Thomas A. Schweich

Missouri State Auditor

State of Missouri

Single Audit

Year Ended June 30, 2011

March 2012

Report No. 2012-26

http://auditor.mo.gov

Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Fiscal Year 2011 Statewide Single Audit

Single Audit Background	The United States Congress passed the Single Audit Act of 1996 to establish uniform requirements for audits of federal awards administered by states, local governments, and non-profit organizations. The Act requires an audit of the state's financial statements and its use of federal awards. Single Audit guidelines require audit work be conducted on "major" programs and utilize a risk-based approach to determine which specific programs are major. Using this methodology, for the fiscal year ended June 30, 2011 (FY2011), our Single Audit involved audit work on 26 major programs at 9 departments, encompassing $11.24 billion (79 percent) of the total federal awards spent. The 26 major programs audited also account for approximately 96 percent ($1.72 billion) of all American Recovery and Reinvestment Act of 2009 (ARRA) funds spent during FY2011.
2011 Federal Awards	The state spent approximately $14.23 billion in federal awards through 349 different federal programs during FY2011, including approximately $1.79 billion in federal ARRA awards, expended through 62 programs at 13 state departments. The majority of ARRA funds were expended by the end of FY2011, but some programs will continue to have ARRA expenditures in subsequent fiscal years.
Financial Reporting Controls OA	The Office of Administration-Division of Accounting lacked adequate procedures to identify improperly recorded inter-fund and inter-agency transactions. A change in disbursement procedures required by a federal agency resulted in approximately $184 million in transactions being recorded twice in the state's accounting system by two state departments.
Low-Income Home Energy Assistance Program (LIHEAP) DSS	A Department of Social Services (DSS)-Family Support Division (FSD) subrecipient, the Human Development Corporation of Metropolitan St. Louis (HDC), misused at least $669,704 in LIHEAP funds before going out of business. The HDC received $4.23 million through the LIHEAP program to help pay energy costs for low-income families, but the entity began having financial problems and ultimately failed. The state had to use additional state funds to pay at least $669,704 owed to the energy supplier.
Eligibility Reassessments DHSS	As noted in our prior audit, the Department of Health and Senior Services (DHSS)-Division of Senior and Disability Services (DSDS) did not ensure payments were only made on behalf of eligible persons. Of the 60 Medicaid recipients we selected for testing, the DHSS-DSDS did not perform annual reassessments for 46 of 59 (78%) and could not even locate the other file.
Benefit Payments DLIR	The Department of Labor and Industrial Relations (DLIR) lacked adequate controls and procedures to manage unemployment benefits, resulting in $189,423 in questioned costs.
Allowable Costs and Activities DPS	The Department of Public Safety (DPS)-Office of the Director (OD) did not require salary certifications or approved activity reports to support personnel-related expenditures and did not adequately segregate some duties. The DPS-State Emergency Management Agency (SEMA) lacked

