. The SOS website has references and links to these also.

Finally, several internal tools have been created to better track and monitor subrecipient compliance with grant specific activities including the following:

- *Established shared access to HAVA related files, surveys, fiscal reports, and other related documents maintained on the office network.*
- *Created a central filing system for all HAVA files.*
- *Created an electronic duplicate of the central filing system for all HAVA files.*

- *Created uniform grant monitoring notebooks to provide easier access to LEA specific information.*

Contact Person: Carl Greeson

Phone number: (573) 751-2974

2005-1B. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
 39.011 Title I Section 101, Federal Fiscal Year 2003
 39.011 Title I Section 102, Federal Fiscal Year 2003
 90.401 Help America Vote Act Requirements Payments
 90.401 Title II Section 251, Federal Fiscal Year 2004
 93.617 Voting Access for Individual With Disabilities – Grants to States
 G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

The SOS did not require subrecipients to implement procedures for minimizing the time elapsing between the transfer of funds from the state and subsequent disbursement by the subrecipients.

Recommendation:

The SOS establish procedures to ensure subrecipients minimize the time elapsing between the transfer of funds from the state and disbursement by the subrecipients.

Status of Finding:

Corrective Action in Progress.

The SOS believes that, in most cases, 30 days is a reasonable interpretation of minimizing time elapsed between transfer of funds from the state and subsequent distributions by the LEA. The Missouri statutes, for example, apply a 30 day timeframe for interest for late payment penalties. The LEA's have been frequently reminded to minimize the time elapsing between the receipt of funds and expenditure. Each LEA has unique fiscal status and often contractual obligations related to HAVA grants that may dictate fiscal responsibility that would carry the time elapse beyond the 30 days. As such the SOS has implemented the following:

- *Frequently reminded the LEA's to minimize the time elapsing between the receipt of funds and expenditure.*
- *Required submission of a Financial Status Report by each LEA, on a minimum of an annual basis, prior to future HAVA awards.*
- *Required submission of a series of surveys on grant management and performance by each LEA to ascertain the appropriate, timely, and allowable use of grant funds, prior to future HAVA awards.*

- *Monitoring of equipment purchases by vendor and type to ascertain contractual status and equipment compliance.*
- *Transitioning, where appropriate, from grant fund distribution based on award amount to grant fund reimbursement.*

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1C.1. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
 39.011 Title I Section 101, Federal Fiscal Year 2003
 39.011 Title I Section 102, Federal Fiscal Year 2003
 90.401 Help America Vote Act Requirements Payments
 90.401 Title II Section 251, Federal Fiscal Year 2004
 93.617 Voting Access for Individual With Disabilities – Grants to States
 G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

The SOS had not performed a physical inventory of its capital assets on an annual basis as required by state regulations. Physical inventories had not been performed for over two years.

Recommendation:

The SOS conduct an annual physical inventory of the capital assets, reconcile the physical inventory to the capital asset records, and resolve any discrepancies. Also, the documentation of the physical inventories should be retained to show compliance with state regulations.

Status of Finding:

Corrective Action Taken and Improvements on-going.

The SOS has conducted a physical inventory of capital assets.

- *Verification of assets has been conducted. In August 2006, two people, one fiscal and one non-fiscal personnel, physically observed items listed on the fixed asset subsystem.*
- *A physical inventory confirmation of computer equipment purchased from the Election Administration Improvement Fund was made by Information Technology personnel in February 2006.*
- *The reconciliation of fixed asset subsystem records, the physical verification, and the resolution of discrepancies has been completed.*
- *Documentation of physical inventories has been retained and will show compliance with state regulations.*

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1C.2. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and
Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

Capital assets, totaling over \$800,000 were not recorded in the capital asset records. In addition, the SOS reconciliation of the general ledger capital assets account to the capital asset subsystem for June 30, 2005, had not been completed as of December 31, 2005.

Recommendation:

The SOS ensure all capital assets are recorded in the capital asset records. Additionally, the annual reconciliation between the general ledger capital assets and the capital assets subsystem should be completed in a timely manner.

Status of Finding:

Corrective Action Taken and Improvements On-going.

The SOS has ensured that valid capital asset records are recorded. The SOS has reconciled the general ledger with the capital assets subsystem for fiscal years 2005 and 2006.

