



Susan Montee, JD, CPA  
Missouri State Auditor

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State of Missouri

Single Audit

Year Ended  
June 30, 2009

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March 2010  
Report No. 2010-30



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Office of the  
Missouri State Auditor  
Susan Montee, JD, CPA

March 2010

**The Single Audit report 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. The state expended \$11.39 billion in federal awards through 311 different programs during the year ended June 30, 2009. State expenditures of federal awards have increased over \$2.8 billion over the past five years.**

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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. A Single Audit requires an audit of the state's financial statements and expenditures of federal awards. Although 19 state departments and other state offices expended federal awards, 6 state departments expended the bulk of the federal awards (96 percent). The state received federal awards from 22 different federal agencies. Most of the federal awards (96 percent) came from 5 federal agencies.

The audit found the Department of Social Services, Family Support Division did not maintain adequate documentation to support some personnel costs charged to the Rehabilitation Services – Vocational Rehabilitation Grants to States Program, and the Division of Finance and Administration charged some pooled costs to various programs for which the allowability of the costs was not clear and did not correctly report some expenditures of the Child Support Enforcement Program. The Department of Public Safety, Adjutant General did not submit closeout reports timely for the National Guard Military Operations and Maintenance Projects Program and the Missouri Veteran's Commission did not adequately document eligibility of some participants in the Veterans State Nursing Home Care Program. The Department of Labor and Industrial Relations made several errors in benefits paid or owed to claimants and did not submit reports timely for the Unemployment Insurance Program. The Department of Natural Resources did not have adequate procedures for monitoring subrecipients of the Weatherization Assistance for Low Income Persons Program. Also in the report are other findings related to federal programs administered by the Department of Higher Education; Department of Labor and Industrial Relations; Department of Public Safety, Adjutant General; and the Department of Social Services, Division of Finance and Administrative Services, Children's Division, Family Support Division, and MO HealthNet Division.

This public 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.

**All reports are available on our Web site: [www.auditor.mo.gov](http://www.auditor.mo.gov)**

YELLOW SHEET

STATE OF MISSOURI  
SINGLE AUDIT

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## INTRODUCTION AND SUMMARY

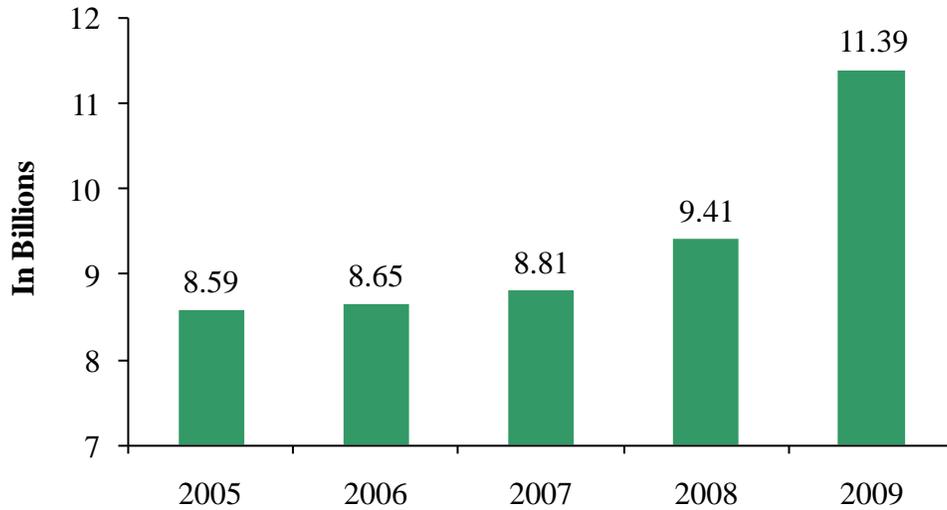
## INTRODUCTION AND SUMMARY

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.

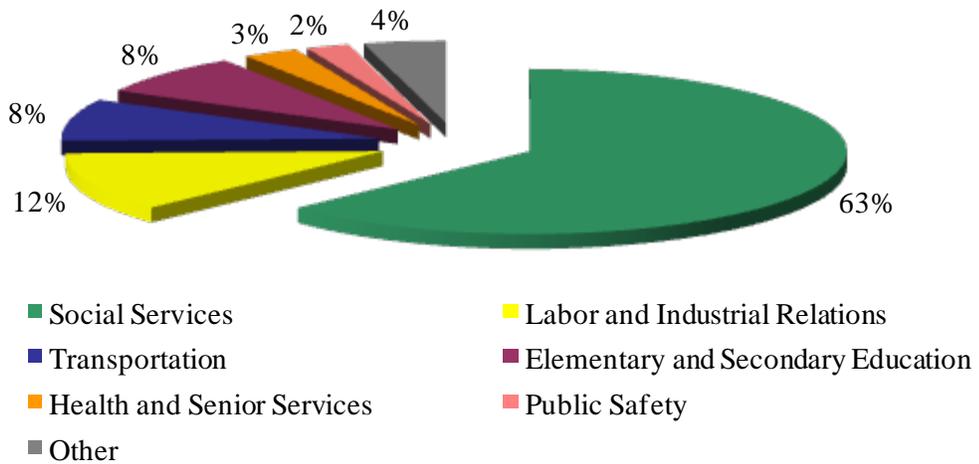
The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended \$11.39 billion in federal awards during the year ended June 30, 2009. Expenditures of federal awards have increased over the past five years.

### Total Expenditures of Federal Awards Five Year Comparison



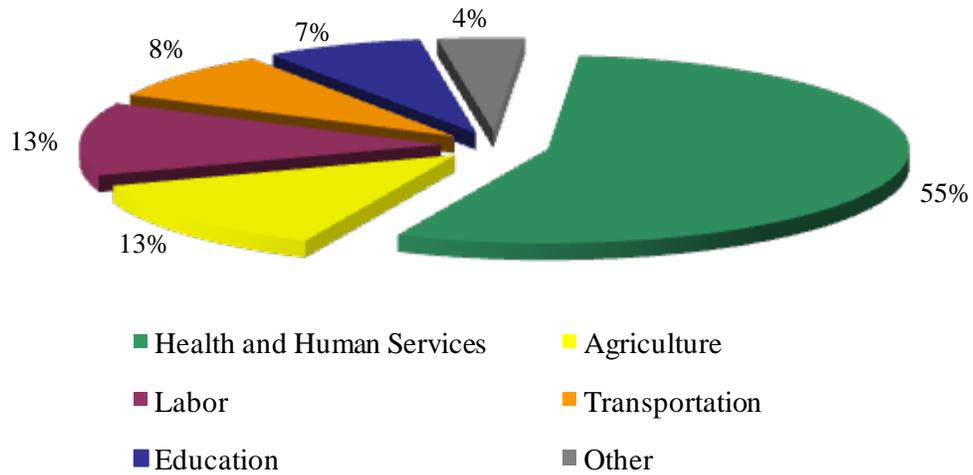
Although 19 state departments and other state offices expended federal awards, 6 state departments expended the bulk of the federal awards (96 percent).

### Expenditures of Federal Awards by State Department



The state received federal awards from 22 different federal agencies. Most of the federal awards (96 percent) came from 5 federal agencies.

### Expenditures of Federal Awards by Federal Department



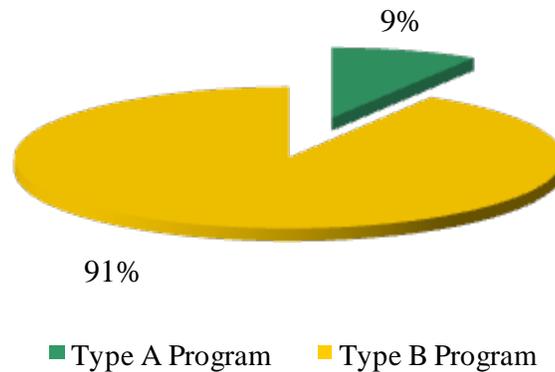
Overall, the state expended federal awards in 311 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program as the larger of \$30 million or fifteen-hundredths of one percent (0.0015) of federal awards expended.

#### Determination of Type A Programs

Larger of:		\$30,000,000
		or
Total expenditures of federal awards	11,392,404,950	
Fifteen-hundredths of one percent	<u>.0015</u>	
		17,088,607
<u>Dollar Threshold</u>		<u>\$30,000,000</u>

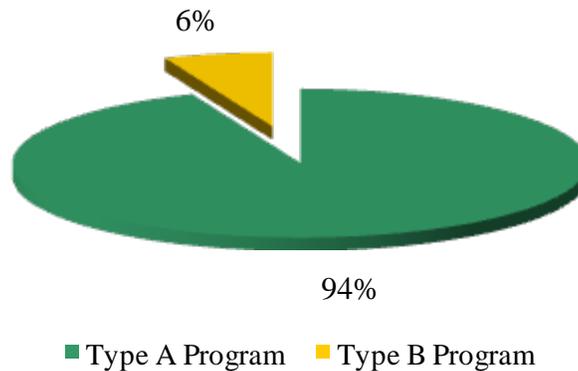
Programs with federal expenditures over \$30 million are Type A programs and the programs under \$30 million are Type B programs. Of the 311 different federal award programs, 27 were Type A programs and 284 were Type B programs.

### Type A and Type B Programs Number of Programs



The 27 Type A programs had expenditures of federal awards totaling \$10.7 billion, which was 94 percent of the total expenditures for all programs. The 284 Type B programs had expenditures of federal awards totaling \$699 million, which was only 6 percent of the total expenditures for all programs.

### Type A and Type B Programs Expenditures of Federal Awards



OMB Circular A-133 requires the auditor to 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 (\$11.39 billion times .0003 = \$3,417,721). Normally, we would have performed required risk assessments on all larger Type B programs that were over \$3,417,721, of which at least 50 percent of such programs identified as high risk would have been audited as major. However, because of heightened concern over the expenditure of additional federal monies made available through the American Recovery and Reinvestment Act of 2009 (ARRA), in the Fall of 2009 OMB established the 2009 Single Audit Internal Control Project - ARRA Programs (Pilot Project). Participants in the voluntary Pilot Project were required to provide early communication of significant deficiencies and material weaknesses in internal control at an interim date for selected major programs with ARRA expenditures as a means to expedite corrective action. The guidelines of the Pilot Project relieved participants of the normal Type B program risk assessment process and established an alternative method for participants.

The State of Missouri and the State Auditor's Office elected to participate in the 2009 Pilot Project. In accordance with the Pilot Project's alternative method of selecting larger Type B programs to audit as major, we audited as major programs 5 larger Type B programs with ARRA expenditures. As a result of the risk-based approach required under OMB Circular A-133 and the Pilot Project, we audited 17 Type A programs and 5 Type B programs as major.

**Major and Non-major Programs**

<b>Audit Coverage by Type of Program</b>	<b>Number of Programs</b>	<b>Expenditures</b>	<b>Percentage of Expenditures</b>
Type A major programs	17	\$ 8,918,362,022	
Type B major programs	5	74,548,769	
Total major programs	22	\$ 8,992,910,791	79%
Type A non-major programs	10	\$ 1,774,878,640	
Type B non-major programs	279	624,615,519	
Total all programs	289	\$ 2,399,494,159	21%
	311	\$ 11,392,404,950	100%

STATE OF MISSOURI  
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	\$ 1,020,229,974
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	52,101,417
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	1,910,867
	Total SNAP Cluster		<u>1,074,242,258</u>
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	49,801,195
10.555	National School Lunch Program	Agriculture	177,633,927
10.556	Special Milk Program for Children	Agriculture	535,387
10.559	Summer Food Service Program for Children	Agriculture	10,014,017
	Total Child Nutrition Cluster		<u>237,984,526</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	85,841,553
10.558	Child and Adult Care Food Program	Agriculture	43,925,049
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	37,399,096
17.225	Unemployment Insurance	Labor	1,194,594,845
17.225	ARRA - Unemployment Insurance	Labor	118,977,935
	Workforce Investment Act Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	18,701,589
17.258	ARRA - Workforce Investment Act - Adult Program	Labor	690,223
17.259	Workforce Investment Act - Youth Activities	Labor	19,447,029
17.259	ARRA - Workforce Investment Act - Youth Activities	Labor	3,806,331
17.260	Workforce Investment Act - Dislocated Workers	Labor	31,743,189
17.260	ARRA - Workforce Investment Act - Dislocated Workers	Labor	790,114
	Total Workforce Investment Act Cluster		<u>75,178,475</u>
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	831,058,481
20.205	ARRA - Highway Planning and Construction	Transportation	27,147,094
20.219	Recreational Trails Program	Transportation	2,698,996
	Total Highway Planning and Construction Cluster		<u>860,904,571</u>
64.015	Veterans State Nursing Home Care	Veterans Affairs	38,198,475
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	33,582,165
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	Education	211,772,680
	Total Title I, Part A Cluster		<u>211,772,680</u>
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	211,410,983
84.173	Special Education - Preschool Grants	Education	5,900,044
	Total Special Education Cluster		<u>217,311,027</u>
84.032	Federal Family Education Loans	Education	133,115,081
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	63,816,250
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	Education	37,041
	Total Vocational Rehabilitation Cluster		<u>63,853,291</u>
84.367	Improving Teacher Quality State Grants	Education	49,685,315

STATE OF MISSOURI  
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

<u>CFDA Number</u>	<u>Federal Grantor Agency - Program</u>	<u>Federal Grantor Agency</u>	<u>Federal Awards Expended</u>
	Immunization Cluster:		
93.268	Immunization Grants	Health and Human Services	50,348,109
	Total Immunization Cluster		<u>50,348,109</u>
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	Health and Human Services	176,745,822
	Total TANF Cluster		<u>176,745,822</u>
93.563	Child Support Enforcement	Health and Human Services	27,283,902
93.563	ARRA - Child Support Enforcement	Health and Human Services	9,627,391
93.568	Low-Income Home Energy Assistance	Health and Human Services	103,584,110
	Child Care and Development Fund Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	65,651,060
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	57,208,876
	Total Child Care and Development Fund Cluster		<u>122,859,936</u>
93.658	Foster Care - Title IV-E	Health and Human Services	60,329,165
93.658	ARRA - Foster Care - Title IV-E	Health and Human Services	1,076,224
93.659	Adoption Assistance	Health and Human Services	35,282,873
93.659	ARRA - Adoption Assistance	Health and Human Services	2,260,578
93.667	Social Services Block Grant	Health and Human Services	54,663,019
93.767	Children's Insurance Program	Health and Human Services	94,859,882
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,382,053
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	15,273,356
93.778	Medical Assistance Program	Health and Human Services	4,885,001,593
93.778	ARRA - Medical Assistance Program	Health and Human Services	450,167,948
	Total Medicaid Cluster		<u>5,351,824,950</u>
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	31,606,369
	Total Disability Insurance/SSI Cluster		<u>31,606,369</u>
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	94,321,990
	Total Type A Programs (expenditures greater than \$30,000,000)		<u>10,693,240,662</u>
	Total Type B Programs (expenditures less than \$30,000,000)		<u>699,164,288</u>
	Total Expenditures of Federal Awards		<u>\$ 11,392,404,950</u>

STATE AUDITOR'S REPORTS



**SUSAN MONTEE, JD, 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 Jeremiah W. (Jay) Nixon, 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, 2009, which collectively comprise the state's basic financial statements, and have issued our report thereon dated December 31, 2009. 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.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, 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, and the Transportation Self-Insurance Plan, which represent 78 percent and 12 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 43 percent and 50 percent of the assets and revenues, respectively, of the business-type activities.

3. The component units.
4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds.

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

The financial statements of the Missouri Highway 63 Transportation Corporation, the Highway 179 Transportation Corporation, and the Wentzville Parkway Transportation Corporation, blended component units; the Missouri Consolidated Health Care Plan and the Missouri State Employees' Insurance Plan, internal service funds; the Missouri Development Finance Board and Northwest Missouri State University, discretely presented component units; 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. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*; Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the state of Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the state's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the state's financial statements that is more than inconsequential will not be prevented or detected by the state's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the state's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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 December 31, 2009, 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.



Susan Montee, JD, CPA  
State Auditor

December 31, 2009



**SUSAN MONTEE, JD, 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 Jeremiah W. (Jay) Nixon, 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, 2009. 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 expended federal financial assistance during the year ended June 30, 2009, 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 finding numbers 2009-2, 2009-3, 2009-5, and 2009-8 in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding special tests and provisions over benefit payments and reporting requirements applicable to the Unemployment Insurance Program, reporting requirements applicable to the National Guard Military Operations and Maintenance Projects Program, and eligibility requirements applicable to the Veterans State Nursing Home Care Program. 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, 2009. 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 finding numbers 2009-1, 2009-6, 2009-9, 2009-11, 2009-12, and 2009-14 through 2009-18.