	adequate controls and procedures to ensure Social Services Block Grant (SSBG) Disaster funds were used for allowable costs and activities.
Eligibility and Assistance Payments DSS	As noted in our prior audit, the DSS-Children's Division (DSS-CD) lacked adequate controls to ensure payments were proper and benefited only eligible clients. Of the 60 Child Care and Development Fund cases we reviewed, 15 percent lacked eligibility documentation, including 6 case files that were missing entirely, and 22 percent of the 60 payments we reviewed lacked adequate documentation and/or were not in compliance with DSS policies. In addition, the DSS-CD made over $200,000 in ARRA Child Care Initiative payments to ineligible clients, and we questioned over $40,000 in payments made through the Adoption Assistance program. The DSS-FSD could not demonstrate all recipients complied with eligibility requirements for the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program, and it did not always properly determine eligible expenses to count toward spend down requirements, which may have caused participants to receive coverage for which they were not eligible.
Unallowable Costs and Maintenance of Effort DSS	The DSS-FSD did not timely update income information and lacked complete eligibility documentation for some Temporary Assistance for Needy Families (TANF) recipients. The DSS-FSD also failed to sanction the benefits of some participants who failed to cooperate with Child Support Enforcement procedures. The DSS-FSD claimed over $44 million in unallowable costs under the TANF program and counted unallowable educational program costs toward the maintenance of effort requirements, which was also a finding in our prior audit. The DSS-FSD lacked adequate controls to ensure the accuracy of data used to calculate the work participation rate for the TANF Work Verification Plan and to ensure recipients were sanctioned for non-compliance with program requirements.
Report Reviews DSS	The DSS MO HealthNet Division (DSS-MHD) lacked adequate controls to ensure reports were produced and reviewed as needed to ensure compliance with requirements of the Medicaid program.
Subrecipient Monitoring	Several agencies failed to monitor their subrecipients adequately. In particular, as reported in our prior audit report, the DESE continues to wait until the end of the year to monitor its ARRA programs to determine whether ARRA funds are being spent properly.
Additional Comments	The DSS-MHD periodically changed the rate paid to pharmacies under some programs, but the state regulation authorizing these fees has not changed. The DSS-MHD did not adequately control the override of claims or access to the Medicaid Management Information System. The DSS-Division of Finance and Administrative Services (DSS-DFAS) and the DPS-OD both lacked adequate controls over preparation of the Schedule of Expenditures of Federal Awards, and errors were not prevented and/or detected. The DSS-DFAS did not prevent and/or detect cost allocation errors and lacked adequate controls and procedures to ensure TANF funds transferred to the SSBG were used for programs and services to eligible individuals. The DPS-OD and some subrecipients of the DESE did not expend cash timely. We had no findings at 3 departments: Department of Mental Health, Department of Natural Resources and Department of Transportation.

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

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Common Abbreviations

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

INTRODUCTION AND SUMMARY

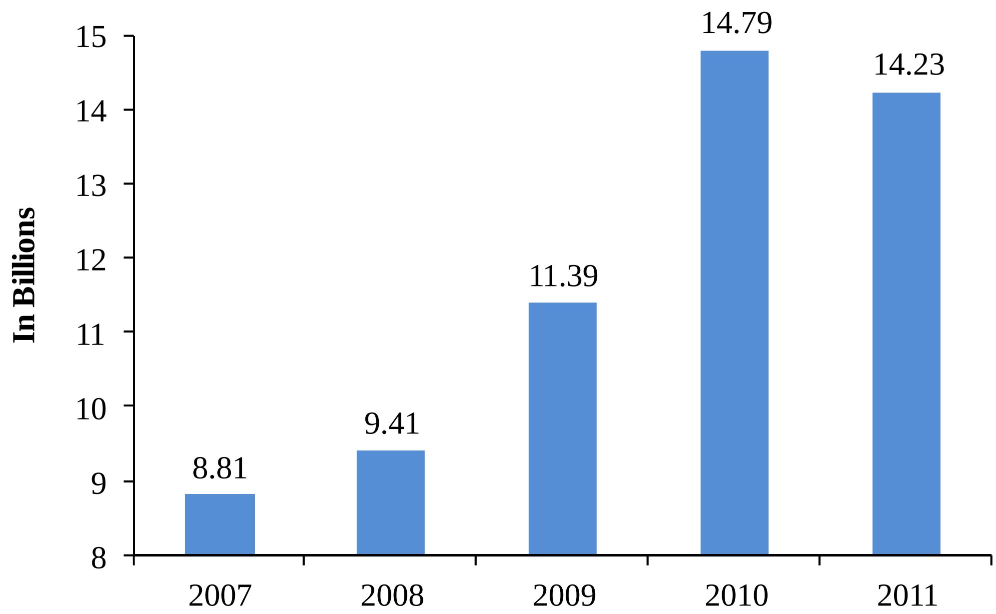
INTRODUCTION AND SUMMARY

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

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

The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the component units of the state, which are the public universities and various financing authorities. These component units have their own separate OMB Circular A-133 audits conducted by other auditors. The state expended $14.23 billion in federal awards during the year ended June 30, 2011.