- *Verification of capital assets has been ensured. Purchase orders corresponding with payment documentation have been completed with itemization of assets listed.*
- *Addition of qualifying fixed assets to the capital asset subsystem has been completed.*
- *Capital asset general ledger amounts have been reviewed and corrected as necessary.*
- *Reconciliation between general ledger assets and the fixed asset subsystem listing has been performed in a timely manner for the fiscal year ended June 30, 2006.*
- *Continuation of timely reconciliation has been conducted.*

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2005-1D.1. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and
Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

Although the maintenance of effort base year calculation was prepared on the state fiscal year, the 2004 calculation for maintenance of effort was prepared and reported on a calendar year basis. According to SOS personnel, federal guidance did not specify if the state was to calculate the base year expenditures on the state fiscal year or the federal fiscal year or how and when to report maintenance of effort. The SOS had not clarified these issues with the federal program staff.

Recommendation:

The SOS clarify procedures for calculating and reporting maintenance of effort with the federal program staff and submit amended financial status reports if necessary.

Status of Finding:

Corrective Action Taken and Improvements On-going.

The State Auditor’s staff and SOS staff discussed the reporting questions with the Election Assistance Commission (EAC) on December 20, 2005. The SOS followed up in writing to the EAC on December 28, 2005, asking for clarification of the Maintenance of Effort base year calculation. The SOS again followed-up with the EAC in February so that the Fiscal Year (FY) 2004 reports could be amended prior to filing the FY 2005 (October 1, 2004-September 30, 2005) annual reports due at the end of March 2006. The SOS did not receive clarification from the EAC until May 31, 2006, following another SOS request to the EAC on May 23, 2006, so the SOS filed amended FY 2004 reports to correct a reporting error but did not adjust the maintenance of effort base year calculation. The May 31, 2006 guidance received from the EAC was incomplete resulting in additional requests to the EAC over the summer of 2006 for further clarification.

On July 12, 2006, the EAC staff informed the SOS that the EAC commissioners were scheduled to vote on a uniform HAVA report review policy and we were given the option to wait on EAC inquiries for other corrections or clarifications. Since we had other questions and wanted to be able to report accurately, we opted to wait on further clarifications. We received additional information from the EAC on August 1, 2006. The SOS asked for more clarifications on September 18, 2006. We were advised by the EAC

on September 22, 2006, that they were backlogged. On October 11, 2006, the SOS received the remaining information from the EAC necessary to start gathering data to amend the FY 2004 and FY 2005 reports. The SOS has submitted these amended reports, dated November 14, 2006.

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1D.2. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and
Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

Although SOS personnel indicated they check vendors and subrecipients on the Excluded Parties List System (EPLS) maintained by the General Services Administration for suspension or debarment before payments are approved for federal grant programs, the review was not documented.

Recommendation:

The SOS document the reviews of vendors and subrecipients for suspension and debarment.

Status of Finding:

Corrective Action Taken.

A SAMII Financial Data Warehouse report was run to determine how many contractor payments were made by the SOS during this period. Seven contractor payments were identified on the report. All seven were awarded by the Office of Administration. Since the state agency awarding the bid is responsible for verifying if the contractor is suspended or debarred prior to awarding the contract, the Office of Administration was responsible for doing so in those seven instances.

For contracts bid by the SOS but excluding those bid through the Office of Administration, the SOS has instituted procedures as requested by the State Auditor. The SOS Procurement Officer checks the EPLS on the federal website for suspensions and debarment before contracts are awarded by the SOS for federal grant programs. These reviews are documented on the purchase orders in the PTEX (Purchasing Text) table in SAMII Financial.

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-1D.3. Help America Vote Act Grants

Federal Agency: General Services Administration, Election Assistance Commission, and
Department of Health and Human Services

Federal Program: 39.011 Election Reform Payments
39.011 Title I Section 101, Federal Fiscal Year 2003
39.011 Title I Section 102, Federal Fiscal Year 2003
90.401 Help America Vote Act Requirements Payments
90.401 Title II Section 251, Federal Fiscal Year 2004
93.617 Voting Access for Individual With Disabilities – Grants to States
G-030MOVOTE, Federal Fiscal Year 2003

State Agency: Office of Secretary of State (SOS)

Federal reports were not always complete, and the supervisory review of the reports was not documented. In addition, the annual financial status report for the requirements payments (CFDA No. 90.401) was prepared as of December 31, 2004; however, the grant award document requires an annual financial status report as of September 30 of each year.

Recommendation:

The SOS document reviews of federal grant reports, ensure that reports are complete and accurate, and ensure that reporting is performed in compliance with the terms of the grant awards.

Status of Finding:

Corrective Action Taken.

Federal grant reports are reviewed to ensure that the reports are complete, accurate, and in compliance. The review by a member of SOS management is documented by initial.