#### Internal Control Over Compliance

The management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

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

A control deficiency in the state's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the state's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the state's internal control. We consider the

deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2009-2 through 2009-8, and 2009-16 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the state's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider finding numbers 2009-2 through 2009-4, 2009-7, 2009-8, and 2009-16 to be material weaknesses.

The responses of the state of Missouri to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the state's responses and, accordingly, we express no opinion on them.

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, JD, CPA  
State Auditor

February 4, 2010



**SUSAN MONTEE, JD, CPA**  
**Missouri State Auditor**

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

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

We have audited 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, 2009, which collectively comprise the state's basic financial statements, and have issued our report thereon dated December 31, 2009. 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.

As described in our report on the state of Missouri's financial statements, other auditors audited the financial statements of:

1. The Missouri Department of Transportation and blended transportation corporations, 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, and the Transportation Self-Insurance Plan, which represent 78 percent and 12 percent of the assets and revenues, respectively, of the governmental activities.
2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 43 percent and 50 percent of the assets and revenues, respectively, of the business-type activities.
3. The component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 98 percent of the assets and additions, respectively, of the fiduciary funds.

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

The financial statements of the Missouri Highway 63 Transportation Corporation, the Highway 179 Transportation Corporation, and the Wentzville Parkway Transportation Corporation, blended component units; the Missouri Consolidated Health Care Plan and the Missouri State Employees' Insurance Plan, internal service funds; the Missouri Development Finance Board and Northwest Missouri State University, discretely presented component units; and the pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*.

Our audit was conducted for the purpose of forming our 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 by us and the other auditors 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.



Susan Montee, JD, CPA  
State Auditor

December 31, 2009

SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07.UNKNOWN	HIDTA	\$ 3,026,942	2,180,652
	Total Office of National Drug Control Policy	<u>3,026,942</u>	<u>2,180,652</u>
Department of Agriculture			
10.UNKNOWN	School Lunch Commodity Refund	269,427	269,427
10.025	Plant and Animal Disease, Pest Control, and Animal Care	821,320	0
10.069	Conservation Reserve Program	84,534	0
10.072	Wetlands Reserve Program	822,654	0
10.153	Market News	9,773	0
10.156	Federal-State Marketing Improvement Program	14,705	14,705
10.163	Market Protection and Promotion	27,630	23,864
10.169	Specialty Crop Block Grant Program	70,877	61,654
10.170	Specialty Crop Block Grant Program - Farm Bill	41,752	10,340
10.435	State Mediation Grants	27,735	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	715,697	0
10.479	Food Safety Cooperative Agreements	2,239	0
10.550	Food Donation	52,341	35,623
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	1,020,229,974	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	52,101,417	2,774,126
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	1,910,867	0
	Total SNAP Cluster	<u>1,074,242,258</u>	<u>2,774,126</u>
	Child Nutrition Cluster:		
10.553	School Breakfast Program	49,801,195	49,801,195
10.555	National School Lunch Program	177,633,927	176,323,773
10.556	Special Milk Program for Children	535,387	535,387
10.559	Summer Food Service Program for Children	10,014,017	9,681,201
	Total Child Nutrition Cluster	<u>237,984,526</u>	<u>236,341,556</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	85,841,553	18,356,536
10.558	Child and Adult Care Food Program	43,925,049	43,294,911
10.560	State Administrative Expenses for Child Nutrition	2,745,610	818,508
10.565	Commodity Supplemental Food Program	585,873	527,057
	Emergency Food Assistance Cluster:		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,194,983	1,128,670
10.569	Emergency Food Assistance Program (Food Commodities)	9,853,809	9,853,809
10.569	ARRA - Emergency Food Assistance Program (Food Commodities)	1,014,224	1,014,224
	Total Emergency Food Assistance Cluster	<u>12,063,016</u>	<u>11,996,703</u>
10.572	WIC Farmers' Market Nutrition Program (FMNP)	61,996	55,178
10.574	Team Nutrition Grants	77,606	3,008
10.582	Fresh Fruit and Vegetable Program	703,173	703,173
10.664	Cooperative Forestry Assistance	1,523,307	281,701
	Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	8,441,991	8,441,991
	Total Schools and Roads Cluster	<u>8,441,991</u>	<u>8,441,991</u>
10.678	Forest Stewardship Program	75,723	0
10.769	Rural Business Enterprise Grants	20,602	19,675
10.902	Soil and Water Conservation	103,698	0
10.912	Environmental Quality Incentives Program	27,706	0
	Total Department of Agriculture	<u>1,471,384,371</u>	<u>324,029,736</u>

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
<b>Department of Commerce</b>			
11.468	Applied Meteorological Research	250,000	250,000
11.555	Public Safety Interoperable Communications Grant Program	85,947	0
Total Department of Commerce		<u>335,947</u>	<u>250,000</u>
<b>Department of Defense</b>			
12.AAG	Drug Interdiction and Counter Drug Activities	115,501	115,501
12.UNKNOWN	Troops to Teachers	150,348	73,647
12.112	Payments to States in Lieu of Real Estate Taxes	1,420,526	1,420,526
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	905,274	16,309
12.401	National Guard Military Operations and Maintenance (O&M) Projects	37,399,096	0
Total Department of Defense		<u>39,990,745</u>	<u>1,625,983</u>
<b>Department of Housing and Urban Development</b>			
CDBG - State-Administered Small Cities Program Cluster:			
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	24,328,953	23,204,390
Total CDBG - State-Administered Small Cities Program Cluster		<u>24,328,953</u>	<u>23,204,390</u>
14.231	Emergency Shelter Grants Program	1,051,801	1,051,801
14.238	Shelter Plus Care	7,852,776	7,852,776
14.241	Housing Opportunities for Persons with AIDS	547,247	547,247
14.401	Fair Housing Assistance Program - State and Local	534,957	0
Total Department of Housing and Urban Development		<u>34,315,734</u>	<u>32,656,214</u>
<b>Department of the Interior</b>			
15.FFB	Webless Migratory Game Bird Research Program	10,370	0
15.UNKNOWN	Natural Resources Damage Assessment	250,000	0
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	238,482	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	1,338,796	517,036
15.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	5,582	0
Fish and Wildlife Cluster:			
15.605	Sport Fish Restoration Program	6,605,392	0
15.611	Wildlife Restoration	8,104,930	0
Total Fish and Wildlife Cluster		<u>14,710,322</u>	<u>0</u>
15.608	Fish and Wildlife Management Assistance	56,147	0
15.615	Cooperative Endangered Species Conservation Fund	311,372	0
15.616	Clean Vessel Act	66,344	66,344
15.622	Sportfishing and Boating Safety Act	171,740	0
15.623	North American Wetlands Conservation Fund	332,692	0
15.634	State Wildlife Grants	1,298,663	0
15.807	Earthquake Hazards Reduction Program	1,016	0
15.808	U.S. Geological Survey - Research and Data Collection	62,897	0
15.810	National Cooperative Geologic Mapping Program	81,304	0
15.814	National Geological and Geophysical Data Preservation Program	13,554	0
15.904	Historic Preservation Fund Grants-In-Aid	746,762	45,899
15.916	Outdoor Recreation - Acquisition, Development and Planning	776,867	312,039
15.921	Rivers, Trails and Conservation Assistance	1,699	0
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	217,897	0
Total Department of the Interior		<u>20,692,506</u>	<u>941,318</u>

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Justice			
16.UNKNOWN	Educational and Vocational Software Demonstration Project	54,575	0
16.UNKNOWN	Domestic Cannabis Eradication	325,510	0
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	121,519	0
16.203	Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	48,855	0
16.523	Juvenile Accountability Block Grants	806,256	764,966
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	995,216	840,616
16.542	Part D - Research, Evaluation, Technical Assistance and Training	107,164	0
16.543	Missing Children's Assistance	246,661	0
16.548	Title V - Delinquency Prevention Program	67,439	67,439
16.554	National Criminal History Improvement Program (NCHIP)	362,174	253,255
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	225,762	225,762
16.575	Crime Victim Assistance	6,622,967	6,468,036
16.576	Crime Victim Compensation	3,757,990	3,757,990
16.579	Edward Byrne Memorial Formula Grant Program	3,290	3,290
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	119,230	0
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	5,958,048	0
16.588	Violence Against Women Formula Grants	2,324,813	2,220,426
16.588	ARRA - Violence Against Women Formula Grants	16,804	0
16.590	The Community - Defined Solutions to Violence Against Women Grant Program	528,695	357,797
16.593	Residential Substance Abuse Treatment for State Prisoners	103,739	103,739
16.601	Corrections - Training and Staff Development	12,630	0
16.606	State Criminal Alien Assistance Program	577,513	0
16.610	Regional Information Sharing Systems	5,193,548	5,193,548
16.710	Public Safety Partnership and Community Policing Grants	2,407,788	1,120
16.726	Juvenile Mentoring Program	257,592	239,931
16.734	Special Data Collections and Statistical Studies	70,948	0
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	53,867	0
16.738	Edward Byrne Memorial Justice Assistance Grant Program	5,327,057	4,942,957
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	140,355	0
16.741	Forensic DNA Backlog Reduction Program	377,047	0
16.750	Support for Adam Walsh Act Implementation Grant Program	59,853	0
16.801	ARRA - Recovery Act - State Victim Assistance Formula Grant Program	8,019	0
16.803	ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	19,177	0
Total Department of Justice		<u>37,302,101</u>	<u>25,440,872</u>
Department of Labor			
17.002	Labor Force Statistics	1,757,705	0
17.005	Compensation and Working Conditions	195,008	0
Employment Service Cluster:			
17.207	Employment Service/Wagner-Peyser Funded Activities	13,312,661	1,107,254
17.207	ARRA - Employment Service/Wagner-Peyser Funded Activities	24,655	0
17.801	Disabled Veterans' Outreach Program (DVOP)	784,230	0
17.804	Local Veterans' Employment Representative Program	2,084,384	0
Total Employment Service Cluster		<u>16,205,930</u>	<u>1,107,254</u>
17.225	Unemployment Insurance	1,194,594,845	
17.225	ARRA - Unemployment Insurance	118,977,935	0
17.235	Senior Community Service Employment Program	2,375,504	2,314,294
17.245	Trade Adjustment Assistance	14,654,619	0

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Workforce Investment Act Cluster:		
17.258	Workforce Investment Act - Adult Program	18,701,589	16,668,760
17.258	ARRA - Workforce Investment Act - Adult Program	690,223	690,223
17.259	Workforce Investment Act - Youth Activities	19,447,029	17,251,856
17.259	ARRA - Workforce Investment Act - Youth Activities	3,806,331	3,716,660
17.260	Workforce Investment Act - Dislocated Workers	31,743,189	25,043,761
17.260	ARRA - Workforce Investment Act - Dislocated Workers	790,114	737,112
	Total Workforce Investment Act Cluster	<u>75,178,475</u>	<u>64,108,372</u>
17.261	Workforce Investment Act Pilots, Demonstrations, and Research Projects	53,676	43,714
17.266	Work Incentive Grants	255,768	228,772
17.267	Incentive Grants - WIA Section 503	1,250,940	1,245,331
17.268	H-1B Job Training Grants	4,580,782	4,547,539
17.271	Work Opportunity Tax Credit Program (WOTC)	386,484	0
17.273	Temporary Labor Certification for Foreign Workers	64,843	0
17.504	Consultation Agreements	983,860	0
17.505	OSHA Data Initiative	42,451	0
17.600	Mine Health and Safety Grants	282,767	0
	Total Department of Labor	<u>1,431,841,592</u>	<u>73,595,276</u>
	Department of Transportation		
20.UNKNOWN	Federal Highway Administration	25,466	0
20.106	Airport Improvement Program	23,302,940	23,029,027
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	831,058,481	115,860,612
20.205	ARRA - Highway Planning and Construction	27,147,094	29,266
20.219	Recreational Trails Program	2,698,996	561,753
	Total Highway Planning and Construction Cluster	<u>860,904,571</u>	<u>116,451,631</u>
20.217	Motor Carrier Safety	3,705,644	929,036
20.218	National Motor Carrier Safety	1,174,125	1,107,458
20.237	Commercial Vehicle Information Systems and Networks	33,100	0
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	4,434,899	4,433,369
	Total Federal Transit Cluster	<u>4,434,899</u>	<u>4,433,369</u>
20.505	Federal Transit - Metropolitan Planning Grants	5,582,698	5,379,869
20.509	Formula Grants for Other Than Urbanized Areas	12,718,059	11,797,796
20.509	ARRA - Formula Grants for Other Than Urbanized Areas	1,131,685	1,131,685
	Transit Services Programs Cluster:		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	4,658,000	4,516,065
20.516	Job Access - Reverse Commute	784,651	784,651
20.521	New Freedom Program	128,371	128,371
	Total Transit Services Programs Cluster	<u>5,571,022</u>	<u>5,429,087</u>
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	6,150,153	4,705,779
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	2,574,907	1,819,799
20.604	Safety Incentive Grants for Use of Seatbelts	26,966	21,144
20.610	State Traffic Safety Information System Improvement Grants	451,847	373,604
20.611	Incentive Grant Program to Prohibit Racial Profiling	952,048	489,447
20.612	Incentive Grant Program to Increase Motorcyclist Safety	176,810	10,944
20.613	Child Safety and Child Booster Seats Incentive Grants	375,392	13,114
	Total Highway Safety Cluster	<u>10,708,123</u>	<u>7,433,831</u>

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
20.607	Alcohol Open Container Requirements	12,973,393	4,136,037
20.700	Pipeline Safety Program Base Grants	362,134	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	238,296	220,000
	Total Department of Transportation	942,866,155	181,478,826
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	677,027	0
	Total Equal Employment Opportunity Commission	677,027	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	2,561,459	2,179,937
39.011	Election Reform Payments	248,699	127,499
	Total General Services Administration	2,810,158	2,307,436
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	673,995	347,514
45.149	Promotion of the Humanities - Division of Preservation and Access	16,286	0
45.310	Grants to States	3,292,350	1,795,698
	Total National Foundation on the Arts and the Humanities	3,982,631	2,143,212
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	609,067	0
64.015	Veterans State Nursing Home Care	38,198,475	0
64.024	VA Homeless Providers Grant and Per Diem Program	74,105	74,105
64.123	Vocational Training for Certain Veterans Receiving VA Pensions	649,335	0
64.203	State Cemetery Grants	1,467,230	0
	Total Department of Veterans Affairs	40,998,212	74,105
Environmental Protection Agency			
66.032	State Indoor Radon Grants	141,121	5,000
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	981,377	188,384
66.039	National Clean Diesel Funding Assistance Program	7,506	0
66.040	State Clean Diesel Grant Program	100,242	86,844
66.040	ARRA - State Clean Diesel Grant Program	12,951	0
66.202	Congressionally Mandated Projects	255,090	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	183,875	54,000
66.433	State Underground Water Source Protection	134,494	0
66.454	Water Quality Management Planning	252,585	76,579
66.458	Capitalization Grants for Clean Water State Revolving Funds	33,582,165	33,582,165
66.460	Nonpoint Source Implementation Grants	6,419,283	2,183,520
66.461	Regional Wetland Program Development Grants	360,431	83,716
66.463	Water Quality Cooperative Agreements	12,742	0
66.468	Capitalization Grants for Drinking Water State Revolving Funds	5,177,203	2,005,827
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	496,468	299,678
66.474	Water Protection Grants to the States	122,426	0
66.605	Performance Partnership Grants	12,782,262	614,046
66.606	Survey, Studies, Investigations and Special Purpose Grants	6,921	0
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	284,063	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	315,061	70
66.709	Multi-Media Capacity Building Grants for States and Tribes	40,014	0
66.714	Pesticide Environmental Stewardship Regional Grants	23,799	22,824
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,590,408	127,258