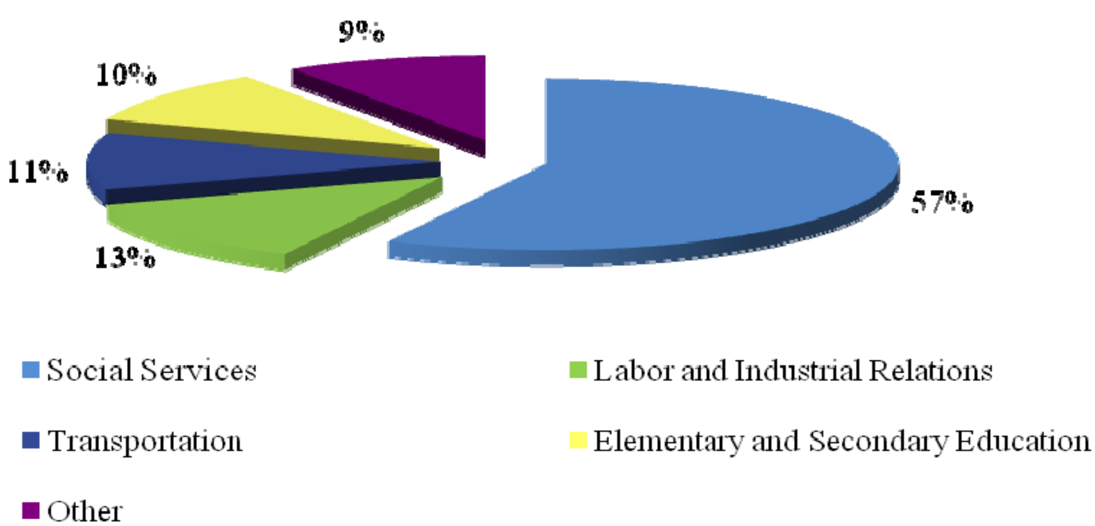
Total Expenditures of Federal Awards
Five Year Comparison



Expenditures of federal awards have increased over the past several years, peaking in fiscal year 2010. A contributing factor to the increase in total expenditures of federal awards during the years ended June 30, 2011, and June 30, 2010, was the additional federal funds made available through the American Recovery and Reinvestment Act of 2009 (ARRA). The majority of ARRA funds were expended by the end of fiscal year 2011; however, some programs will continue to have ARRA expenditures in subsequent fiscal years.

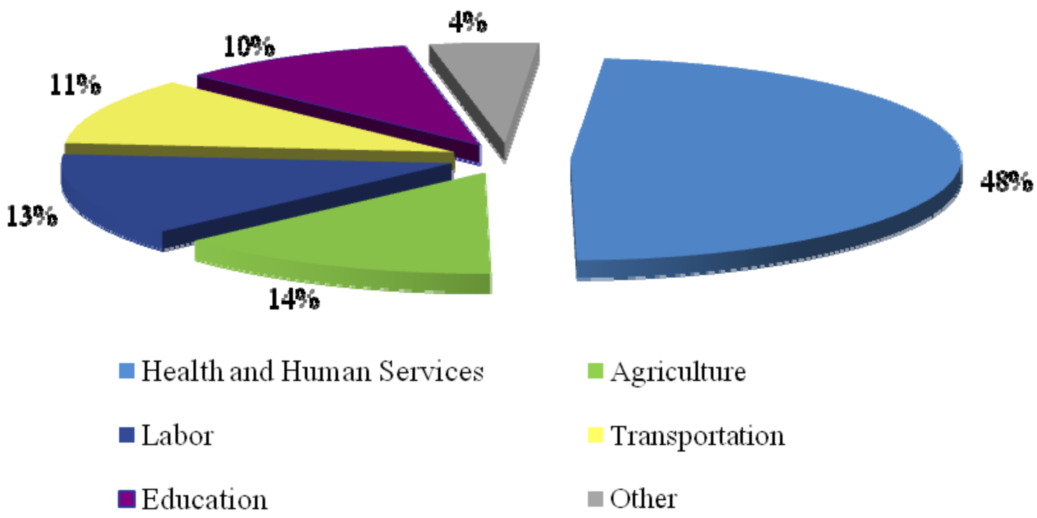
Although 19 state departments and other state offices expended federal awards, 4 state departments expended the bulk of the federal awards (91 percent).