Contact Person: Carl Greeson
Phone number: (573) 751-2974

2005-2A. Subrecipient Monitoring

Federal Agency: Department of Agriculture
 Department of Education

Federal Program: 84.287 Twenty-First Century Community Learning Centers – 2005-S87C040025, 2004-S87C030025, and 2003-S87C020025
 84.357 Reading First State Grants – 2005-S357A040026A, 2004-S357A030026A, and 2005-S357A020022006A.
 84.027 Special Education-Grants to States – 2005-H027A040040A, 2004-H027A030040A, and 2003-H027A020040A
 84.173 Special Education – Preschool Grants – 2005-H173A040103, 2004-H173A030103, and 2003-H173A020103
 84.181 Special Education – Grants for Infants and Families with Disabilities – 2005-H181A040025A and 2004-H181A030022

State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not adequately monitor the Twenty-First Century Community Learning Centers grant and the Reading First grant to ensure subrecipients were in compliance with federal guidelines nor had they established internal controls to ensure the subrecipients' expenditures for these two grants and the Special Education grant were allowable in accordance with federal guidelines.

Recommendation:

The DESE implement procedures to obtain and review, on a test basis, the invoices of the subrecipients to ensure grants are spent in accordance with federal guidelines. In addition, the DESE should perform periodic monitoring for the Twenty-First Century Community Learning Centers grant and the Reading First grant subrecipients to ensure schools and community-based organizations are providing programs that are in compliance with federal guidelines.

Status of Finding:

The DESE has implemented procedures to monitor subrecipients and is beginning to perform periodic monitoring for various federal grant subrecipients.

Contact Person: Andrea Beck
Phone number: (573) 751-4681

- 84.181 Special Education – Grants for Infants and Families with Disabilities – 2005-H181A040025A and 2004-H181A030022
- 84.048 Vocational Education – Basic Grants to States – 2005-V048A040025A and 2004-V048A030025A
- 84.186 Title IV-Safe and Drug-Free Schools and Communities – 2005-S186A040025A, 2004-S186A030026, and 2003-S186A020026
- 84.287 Twenty-First Century Community Learning Centers – 2005-S87C040025, 2004-S87C030025, and 2003-S87C020025
- 84.357 Reading First State Grants – 2005-S357A040026A, 2004-S357A030026A, and 2005-S357A020022006A.
- 84.367 Title II-Improving Teacher Quality – 2005-S358B040025, 2004-S3566B030026, and 2003-S35B020026

State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not review independent CPA audit reports for subrecipients on a timely basis.

Recommendation:

The DESE establish procedures to ensure all CPA audit reports are reviewed in a timely manner in accordance with the DESE policy.

Status of Finding:

The DESE has implemented this recommendation.

Contact Person: Andrea Beck

Phone number: (573) 751-4681

2005-3. Costs Questioned by Internal Auditors

Federal Agency: Department of Health and Human Services

Federal Program: 93.104 Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)
 St. Louis Transitions Grant - #6 U79 SM56220-01-1, Contract periods – October 1, 2003 to September 30,2004 and October 1, 2004 to September 30, 2005
 Show-Me Kids Grant - #1 U79 SM54505-01, Contract periods – October 1, 2003 to September 30, 2004 and October 1, 2004 to September 30, 2005

State Agency: Department of Mental Health (DMH) – Division of Comprehensive Psychiatric Services

Questioned Costs: \$18,731

In December 2005, the DMH's Office of Audit Services issued a revised report recommending the DMH recoup a total of \$23,370 in questioned costs from the Missouri Statewide Parent Advisory Network (MO-SPAN), a service provider. The questioned

Financial Management training, which included SAM II and CSIPS training, for all Circuit Managers and Regional Managers has been completed. Also included in this training was information on filing and tracking support documents for all payments. The Payment Handbook has also been distributed to staff. Additionally, the Children's Division has located several of the missing support documents.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

2005-6. Subrecipients – PSSF Grant

Federal Agency: Department of Health and Human Services

Federal Program: 93.556 Promoting Safe and Stable Families –
2005-G0501MO00FP and 2004-G0501MO00FP

State Agency: Department of Social Services (DSS)
Children's Division (CD)

The DSS did not identify local community partnerships receiving funding from the Promoting Safe and Stable Families (PSSF) grant as subrecipients. As a result, the Schedule of Expenditures of Federal Awards (SEFA) prepared by the DSS did not report any amounts provided to partnerships as funding to subrecipients.

Recommendation:

The DSS classify the local community partnerships as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain A-133 audits, when applicable.

Status of Finding:

Our Corrective Action Plan remains unchanged. DSS disagrees with this finding. The State Auditor concluded that because a large portion of the Promoting Safe and Stable Families (PSSF) grant is used as a funding source to pay the twenty-one Community Partnerships, that each was a sub-recipient of the PSSF grant. We disagree that the funding source used by the state agency creates a sub-recipient relationship.

that the DBF was incorrectly allocating Family Assistance Management Information System (FAMIS) operational costs to various programs. DBF had not addressed the recommendations related to FAMIS operational cost allocations and continued to apply the FAMIS development cost allocation method to both FAMIS developmental and operational costs without federal approval.