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	213,907	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,668,469	177,083
66.817	State and Tribal Response Program Grants	1,358,239	195,101
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	37,694	32,705
66.940	Environmental Policy and State Innovation Grants	13,229	0
	Total Environmental Protection Agency	<u>66,574,025</u>	<u>39,734,800</u>
Department of Energy			
81.039	National Energy Information Center	3,657	0
81.041	State Energy Program	713,049	32,302
81.042	Weatherization Assistance for Low-Income Persons	6,898,862	6,298,357
81.042	ARRA - Weatherization Assistance for Low-Income Persons	1,492,344	1,492,344
81.092	Weldon Springs Site Remedial Action Project	441,470	11,926
81.104	Office of Environmental Waste Processing	144,515	0
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	9,908	0
81.119	State Energy Program Special Projects	201,091	118,769
81.902	State Environmental Oversight and Monitoring	61,152	0
	Total Department of Energy	<u>9,966,048</u>	<u>7,953,698</u>
Department of Education			
84.UNKNOWN	Cooperative System Grant	67,514	0
84.002	Adult Education - Basic Grants to States	9,519,516	9,073,076
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	211,772,680	209,562,970
	Total Title I, Part A Cluster	<u>211,772,680</u>	<u>209,562,970</u>
84.011	Migrant Education - State Grant Program	1,429,000	1,425,448
84.013	Title I Program for Neglected and Delinquent Children	1,403,248	1,403,248
	Special Education Cluster:		
84.027	Special Education - Grants to States	211,410,983	207,991,130
84.173	Special Education - Preschool Grants	5,900,044	5,900,044
	Total Special Education Cluster	<u>217,311,027</u>	<u>213,891,174</u>
84.032	Federal Family Education Loans	133,115,081	0
84.048	Career and Technical Education - Basic Grants to States	20,000,210	18,779,154
84.069	Leveraging Educational Assistance Partnership	1,262,794	1,262,794
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	63,816,250	24,380
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	37,041	0
	Total Vocational Rehabilitation Cluster	<u>63,853,291</u>	<u>24,380</u>
84.144	Migrant Education - Coordination Program	34,443	10,526
84.169	Independent Living - State Grants	334,274	276,973
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	460,069	0
	Early Intervention Services (IDEA) Cluster:		
84.181	Special Education - Grants for Infants and Families	10,956,767	10,956,767
	Total Early Intervention Services (IDEA) Cluster	<u>10,956,767</u>	<u>10,956,767</u>
84.185	Byrd Honors Scholarships	724,250	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	5,428,407	4,813,797
84.187	Supported Employment Services for Individuals with Significant Disabilities	442,649	0
84.196	Education for Homeless Children and Youth	1,232,077	1,232,780
84.213	Even Start - State Educational Agencies	832,316	832,316
84.224	Assistive Technology	610,829	384,258
84.243	Tech-Prep Education	1,368,787	1,367,552

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	92,435	0
84.287	Twenty-First Century Community Learning Centers	16,361,506	16,127,785
84.298	State Grants for Innovative Programs	235,745	0
84.318	Education Technology State Grants	3,754,240	3,631,962
84.323	Special Education - State Personnel Development	1,328,019	1,328,019
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	157,946	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	95,786	95,786
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	469,545	0
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	1,280,218	1,209,404
84.357	Reading First State Grants	18,360,024	17,971,462
84.358	Rural Education	3,320,866	3,149,668
84.365	English Language Acquisition Grants	4,054,238	4,054,238
84.366	Mathematics and Science Partnerships	4,181,733	4,178,594
84.367	Improving Teacher Quality State Grants	49,685,315	49,107,834
84.369	Grants for State Assessments and Related Activities	7,882,581	319,369
84.372	Statewide Data Systems	84,539	0
84.377	School Improvement Grants	271,234	20,000
84.378	College Access Challenge Grant Program	366,732	365,648
84.902	National Assessment of Educational Programs	92,977	0
Total Department of Education		<u>794,234,908</u>	<u>576,856,982</u>
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	7,888	0
Total National Archives and Records Administration		<u>7,888</u>	<u>0</u>
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	1,779,704	586,879
Total Elections Assistance Commission		<u>1,779,704</u>	<u>586,879</u>
Department of Health and Human Services			
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93,804	0
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	105,306	105,306
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	344,096	92,954
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	425,609	401,171
Aging Cluster:			
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,046,606	6,925,866
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	12,292,344	11,647,848
93.053	Nutrition Services Incentive Program	4,335,656	4,335,656
93.705	ARRA - Aging Home-Delivered Nutrition Services for States	120,171	120,171
93.707	ARRA - Aging Congregate Nutrition Services for States	244,096	244,096
Total Aging Cluster		<u>24,038,873</u>	<u>23,273,637</u>
93.051	Alzheimer's Disease Demonstration Grants to States	118,932	107,241
93.052	National Family Caregiver Support, Title III, Part E	3,412,694	3,253,649
93.069	Public Health Emergency Preparedness	10,132,839	4,377,250
93.103	Food and Drug Administration - Research	328,434	0
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	3,074,279	2,882,274
93.110	Maternal and Child Health Federal Consolidated Programs	179,111	25,900

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	660,635	233,813
93.127	Emergency Medical Services for Children	125,745	0
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	216,223	38,504
93.134	Grants to Increase Organ Donations	60,712	0
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	66,315	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	651,959	534,286
93.150	Projects for Assistance in Transition from Homelessness (PATH)	756,296	720,624
93.161	Health Program for Toxic Substances and Disease Registry	19,396	0
93.165	Grants to States for Loan Repayment Program	320,000	320,000
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	648,735	314,973
93.230	Consolidated Knowledge Development and Application (KD&A) Program	134,616	18,779
93.234	Traumatic Brain Injury State Demonstration Grant Program	132,035	0
93.235	Abstinence Education Program	840,995	836,299
93.236	Grants for Dental Public Health Residency Training	46,207	0
93.240	State Capacity Building	345,142	0
93.241	State Rural Hospital Flexibility Program	449,165	104,006
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	11,342,344	9,931,871
93.251	Universal Newborn Hearing Screening	149,831	0
93.260	Family Planning - Personnel Training	2,998	0
	Immunization Cluster:		
93.268	Immunization Grants	50,348,109	47,382,568
	Total Immunization Cluster	<u>50,348,109</u>	<u>47,382,568</u>
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	18,389,952	10,680,091
93.301	Small Rural Hospital Improvement Grant Program	392,795	373,686
93.556	Promoting Safe and Stable Families	18,936,142	0
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	176,745,822	0
	Total TANF Cluster	<u>176,745,822</u>	<u>0</u>
93.563	Child Support Enforcement	27,283,902	11,424,059
93.563	ARRA - Child Support Enforcement	9,627,391	9,627,391
93.566	Refugee and Entrant Assistance - State Administered Programs	2,007,239	0
93.568	Low-Income Home Energy Assistance	103,584,110	39,163,607
	CSBG Cluster:		
93.569	Community Services Block Grant	18,007,700	17,721,808
	Total CSBG Cluster	<u>18,007,700</u>	<u>17,721,808</u>
	Child Care and Development Fund Cluster:		
93.575	Child Care and Development Block Grant	65,651,060	1,599,287
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	57,208,876	0
	Total Child Care and Development Fund Cluster	<u>122,859,936</u>	<u>1,599,287</u>
93.576	Refugee and Entrant Assistance - Discretionary Grants	322,677	209,373
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	581,709	0
93.586	State Court Improvement Program	585,519	0
93.590	Community-Based Child Abuse Prevention Grants	414,899	413,516
93.597	Grants to States for Access and Visitation Programs	173,302	0
93.599	Chafee Education and Training Vouchers Program (ETV)	940,038	0
	Head Start Cluster:		
93.600	Head Start	202,946	141,997
	Total Head Start Cluster	<u>202,946</u>	<u>141,997</u>

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.617	Voting Access for Individuals with Disabilities - Grants to States	197,260	28,996
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,176,575	402,482
93.643	Children's Justice Grants to States	164,251	0
93.645	Child Welfare Services - State Grants	5,651,296	0
93.658	Foster Care - Title IV-E	60,329,165	0
93.658	ARRA - Foster Care - Title IV-E	1,076,224	0
93.659	Adoption Assistance	35,282,873	0
93.659	ARRA - Adoption Assistance	2,260,578	0
93.667	Social Services Block Grant	54,663,019	0
93.669	Child Abuse and Neglect State Grants	710,204	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,541,965	0
93.674	Chafee Foster Care Independence Program	4,052,524	0
93.767	Children's Insurance Program Medicaid Cluster:	94,859,882	0
93.775	State Medicaid Fraud Control Units	1,382,053	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	15,273,356	72
93.778	Medical Assistance Program	4,885,001,593	0
93.778	ARRA - Medical Assistance Program	450,167,948	0
	Total Medicaid Cluster	<u>5,351,824,950</u>	<u>72</u>
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	4,279,346	590,145
93.889	National Bioterrorism Hospital Preparedness Program	9,065,632	7,768,751
93.913	Grants to States for Operation of Offices of Rural Health	146,462	0
93.917	HIV Care Formula Grants	13,786,954	13,167,348
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	224,086	134,588
93.940	HIV Prevention Activities - Health Department Based	4,817,971	2,748,386
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	694,231	330,537
93.945	Assistance Programs for Chronic Disease Prevention and Control	55	55
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	165,160	40,012
93.958	Block Grants for Community Mental Health Services	6,952,790	6,670,295
93.959	Block Grants for Prevention and Treatment of Substance Abuse	27,437,174	24,762,920
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,142,754	345,410
93.982	Mental Health Disaster Assistance and Emergency Mental Health	208,659	208,395
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	493,189	154,121
93.991	Preventive Health and Health Services Block Grant	2,774,693	649,670
93.994	Maternal and Child Health Services Block Grant to the States	12,754,268	6,591,279
	Total Department of Health and Human Services	<u>6,310,361,704</u>	<u>250,903,382</u>
Corporation for National and Community Service			
94.003	State Commissions	244,489	0
94.004	Learn and Serve America - School and Community Based Programs	279,589	210,591
94.006	AmeriCorps	2,356,877	2,356,877
94.007	Planning and Program Development Grants	52,211	52,211
94.009	Training and Technical Assistance	98,312	7,922
	Total Corporation for National and Community Service	<u>3,031,478</u>	<u>2,627,601</u>
Social Security Administration			
Disability Insurance/SSI Cluster:			
96.001	Social Security - Disability Insurance	31,606,369	0
	Total Disability Insurance/SSI Cluster	<u>31,606,369</u>	<u>0</u>
	Total Social Security Administration	<u>31,606,369</u>	<u>0</u>

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2009

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Department of Homeland Security			
97.001	Interoperable Emergency Communication Grant	61,547	0
	Homeland Security Cluster:		
97.004	State Domestic Preparedness Equipment Support Program	33,246	934
97.067	Homeland Security Grant Program	27,417,461	24,457,844
	Total Homeland Security Cluster	<u>27,450,707</u>	<u>24,458,778</u>
97.008	Urban Areas Security Initiative	100,000	100,000
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	9,823,594	9,823,594
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	200,580	0
97.029	Flood Mitigation Assistance	253,306	253,306
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	94,321,990	93,932,600
97.039	Hazard Mitigation Grant	742,614	742,614
97.041	National Dam Safety Program	22,331	0
97.042	Emergency Management Performance Grants	5,174,217	5,174,217
97.045	Cooperating Technical Partners	4,343,189	1,019,204
97.047	Pre-Disaster Mitigation	118,450	118,450
97.063	Pre-Disaster Mitigation Disaster Resistant Universities	28,804	28,804
97.070	Map Modernization Management Support	127,093	41,429
97.075	Rail and Transit Security Grant Program	118,870	103,568
97.078	Buffer Zone Protection Program (BZPP)	1,339,107	1,286,345
97.091	Homeland Security Biowatch Program	391,631	320,939
97.092	Repetitive Flood Claims	675	675
	Total Department of Homeland Security	<u>144,618,705</u>	<u>137,404,523</u>
	Total Expenditures of Federal Awards	<u>\$ 11,392,404,950</u>	<u>1,662,791,495</u>

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* and the 2009 OMB Circular A-133 Compliance Supplement. The circular requires a schedule that shows total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. Appendix VII of the supplement requires identifying expenditures of federal awards made under the American Recovery and Reinvestment Act of 2009 (ARRA) separately on the schedule with the inclusion of the prefix "ARRA-" in the name of the federal program.

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

B. Basis of Presentation

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

The schedule presents both Type A and B federal 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, 2009, Type A programs are those which exceed \$30 million in disbursements, expenditures, or distributions.

C. Basis of Accounting

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

on a modified accrual basis, which recognizes expenditures of federal awards when the related liability is incurred.

2. Supplemental Nutrition Assistance Program Expenditures

The reported expenditures for benefits under the Supplemental Nutrition Assistance program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the ARRA. The mechanism used by the United States Department of Agriculture to make these funds available to States does not enable a State to validly disaggregate the regular and ARRA components of this figure. At the national aggregate level, however, ARRA funds account for approximately 15 percent of USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2009.

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

The state received cash rebates from an infant formula manufacturer, totaling \$38,244,404, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program (CFDA No. 10.557). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(a) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

4. Unemployment Insurance Expenditures

Expenditures of federal awards reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$1,274,063,899. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those states, totaling \$31,024,910, have been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri, totaling \$11,414,749, have been excluded from total expenditures.

5. Federal Loan Guarantees

The Missouri Department of Higher Education (MDHE) guarantees student loans made by lenders under the Federal Family Education Loans program (CFDA 84.032). The original principal balance outstanding of all loans guaranteed by the MDHE was \$4,388,831,553 as of June 30, 2009. Additionally, the outstanding balance of defaulted loans (including principal and accrued interest) for which the federal government imposes continuing compliance requirements on the MDHE was \$263,831,778 as of June 30, 2009.

6. Nonmonetary Assistance

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled \$21,479,341.

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 \$495,714 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 (\$115,501), which approximates the fair market value of the property at the time of distribution.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003). Property distributions totaled \$10,993,388 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 (\$2,561,459), which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals under the Immunization Grants program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled \$46,937,635.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2009

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ yes      x   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes      x   no

Federal Awards

Internal control over major programs:

- Material weaknesses identified?   x   yes    \_\_\_\_\_ no
- Significant deficiencies identified that are not considered to be material weaknesses?   x   yes

Type of auditor's report issued on compliance for major program(s): Qualified

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

The following programs were audited as major programs:

<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

- Emergency Food Assistance Cluster:
- 10.568 Emergency Food Assistance Program (Administrative Costs)
  - 10.569 Emergency Food Assistance Program (Food Commodities)
  - 10.569 ARRA - Emergency Food Assistance Program (Food Commodities)
  - 12.401 National Guard Military Operations and Maintenance (O&M) Projects
- Employment Service Cluster:
- 17.207 Employment Service/Wagner-Peyser Funded Activities
  - 17.207 ARRA - Employment Service/Wagner-Peyser Funded Activities
  - 17.801 Disabled Veterans' Outreach Program (DVOP)
  - 17.804 Local Veterans' Employment Representative Program
  - 17.225 Unemployment Insurance
  - 17.225 ARRA - Unemployment Insurance
- Workforce Investment Act Cluster:
- 17.258 Workforce Investment Act - Adult Program
  - 17.258 ARRA - Workforce Investment Act - Adult Program
  - 17.259 Workforce Investment Act - Youth Activities
  - 17.259 ARRA - Workforce Investment Act - Youth Activities
  - 17.260 Workforce Investment Act - Dislocated Workers
  - 17.260 ARRA - Workforce Investment Act - Dislocated Workers
- Highway Planning and Construction Cluster:
- 20.205 Highway Planning and Construction
  - 20.205 ARRA - Highway Planning and Construction
  - 20.219 Recreational Trails Program
  - 20.509 Formula Grants for Other Than Urbanized Areas
  - 20.509 ARRA - Formula Grants for Other Than Urbanized Areas
  - 64.015 Veterans State Nursing Home Care
  - 81.042 Weatherization Assistance for Low-Income Persons
  - 81.042 ARRA - Weatherization Assistance for Low-Income Persons
  - 84.010 Title I Grants to Local Educational Agencies
- Special Education Cluster:
- 84.027 Special Education - Grants to States
  - 84.173 Special Education - Preschool Grants
  - 84.032 Federal Family Education Loans
- Vocational Rehabilitation Cluster:
- 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
  - 84.390 ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act
  - 84.367 Improving Teacher Quality State Grants
- Aging Cluster:
- 93.044 Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers



on the state's behalf in processing TLF claims received from lenders for teachers requesting forgiveness of their student loans. The contractor's responsibilities include determining whether certain eligibility requirements are met, approving or denying TLF claims, and processing and paying approved claims in accordance with federal regulations.

The MDHE's compliance personnel periodically review a sample of TLF claims received by the loan servicer for compliance with federal regulations, which includes ensuring approved TLF claims are paid within 45 days after receiving the lenders' requests. During the MDHE's April 2009 review, several errors were noted with the timeliness of the TLF payments. According to the loan servicer, the errors occurred due to turnover in personnel in January 2009 and procedures were updated when the MDHE brought the errors to management's attention. However, additional errors were identified by the MDHE during a subsequent review in September 2009. During this review, the MDHE determined that incorrect date parameters were previously used by both the loan servicer and the MDHE in testing for compliance with the 45 day requirement, resulting in additional errors going undetected in the prior review. The MDHE was able to detect errors during the April 2009 review only because the loan servicer was so far out of compliance that the incorrect date parameters used still caught some of the errors. As a result, the MDHE retested the entire fiscal year, identifying additional errors with the timeliness of TLF payments. Additionally, during our review of the FFEL program, we tested five TLF payments and identified three that were not in compliance with federal regulations. Although these payments appeared to be for eligible recipients, payments were made between 46 to 61 days after receiving the lenders' requests.