Expenditures of Federal Awards by State Department



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

Expenditures of Federal Awards by Federal Department

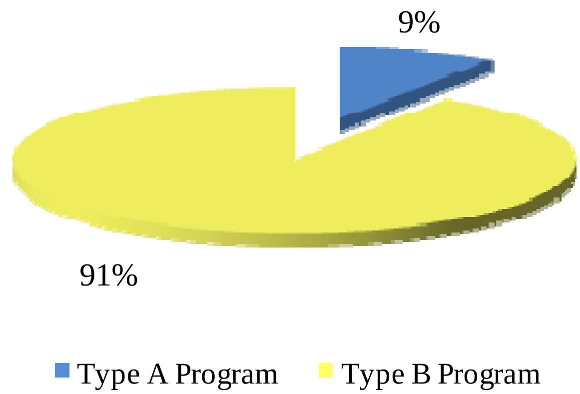


Overall, the state expended federal awards in 349 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold of a Type A program 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	14,227,651,365	
Fifteen-hundredths of one percent	.0015	
		21,341,477
Dollar Threshold		$30,000,000

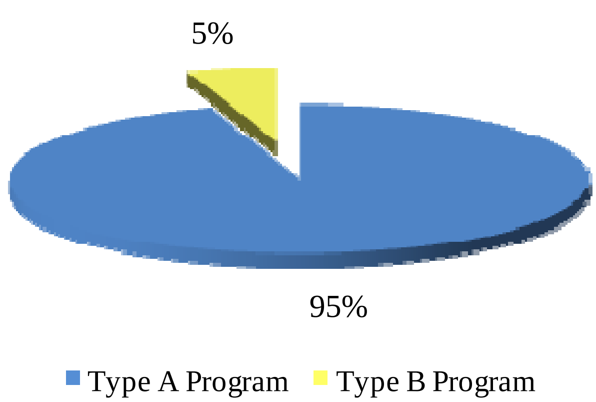
Programs with federal expenditures over $30 million are Type A programs and the programs under $30 million are Type B programs. Of the 349 different federal award programs, 32 were Type A programs and 317 were Type B programs.

Type A and Type B Programs
Number of Programs



The 32 Type A programs had expenditures of federal awards totaling $13.5 billion, which was 95 percent of the total expenditures for all programs. The 317 Type B programs had expenditures of federal awards totaling $708 million, which was only 5 percent of the total expenditures for all programs.

Type A and Type B Programs
Expenditures of Federal Awards



OMB Circular A-133 requires the auditor to perform risk assessments on Type A programs and to audit as major each Type A program assessed as high risk based on various risk factors. To ensure a high level of accountability over ARRA funds, Appendix VII of the 2011 Compliance Supplement included additional criteria to consider when determining risk for the Type A programs containing ARRA funds due to the inherently higher risk of these funds. We performed a risk assessment on each Type A program and determined 13 of the 32 Type A programs were low risk and did not need to be audited as major. In accordance with OMB Circular A-133, we audited the 19 Type A programs assessed as high risk as major.

OMB Circular A-133 also requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs which were not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended ($14.23 billion times .0003 = $4,268,295). We performed risk assessments on the 43 larger Type B programs and determined 12 of them were high risk. In accordance with OMB Circular A-133, we audited 7 (at least one-half) of these 12 high risk Type B programs as major.

Major and Non-major Programs

Audit Coverage by Type of Program	**Number of Programs**		**Expenditures**	**Percentage of Expenditures**
Type A major programs	19	$	11,121,626,059	
Type B major programs	7		114,822,039	
Total major programs	26	$	11,236,448,098	79%
Type A non-major programs	13	$	2,397,846,560	
Type B non-major programs	310		593,356,707	
Total all programs	323	$	2,991,203,267	21%
	349	$	14,227,651,365	100%

American Recovery and Reinvestment Act of 2009

As noted above, the state of Missouri expended a total of approximately $14.23 billion in federal awards during the year ended June 30, 2011. Of that total, approximately $1.79 billion (12.6 percent) was expended in ARRA awards. The ARRA awards relate to 62 existing or new federal programs with expenditures at 13 different state agencies. We audited 18 of these programs as major, covering about $1.72 billion, or 96 percent of total expenditures of ARRA awards.