Recommendation:

The DSS-DBF comply with the provisions of OMB Circular A-87 and allocate costs based on the actual time spent on FAMIS operations for the various programs, or another substitute methodology approved by the cognizant Federal agency

Status of Finding:

The DSS received a position from the resolution agency (HHS, Financial Management Service, Division of Cost Allocation, Central States Field Office) 01-08-07:

“Recommendation Code 033000100 – The FAMIS costs will continue to be allocated using the approved Advanced Planning Document (APD) statistics through the September 30, 2007 quarter. By then, all programs should be operational and current usage statistics will be compiled and available to allocate the FAMIS operational costs. Any development costs would continue to be allocated based on the approved APD. USDA has been working directly with your staff and has agreed with this, thereby reversing their recommended actions in their December 2004 report.”

The FSD subsequently considers this finding addressed.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

2005-7C. Cost Allocation Procedures

Federal Agency: Department of Agriculture (USDA)

Department of Health and Human Services

Federal Program: 10.561 State Administrative Matching Grants for Food Stamp Program
2004 and 2005 – IS251443, 2004 and 2005 – IE251843, and 2004
and 2005 – IS252043

93.558 Temporary Assistance for Needy Families
2004 and 2005 – G0501MOTANF

93.575 Child Care and Development Block Grant
2004 and 2005 – G0501MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and
Development Fund
2004 and 2005 – G0501MOCCDF

93.778 Medical Assistance Program
2004 and 2005 – 05-0505 MO 5048

State Agency: Department of Social Services (DSS)

Division of Budget and Finance (DBF)

Status of Finding:

The FSD believes this finding to be addressed.

The FSD/CSE began piloting the use of electronic payment cards (the Securite Card) on July 31, 2006, and completed statewide implementation in November, 2006. The Securite Card is now the default method for disbursing child support payments to payees who are not having support payments deposited directly into their bank accounts. As of February 2, 2007, a total of 98,209 Securite Cards have been issued.

The FSD notes the granting agency, ACF, has not, to date, issued a position as to whether the finding is upheld.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

2005-8E. Undistributed Child Support Collections

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 Child Support Enforcement
2004 and 2005 – G050MO4004

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

Court clerk errors caused some reports of undistributed collections to be overstated. In addition, case testing disclosed two court clerks incorrectly recorded non-cash credits for IV-D cases on MACSS although state law requires only the division to record these credits. Also, automated functions the division relies on to release payments to families have not always worked as intended and the Division of Budget and Finance (DBF) has not reconciled accounting records of undistributed child support with cash in the State Treasurer's account, despite a prior recommendation by our office.

Recommendation:

The FSD establish a higher priority and sustained efforts to disburse undistributed collections by ensuring records of undistributed collections are correct and accurately reflect the amount of child support payments in a hold status by:

- Limiting the circuit clerks' ability to alter financial records to those duties required by statute,
- Promptly correcting computer system malfunctions when they are identified to ensure automated functions the FSD relies on work as intended, and
- Working with the Division of Budget and Finance to develop summary reports of undistributed collections to be reconciled with cash balances at least periodically to ensure records are in balance and sufficient cash is available to pay all liabilities.

Status of Finding:

The division disagreed with bullet point #1 in the response commentary to this (identical) finding in Performance Audit 2005-56-recommendation #4 and holds to an unchanged position in referencing Missouri Revised Statute subsections 454.536.2, and 454.432.5.

The division holds to the same response offered for bullet point #2 (as identical in Performance Audit 2005-56-recommendation #4) that “Upon identification, automated system problems are evaluated and assigned a priority for completion.”

As to the third bullet point, the division’s response remains unchanged in reiterating the comment supplied in response to this finding as an identical point in Performance Audit 2005-56, recommendation #4 -- reconciliation reports are supplied to the Division of Budget and Finance.

The division notes that a position has not been received back from ACF as to whether the finding is sustained.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

2005-9. Food Stamps Quality Control Review

Federal Agency: Department of Agriculture
Federal Program: 10.551 Food Stamps – 2004 and 2005
State Agency: Department of Social Services (DSS)
 Family Support Division (FSD)

The FSD Quality Control/Quality Assurance Unit performs reviews of food stamp cases to meet federal requirements for self-assessment; however, no documentation was retained to support the Central Office supervisor's review.