Of the TLF claims paid during the year ended June 30, 2009, the MDHE identified 75 that were made untimely, which includes the 3 errors noted during our review. All untimely payments identified were for TLF claims paid after January 2009. We question the federal share of the 75 payments, or \$502,851. In addition, the MDHE performed a subsequent review of TLF payments made between July and October 2009 and identified an additional 178 errors, totaling approximately \$1.38 million. As of October 2009, both the loan servicer and the MDHE indicated procedures have been updated to use the correct date parameters and to ensure the timely payment of TLF claims.

Federal regulation 34 CFR 682.215(f)(3) requires the guaranty agency, within 45 days of receiving the lender's request, determine if the borrower is eligible for loan forgiveness, notify the lender of the determination, and if approved, pay the lender the amount of the claim, up to \$17,500.

Adequate controls and procedures over TLF claims are necessary to ensure payments made are allowable and to prevent or detect noncompliance with federal requirements in a timely manner.

**WE RECOMMEND** the MDHE work with the loan servicer to establish adequate controls and monitoring procedures to ensure TLF payments are made in a timely manner

in accordance with federal regulations. In addition, the MDHE should resolve the 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.*

**2009-2.**

**Benefit Payments**

Federal Agency:	Department of Labor
Federal Program:	17.225 Unemployment Insurance
	17.225 ARRA - Unemployment Insurance
	2008 - UI-16756-08-55-A-29
	2009 - UI-18030-09-55-A-29
State Agency:	Department of Labor and Industrial Relations (DLIR)
Questioned Costs	\$2,280

Controls and procedures related to the computer system used to manage unemployment benefits were not adequate, resulting in errors in benefits paid or owed to claimants, and in establishing overpayments. During the year ended June 30, 2009, total federal unemployment insurance benefits paid totaled over \$1.3 billion.

According to the Office of Management and Budget (OMB) Circular A-133, Compliance Supplement Part 3, the structure of the Unemployment Insurance (UI) program is based on federal statute; however, it is implemented through state law. The UI program is funded through a combination of employer payroll taxes, employer reimbursements, and federal monies, depending on the types of benefits paid. The American Recovery and Reinvestment Act of 2009 (ARRA) provided additional federal funding for additional weeks of emergency and extended benefits, as well as Federal Additional Compensation (FAC) consisting of \$25 weekly to supplement the unemployment benefits of eligible claimants.

A claimant has several levels/types of benefits that can be received depending on eligibility and the timing of the benefits. Regular UI benefits are the first level against which eligible claimants can draw. After regular benefits have been exhausted, the next level a claimant can receive is the Emergency Unemployment Compensation (EUC) benefits which involves four tiers. When the First Tier benefits are exhausted, the claimant can receive benefits from the Second Tier, and so forth, if certain criteria are met. Each tier represents additional weeks of benefits that can be claimed. When triggered during times of high unemployment, a claimant can also receive benefits from the Extended Benefits (EB) level after the EUC benefits are exhausted.

We reviewed 105 benefit payments, covering the various payment types, made to 40 claimants. During our review, we noted errors in the accounts of four of these claimants, as indicated below:

- A. Due to a programming error, the computer system did not accurately calculate the maximum benefit amount (MBA) for Third Tier benefits. The DLIR utilizes a computer system maintained by the DLIR and the Office of Administration Information Technology Services Division (ITSD) to calculate each claimant's benefit payments and track each claimant's available benefit balances. Our review noted an overpayment of \$300 on one claimant's account, which resulted from formula errors in the system's programming. UI Program Letter (UIPL) 23-08, Change 5, issued by United States Department of Labor (USDOL), indicates Third Tier benefits are computed as the lesser of 13 times the individual's average weekly benefit amount or 50 percent of the individual's MBA. Personnel indicated a programming error occurred within the first few weeks of implementing the Third Tier benefits and they thought this issue had been resolved. After we brought this error to the DLIR's attention, the programming error was corrected and programmers identified another 183 claimant accounts where the MBA was similarly miscalculated. Documentation was not maintained of the 183 claimant accounts that had errors or the related dollar amount associated with those errors. Additionally, documentation was not maintained to demonstrate what was done to correct the errors. Procedures should be improved regarding changes made to the computer programs to ensure all changes are properly tested and accurate. In addition, documentation should be maintained of the claimants affected, the dollar amount of the errors, and the changes made to correct the programming error. We question the federal share of \$300 (100 percent) for the error noted during our review.
  
- B. For two accounts reviewed, we noted benefits from a previous level were initially exhausted, but due to identifying the claimants' failure to report wages earned, overpayments of benefits totaling \$944 were detected. Since these overpayments were made from a level that had previously been exhausted, when repaid or recouped, that previous level's benefits will no longer actually be exhausted. As a result the potential exists that these benefits would not subsequently be paid to the claimants when owed.

Generally, all monies should be paid out from one level before payments are made from the next level. The overpayments above were established in a prior level but benefits continued to be paid out from subsequent levels, instead of reverting back to the level where the overpayment was established until that level was again exhausted. As a result, the previous levels still have some benefits available to these claimants that have not been utilized. UIPL 23-08 indicates EUC is payable to individuals who have exhausted all rights to regular compensation and UIPL 23-08, Change 3, indicates an individual will qualify for Second Tier benefits when First Tier is exhausted. Procedures should be established to review claimant account balances and activity when an

overpayment is established against a previously exhausted benefit level, to ensure claimants subsequently receive all applicable benefits owed.

- C. A monthly report of overpayments, generated by the computer system, did not include some overpayments of EB. Our review noted an EB overpayment of \$1,980 (which includes \$150 overpayment of FAC) made to one claimant was not identified and not included in the report. The Benefit Payment Control Unit uses this report to investigate and pursue collection of the overpayments. Since the overpayment was not on the report, the overpayment was not investigated and collection was not pursued. We question the federal share of \$1,980 (100 percent). If similar errors were made on the remaining population, questioned costs could be significant.

Section 288.380.9(3), RSMo, indicates future unemployment benefits may be offset for overpayments. Procedures should be reviewed to ensure all overpayments are properly established and investigated so the overpayment can be properly recovered.

The errors indicated are a result of a breakdown or weakness in the computer programming and the testing of the changes to the computer programming to ensure benefits are handled properly. Personnel indicated the programming errors occurred because of a lack of time and guidance by the USDOL. In addition, personnel indicated the USDOL had issued numerous implementation instructions and the DLIR was under very restricted time restraints to implement the changes immediately.

**WE RECOMMEND** the DLIR resolve questioned costs with the grantor agency, and:

- A. Work with ITSD to reanalyze all the changes made recently to the programming to determine if there are other issues affecting payments to claimants. In addition, the DLIR should work with the ITSD to ensure programming changes are properly tested and accurate. Also, the DLIR should work with the ITSD to ensure documentation is maintained of corrections and changes made to computer programming, the claimants affected by the changes, and the dollar amount associated with the changes.
- B. Ensure overpayments caused by the claimant's failure to report wages are properly reviewed and handled, and any benefits due to the claimant are paid.
- C. Develop procedures to ensure all overpayments are included in the overpayment report so that overpayments can be investigated and collection can be pursued.

### **AUDITEE'S RESPONSE**

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

**2009-3.**

**Reporting**

Federal Agency: Department of Labor  
Federal Program: 17.225 Unemployment Insurance  
17.225 ARRA - Unemployment Insurance  
2008 - UI-16756-08-55-A-29  
2009 - UI-18030-09-55-A-29  
State Agency: Department of Labor and Industrial Relations (DLIR)

Controls and procedures over reporting are in need of improvement. Due to inadequate procedures and a lack of oversight, reports necessary to comply with federal reporting requirements were not submitted timely.

One person was responsible for preparing, reviewing, and approving all but two financial reports during the period June 2008 through April 2009. Currently, the DLIR has an individual that is responsible for monitoring reports and ensuring reports are filed timely. The USDOL's Employment and Training Administration requires state agencies participating in the UI program to submit various reports to document program and administrative expenditures and activity. Reports may be submitted monthly, quarterly, or annually, depending on the specific report. Per OMB Circular A-133, Compliance Supplement Part 4, for the UI program, eight reports are required to be submitted to the USDOL on a predetermined monthly or quarterly basis. Of 63 reports filed for the year ended June 30, 2009, 26 (41 percent) were not submitted timely. Some reports were submitted up to 70 days late. Although a system was in place that could produce a report called "reports prompt" (timely) and a report called "reports not prompt", these tracking reports were apparently not used to ensure compliance in filing the reports timely. With the lack of oversight, and not utilizing the system in place to monitor timeliness of reports, reports were not submitted timely in accordance with federal requirements.

**WE RECOMMEND** the DLIR improve procedures to ensure applicable reports are filed with the USDOL within the required timeframe. The DLIR should ensure adequate oversight over the reporting process and utilize the tracking reports to monitor the timeliness of reports.

**AUDITEE'S RESPONSE**

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

**2009-4.**

**Subrecipient Monitoring**

Federal Agency: Department of Energy  
Federal Program: 81.042 Weatherization Assistance for Low-Income Persons  
2008 DE-FG-450R530683

81.042 ARRA - Weatherization Assistance for Low-  
Income Persons  
2009 DE-EE0000151

State Agency: Department of Natural Resources (DNR)

The DNR should improve policies and procedures to provide better assurance that subrecipients of the Weatherization Assistance for Low-Income Persons (WAP) program are in compliance with applicable grant requirements.

The DNR Energy Center is responsible for administering the WAP program in Missouri. The Energy Center subgrants WAP funds to 16 regional Community Action Agencies, 1 city government, and 1 not-for-profit organization. During the year ended June 30, 2009, subrecipients spent \$6.3 million in regular WAP funds and \$1.5 million in additional WAP funds related to the ARRA. During the next 3 fiscal years, the DNR expects to receive and spend an additional \$128 million in ARRA funds for this program, with the vast majority of these funds to be provided to the various subrecipients.

As the grantor agency, the DNR is required to monitor the activities of the subrecipients. An annual on-site fiscal and procedural monitoring review and an annual technical monitoring review is to be conducted for each subrecipient. The purpose of fiscal and procedural monitoring is to review subrecipients' administrative procedures and program receipts and disbursements. The purpose of technical monitoring is to ensure weatherization projects were satisfactorily completed and the work conformed to weatherization program standards. Fiscal and procedural monitoring is conducted by Energy Center staff or by external CPA firms under contract. Technical monitoring of completed home weatherization projects is conducted by Energy Center staff. While it is DNR's policy to perform annual fiscal monitoring reviews, the DNR fell behind in completing these reviews and performed reviews during fiscal year 2008 which covered the 2 years ended June 30, 2007, and are currently in the process of completing reviews which cover the two years ended June 30, 2009.

- A. The DNR could improve monitoring of subrecipient activities to ensure expenditures incurred by subrecipients are allowable.
- 1) The DNR does not request or receive any supporting documentation prior to reimbursing subrecipients for program expenditures. Currently, the subrecipients submit monthly claims for reimbursement which consist only of totals for costs incurred for the month by budget category. In addition, the subrecipients submit summary reports which list each completed project (i.e. each home) and the total costs incurred for each project. Subrecipients do not submit itemized listings or copies of invoices for any costs claimed for reimbursement. DNR officials stated they are in the process of implementing an internet-based reporting system called MOWAP which will require all subrecipients to prepare detailed monthly listings of expenditures to be reimbursed with WAP funds. When implemented, this should allow the DNR to review on a timely basis

itemized listings of costs submitted for reimbursement. The MOWAP reporting system is expected to be functioning by January 2010.

- 2) The DNR should improve policies and procedures to ensure a sufficient number and amount of expenditures are reviewed and should improve documentation of actual expenditures reviewed during on-site visits.

Per the Energy Center's subrecipient monitoring guide, current monitoring procedures consist of reviewing expenditures for training and technical assistance, insurance, and administration for selected test months, and tracing some of these types of expenditures to the original invoices to determine reasonableness and allowability. However, the monitoring guide does not define a methodology to ensure a sufficient sample is reviewed of these types of expenditures. The guide only indicates these types of expenditures should be reviewed for test months, but does not indicate the number of months, or how many expenditures from each month, should be reviewed.

In addition, procedures should be improved to ensure expenditures reviewed for construction materials and labor are adequately documented. DNR officials stated invoices for construction materials and labor are observed as part of client file reviews during fiscal monitoring; however, specific expenditures reviewed are not adequately documented. Also, DNR officials stated the technical monitoring reviews would note any unallowable or unnecessary purchases because they review the work orders for the related projects; however, there is no documentation in the technical monitoring files that any invoices for the related actual expenditures are reviewed.

We reviewed the four fiscal monitoring reviews performed by Energy Center personnel for activity of the 2 years ended June 30, 2009. The other 14 fiscal monitoring reviews were contracted to CPA firms and had not all been completed as of November 30, 2009. For all four of these reviews, documentation could have been improved to indicate specific expenditures reviewed. For example, three monitoring files only included copies of one or two vendor invoices, indicating that those expenditures were traced to the original invoices. It was difficult to determine if any other administrative or construction expenditures were traced to invoices or other supporting documentation, based on the information contained in the monitoring files.

Federal regulation 10 CFR, Section 400, contains specific guidance regarding allowable and unallowable costs for the WAP program. In addition, 10 CFR 600.121(b), requires WAP financial management systems exercise effective control and accountability, and accounting records be supported by source documentation. To strengthen internal controls for ensuring program expenditures

are allowable and reasonable, the DNR should ensure the monitoring of subrecipient expenditures is sufficient and properly documented.

B. DNR procedures to ensure subrecipients comply with federal and state procurement requirements should be improved as follows:

- 1) The DNR does not adequately document its review of subrecipient compliance with the state of Missouri's purchasing laws or ensure identified noncompliance is corrected in a timely manner. Subrecipients are required to follow procurement guidelines set by the DNR, which are based on requirements in Section 34.040, RSMo. Solicitation of telephone bids is required for purchases of like items valued at \$3,000-\$24,999. For purchases of like items valued over \$25,000, purchasing contracts must be awarded based on a formal bidding process (i.e., advertised requests for proposals and bid evaluations). Per DNR officials, subrecipients are allowed to use written contractual prices for multiple projects but must obtain price quotes by telephone for each project for purchases of like items valued between \$3,000 and \$25,000. The DNR monitoring guide includes a provision for a review of the subrecipient's ledger to determine which vendors were paid over \$3,000 and to determine whether proper bid documentation exists.

Our audit noted the following issues:

- Monitoring review files did not include adequate documentation of the DNR's review of bidding requirements. The files did not always document specific purchases from vendors that were reviewed to ensure purchases were made in accordance with state bidding requirements.
- Based on the reported results of the DNR monitoring reviews, subrecipient noncompliance with bidding requirements is a common problem; however, timely follow-up on known problems is not always performed. For example, a subrecipient monitoring review covering the 2 years ended June 30, 2007, noted bidding noncompliance. While the subrecipient submitted a corrective action plan, the DNR did not perform any interim follow-up monitoring reviews for this subrecipient to ensure corrective action was taken. Bidding noncompliance was again noted during the subsequent regular monitoring review covering the 2 years ended June 30, 2009.

Federal regulation 2 CFR Section 225, contains guidance regarding allowable costs and cost principals for federal awards. This regulation indicates that state and other laws should be considered when determining reasonable and allowable costs charged to federal programs. To serve as

an effective internal control to ensure costs incurred are reasonable and allowable, the DNR should strengthen its subrecipient monitoring procedures to include adequate reviews of compliance with bidding requirements. Follow-up action should be taken to ensure identified noncompliance is corrected timely.

- 2) The DNR requires subrecipients to obtain a written suspension and debarment certification from each vendor paid more than \$25,000. However, the monitoring review files contain no documentation regarding a review for compliance with this requirement. As of October 2009, the DNR also requires subrecipients to check the Federal Excluded Parties List System (EPLS) and the Missouri suspension and debarment list. The monitoring guide does not contain procedures to review for any of the above requirements. Federal regulation 2 CFR Section 180, requires recipients of federal awards to verify vendors paid more than \$25,000 are not suspended or debarred.

- C. The DNR does not review subrecipient audit reports on a timely basis to ensure compliance with the Single Audit Act and OMB Circular A-133. For subrecipients that spend over \$500,000 annually in federal awards, the subrecipient must obtain an audit in accordance with OMB Circular A-133 within 9 months of the end of the fiscal year. The DNR uses a tracking system to ensure A-133 audits are received from all subrecipients. Until June 2009 Energy Center personnel were responsible for reviewing the audit reports, following up with the independent auditors regarding errors and deficiencies noted in the audit reports, and ensuring the subrecipients submitted sufficient corrective action plans to address audit findings. In June 2009 the responsibility for reviewing the audit reports was transferred to DNR internal audit staff.