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	$ 1,427,870,430
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	44,858,308
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	871,533
	Total SNAP Cluster		1,473,600,271
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	54,517,123
10.555	National School Lunch Program	Agriculture	196,469,306
10.556	Special Milk Program for Children	Agriculture	531,295
10.559	Summer Food Service Program for Children	Agriculture	8,176,971
	Total Child Nutrition Cluster		259,694,695
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	93,726,141
10.558	Child and Adult Care Food Program	Agriculture	49,212,215
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	54,883,268
12.401	ARRA - National Guard Military Operations and Maintenance (O&M) Projects	Defense	27,585
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	59,438,584
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	1,455,604
	Total CDBG - State-Administered CDBG Cluster		60,894,188
17.225	Unemployment Insurance	Labor	1,761,445,147
17.225	ARRA - Unemployment Insurance	Labor	6,875,870
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	Labor	15,386,027
17.258	ARRA - Workforce Investment Act - Adult Program	Labor	1,462,902
17.259	Workforce Investment Act - Youth Activities	Labor	16,396,870
17.259	ARRA - Workforce Investment Act - Youth Activities	Labor	1,366,420
17.260	Workforce Investment Act - Dislocated Workers	Labor	5,427,854
17.260	ARRA - Workforce Investment Act - Dislocated Workers	Labor	8,708,789
17.277	Workforce Investment Act - National Emergency Grants	Labor	1,008,111
17.278	Workforce Investment Act - Dislocated Workers Formula Grants	Labor	15,949,696
	Total WIA Cluster		65,706,669
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	1,222,081,225
20.205	ARRA - Highway Planning and Construction	Transportation	236,314,850
	Total Highway Planning and Construction Cluster		1,458,396,075
64.015	Veterans State Nursing Home Care	Veterans Affairs	46,605,652
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	4,897,404
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	69,617,178
81.042	Weatherization Assistance for Low-Income Persons	Energy	3,871,260
81.042	ARRA - Weatherization Assistance for Low-Income Persons	Energy	52,142,736

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	Education	212,302,433
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	Education	62,496,875
	Total Title I, Part A Cluster		274,799,308
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	Education	216,678,100
84.173	Special Education - Preschool Grants	Education	2,627,599
84.391	ARRA - Special Education - Grants to States, Recovery Act	Education	88,428,528
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	Education	3,165,903
	Total Special Education Cluster (IDEA)		310,900,130
84.032	Federal Family Education Loans	Education	157,472,862
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	60,210,492
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	Education	2,449,572
	Total Vocational Rehabilitation Cluster		62,660,064
84.367	Improving Teacher Quality State Grants	Education	47,640,978
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	Education	158,217,373
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	Education	71,889,456
	Total State Fiscal Stabilization Fund Cluster		230,106,829
84.410	ARRA - Education Jobs Fund	Education	189,727,725
	Immunization Cluster:		
93.268	Immunization Grants	Health and Human Services	61,517,689
93.712	ARRA - Immunization	Health and Human Services	1,586,359
	Total Immunization Cluster		63,104,048
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	Health and Human Services	171,892,850
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	Health and Human Services	40,544,082
	Total TANF Cluster		212,436,932
93.563	Child Support Enforcement	Health and Human Services	32,372,065
93.563	ARRA - Child Support Enforcement	Health and Human Services	2,731,643
93.568	Low-Income Home Energy Assistance	Health and Human Services	79,637,403
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	53,869,183
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	58,926,961
93.713	ARRA - Child Care and Development Block Grant	Health and Human Services	28,823,744
	Total CCDF Cluster		141,619,888
93.658	Foster Care - Title IV-E	Health and Human Services	53,098,125
93.658	ARRA - Foster Care - Title IV-E	Health and Human Services	1,463,765