Recommendation:

The FSD ensure the Central Office supervisor's monitoring of quality control reviews of food stamp cases is documented.

Status of Finding:

The FSD does not agree with the recommendation simply because it does not believe the recommendation is within the scope of this financial audit. Where this audit concerns federal award expenditures for program operations, it is considered there is no federal requirement or condition to have hard-copy documentation of supervisory reviews.

Currently, however, the FS QC case review data is inputted into the Federal data base, along with the field supervisor’s accuracy review results. That re-review information is also saved to discs and available locally. This automated process was effected shortly after the audit that produced this finding was conducted. In August 2006, the FS unit underwent a Federal State Agency Operations Review, and findings were received back

(ACF) this finding was forwarded to by the Federal 133-A audit oversight entity (DHHS as to whether this is a valid finding and recommendation in context.

Contact Person: D. Wayne Osgoode
Phone number: (573) 526-0967

2005-10B. Parents' Fair Share Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families –
2004 and 2005 G0501MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Department of Economic Development – Division of Workforce
Development (DWD)

Software limitations in the DWD's computerized system resulted in the DWD officials not adequately tracking or determining whether the program had improved non-custodial parents (NCPs) ability to pay child support. In addition, program officials lacked data on job-related training by participants because of software limitations. As a result, officials could not easily track or analyze costs, determine reasonableness of those costs, and analyze trends.

Recommendation:

The Director of the Department of Economic Development make software changes to the computerized system that would ensure the division had the capability to accumulate statistical information on the success of participants, as well as information on training received by participated.

Status of Finding:

Several updates to Toolbox (DWD's internet-based case management system) were implemented on April 4, 2005. These updates allow the DWD/PFS Case Manager to complete multiple assessments and Individual Employment Plans (IEPs) on-line and review and update that information as needed. A monthly production report is now on-line that reports both Career Center specific and statewide program information. DWD front-line and program management staff and the Family Support Division's (FSD's) PFS Program Coordinator have access to view the report. Toolbox now has the ability to indicate if a participant is exited as "successful", "unsuccessful", or "other". This information is obtained from system alerts generated by DWD/PFS Case Managers or FSD/PFS Technicians. The type of exit, in part, is tied to the participant's ability to pay child support.

Contact Person: Roger Baugher
Phone number: (573) 751-7897

2005-10D. Parents' Fair Share Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families –
2004 and 2005 G0501MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Department of Economic Development – Division of Workforce
Development (DWD)

The computer software used to manage the Parents' Fair Share (PFS) program was missing critical data entry validation checks needed to prevent intentional or unintentional errors and ensure the program operates effectively. In addition, the computer software did not permit transportation-related expense payments to be entered accurately due to payment recording limitations. The software did not allow different payment amounts on different days during the same payment period.

Recommendation:

The Director of the Department of Economic Development ensure the computer software used to manage the program meets program needs and limits data entry mistakes. Areas to be improved include:

- Reviewing the computer software to ensure all critical data entry validation checks are included, and
- Improving the flexibility of data entry for transportation-related expenses payments.

Status of Finding:

Corrective action has been fully implemented.

Contact Person: Roger Baugher

Phone number: (573) 751-7897

2005-10E. Parents' Fair Share Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families –
2004 and 2005 G0501MOTANF
State Agency: Department of Social Services – Family Support Division (FSD)
Department of Economic Development – Division of Workforce
Development (DWD)

The DWD program supervisors performed limited or no review of transportation-related expenses and work-related expenses during fiscal year 2004 because DWD procedures did not require it.

2005-11A.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
 2004 – H126A040037, 2003 – H126A030037
 2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
 Rehabilitation Services for the Blind (RSB)

Supplemental Security Income (SSI) claims were not always filed on a timely basis, and some claims may not be paid because they were not filed during the allowable timeframe.

Recommendation:

The DSS-FSD, through the RSB ensure SSI reimbursement claims are filed within one year, as required by federal regulation.

Status of Finding:

RSB is now in compliance with this regulation. The Social Security Administration reviewed the situation, established there is "good cause" for late filing and has temporarily waived the filing deadline. All future closures will be filed on a timely basis.

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

2005-11A.2. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
 2004 – H126A040037, 2003 – H126A030037
 2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
 Rehabilitation Services for the Blind (RSB)

The Vocational Rehabilitation (VR) financial records shows that supplemental Security Income (SSI) reimbursements were not always disbursed in the year in which they were received. In addition, the balance of unspent program income from SSI reimbursements was not known.

Recommendation:

The DSS-FSD, through the RSB establish procedures to ensure receipts, disbursements, and the unspent balance of SSI reimbursement monies are properly accounted for and accurately reported on federal financial reports. Also, the RSB should work with the DBF to identify the unspent balance of SSI reimbursement monies and should ensure program income is disbursed prior to spending grant funds and state monies.