The DNR's audit tracking system indicates the internal auditors have received ten subrecipient audit reports since becoming responsible for this activity; however, as of November 30, 2009, the internal auditors have not completed reviews for any of these ten audits. DNR records indicate the date received could not be determined for one audit report because the original report was misplaced and a second copy was requested. The remaining nine audit reports have been in the internal auditors' possession for an average of 106 days, ranging from 28 to 151 days.

To strengthen internal controls and ensure timely follow-up on findings and noncompliance noted in the audits, the DNR should adopt policies and procedures to require subrecipient audit reports are reviewed on a timely basis.

Our prior audits of the WAP program noted significant weaknesses in subrecipient monitoring procedures, and the DNR has taken steps to address these weaknesses by improving the monitoring guide and performing more thorough and timely monitoring procedures. However, the DNR needs to make additional improvements as noted above

and ensure it provides adequate monitoring over the significant additional amount of ARRA funds to be received in the current and upcoming fiscal years. While subrecipient audits can provide useful information about program implementation, a thorough ongoing monitoring system can help provide timely correction of operational deficiencies and minimize potential noncompliance. DNR personnel indicated plans are being developed to increase monitoring procedures, such as increasing the frequency of on-site monitoring, amending the monitoring guide to address additional compliance requirements for ARRA funds, hiring additional staff, and implementing the MOWAP reporting system described above; however, some of these plans have not been formally implemented as of November 30, 2009.

**WE RECOMMEND** the DNR:

- A. Continue to work on the implementation of the MOWAP system and establish procedures for timely review of supporting documentation for expenditures reimbursed to subrecipients. In addition, the DNR should strengthen internal controls by establishing more comprehensive procedures for on-site monitoring of subrecipient expenditures including a consistent methodology for selecting representative samples of all significant types of subrecipient expenditures, and ensuring specific expenditures reviewed are adequately documented.
- B. Ensure subrecipient monitoring includes a more thorough review of compliance with bidding procedures, and perform more timely follow-up procedures for known noncompliance. In addition, the DNR should ensure monitoring for subrecipient compliance with federal suspension and debarment regulations is performed and documented.
- C. Adopt policies and procedures to ensure subrecipient audits are reviewed in a timely manner.

**AUDITEE'S RESPONSE**

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

**2009-5.**

**Reporting**

Federal Agency: Department of Defense  
Federal Program: 12.401 National Guard Military Operations and Maintenance  
Projects

2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000

State Agency: Department of Public Safety - Adjutant General (AG)

Controls and procedures over federal reporting are in need of improvement. While the AG had a system in place to track fiscal year closeout reports and related due dates, AG personnel did not use this data to help ensure closeout reports were actually submitted to the federal government by the dates due or that requests for extensions were filed if necessary. As a result, several closeout reports and requests for extensions were not submitted timely. This program is administered through a master cooperative agreement in which the awarding federal agency has ongoing direct involvement in the program. The cooperative agreement does not change from year to year; however, new appendixes to this agreement, which fund various operations and maintenance projects, are approved each year. Accordingly, each year, the prior year's appendixes should be closed out or extended until obligated funds have been fully expended.

We reviewed five of the nine appendixes for which obligations were completed and closeout reports were submitted during fiscal year 2009. Two of the five appendixes reviewed covered multiple locations. Separate closeout reports are required for each location; therefore, a total of eight closeout reports were reviewed. We found five of the eight (63 percent) closeout reports reviewed were submitted approximately one to two months after the original or extended date due. In addition, we reviewed 5 of the 20 appendixes for which obligations were not fully expended and extensions were required to be filed during fiscal year 2009. We noted various requests for extensions for three of these five (60 percent) appendixes which were filed approximately four months to one year late.

Article III, Section 306, of the cooperative agreement between the AG and the Department of Defense, National Guard Bureau requires the state to submit a closeout report for each appendix within 90 days after the end of the federal fiscal year. If obligations related to the agreement still exist, the cooperative agreement indicates the state must request an extension for the closeout due date and the National Guard Bureau's United States Property and Fiscal Officer may set a new deadline for submission of the report.

To ensure compliance with the cooperative agreement, the AG should expand the current report tracking system to include procedures to ensure closeout reports for all appendixes are submitted by the dates due or when necessary, extensions are requested in a timely manner.

**WE RECOMMEND** the AG establish procedures to ensure closeout reports are submitted by the date due or when necessary, and deadline extensions are obtained and met.

**AUDITEE'S RESPONSE**

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

<b>2009-6.</b>	<b>Capital Assets</b>
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Federal Agency: Department of Defense  
Federal Program: 12.401 National Guard Military Operations and Maintenance  
Projects  
2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000  
State Agency: Department of Public Safety - Adjutant General (AG)

The AG did not maintain proper records of capital assets acquired through the above referenced program or adequately perform periodic inventories to ensure these assets are accounted for properly. During the year ended June 30, 2009, approximately \$730,000 of program funds were expended on capital assets (excluding land and improvements) for the various facilities statewide.

A. Some assets purchased during fiscal year 2009 have not been properly accounted for in the AG's internal capital asset tracking system or the Statewide Advantage for Missouri (SAMII) accounting system's capital asset tracking system, and some assets have not received a property tag and asset number. As noted in the prior report, AG personnel indicated the staff position assigned responsibility for tracking capital assets was not able to keep up with the high workload, resulting in a backlog of assets not tagged or entered into the internal or SAMII capital asset tracking systems. Our review of 28 capital asset purchases made during fiscal year 2009, totaling approximately \$348,000, noted 7 assets, valued around \$18,900, had neither been entered into the internal capital asset tracking system nor had been assigned property tags and asset numbers; and 5 assets, valued around \$26,700, had not been entered into the SAMII capital asset tracking system. In addition, the AG had not performed physical inventories during fiscal year 2009 at any of the offsite locations housing the assets.

In July 2009, a new property manager took over capital asset responsibilities and revised capital assets procedures were developed and in effect in August 2009. AG personnel indicated that since this change occurred, new property purchased has been tagged and entered into both the AG and SAMII capital asset tracking systems and progress has been made on the backlog of untagged capital assets purchased prior to July 2009. Additionally, annual physical inventories have resumed.

To ensure capital assets are accounted for properly, the AG should continue to follow its current capital asset procedures of assigning property tags to all newly

purchased assets, entering them into both the internal and SAMII capital asset tracking systems in a timely manner, and performing annual physical inventories. In addition, to ensure the capital asset records are complete and accurate, the AG should continue to investigate the backlog of untagged capital assets.

- B. AG personnel have not completed a reconciliation between the expenditure and capital asset records in the SAMII system. This reconciliation ensures all acquisitions of capital assets have been identified and properly recorded. While a reconciliation is in progress, as of January 2010, approximately \$1.2 million of the \$3.8 million in capital asset expenditures from fiscal year 2002 through fiscal year 2009 have not been reconciled. Completing this reconciliation would provide the AG more assurance all capital assets are included in the capital asset records.

The cooperative agreement between the AG and the Department of Defense, National Guard Bureau requires the state to account for and manage equipment acquired under this program. In addition, OMB Circular A-133, Compliance Supplement Part 3, indicates that a state shall use, manage, and dispose of equipment acquired under a federal grant in accordance with state laws and procedures. State regulation, 15 CSR 40-2.031, requires each department to establish and maintain a system of control and control records for capital assets, identify capital assets with a numbered tag, and perform an annual physical inventory. To ensure compliance with state and federal regulations and to safeguard assets against loss and misuse, the AG should have adequate procedures in place to account for and track capital assets.

**WE RECOMMEND** the AG:

- A. Ensure all equipment is properly assigned a property tag number and entered into both the internal and SAMII capital asset tracking systems. In addition, the AG should ensure annual physical inventories are performed and continue to investigate the backlog of untagged capital assets.
- B. Ensure the capital asset reconciliation is completed to identify all capital assets and ensure the capital asset records are accurate.

**AUDITEE'S RESPONSE**

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

<b>2009-7.</b>	<b>Schedule of Expenditures of Federal Awards</b>
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Federal Agency: Department of Defense  
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects

2008 - DAHA23-08-2-1000 and 2009 - DAHA23-09-2-1000

State Agency: Department of Public Safety - Adjutant General (AG)

The AG does not have adequate procedures in place to prepare the Schedule of Expenditures of Federal Awards (SEFA) or to prevent and detect errors. As a result, the original SEFA prepared was understated by approximately \$15 million, and multiple versions of the SEFA, containing errors and omissions, were prepared by the AG. The responsibility for preparing the SEFA for fiscal year 2009 was assigned to a different staff person than in previous years, and formal guidelines outlining the proper accumulation of federal expenditure data had not been developed to aid staff in preparing the SEFA. These factors resulted in the SEFA excluding material expenditures, such as design and construction costs handled by the Office of Administration (OA) for the AG. According to AG personnel, the OA uses different data fields in the SAMII accounting system to track these costs, making it more difficult for the AG to identify the costs to a particular project. In addition, the AG does not have a formal supervisory review process in place to help ensure the accuracy of the SEFA.

OMB Circular A-133, Section .310(b), requires the AG to prepare a SEFA showing the financial activity for each federal program. Without adequately trained staff, formal procedures, and supervisory reviews, the AG has little assurance the schedule is complete and accurate and errors may not be prevented or detected in a timely manner.

**WE RECOMMEND** the AG develop formal procedures to prepare a complete and accurate SEFA, including providing for appropriate supervisory reviews.

**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.*

**2009-8. Veterans State Nursing Home Care Program**

Federal Agency: Department of Veterans Affairs (VA)  
Federal Program: 64.015 Veterans State Nursing Home Care  
State Agency: Department of Public Safety (DPS) - Missouri Veterans Commission (MVC)

Formal application and eligibility review policies and procedures of potential Veterans Nursing Homes (Homes) residents are in need of improvement.

The Veterans State Nursing Home Care program provides a per diem reimbursement to states based on the number of care days provided for eligible residents in state-run Homes. To be eligible, a resident must be a veteran needing nursing home care and meet

additional criteria, including but not limited to, having a service-connected disability, which is determined by the VA for each veteran. In addition, veterans must meet state admission criteria, which includes being a Missouri resident for at least 180 days at some point in his or her life. Our review of eligibility focused on veterans meeting state admission criteria.

- A. Prior to September 2008, eligibility reviews performed of potential residents were not documented, and therefore, the MVC could not demonstrate that its personnel verified resident eligibility prior to that time. In addition, our review of the forms used to document eligibility reviews after September 2008 found Homes personnel are not always following the new policy.

The Homes formal policies and procedures manual states that for each veteran applying for entry into a home an eligibility review is required by a review team consisting of the Director of Social Services, the Director of Nursing, the Home Administrator, and the Home Veterans Service Officer (VSO); however, these reviews were not documented prior to September 2008. Currently, a Pre-Admission Screening form is completed for each veteran application received. This form is a checklist of pertinent financial information and required documentation (such as a completed and signed health care information form, a signed and notarized application, acceptable proof of residency, acceptable proof of other than dishonorable discharge, and relevant legal papers) to be obtained and reviewed by Homes personnel to ensure eligibility. The form contains signature lines for Homes personnel to document their review of the application and supporting information obtained.

Prior to September 2008, this form was used only as a tracking mechanism to ensure applications were processed in a timely manner, but not to document eligibility determinations. MVC management stated that effective September 1, 2008, this form now serves as both a tracking mechanism and documentation of eligibility reviews. As of December 2009, the Homes manual had not been updated to reflect this change.

In addition, our review of ten forms completed after September 1, 2008, noted six forms (60 percent) where at least one member of the review team did not sign the form indicating their review of eligibility. Five of the six errors occurred because a VSO did not sign the form, which appears to be due to the fact that the form states that signature is optional, and the final error occurred because a Home Administrator did not sign the form.

The MVC should update the Homes manual to incorporate current eligibility policies and procedures. In addition, the MVC should ensure eligibility determinations are performed and documented by the appropriate personnel and periodically reviewed by supervisory staff.

- B. The MVC does not have written policies and procedures identifying acceptable documentation to verify the 180-day state residency requirement; therefore, the MVC could not effectively demonstrate compliance with the residency requirement. While the documentation obtained by the MVC proved the applicant had been a Missouri resident at some point in his or her lifetime, it did not always prove the applicant had been a Missouri resident for 180 days. It is unclear what documentation could be received to prove such residency.

According to MVC management, various forms of documentation are deemed acceptable proof that a veteran was a resident of Missouri, including a military discharge form documenting Missouri as the place of birth or permanent address when entering or being discharged from the military. If a military discharge form does not prove residency, further documentation is required, such as a Missouri drivers or non-drivers license, paid real estate property tax receipt, or property deed. However, these documents do not effectively prove the veteran was a Missouri resident for at least 180 days.

Policies and procedures should be updated to reflect what documentation constitutes acceptable proof of the 180-day residency requirement. In addition, to fully demonstrate compliance with the residency requirement, the MVC needs to ensure acceptable proof of residency is obtained for each resident. If it is not always feasible to ensure compliance with this requirement, the MVC should investigate changing the 180-day residency requirement in the related CSR.

According to 38 CFR Section 51.50 (2008), an eligible resident is a veteran needing nursing home care and meeting additional criteria, including but not limited to, having a service-connected disability, which is determined by the VA for each veteran. In addition, Chapter 1 of the Federal Benefits for Veterans, Dependents, and Survivors, 2009 Edition, issued by the VA, states the veteran must meet state admission criteria. Section 42.105, RSMo, requires an applicant to be a Missouri citizen and 11 CSR 85-1.030(1)(E), further requires an applicant to have maintained a physical residency in Missouri for 180 days prior to application for placement in a veterans' home; as well as meeting several other criteria.

Without formal policies and procedures regarding the application and eligibility review process, the MVC and Homes cannot demonstrate full compliance with state eligibility requirements.

**WE RECOMMEND** the MVC revise the Homes policies and procedures manual to reflect the use of the Pre-Admission Screening Form to document all eligibility reviews, including personnel required to perform the reviews, and formally establish acceptable proof of residency documentation. In addition, the Pre-Admission Screening Form should be updated to require all necessary reviewers' signatures, and acceptable proof of residency should be obtained for each applicant.

**AUDITEE'S RESPONSE**

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

<b>2009-9.</b>	<b>Subrecipients</b>
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Federal Agency:	Department of Agriculture Department of Health and Human Services (DHHS)
Federal Program:	10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 2008 and 2009 - IS251443, IE251843 and IS252043 93.556 Promoting Safe and Stable Families 2008 - G0801MO00FP and 2009 - G0901MO00FP 93.558 Temporary Assistance for Needy Families 2007 - G0701MOTANF, 2008 - G0801MOTANF, and 2009 - G0901MOTANF 93.575 Child Care and Development Block Grant 2008 - G0801MOCCDF and 2009 - G0901MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2008 - G0801MOCCDF and 2009 - G0901MOCCDF 93.658 Foster Care -Title IV-E 2008 - G0801MO1401 and 2009 - G0901MO1401 93.659 Adoption Assistance 2008 - G0801MO1407 and 2009 - G0901MO1407 93.667 Social Services Block Grant 2008 - G0801MOSOSR and 2009 - G0901MOSOSR 93.674 Chafee Foster Care Independence Program 2008 - G0801MO1420 and 2009 - G0901MO1420 93.778 Medical Assistance Program 2008 - 0805MO5028 and 0805MO5048 2009 - 0905MO5028 and 0905MO5048
State Agency:	Department of Social Services (DSS) – Division of Finance and Administrative Services (DFAS)

As noted in previous reports, the DSS does not consider certain entities to be subrecipients. Our review of expenditures from the above referenced programs noted payments to several entities which appear to be subrecipients. However, the SEFA prepared by the DFAS reported the payments to these entities for these programs as payments to vendors, rather than "amounts provided to subrecipients." These entities were not furnished applicable federal regulations and were 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 as subrecipients. The DSS provides funding to local community partnerships, for the state's Caring Communities Program, through various federal grants in coordination with other state agencies. The DSS paid these partnerships approximately \$20.5 million in federal funds during the year ended June 30, 2009. The partnership contracts explicitly state the partnerships are not considered subrecipients within the meaning of 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 provides guidance in determining whether an entity is a subrecipient or a vendor. We believe the partnerships should be considered subrecipients because: 1) the performances (core results) of the partnerships are 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 are 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 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."