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Grantor Agency	Federal Awards Expended
93.659	Adoption Assistance	Health and Human Services	31,319,271
93.659	ARRA - Adoption Assistance	Health and Human Services	2,189,063
93.667	Social Services Block Grant	Health and Human Services	63,088,776
93.767	Children's Health Insurance Program	Health and Human Services	106,598,391
	Medicaid Cluster:		
93.720	ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	Health and Human Services	203,548
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,248,291
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	16,896,472
93.778	Medical Assistance Program	Health and Human Services	5,207,152,499
93.778	ARRA - Medical Assistance Program	Health and Human Services	648,830,108
	Total Medicaid Cluster		5,874,330,918
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	Social Security Administration	42,305,567
	Total Disability Insurance/SSI Cluster		42,305,567
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	47,596,522
	Homeland Security Cluster:		
97.067	Homeland Security Grant Program	Homeland Security	30,675,992
	Total Homeland Security Cluster		30,675,992
	Total Type A Programs (expenditures greater than $30,000,000)		13,519,472,619
	Total Type B Programs (expenditures less than $30,000,000)		708,178,746
	Total Expenditures of Federal Awards		$ 14,227,651,365

STATE AUDITOR'S REPORTS

THOMAS A. SCHWEICH
Missouri State Auditor

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

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

We have audited 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, 2011, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 25, 2012. Our report includes 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 Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan; which represent 77 percent and 14 percent of the assets and revenues, respectively, of the governmental activities.

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2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 36 percent of the assets and revenues, respectively, of the business-type activities.

3. The discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation Local Fund, which represent 94 percent and 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, a blended transportation corporation; the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board, a discretely presented component unit; 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; Statement No. 59, *Financial Instruments Omnibus*; and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Internal Control Over Financial Reporting

Management of the state of Missouri is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the state's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in finding number 2011-1 in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Missouri's financial statements are free 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 auditing procedures to be applied in our audit of the basic financial statements. Our reports of these conditions do not modify our report dated January 25, 2012, 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.

Thomas A Schweich

Thomas A. Schweich
State Auditor

January 25, 2012

THOMAS A. SCHWEICH
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 state of Missouri's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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, 2011, 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.

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As described in finding numbers 2011-4, 2011-7, 2011-10, 2011-11, 2011-14, and 2011-17 through 2011-19 in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding allowable activities or allowable costs and cost principles applicable to the Medicaid Cluster, allowable activities or allowable costs and cost principles and cash management requirements applicable to the Homeland Security Cluster, allowable activities or allowable costs and cost principles applicable to the Justice Assistance Grant Program Cluster, allowable activities or allowable costs and cost principles, subrecipient monitoring, and earmarking requirements applicable to the Social Services Block Grant, allowable activities or allowable costs and cost principles and eligibility requirements applicable to the Child Care and Development Fund Cluster, and allowable activities or allowable costs and cost principles, eligibility, and level of effort requirements applicable to the Temporary Assistance for Needy Families Cluster. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 2011-6, 2011-8, 2011-9, 2011-15, 2011-20, and 2011-22 through 2011-24.

Internal Control Over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2011-4, 2011-7, 2011-11, 2011-14, 2011-18, and 2011-19 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2011-2, 2011-3, 2011-6, 2011-8, 2011-9, 2011-17, 2011-20, 2011-22, 2011-23, and 2011-25 to be significant deficiencies.

The state of Missouri's responses 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 the responses.

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.

Thomas A Schweich

Thomas A. Schweich
State Auditor

February 10, 2012

THOMAS A. SCHWEICH
Missouri State Auditor

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

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

We have audited 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, 2011, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 25, 2012. Our report includes 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 Road Fund; the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan; which represent 77 percent and 14 percent of the assets and revenues, respectively, of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund, which represent 37 percent and 36 percent of the assets and revenues, respectively, of the business-type activities.

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3. The discretely presented component units.

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

The financial statements of the Missouri Highway 63 Transportation Corporation, a blended transportation corporation; the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board, a discretely presented component unit; 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; Statement No. 59, *Financial Instruments Omnibus*; and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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, *Audits of States, Local Governments, and Non-Profit Organizations*, 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. 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 effects of 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.