Status of Finding:

This recommendation has been implemented. RSB developed a detailed tracking system that tracks all amounts submitted for SSI reimbursements and how much RSB receives once the case has been reviewed by the Social Security Administration. Through codes already established in SAM II, RSB will be able to monitor how much of the funds received were spent during the fiscal year. RSB now meets quarterly with the Division of Budget and Finance to ensure we are in agreement on the balance of reimbursement funds.

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

2005-11A.3. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

A case file for a RSB district supervisor's case could not be located. As a result, we were unable to determine whether the employee was eligible for Vocational Rehabilitation (VR) services, whether the services provided were reasonable and necessary to meet the case goals, and whether the case was reviewed annually.

Recommendation:

The DSS-FSD, through the RSB ensure all case files are retained in accordance with federal regulation.

Status of Finding:

This was an isolated incident occurring under a previous administration. Duplicate case files of agency employees are now kept at the State Office.

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

2005-11A.4. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

An unqualified RSB employee was appointed to serve as a Vocational Rehabilitation (VR) counselor.

Recommendation:

The DSS-FSD, through the RSB ensure counseling duties are only assigned to individuals meeting the qualifications specified in the VR state plan.

Status of Finding:

Previous agency administration allowed this to happen one time. All staff are now aware that only qualified Vocational Rehabilitation Counselors can perform these functions.

Contact Person: Kevin Faust

Phone number: (573) 751-4249

2005-11A.5. Vocational Rehabilitation Program

Federal Agency: Department of Education

Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

Some inactive cases were not closed because annual reviews were not performed as required by federal regulation.

Recommendation:

The DSS-FSD, through the RSB establish procedures to ensure all open cases are reviewed annually and cases are closed on a timely basis.

Status of Finding:

Each case file is expected to be reviewed at a minimum annually. District Supervisors will track this for each office. Employee Performance Appraisals are being revised to include these annual reviews as a check point in determining the success of a Counselor in their job duties. This will be completed by November 1, 2006.

Contact Person: Kevin Faust

Phone number: (573) 751-4249

2005-11A.6. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

Equipment expenditures exceeding program limits were not always properly authorized. Additionally, although invoices for the equipment purchase were maintained in the case file, a cumulative total of equipment purchase was not prepared.

Recommendation:

The DSS-FSD, through the RSB require the cumulative equipment expenditures be documented in the client's case file. The RSB should also establish procedures to ensure proper authorization is received prior to exceeding cumulative equipment expenditure limits.

Status of Finding:

RSB has developed and implemented appropriate financial data collection policies and procedures that ensure that cumulative recording of equipment expenditures is maintained in individual case files. This was completed in December 2005.

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

2005-11A.7. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services -Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

Policies regarding payment of dental services were not adequately documented and enforced. For 2 of 60 Vocational Rehabilitation (VR) cases reviewed, the payments for dental services exceeded rates established by the Department of Elementary and Secondary Education, Division of Vocational Rehabilitation.

Recommendation:

The DSS-FSD, through the RSB should document all policy changes related to dental services and ensure these policies are consistently applied to all clients.

Status of Finding:

RSB has established and implemented a comprehensive policy and fee schedule for dental services that mirrors that of the general VR agency. This was completed in January 2006.

Contact Person: Kevin Faust

Phone number: (573) 751-4249

2005-11A.8. Vocational Rehabilitation Program

Federal Agency: Department of Education

Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

Some Vocational Rehabilitation (VR) services and/or expenditures were not approved by appropriate personnel.

Recommendation:

The DSS-FSD, through the RSB ensure disbursements for services and other expenditures are only approved by authorized personnel.

Status of Finding:

The previous administration allowed this practice to take place in two instances. RSB has already modified the Authorization for Services form to ensure that services and other expenditures are authorized by appropriate personnel.

Contact Person: Kevin Faust

Phone number: (573) 751-4249

2005-11A.9. Vocational Rehabilitation Program

Federal Agency: Department of Education

Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

Questioned Costs: \$1,700

The RSB overpaid a client \$2,160 for personal incidental expenses. From September 2002 to April 2004, this client was paid \$500 a month for housing and meal expense plus up to \$120 per month for personal incidental expenses while attending college. We questioned the federal share of \$1,700 (78.7 percent) for the overpayments.

Recommendation:

The DSS-FSD, through the RSB resolve the questioned costs with the grantor agency and ensure payments for maintenance and personal incidental expenses do not exceed the limit set by state regulation.