Payments to Caring Communities partnerships from each federal program during the year ended June 30, 2009, are listed below:

<b>CFDA #</b>	<b>Program</b>	<b>Amount</b>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	\$ 8,956
93.556	Promoting Safe and Stable Families	5,563,486
93.558	Temporary Assistance for Needy Families	8,153,294
93.575 and 93.596	Child Care and Development Block Grant and Child Care Mandatory and Matching Funds of the Child Care and Development Fund	5,015,960
93.658	Foster Care Title IV-E	405,481
93.659	Adoption Assistance	193,766

93.667	Social Services Block Grant	830,436
93.674	Chafee Foster Care Independence Program	351,257
93.778	Medical Assistance Program	61,677

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 noted in the previous four audit reports. The DSS's Corrective Action Plans for each of these findings indicate the DSS does not agree with the audit finding and believes corrective action is not required. The DSS has communicated with the DHHS regarding these findings; however, there has been no formal resolution for any of the findings. In September 2009, the DSS received notification from the DHHS regarding the 2006 finding that on-site visits by the Administration of Children and Families (ACF) which included reviews of several of the arrangements at issue resulted in agreement with the audit finding, and as a result, the Corrective Action Plan for the finding was not acceptable. The DSS responded that the DSS is developing written policies and protocols to ensure all entities are appropriately classified as subrecipients or vendors using OMB Circular A-133 guidelines, and that the DSS will resolve issues related to entities found to be inappropriately classified once the policies are developed and tested. Such policies had not been finalized as of December 2009.

**WE AGAIN RECOMMEND** the DSS through the DFAS, 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 OMB Circular A-133 audits, where applicable.

**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.*

<b>2009-10.</b>	<b>Drawdown Controls</b>
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Federal Agency: Department of Agriculture  
Department of Education  
Department of Health and Human Services  
Federal program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program  
2008 and 2009 - IS251443, IE251843, and IS252043

- 10.561 ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program  
2009 - 2009ID250343
- 10.568 Emergency Food Assistance Program (Administrative Costs)  
2008 - IY810543
- 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States  
2007, 2008, and 2009 - H126A040037
- 93.558 Temporary Assistance for Needy Families  
2007 - G0701MOTANF, 2008 - G0801MOTANF, and 2009 - G0901MOTANF
- 93.563 Child Support Enforcement  
2008 - G0804MO4004 and 2009 - G0904MO4004
- 93.563 ARRA - Child Support Enforcement  
2009 - G0904MO4002
- 93.568 Low-Income Home Energy Assistance  
2008 - G08B1MOLIEA and 2009 - G09B1MOLIEA
- 93.659 Adoption Assistance  
2008 - G0801MO1407 and 2009 - G0901MO1407
- 93.659 ARRA - Adoption Assistance  
2009 - G0901MO1403
- 93.667 Social Services Block Grant  
2008 - G0801MOSOSR and 2009 - G0901MOSOSR
- 93.778 Medical Assistance Program  
2008 - 0805MO5028 and 0805MO5048  
2009 - 0905MO5028 and 0905MO5048
- 93.778 ARRA - Medical Assistance Program  
2009 - 0905MOARRA

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

Controls over drawdowns are in need of improvement. Current procedures have not prevented and/or detected accounting errors and supervisory reviews of drawdowns are not performed.

Drawdown requests are entered into various federal payment systems by a DFAS accountant based on a drawdown schedule and expenditure information received from various DSS personnel. Once received, drawdown receipts are recorded in drawdown ledgers maintained by the accountant, and recorded in SAMII by support staff. The accountant then approves the drawdown receipts entered on SAMII by the support staff. DFAS personnel indicated the drawdown ledgers are reconciled to SAMII records monthly; however, these reconciliations are performed by the same accountant and are not documented, and supervisory reviews of the reconciliations are not performed. As a result, controls are not sufficient to ensure drawdowns are properly recorded in the accounting records.

Our comparison of SAMII revenue records of drawdowns, totaling approximately \$5 billion, to federal payment systems noted four drawdowns totaling approximately \$53 million (1 percent) which were incorrectly recorded in SAMII. Two drawdowns were recorded under the incorrect federal program and two drawdowns were recorded as transfers or other revenue types rather than federal drawdowns. DFAS internal control procedures did not detect these errors.

Drawdown procedures are outlined in the DSS internal control plan; however, the plan does not provide for supervisory review of the drawdown procedures performed by the accountant. In addition, the plan does not require documentation of the reconciliations. Without documentation of reconciliations and supervisory review, there is less assurance drawdowns are properly recorded in the accounting records.

**WE RECOMMEND** the DSS through the DFAS, ensure drawdown records are properly reconciled, reconciliations are documented, and differences are investigated. In addition, the DFAS should implement documented supervisory reviews of drawdown procedures.

**AUDITEE'S RESPONSE**

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

<b>2009-11.</b>	<b>Schedule of Expenditures of Federal Awards</b>
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Federal Agency:	Department of Agriculture Department of Education Department of Health and Human Services
Federal program:	10.568 Emergency Food Assistance Program (Administrative Costs) 2008 - IY810543 10.569 Emergency Food Assistance Program (Food Commodities) 10.569 ARRA - Emergency Food Assistance Program (Food Commodities) 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States 2007, 2008, and 2009 - H126A040037 93.563 Child Support Enforcement 2008 - G0804MO4004 and 2009 - G0904MO4004 93.563 ARRA - Child Support Enforcement 2009 - G0904MO4002 93.568 Low-Income Home Energy Assistance 2008 - G08B1MOLIEA and 2009 - G09B1MOLIEA 93.658 Foster Care_Title IV-E 2008 - G0801MO1401 and 2009 - G0901MO1401

- 93.658 ARRA - Foster Care\_ Title IV-E  
2009 - G0901MO1402
- 93.659 Adoption Assistance  
2008 - G0801MO1407 and 2009 - G0901MO1407
- 93.659 ARRA - Adoption Assistance  
2009 - G0901MO1403
- 93.667 Social Services Block Grant  
2008 - G0801MOSOSR and 2009 - G0901MOSOSR
- 93.778 Medical Assistance Program  
2008 - 0805MO5028 and 0805MO5048  
2009 - 0905MO5028 and 0905MO5048
- 93.778 ARRA - Medical Assistance Program  
2009 - 0905MOARRA

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

DFAS controls and procedures over the preparation of the SEFA are not sufficient, and as a result, errors on the SEFA were not prevented and/or detected. Expenditures reported on the SEFA for 5 of 20 (25 percent) programs reviewed were understated by a net amount of approximately \$17 million (overstatements totaled approximately \$2 million and understatements totaled approximately \$19 million). Listed below are the misstatements applicable to each program:

<b>CFDA</b>	<b>Program</b>	<b>Overstated/ (Understated)</b>
10.569	Emergency Food Assistance Program (Food Commodities)	\$ 1,014,224
10.569	ARRA - Emergency Food Assistance Program (Food Commodities)	(1,014,224)
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	(1,033,393)
93.658	Foster Care - Title IV-E	985,492
93.778	Medical Assistance Program	(16,663,693)

DFAS personnel prepare the SEFA from various records, such as the programs' federal reports and the cost allocation plan, which are records of expenditures of the federal programs. DFAS personnel indicated a supervisory review of the SEFA is performed; however, this review is not documented and does not include a comparison or reconciliation to supporting records.

The majority of the above errors resulted from the incorrect compilation of data from the programs' federal reports. For the Emergency Food Assistance program (Food Commodities), commodity distributions totaling over \$1 million from awards under the ARRA were not identified separately on the SEFA. A reconciliation of the federal reports to the prepared SEFA would have detected these misstatements and helped ensure the SEFA was accurate.

Section .310(b) of OMB Circular A-133 requires that the DSS prepare a schedule of expenditures of federal awards showing the financial activity for each federal program. In addition, 2 CFR 176.210(b) requires that the DSS separately identify expenditures for federal awards under the ARRA on the SEFA. To ensure the SEFA is complete and accurate, effective procedures, including a reconciliation to federal reports and detailed supervisory review, should be established.

**WE RECOMMEND** the DSS through the DFAS, implement procedures to ensure the schedule of expenditures of federal awards is complete and accurate.

**AUDITEE'S RESPONSE**

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

<b>2009-12.</b>	<b>Cost Allocation Procedures</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2007 - G0701MOTANF, 2008 - G0801MOTANF, and 2009 - G0901MOTANF
	93.658 Foster Care - Title IV-E 2008 - G0801MO1401 and 2009 - G0901MO1401
	93.659 Adoption Assistance 2008 - G0801MO1407 and 2009 - G0901MO1407
	93.778 Medical Assistance Program 2008 - 0805MO5028 and 0805MO5048 2009 - 0905MO5028 and 0905MO5048
State Agency:	Department of Social Services (DSS) - Division of Finance and Administration (DFAS)
Questioned Costs:	\$666,189

The DSS has not established procedures to ensure all payments to Caring Communities partnerships are allowable and allocable to the various federal programs. Some of the costs associated with the partnerships are allocated through a cost pool based on the percentage of time worked by Children's Division (CD) employees on certain federal programs rather than based on actual services provided by the partnerships.

Partnership contracts consist of a base contract plus amendments for specific services applicable to certain federal programs. The base contract requires that the partnerships develop community-based systems to meet the needs of children and families within their community, and achieve the following six core results: parents are working, children are safe in their families and families are safe in their communities, children are ready to enter school, children and families are healthy, children and youth are

succeeding in school, and youth are ready to enter the work force and become productive citizens. The DSS paid these partnerships approximately \$23.3 million during the year ended June 30, 2009, of which approximately \$20.5 million was paid from federal funds.

The DFAS uses a cost allocation plan to allocate the payments made to the partnerships to various federal programs. Payments to the partnerships associated with the contract amendments are allocated directly to the federal programs for which the services under the amendment are provided. Payments associated with the base contracts are allocated through a multiple step process to the Promoting Safe and Stable Families (PSSF) program, the Social Services Block Grant (SSBG), and various other federal programs. Payments associated with the base contracts are initially allocated to the PSSF program. Once PSSF funds awarded to the state have been exhausted, remaining costs are included in the Social Services cost pool for distribution to the SSBG and various other federal programs. The Social Services cost pool primarily includes costs associated with the administration of the CD, including salaries, benefits, and other operational costs. The costs in this pool are distributed to the programs administered by the CD based on the results of a time study representing the percentage of time spent by CD employees on each program. Approximately \$1.8 million (8 percent) of the payments to the partnerships were allocated through the Social Services cost pool during fiscal year 2009.

The DSS does not obtain sufficient data from the partnerships that could be used to allocate the costs associated with the base contracts to the applicable federal programs. Instead, as noted above, some costs are allocated through the Social Services cost pool based on the percentage of time worked by CD employees on certain federal programs rather than actual services provided by the partnerships. Without such data it is unclear whether the costs allocated to four of the federal programs included in the cost pool were allowable costs for those programs. As a result, we question \$666,189, which is the federal portion of the costs allocated to these programs through the Social Services cost pool during the year ended June 30, 2009. Questioned costs are listed by federal program below:

<b>CFDA</b>	<b>Program</b>	<b>Amount</b>
93.558	Temporary Assistance for Needy Families	\$ 209,265
93.658	Foster Care Title IV-E	403,939
93.659	Adoption Assistance	46,948
93.778	Medical Assistance Program	6,037
<b>Total</b>		<b>\$ 666,189</b>

OMB Circular A-87, Attachment A, Section C states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or

assignable to such cost objective in accordance with relative benefits received. Without tracking and analyzing these costs, the DSS cannot ensure the costs are allowable and allocable to the various federal programs.

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

**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.*

<b>2009-13.</b>	<b>Procurement and Suspension and Debarment</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.563 Child Support Enforcement 2008 - G0804MO4004 and 2009 - G0904MO4004 93.667 Social Services Block Grant 2008 - G0801MOSOSR and 2009 - G0901MOSOSR
State Agency:	Department of Social Services (DSS)

The DSS does not ensure all entities paid more than \$25,000 are not suspended or debarred, or otherwise excluded from receiving federal funds. For contracts procured by the department, the DSS has established procedures to ensure certifications are obtained from the vendor/subrecipient and/or contracts contain a clause regarding suspension and debarment. For contracts the Office of Administration (OA) negotiates on behalf of the DSS, the DSS notifies the OA when contracts are funded with federal funds and of the need to ensure the vendor/subrecipient is not suspended or debarred. However, for statewide contracts negotiated by the OA, the DSS does not ensure the vendor is not suspended or debarred before procuring goods and services with federal funds. Based on information provided by DSS personnel, approximately 6 percent of administrative contracts utilized by the DSS are statewide contracts.

While OA officials indicated they include a clause in the vendor contract, obtain a certification from the vendor, and/or review the EPLS maintained by the General Services Administration to ensure the vendors awarded statewide contracts are not suspended or debarred, OA personnel did not include a clause, obtain a certification, or document this review for two of five statewide contracts we reviewed. On the date of our review of the EPLS, neither of these entities were found to be suspended or debarred.

Federal Regulation 2 CFR 180.300 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 form from the entity, or reviewing the EPLS. To demonstrate compliance with suspension and debarment federal regulations, the DSS should implement procedures to ensure applicable vendors/subrecipients are not suspended or debarred, including those vendors with statewide contracts from which purchases exceeding \$25,000 are made with federal funds.

**WE RECOMMEND** the DSS implement procedures to ensure applicable purchases from statewide contracts are in compliance with federal suspension and debarment regulations.

**AUDITEE'S RESPONSE**

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

<b>2009-14. Adoption Assistance - Eligibility and Assistance Payments</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.659 Adoption Assistance 2008 - G0801MO1407 and 2009 - G0901MO1407 93.659 ARRA - Adoption Assistance 2009 - G0901MO1403
State Agency:	Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs:	\$41,705

Payments were made on behalf of ineligible children in two cases, some payments were not allowable or supported by adequate documentation, and many subsidy agreements appear to have been backdated. During the year ended June 30, 2009, the DSS provided Adoption Assistance benefits totaling over \$49 million for approximately 10,900 children.

The Adoption Assistance program assists families in adopting eligible children with special needs by providing subsidy payments to adoptive parents. To be eligible to receive benefits under the program, eligibility requirements outlined at 42 USC 673 must be met, including the requirement that the state has made reasonable efforts to place the child for adoption without a subsidy. The DSS is required to enter into adoption subsidy agreements with adoptive parents who receive subsidy payments on behalf of the child. The nature of services to be provided and nonrecurring expenses to be paid must be stated in the subsidy agreement as required by 45 CFR 1356.40 and 45 CFR 1356.41, respectively. In addition, the agreement must be signed and in effect prior to or at the time of the final adoption decree. Subsidized costs may include maintenance, clothing, child care, respite care, and nonrecurring adoption expenses.

To test compliance with these requirements, we reviewed eligibility and expenditure documentation for 60 children receiving Adoption Assistance. Assistance payments totaling \$284,985 were made on behalf of these children during fiscal year 2009. Our review noted the following:

- A. For two (3 percent) cases tested, payments were made on behalf of children ineligible for Adoption Assistance benefits because adoption subsidy agreements were not signed and in effect before or at the date of adoption. The DSS policy requires that subsidy agreements be signed by both the adoptive parents and the CD Director. However, for these two cases, the signature dates for one or both of these parties were approximately two and four months after the decree of adoption. In these two cases, payments totaling \$6,776 were made on behalf of ineligible children during the year ended June 30, 2009. We question the federal share of \$4,583.

Payments, totaling \$30,439 and \$23,004, for these two cases were charged to the Adoption Assistance program from September 2000 to November 2009 and from August 2002 to November 2009, respectively. The payments made for these two cases during fiscal year 2009 were included in the questioned costs above. Subsequent to our review, the DSS recouped some of these payments (by reducing subsequent federal reimbursement requests) totaling \$17,258 and \$17,081, respectively (including the \$4,583 in questioned costs noted above). Additionally, the DSS re-coded the future funding for these cases to state funds.

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

Subsidy agreements are established by case workers and reviewed by supervisors in the local offices. After the subsidy agreements are signed by the adoptive parents and reviewed and approved by local office supervisors, the agreements are sent to the Central Office Contract Management Unit (CMU) where the CD Director's signature is applied with a stamp by CMU staff. CMU personnel perform a limited review of the agreement prior to applying the CD Director's signature stamp and a signature date. CMU personnel primarily review for completeness of the agreement and related documentation, but do not re-perform eligibility determinations or reviews. Eligibility determinations are conducted at the local level prior to submitting the subsidy agreements to the CMU for final signature stamp.

For at least ten (17 percent) cases tested, case files contained documentation indicating the CD Director's signature may have been applied to the subsidy agreement after the adoption date, but the signature date used was prior to or on the adoption date. For these cases, the subsidy agreement or the subsidy agreement attachment included a directive to backdate the CD Director's signature stamp and/or the Director's signature stamp date was prior to the date the

agreement was received by the CMU or prior to the date the adoptive parents applied for benefits. DSS officials indicated backdating of subsidy agreements by CMU personnel was permissible under DSS policy prior to May 2008, and that backdating was utilized because of a backlog in processing and submitting the subsidy agreements to the CMU.

Although each of these subsidy agreements were signed by the adoptive parents and reviewed by the local DSS case worker and his or her supervisor(s) prior to the adoption date, the CD Director's signature may not have been applied prior to or on the adoption date as required by DSS policy for the agreement to be in effect. Without the subsidy agreement being in effect prior to the adoption date, it is unclear whether payments made relating to these cases were allowable. For these ten cases, payments totaling \$54,375 were made during the year ended June 30, 2009. We question the federal share of \$36,774. Backdating of these subsidy agreements also impacts payments made prior to the audit period as well as future payments because subsidy agreements are typically effective until the child turns 18. The dates these subsidy agreements were established ranged from 1999 to 2006.