Thomas A Schweich

Thomas A. Schweich
State Auditor

January 25, 2012

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07.UNKNOWN	HIDTA	$ 3,229,227	2,359,044
	Total Office of National Drug Control Policy	3,229,227	2,359,044
Department of Agriculture			
10.UNKNOWN	School Lunch Commodity Refund	34,146	34,146
10.UNKNOWN	Nutrition Education and Obesity Prevention Program	3,596,797	0
10.UNKNOWN	Summer Electronic Benefits Transfer for Children	304,680	0
10.025	Plant and Animal Disease, Pest Control, and Animal Care	1,226,075	0
10.069	Conservation Reserve Program	678,755	0
10.086	Aquaculture Grants Program (AGP)	93,492	88,817
10.086	ARRA - Aquaculture Grants Program (AGP)	1,907	1,097
10.153	Market News	1,385	0
10.163	Market Protection and Promotion	57,008	52,508
10.169	Specialty Crop Block Grant Program	33,140	33,140
10.170	Specialty Crop Block Grant Program - Farm Bill	89,927	59,188
10.435	State Mediation Grants	15,552	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	741,631	0
10.479	Food Safety Cooperative Agreements	166,311	0
10.550	Food Donation	92,632	0
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	1,427,870,430	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	44,858,308	2,550,375
10.561	ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	871,533	0
	Total SNAP Cluster	1,473,600,271	2,550,375
	Child Nutrition Cluster:		
10.553	School Breakfast Program	54,517,123	54,517,123
10.555	National School Lunch Program	196,469,306	196,377,288
10.556	Special Milk Program for Children	531,295	531,295
10.559	Summer Food Service Program for Children	8,176,971	7,671,288
	Total Child Nutrition Cluster	259,694,695	259,096,994
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	93,726,141	25,905,996
10.558	Child and Adult Care Food Program	49,212,215	48,613,642
10.560	State Administrative Expenses for Child Nutrition	3,707,331	1,621,102
10.565	Commodity Supplemental Food Program	1,171,604	1,125,963
	Emergency Food Assistance Cluster:		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,175,164	1,116,833
10.568	ARRA - Emergency Food Assistance Program (Administrative Costs)	849,072	0
10.569	Emergency Food Assistance Program (Food Commodities)	12,052,174	0
	Total Emergency Food Assistance Cluster	14,076,410	1,116,833
10.574	Team Nutrition Grants	186,672	84,139
10.578	WIC Grants to States (WGS)	184,352	135,862
10.578	ARRA - WIC Grants to States (WGS)	140,698	0
10.579	Child Nutrition Discretionary Grants Limited Availability	88,827	29,965
10.582	Fresh Fruit and Vegetable Program	1,798,312	1,798,312
10.664	Cooperative Forestry Assistance	1,551,852	322,264
	Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	7,264,759	7,264,759
	Total Schools and Roads Cluster	7,264,759	7,264,759
10.675	Urban and Community Forestry Program	131,610	0
10.678	Forest Stewardship Program	70,274	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
10.680	Forest Health Protection	86,909	0
10.688	ARRA - Wildland Fire Management	4,700,113	4,633,152
10.762	Solid Waste Management Grants	108,889	0
10.769	Rural Business Enterprise Grants	650	0
10.912	Environmental Quality Incentives Program	13,130	0
10.923	Emergency Watershed Protection Program	40,136	0
Total Department of Agriculture		1,918,689,288	354,568,254
Department of Commerce			
	Economic Development Cluster:		
11.307	Economic Adjustment Assistance	83,258	0
	Total Economic Development Cluster	83,258	0
11.468	Applied Meteorological Research	111,000	111,000
11.555	Public Safety Interoperable Communications Grant Program	4,935,124	854,594
11.558	ARRA - State Broadband Data and Development Grant Program	71,598	15,146
Total Department of Commerce		5,200,980	980,740
Department of Defense			
12.AAG	Drug Interdiction and Counter Drug Activities	503,356	0
12.UNKNOWN	Troops to Teachers	74,743	5,187
12.112	Payments to States in Lieu of Real Estate Taxes	1,567,211	1,567,211
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	775,767	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	54,883,268	0
12.401	ARRA - National Guard Military Operations and Maintenance (O&M) Projects	27,585	0
Total Department of Defense		57,831,930	1,572,398
Department of Housing and Urban Development			
	CDBG - State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	59,438,584	57,902,963
14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	1,455,604	1,306,509
	Total CDBG - State-Administered CDBG Cluster	60,894,188	59,209,472
14.231	Emergency Shelter Grants Program	1,476,639	1,476,639
14.238	Shelter Plus Care	9,472,332	9,400,024
14.241	Housing Opportunities for Persons with AIDS	413,584	413,584
14.257	ARRA - Homelessness Prevention and Rapid Rehousing Program	2,594,794	2,594,794
14.401	Fair Housing Assistance Program - State and Local	629,900	0
14.416	Education and Outreach Initiatives	80,456	0
Total Department of Housing and Urban Development		75,561,893	73,094,513
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	224,789	0
15.252	Abandoned Mine Land Reclamation (AMLR) Program	2,726,138	1,779,919
15.255	Applied Science Program Cooperative Agreements Related to Coal Mining and Reclamation	21,249	0
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	8,380,389	0
15.611	Wildlife Restoration	10,117,830	0
	Total Fish and Wildlife Cluster	18,498,219	0
15.608	Fish and Wildlife Management Assistance	35,469	0
15.615	Cooperative Endangered Species Conservation Fund	20,830	0
15.622	Sportfishing and Boating Safety Act	271,029	0