Status of Finding:

RSB established new policy and procedures regarding maintenance effective December 20, 2004, which ensure that payments do not exceed those limits in state regulation. The audit revealed one case under the previous administration that exceeded that limit.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency.

Contact Person: Kevin Faust

Phone number: (573) 751-4249

2005-11A.10. Vocational Rehabilitation Program

Federal Agency: Department of Education

Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

Some information reported on quarterly cumulative caseload status reports was incorrect. The RSB was not using the status code assigned to identify cases for clients that had an approved individualized plan for employment (IPE) but had not started receiving services. As a result, some cases were counted twice on these reports, under two different case status categories.

Recommendation:

The DSS-FSD, through the RSB use case status codes to track all case status information necessary to prepare quarterly cumulative caseload status reports and ensure each case is only reported under one status category.

Status of Finding:

We agree with this recommendation. RSB has received input from our federal partner and has corrected the reporting errors that resulted from incorrectly reporting cumulative caseload data. RSB has revised the time study information which leads to the development of the FNS-269 report which includes caseload data.

Contact Person: Kevin Faust

Phone number: (573) 751-4249

2005-11A.11. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

Some expenditures reported on the quarterly federal financial reports for innovation and expansion activities did not appear to be used for these purposes. These amounts included travel costs for conducting on-site monitoring visits of personal vocational adjustment (PVA) facilities that provide services to RSB's Vocational Rehabilitation (VR) clients.

Recommendation:

The DSS-FSD, through the RSB discontinue reporting routine PVA facility monitoring costs as innovation and expansion expenditures.

Status of Finding:

RSB has already corrected the coding which incorrectly categorized PVA monitoring travel expenses as innovation and expansion activities.

Contact Person: Kevin Faust
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2005-11B.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)
Questioned Costs: \$36,065

We identified expenditures totaling \$45,826 that did not appear reasonable and necessary to prepare for, secure, retain, or regain employment. We questioned the federal share of \$36,065 (78.7 percent).

Recommendation:

The DSS-FSD, through the RSB resolve the questioned costs with the grantor agency and ensure services provided to VR clients are appropriate. The services should enable clients to prepare for, secure, retain, or regain employment and meet applicable department policy.

Status of Finding:

The Rehabilitation Act has many areas that are left for interpretation by the State Agency. While it might appear to persons untrained in the public rehabilitation program that some payments were inappropriate, they might be in keeping with the consumer's Individualized Plan for Employment (IPE) and the Act. Also, some of the instances cited were beyond the scope of state policy, but did not violate Federal regulatory guidance. In fact the consumers were determined to have met the three criteria of eligibility and the services provided to address the identified impediments to employment for the individual was done under the signed IPE.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency.

Contact Person: Kevin Faust

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2005-11B.2. Vocational Rehabilitation Program

Federal Agency: Department of Education

Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

In April 2002, the RSB purchased a copier which was no longer being used by a client and placed the copier in storage and it was not put to use. As a result, the purchase was not reasonable or necessary.

Recommendation:

The DSS-FSD, through the RSB ensure purchases are reasonable and necessary. In addition, the used copier purchased in 2002 should be put into service or surplus.

Status of Finding:

The copier in question has been surplus.

Contact Person: Kevin Faust

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2005-11B.3. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services – vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)
Questioned Costs: \$2,513

Some costs for a staff meeting, held at a resort at the Lake of the Ozarks in November 2004, did not appear reasonable or necessary. Lodging costs for 26 staff members domiciled in Jefferson City were \$2,517, and \$676 was charged for 13 unused rooms that were not canceled on a timely basis. We questioned the federal share of \$2,513 (78.7 percent).

Recommendation:

The DSS-FSD, through the RSB resolve the questioned costs with the grantor agency and review expenditures for future staff meetings and ensure the costs are reasonable and necessary.

Status of Finding:

The staff meeting was necessary for the agency to set out a plan for the future, and did not violate federal guidance on the use of grant funds.

Status of Questioned Costs:

Questioned costs have not been resolved with the grantor agency.

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

2005-11B.4. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

It was not clear that Vocational Rehabilitation (VR) cases for RSB employees were appropriate. In addition, some VR counselors and district supervisors were approving expenditures for employees in their district office and for members of the State Rehabilitation Advisory Council.

Recommendation:

The DSS-FSD, through the RSB review the practice of allowing RSB employees to have VR cases. In addition, the RSB should require its assistant deputy director to review and approve all VR expenditures for its employees and council members.

Status of Finding:

RSB implemented a policy in September 2005 allowing vocational rehabilitation cases for newly hired RSB employees to remain open until completion of their probationary period. Current RSB employees may only open a vocational rehabilitation case in keeping with specific criteria authorized by federal regulations and with the approval of the Deputy Director. The Assistant Deputy Director will review and approve all authorizations for services for RSB employees and State Rehabilitation Council for the Blind members.