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

- C. For six (10 percent) cases tested, adoption assistance payments were not allowable and/or not supported by adequate documentation. For two of these cases, a nonrecurring legal expense and a clothing expense were paid, although these expenses were not authorized in the subsidy agreements. In the remaining cases, child care attendance records could not be located or did not agree to provider invoices. In these six cases, payments totaling \$514 were unallowable and/or unsupported by adequate documentation. We question the federal share of \$348.

The failure to ensure adoption subsidy agreements are signed prior to the adoption and that payments are authorized in the subsidy agreements and supported by adequate documentation, can result in federal reimbursements for ineligible children and/or unallowable costs. Payments associated with known questioned costs for A and C above represented approximately 3 percent of payments reviewed. If similar errors were made on the remaining population of assistance payments, questioned costs could be significant. Payments associated with known questioned costs for B represented approximately 19 percent of payments reviewed. If federal resolution of B determines these payments were not allowed, and if similar errors were made on the remaining population of assistance payments, questioned costs would be significant.

Conditions similar to A and C were noted in our prior audits of the Adoption Assistance program.

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

- A&B. Ensure all adoption subsidy agreements are signed prior to the adoption. In addition, the CD should pursue recoupment of the remaining overpayments.
- C. Ensure all payments are authorized in the subsidy agreements and supported by adequate documentation.

**AUDITEE'S RESPONSE**

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

<b>2009-15.</b>	<b>Vocational Rehabilitation Program</b>
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Federal Agency:	Department of Education
Federal Program:	84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States 2007, 2008 and 2009 - H126A0080037
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB) and Division of Finance and Administrative Services (DFAS)
Questioned Costs:	\$1,623,730

The FSD had not established procedures to ensure adequate supporting documentation was prepared for personnel costs charged to the Vocational Rehabilitation (VR) program. The FSD-RSB also does not adequately document annual reviews of Individualized Plans for Employment (IPE).

- A. Adequate supporting documentation was not always prepared for personnel costs, which consists of salaries and related fringe benefits and indirect costs, charged to the VR grant for approximately 160 employees. Personnel costs were charged solely to the VR grant for some employees who performed duties related to other programs.

Personnel costs charged to the VR grant during state fiscal year 2009 for which the supporting documentation was inadequate or not prepared totaled \$2,063,188, of which we question the federal share of costs totaling \$1,623,730 (78.7 percent).

Previously established FSD procedures, though not written, were to use certifications to support personnel costs for employees charged solely to the grant and personnel activity reports to support personnel costs of employees who

worked on multiple programs. As reported in our prior audit, in April 2008, the FSD inappropriately changed procedures and began using certifications for all employees including those who worked on multiple programs. The FSD procedures are to prepare certifications semi-annually for the periods April 1 through September 30 and October 1 through March 31.

- For the period July 1, 2008, to September 30, 2008, FSD charged 100 percent of personnel costs, totaling \$1,432,495 for about 160 employees, to the VR grant. The FSD had certified 31 of these employees as working solely on the VR program; however, the certification was not signed by the employee or the employee's supervisor with first-hand knowledge of the employee's duties and responsibilities during the period. In addition, according to FSD officials some of these employees also had duties and responsibilities for other state and federal programs and therefore did not work solely on the VR program as certified. The remainder of the employees for which personnel costs were charged to the VR grant in this period were certified as working solely on the program; however, their jobs duties had not changed from prior periods in which they had worked on multiple programs or solely on other programs. No personnel activity reports were prepared by these employees. We question the federal share of \$1,127,374 (78.7 percent) for the personnel costs charged to the grant for this period.
- For the period October 1, 2008, to January 31, 2009, the FSD charged personnel costs, totaling \$509,897, to the VR grant for 68 employees who were incorrectly certified as working solely on the VR program. Prior to April 2008, personnel costs for these employees were based upon personnel activity reports and were usually split between VR and other programs. The FSD changed procedures in April 2008 and began using certifications for this employee group, charging 100 percent of the related personnel costs to the grant; however, there was no significant change in the employees' duties. These employees should not have been certified and the related personnel costs should not have been charged at 100 percent to the grant. Personnel activity reports were not prepared by those employees for this time period. Personnel costs for this employee group for the first quarter were included in the questioned costs at the first bullet point above. In this section, we question those costs for the second and third quarters. We question the federal share of \$401,289 (78.7 percent) for the personnel costs charged to the grant for this period. According to FSD personnel, on February 1, 2009, the FSD re-established the use of personnel activity reports for these employees.
- For the period October 1, 2008, to March 31, 2009, the FSD charged 100 percent of personnel costs, totaling \$104,659, to the VR grant for four employees who worked entirely on a different program. Certifications were improperly prepared indicating those employees worked solely on

the VR program. Personnel costs for this employee group for the first quarter were included in the questioned costs at the first bullet point above. In this section, we question those costs for the second and third quarters. We question the federal share of \$82,367 (78.7 percent) for the personnel costs charged to the grant for this period. Beginning April 1, 2009, FSD changed these employees' duties to work solely on the VR program.

- For the period October 1, 2008, to February 28, 2009, there was one employee who worked solely on the VR program and personnel costs, totaling \$16,137, were charged 100 percent to the program. However, the required certification was not prepared as the employee was not employed during the payroll period ending March 31, 2009. The FSD does not have procedures in place to certify employees who are employed during the certification period but are not employed in the final pay period of the certification period. We question the federal share of \$12,700 (78.7 percent) for the personnel costs charged to the grant for this period.

OMB Circular A-87, Attachment B, Section 8, requires certifications or personnel activity reports to support personnel costs charged to federal grants. If certifications are used, they must be prepared semi-annually for employees who worked solely on a single federal program and are to be signed by the employee or a supervisor with first hand knowledge of the work performed by the employee. When employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation. The personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, be prepared at least monthly, coincide with one or more pay periods, and be signed by the employee.

As of April 1, 2009, the FSD implemented changes to the certification and personnel activity reporting procedures and the methods by which personnel costs are charged to the VR program to minimize the risk of future noncompliance. Those changes do not include procedures to certify personnel who leave the program prior to the last payroll period within the certification period.

- B. The FSD-RSB does not adequately document annual reviews of IPEs. Without adequate documentation, it is unclear whether the reviews were performed as required. During the year ended June 30, 2009, purchased services and products for VR clients totaled approximately \$4.6 million.

An IPE is developed for each individual determined to be eligible for vocational rehabilitation services. The IPE is designed to achieve a specific employment outcome for each individual based on their strengths, resources, priorities, and capabilities. The IPE generally outlines the services authorized to achieve the set

goals and employment outcome. An annual review of the IPE is required by federal regulation to assess the progress of each individual and to determine the continued need for services outlined in the IPE.

We noted documentation of the annual review was not included on the IPE form in the individual's case file for 9 of 44 (20 percent) cases tested. According to FSD-RSB policy, the annual review is to be documented on the IPE form. RSB officials consider communications between the counselors and recipients documented in the case narratives as being acceptable evidence that the annual reviews took place. However, when no review was documented on the IPE form for the above mentioned cases, we found the case narratives were not clear about whether the annual review was completed or whether any modifications were needed based on the recipients' current status in meeting their program goals. The files we reviewed included documentation indicating that cases were being actively managed and case counselors were regularly approving payments for VR services authorized in the individual's IPE.

Regulation 34 CFR 361.45(d)(5) requires the IPE to be reviewed at least annually by a qualified vocational rehabilitation counselor to assess the eligible individual's progress in achieving the identified employment outcome. Additionally, Chapter 12, Section A.9 of the RSB manual requires the annual review to be documented on the IPE form.

Without adequate documentation of the annual reviews, the FSD cannot ensure the reviews took place as required by federal regulation and cannot ensure the clients receiving services are making adequate progress toward stated goals and employment outcomes.

Conditions similar to findings A and B were noted in our prior report.

**WE RECOMMEND** the DSS through the FSD and DFAS:

- A. Resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program and personnel activity reports are prepared for employees who work on multiple federal awards or cost objectives in accordance with OMB Circular A-87.
- B. Document annual reviews of IPE for VR recipients on the IPE forms as required by RSB policy.

**AUDITEE'S RESPONSE**

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

**2009-16.**

**Child Support Enforcement - Reporting**

Federal Agency: Department of Health and Human Services  
Federal Program: 93.563 Child Support Enforcement  
2008 - G0804MO4004 and 2009 - G0904MO4004  
93.563 ARRA - Child Support Enforcement  
2009 - G090404002  
State Agency: Department of Social Services (DSS) - Division of Finance and  
Administrative Services (DFAS) and Family Support Division  
(FSD) - Child Support Enforcement (CSE)

The DFAS does not have adequate controls in place to ensure compliance with federal reporting requirements for the CSE program. As a result, total expenditures and the resulting federal share of expenditures were not reported correctly on the OCSE-396A federal reports for two of the four quarterly reports submitted for the activity of the year ended June 30, 2009. These reports are used to claim federal reimbursement of program costs. Our review noted administrative costs recorded on the first quarter reimbursement claim were overstated by \$1,585,916 and administrative costs reported on the fourth quarter reimbursement claim were understated by \$2,450,895. The net difference caused by the various errors was an understatement of administrative costs of \$864,979. The federal share of the costs under claimed was \$570,886. The majority of errors were due to double counting or exclusion of reporting categories related to county reimbursement.

During our review, we examined the report for the fourth quarter, noted the error discussed above, and informed the DFAS by recommending they review all quarterly reports and make any necessary adjustments. However, the DFAS only reviewed and made an adjustment for a portion of the fourth quarter error on the subsequent report for the first quarter of state fiscal year 2010. The DFAS failed to adjust for \$83,963 in errors from the fourth quarter and has not yet made an adjustment for the error noted above for the first quarter of state fiscal year 2009. As a result of the incomplete subsequent adjustment, the DFAS ultimately overreported administrative costs by \$1,501,953, of which the federal share is \$991,289 for state fiscal year 2009. The DFAS should submit a decreasing adjustment on their next federal report in order to fully correct for the identified errors.

In addition, the DFAS did not have written procedures in place to ensure the correct preparation of the federal reports and did not maintain sufficient documentation to support their calculations for key numbers on each of the four quarterly reports. Also, supervisory reviews were inadequate and failed to detect the errors. To help ensure the federal reports are complete and accurate, the DFAS should develop written procedures for the preparation of federal reports, retain documentation to support amounts reported, and ensure adequate supervisory reviews are performed prior to submission of those reports.

The federal Office of Child Support Enforcement requires state agencies participating in the CSE program to submit form OCSE-396A quarterly. Per 45 CFR 92.20(b)(1), accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the federal reporting requirements of the grant or subgrant.

**WE RECOMMEND** the DSS through DFAS, develop written procedures for preparation of federal reports, retain documentation to support amounts reported, and ensure adequate supervisory reviews are performed prior to submission of those reports. In addition, the DFAS should submit necessary adjustments on the next federal report to fully correct for the identified errors.

**AUDITEE'S RESPONSE**

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

<b>2009-17.</b>	<b>Child Support Enforcement - Salary Certifications</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.563 Child Support Enforcement 2008 - G0804MO4004 and 2009 - G0904MO4004 93.563 ARRA - Child Support Enforcement 2009 - G090404002
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS) and Family Support Division (FSD) - Child Support Enforcement (CSE)
Questioned Costs:	\$47,164

The FSD did not always prepare required salary certifications for employees working solely on the CSE program. For the year ended June 30, 2009, the DSS claimed \$24,919,722 as the federal share of personnel costs, or 48 percent of the total federal share of CSE program expenditures.

Salary certifications were not prepared for 2 of about 830 FSD employees whose personnel costs were charged 100 percent to the CSE program for the period of July to September 2008. The FSD did not reconcile the certification listing to a listing of all employees whose personnel costs were charged to the grant. Salary costs for these two employees were separately charged on the quarterly cost allocation plan; however, the related personnel costs were not classified to a personnel reporting code that was used to generate the list of employees for which certifications were required. We question the federal share of the salaries, fringe benefits, and indirect costs, totaling \$24,695, for these employees for this period.

In addition, one of the two employees identified above was again excluded from the certification listing for the period October 2008 to March 2009. Officials stated this employee terminated employment effective January 2009 and would not be included on the certification listing since FSD certifies at a point in time. Certifications are only prepared for those employees working solely on a single program in the last pay period of the semi-annual reporting period. As a result of this policy, it is possible other employees who worked on a single program for periods other than the last payroll of the reporting period are not certified. We question the federal share of the salaries, fringe benefits, and indirect costs, totaling \$22,469, for this employee for this period.

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. According to FSD officials, CSE employees work solely on the CSE program. Without accurate and complete certifications, the FSD has not fully substantiated the salary costs charged to the various federal programs.

**WE RECOMMEND** the DSS through FSD, resolve the questioned costs with the grantor agency. In addition, the FSD should develop written policies and procedures to ensure salary certifications are prepared for all employees who work solely on a single program 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.*

<b>2009-18.</b>	<b>Medical Assistance Program</b>
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2008 - 0805MO5028 and 0805MO5048 2009 - 0905MO5028 and 0905MO5048 93.778 ARRA - Medical Assistance Program 2009 - 0905MOARRA
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs:	\$1,428

A redetermination was not conducted timely to determine the eligibility of a recipient related to the above referenced program.

The Medical Assistance program, also known as Medicaid, is administered by the MHD, while the FSD is charged with determining the eligibility of Medicaid recipients. During the year ended June 30, 2009, Medicaid payments totaled approximately \$7.5 billion, of which approximately \$5.4 billion was claimed as federal expenditures.

The FSD did not perform an annual redetermination of eligibility for 1 of 60 Medicaid cases reviewed (2 percent). As a result, the FSD had no documentation to demonstrate payments related to this case were made on behalf of an eligible individual. The 60 case files tested were randomly chosen from a total of 1,065,664 Medicaid cases active for part or all of the year ended June 30, 2009.

For the one error noted, the client received Transitional Medical Assistance coverage, ending in December 2007, at which time the client was placed on Medicaid coverage. The last known redetermination of eligibility took place in June 2007 and the next redetermination did not occur until over 18 months later, in January 2009. The case was closed at that time by the FSD because there was not enough information to determine eligibility. Because the FSD did not perform the required annual redetermination, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the Medicaid program for this case. The medical payments made on behalf of this client before the case was closed totaled \$1,924 during the year ended June 30, 2009. We question the federal share of these payments or \$1,428 (74.23 percent).

Federal regulation 42 CFR Section 435.916 and state regulation 13 CSR 40-2.020 require a redetermination of eligibility at least every 12 months to ensure Medicaid recipients continue to be eligible for benefits. The failure to perform annual redeterminations as required can result in medical payments made on behalf of ineligible individuals.

Medical payments associated with known questioned costs identified above represented payments made on behalf of recipients for approximately 2 percent of Medicaid cases reviewed. If similar errors were made on the remaining population of Medicaid cases, questioned costs could be significant.

**WE RECOMMEND** the DSS through the FSD perform eligibility redeterminations when required to ensure compliance with applicable federal Medicaid program requirements. 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.*

**Additional State Auditor's Reports:**

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

<u>Report Number</u>	<u>Report Name</u>
2009-39	Medicaid Provider Monitoring
2009-52	Expenditures
2009-65	Missouri Housing Development Commission
2009-66	Office of Attorney General
2009-112	Information Technology Consolidation
2009-113	Department of Conservation
2009-127	Medicaid Fraud Control Unit
2010-5	Missouri Office of Prosecution Services
2010-10	Road and Bridge Funding
2010-11	Public Service Commission

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

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, 2008, 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, 2008, and the findings from the prior audits for the years ended June 30, 2007 and 2006, 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, 2007, is as follows:

Findings numbered 2, 3, 4A.2, 4A.3, 4B.1-4B.3, 5, 6, 8, 11, 13, 14A-G, 14I, 15A, and 18 were corrected.

Findings numbered 1, 4A.1, 4A.4, 4A.5, 4B.4, 7, 9, 10, 12, 14H, 15B, 16, and 17 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2006, all of the findings were corrected, no longer valid, or did not warrant further action.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### 2007-1. State Mediation Grant

**Federal Agency:** Department of Agriculture (USDA)  
**Federal Program:** 10.435 State Mediation Grants  
2007 - 300120753029020  
**State Agency:** Department of Agriculture  
**Questioned Costs:** \$14,046

The Missouri Department of Agriculture (MDA) did not have a cost identification and allocation methodology in place to track allowable costs chargeable to the state mediation grant. We questioned \$13,494 in salary and benefit costs charged to the grant and \$552 incorrectly charged to the grant for a total of \$14,046 in questioned costs.

#### **Recommendation:**

The MDA implement the use of labor distribution profile records for the direct personnel costs of the state mediation grant and develop a cost allocation methodology for other allowable costs of this program. In addition, the MDA should resolve the questioned costs with the grantor agency.

#### **Status of Finding:**

The Department has implemented the auditor's recommendation on this finding. All direct mediation staff time is now recorded on timesheets and entered into the labor distribution profile records system.

#### **Status of Questioned Costs:**

The Department is working with the grantor agency (USDA) to resolve the questioned costs by no later than February 1, 2010.

**Contact Person:** Robin Perso  
**Phone Number:** (573) 526-4892

### 2007-4.A.1. Protecting Children at Child Care Providers

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.575 Child Care and Development Block Grant  
2006 - G0601MOCCDF and 2007 - G0701MOCCDF  
93.596 Child Care Mandatory and Matching Funds of the Child Care  
and Development Fund  
2006 - G0601MOCCDF and 2007 - G0701MOCCDF  
**State Agency:** Department of Health and Senior Services (DHSS)

The DHSS, Division of Regulation and Licensure, Section of Child Care Regulation (SCCR) did not count related children in the number of children cared for in family day













93.568 Low-Income Home Energy Assistance  
2006 - G06B1MOLIEA and 2007 - G07B1MOLIEA  
93.575 Child Care and Development Block Grant  
2006 - G0601MOCCDF and 2007 - G0701MOCCDF  
93.596 Child Care Mandatory and Matching Funds of the Child Care and  
Development Fund  
2006 - G0601MOCCDF and 2007 - G0701MOCCDF  
93.658 Foster Care - Title IV-E  
2006 - G0601MO1401 and 2007 - G0701MO1401  
93.659 Adoption Assistance  
2006 - G0601MO1407 and 2007 - G0701MO1407  
93.667 Social Services Block Grant  
2006 - G0601MOSOSR and 2007 - G0701MOSOSR  
93.674 Chafee Foster Care Independent Living  
2006 - G0601MO1420 and 2007 - G0701MO1420  
93.778 Medical Assistance Program  
2006 - 06-05MO5028 and 2007 - 07-05MO5028  
2006 - 06-05MO5048 and 2007 - 07-05MO5048

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

The DSS did not consider certain entities, such as local community partnerships, to be subrecipients. Our review of expenditures noted payments to several entities which appeared to be subrecipients; however, the SEFA prepared by the DBF reported payments to these entities for these programs as vendors, rather than "amounts provided to subrecipients;" and these entities were not furnished applicable federal regulations and required to obtain an audit in accordance with OMB Circular A-133, when needed.

**Recommendation:**

The DSS-DBF 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, where applicable.

**Status of Finding:**

The DSS is working on written policies and protocols to ensure that all entities are being appropriately classified as subrecipients or vendors. Once finalized, DSS will "test" these policies and protocols against current contracts and use them with new agreements. DSS will resolve issues related to entities found to be inappropriately classified once the test is complete. Although DSS continues to disagree with this finding because we believe we have properly classified entities as subrecipients on the SEFA, we will test questioned entities against the written policies and protocols. Already substantial documentation has been provided to the federal government regarding the substance of the agreements and basis for classification as vendors providing a specific set of services.



The DSS did not have established procedures to terminate judicial orders and remove the obligation amount from the Missouri Automated Child Support System when support was no longer due, which allowed unpaid child support payments (arrears) to continue accruing. In addition, we found conflicting opinions on whether judicial orders could be terminated by the division or required circuit court action. Also, the FSD chose to disregard a portion of state law which stated that in all cases where the child is 22 years old, unless a court orders support to continue, a current obligation shall not be maintained on the division's automated system.

**Recommendation:**

1. The DSS amend policy to require division personnel to terminate judicial orders of support when dependents reach age 22, or the statutory age of emancipation, unless the court orders support beyond age 22.
2. The DSS identify courts where judges require court action to end a support obligation. Terminate judicial orders of support originating in all other Missouri courts once dependents have reached age 22, or the statutory age of emancipation, and end further accruals of unpaid support.

**Status of Finding:**

1. The division disagreed with this recommendation. The General Assembly has not granted the division administrative authority under chapter 454 of the statutes to "terminate" judicial orders. Only a court can terminate its order.

Absent specific authority in section 454.557, RSMo, FSD is not authorized to end judicial child support obligations for children between the ages of 18 and 21\* who meet termination of support criteria provided in section 452.340, RSMo. Subdivision 454.557.1(2), RSMo, provides that a current support obligation shall not be recorded in the automated system, "In a IV-D case with a support order entered by a court **when the court that issued the support order terminates such order and notifies the division.**" (emphasis added) Further, inconsistencies between section 452.340 and section 454.557, RSMo, prevent the division from ending support obligations when the child reaches the maximum statutory age of emancipation. (\*Senate Bill 25, signed into law on July 13, 2007, changed the maximum statutory age of emancipation from 22 to 21, effective August 28, 2007.)

In 1998, after statewide implementation of the automated child support system, the division worked with the Office of State Courts Administrator and circuit clerks to develop agreed upon procedures for circuit clerks and division staff regarding the division of responsibilities for adding and updating data in the automated system. Those procedures, based on the agreed upon interpretation of state law, remain in effect today and clearly state that circuit clerks update the automated system to end judicial obligations for Missouri orders.





least annual counselor-customer interaction where plan progress is a focus of the review session.

RSB is in the process of implementing an automated case management system, expected to be in operation during Federal Fiscal Year 2010. The system will capture the IPE completion date and generate an alert to counseling staff in advance of the annual anniversary date, reminding them of the required review. The system will not allow further case activity until the "annual review" system entry is completed.

**Contact Person:** Mark Laird  
**Phone Number:** (573) 751-4989

**2008-1.**                    Untimely Reinsurance Payment Requests

**Federal Agency:**     Department of Education  
**Federal Program:**    84.032 Federal Family Education Loans - Guaranty Agencies  
**State Agency:**        Department of Higher Education

The Missouri Department of Higher Education (MDHE) did not appear to request payment for reinsurance of some claims within the 30 day limit as required by the program regulations.

**Recommendation:**

The MDHE communicate with the United States Department of Education (USDE) for clarification of which date constitutes the payment date of default claims to lenders. Depending on the information received from the federal agency, the MDHE should make appropriate changes to its procedures to ensure reinsurance payment requests are filed with the USDE within the 30 day filing deadline.

**Status of Finding:**

The MDHE has contacted the USDE requesting clarification regarding what date constitutes the official claim payment date. USDE has not yet provided official guidance. Effective February 1, 2009, the MDHE revised its procedures to ensure reinsurance is requested not only within 30 days of the projected payment date but also within 30 days of the check date in SAM II. The MDHE has also encouraged lenders to switch to an electronic funds transfer payment rather than a paper check to more closely align the check date to the projected payment date in the MDHE's loan database.

**Contact Person:** Janet Roling  
**Phone Number:** (573) 751-1797







**Recommendation:**

The SEMA ensure it performs adequate subrecipient monitoring procedures related to this program. This would include, but not be limited to, ensuring all subrecipients submit an A-133 audit on a timely basis, as required.

**Status of Finding:**

The SEMA has created a new form that each subrecipient will complete as part of their grant award package and return to the SEMA fiscal branch. That form will signify if the subrecipient receives more than \$500,000 in federal funds from any source, by CFDA number. SEMA will compare that information against audits logged into the federal audit clearinghouse, audits completed on counties by the State Auditor's Office, and audits submitted directly to SEMA by subrecipients.

Additionally, the SEMA has written an audit/monitoring plan which details how subrecipients are selected for an audit and/or monitoring visit based on four different criteria. The audit/monitoring plan also includes a sample of items that will be reviewed during site visits and/or desk audits. The audit/monitoring plan also identifies the subrecipients that the SEMA plans to monitor during the next twelve months. The SEMA fiscal branch will monitor Homeland Security grants on-site in conjunction with the SEMA Homeland Security Grant Administration Branch. That list of subrecipients will be determined later this year.

**Contact Person:** Tracy Farris  
**Phone Number:** (573) 526-9106

- 2008-5.**                    Subrecipients
  
- Federal Agency:**    Department of Agriculture  
                                 Department of Health and Human Services
- Federal Program:**    10.561 State Administrative Matching Grants for the Supplemental  
                                 Nutrition Assistance Program  
                                 2007 - IS251443, IE251843, and IS252043  
                                 2008 - IS251443, IS802643, and IS803643
- 93.556 Promoting Safe and Stable Families  
                                 2007 - G0701MO00FP and 2008 - G0801MOFPSS
- 93.558 Temporary Assistance for Needy Families  
                                 2007 - G0701MOTANF and 2008 - G0802MOTANF
- 93.566 Refugee and Entrant Assistance - State Administered  
                                 Programs  
                                 2007 - G07AAMO7100 and G07AAMO7110  
                                 2008 - G08AAMO7100 and G08AAMO7110
- 93.568 Low-Income Home Energy Assistance  
                                 2007 - G07B1MOLIEA and 2008 - G08B1MOLIEA
- 93.575 Child Care and Development Block Grant  
                                 2007 - G0701MOCCDF and 2008 - G0801MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund  
2007 - G0701MOCCDF and 2008 - G0801MOCCDF  
93.658 Foster Care - Title IV-E  
2007 - G0701MO1401 and 2008 - G0801MO1401  
93.659 Adoption Assistance  
2007 - G0701MO1407 and 2008 - G0801MO1407  
93.667 Social Services Block Grant  
2007 - G0701MOSOSR and 2008 - G0801MOSOSR  
93.674 Chafee Foster Care Independence Program  
2007 - G0701MO1420 and 2008 - G0801MO1420  
93.778 Medical Assistance Program  
2007 - 0705MO5028 and 0705MO5048  
2008 - 0805MO5028 and 0805MO5048

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

The DSS did not consider certain entities, such as local community partnerships, to be subrecipients. Our review of expenditures noted payments to several entities which appeared to be subrecipients; however, the SEFA prepared by the DFAS reported payments to these entities for these programs as vendors, rather than "amounts provided to subrecipients;" and these entities were not furnished applicable federal regulations and required to obtain an audit in accordance with OMB Circular A-133, when needed.

**Recommendation:**

The DSS through the DFAS, 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, where applicable.

**Status of Finding:**

The DSS is working on written policies and protocols to ensure that all entities are being appropriately classified as subrecipients or vendors. Once finalized, DSS will "test" these policies and protocols against current contracts and use them with new agreements. DSS will resolve issues related to entities found to be inappropriately classified once the test is complete. Although DSS continues to disagree with this finding because we believe we have properly classified entities as subrecipients on the SEFA, we will test questioned entities against the written policies and protocols. Already substantial documentation has been provided to the federal government regarding the substance of the agreements and basis for classification as vendors providing a specific set of services.

**Contact Person:** Roger Backes

**Phone Number:** (573) 751-2170







**Contact Person:** Melody Yancey  
**Phone Number:** (573) 522-5062

**2008-8B.** Foster Care - Eligibility and Assistance Payments

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.658 Foster Care - Title IV-E  
2007 - G0701MO1401 and 2008 - G0801MO1401  
**State Agency:** Department of Social Services (DSS) - Children's Division (CD)  
**Questioned Costs:** \$1,747

Sufficient documentation, such as invoices or other supporting documentation, could not be located for some payments for some cases where payment documentation was required. In addition, for some cases, the benefit payments exceeded the annual clothing allowance, and for another case, the maintenance payments were incorrectly calculated. For these cases, payments totaling \$2,807 were unallowable and/or unsupported by adequate documentation. We questioned the federal share of \$1,747.

**Recommendation:**

The DSS through the CD resolve the questioned costs with the grantor agency, and ensure Foster Care payments are allowable and supported by adequate documentation.

**Status of Finding:**

A memo was sent to staff in September 2009 reminding staff of the requirement to attach supportive documentation to all invoices and payments for youth and caregivers. The memo outlines the process staff should follow.

**Status of Questioned Costs:**

The DSS has not received a response from the grantor agency on the questioned costs. The DSS will defer to the recommendations of the grantor agency when they are received.

**Contact Person:** Melody Yancey  
**Phone Number:** (573) 522-5062

**2008-8C.** Foster Care Eligibility and Assistance Payments

**Federal Agency:** Department of Health and Human Services  
**Federal Program:** 93.658 Foster Care - Title IV-E  
2007 - G0701MO1401 and 2008 - G0801MO1401  
**State Agency:** Department of Social Services (DSS) - Children's Division (CD)  
**Questioned Costs:** \$340

Payments, totaling \$540, were made on behalf of children ineligible for reimbursement of Foster Care benefits for some cases reviewed. We questioned the federal share of \$340.

**Recommendation:**

The DSS through the CD resolve the questioned costs with the grantor agency, and strengthen controls over eligibility re-determination to ensure all applicable payments are recouped or re-coded, and payments are made on behalf of children eligible for reimbursement.

**Status of Finding:**

DSS-CD continues to provide oversight of reviews of eligibility determinations. Supervisors pull a sample of cases for each worker. In addition, CD is currently completing an entire caseload review. The DSS recouped the payments questioned.

**Status of Questioned Costs:**

Federal reports included repayment of questioned costs.

**Contact Person:** Matt Morris

**Phone Number:** (573) 751-8953

**2008-9A.**                    Vocational Rehabilitation Program

**Federal Agency:** Department of Education  
**Federal Program:** 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States  
2007 - H126A0700372 and 2008 - H126A080037B  
**State Agency:** Department of Social Services (DSS) - Family Support Division  
(FSD) - Rehabilitation Services for the Blind (RSB)  
**Questioned Costs:** \$3,444,779

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

**Recommendation:**

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

**Status of Finding:**

The FSD agreed to modify the certification process for personnel who worked solely in a single grant program and to implement personnel activity reporting for those who work in multiple grants. FSD now ensures that all staff claimed 100% to the VR grant are verified through the certification process, effective in March 2009. Written procedures have been provided to affected staff to ensure they are clear on the certification process. Claims for all staff in the FSD-RSB program, but not claimed 100% to any grant, will be based on employee activity reports effective July 1, 2009.

**Status of Questioned Costs:**

This finding is the subject of continued discussion with the grantor agency, but no resolution has been achieved as of the date of this report.

**Contact Person:** Mark Laird

**Phone Number:** (573) 751-4249

**2008-9B.**                    Vocational Rehabilitation Program

**Federal Agency:**        Department of Education

**Federal Program:**      84.126 Rehabilitation Services - Vocational Rehabilitation Grants to  
   States  
   2007 - H126A0700372 and 2008 - H126A080037B

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

The FSD-RSB did not adequately document annual reviews of Individualized Plans for Employment (IPE) related to the Vocational Rehabilitation (VR) grant.

**Recommendation:**

The FSD document annual reviews of IPE for VR recipients on the IPE forms as required by RSB policy.

**Status of Finding:**

RSB has emphasized to VR counseling staff and their supervisors via memorandum and through on-site training the need for more clear-cut evidence of at least annual counselor-customer interaction where plan progress is a focus of the review session.

RSB is in the process of implementing an automated case management system, expected to be in operation during Federal Fiscal Year 2010. The system will capture the IPE completion date and generate an alert to counseling staff in advance of the annual anniversary date, reminding them of the required review. The system will not allow further case activity until the "annual review" system entry is completed.

**Contact Person:** Mark Laird

**Phone Number:** (573) 751-4249



The eligibility process begins with an application made in FAMIS through an interactive interview process between an eligibility specialist and the applicant or through a data entry process in which information supplied by the applicant on a paper application is entered into FAMIS by the eligibility specialist. The information received from the applicant and subsequently entered into the system by the eligibility specialist is used as the starting point to determine eligibility. The FAMIS system documents eligibility actions taken by the eligibility specialist and how the information was verified by the eligibility specialist. A supervisor reviews the eligibility determination in the FAMIS system. This review by the supervisor is then noted in a separate case review system. Field staff review the case on-line and update information in FAMIS. FAMIS has built-in checks to assist with determining eligibility. Additionally, the system is tested on an on-going basis to ensure that it is functioning properly.

FSD will continue to search for missing documentation. However, FSD does not agree that the missing documentation would make costs questionable. Even though the lack of a "hard case record" does not affect the eligibility, FSD will send a memorandum to remind staff that it is good practice to maintain the hard case record for review purposes.

- C. MHD's Participant Services Unit implemented new procedures for tracking, monitoring and retaining claim payment override documentation in December 2008.
- D. MHD's Program Integrity Unit modified the procedures for the State Audit Sample and updated the tracking system in March 2009.

**Status of Questioned Costs:**

Questioned costs have not yet been resolved with the grantor agency.

**Contact Person:** Sandra Nelson and Lynn Hebenheimer  
**Phone Number:** (573) 751-3124 and (573)526-6806