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2005-11C.1. Vocational Rehabilitation Program

Federal Agency: Department of Education

Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) – Rehabilitation Services for the Blind (RSB)

The onsite monitoring visits for out-of-state personal vocational adjustment (PVA) facilities were not always performed during each annual contract period or within six months after the end of the contract period, as required by the RSB's policy.

Recommendation:

The DSS-FSD, through the RSB establish procedures to ensure PVA facility onsite monitoring visits are conducted on a timely basis. Also, to help reduce costs, the RSB should consider contracting with the vocational rehabilitation (VR) agency in the facility's home state to perform the monitoring visit.

Status of Finding:

We have established an agreement to have the state agency in one of the four out-of-state facilities do annual reviews for RSB. We are attempting to do the same with the Cleveland facility. We will continue to do annual visits ourselves to the Kansas and Arkansas facilities as the proximity is not over-burdensome and we routinely have staff at these sites.

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2005-11C.2. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
 2004 – H126A040037, 2003 – H126A030037
 2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
 Rehabilitation Services for the Blind (RSB)

The RSB did not ensure all deficiencies, including any unallowable costs, were properly resolved prior to approving new contracts or renewing contracts with the personal vocational adjustment (PVA) facilities.

Recommendation:

The DSS-FSD, through the RSB establish procedures to ensure all deficiencies cited in the PVA facility monitoring reports are adequately addressed. In addition, the RSB should ensure all concerns are resolved prior to approving or renewing contracts with the facilities.

Status of Finding:

RSB has established procedures as part of the contracting process that will require that monitoring reports reflecting deficiencies must be addressed by the PVA facility in a timely fashion. These procedures will ensure that any deficiencies noted in a monitoring report must be corrected to RSB's satisfaction prior to the issuance of a new or renewed contract.

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2005-11D.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
 2004 – H126A040037, 2003 – H126A030037
 2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
 Rehabilitation Services for the Blind (RSB)
Questioned Costs: \$85,574

The RSB used the vocational rehabilitation (VR) grant to pay salary and fringe benefits of an employee that worked for a state program totaling \$99,971 for the three years ended June 30, 2004. In addition, the state used these payments to claim indirect costs totaling \$8,764 for the three years ended June 30, 2004. We questioned the federal share of \$85,574 (78.7 percent) for salary, fringe benefit, and indirect costs improperly charged to the VR grant.

Recommendation:

The DSS-FSD, through the RSB resolve the questioned costs with the grantor agency and establish procedures to ensure funding for employees' salaries and benefits is appropriate, based on the employees' job duties.

Status of Finding:

RSB has worked closely with the Division of Budget and Finance to revise our time study. The revised study will ensure the appropriateness of where salaries and benefits are charged in terms of Federal Grants by attributing the correct percentage of work hours to the Vocational Rehabilitation program. This was completed effective December 2005.

Status of Questioned Costs:

Questioned costs have been resolved with the grantor agency.

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2005-11D.2. Vocational Rehabilitation Program

Federal Agency: Department of Education

Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037

State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

The Deputy Director of RSB was not serving the RSB on a full-time basis, as required by federal regulation.

Recommendation:

The DSS-FSD, through the RSB ensure the Deputy Director serves the RSB on a full-time basis, as required by federal regulation.

Status of Finding:

The Deputy Director of RSB has always served full-time as required by Federal regulation.

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2005-11E.1. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services-Vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

The RSB was not completing a physical inventory of its capital assets on an annual basis as required by state regulations.

Recommendation:

The DSS-FSD, through the RSB conduct an annual physical inventory of the capital assets, reconcile the physical inventory to the capital asset records, and resolve any discrepancies. Also, the documentation of the physical inventories should be retained to show compliance with state regulations.

Status of Finding:

All of the above was completed as of July 1, 2006.

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2005-11E.2. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services – vocational Rehabilitation Grants to States
2004 – H126A040037, 2003 – H126A030037
2002 – H126A020037, 2001 – H126A010037
State Agency: Department of Social Services (DSS) – Family Support Division (FSD) –
Rehabilitation Services for the Blind (RSB)

Some purchases were not recorded in the capital asset records, and invoices were not always itemized to provide the cost of each item purchased.

Recommendation:

The DSS-FSD, through the RSB establish procedures to ensure all capital assets are tagged and recorded in the capital asset records. Additionally, disbursements for capital assets should be supported by itemized documentation.

Status of Finding:

RSB has tagged and recorded all capital assets. This was completed in July 2006.

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