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
15.623	North American Wetlands Conservation Fund	630,636	0
15.633	Landowner Incentive Program	339,583	0
15.634	State Wildlife Grants	1,486,188	0
15.656	ARRA - Habitat Enhancement, Restoration and Improvement	131,954	131,954
15.807	Earthquake Hazards Reduction Program	58,273	0
15.808	U.S. Geological Survey - Research and Data Collection	18,282	0
15.810	National Cooperative Geologic Mapping Program	109,025	0
15.819	Energy Cooperatives to Support the National Coal Resources Data System (NCRDS)	13,580	0
15.904	Historic Preservation Fund Grants-In-Aid	1,094,176	224,665
15.916	Outdoor Recreation - Acquisition, Development and Planning	271,035	146,640
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	340,170	0
Total Department of the Interior		26,290,625	2,283,178
Department of Justice			
16.UNKNOWN	Domestic Cannabis Eradication	344,488	0
16.017	Sexual Assault Services Formula Program	118,135	106,904
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	180,379	0
16.523	Juvenile Accountability Block Grants	978,188	858,437
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	935,316	782,886
16.548	Title V - Delinquency Prevention Program	26,822	26,822
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	392,786	392,786
16.575	Crime Victim Assistance	6,635,276	6,440,688
16.576	Crime Victim Compensation	3,043,233	3,043,233
16.585	Drug Court Discretionary Grant Program	34,237	0
16.588	Violence Against Women Formula Grants	1,989,009	1,871,909
16.588	ARRA - Violence Against Women Formula Grants	1,098,821	1,074,198
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	31,230	4,899
16.593	Residential Substance Abuse Treatment for State Prisoners	120,544	120,544
16.606	State Criminal Alien Assistance Program	208,953	0
16.610	Regional Information Sharing Systems	5,716,519	5,716,519
16.710	Public Safety Partnership and Community Policing Grants	6,019,227	1,910,428
16.726	Juvenile Mentoring Program	292,953	279,495
16.727	Enforcing Underage Drinking Laws Program	121,754	98,243
16.734	Special Data Collections and Statistical Studies	13,015	0
	JAG Program Cluster:		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	6,529,198	5,799,781
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	3,074,585	2,898,675
	Total JAG Program Cluster	9,603,783	8,698,456
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	57,766	0
16.741	Forensic DNA Backlog Reduction Program	674,692	0
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	24,522	22,592
16.746	Capital Case Litigation	93,588	0
16.801	ARRA - State Victim Assistance Formula Grant Program	88,497	84,616
16.810	ARRA - Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	1,382,667	21,462
16.812	Second Chance Act Prisoner Reentry Initiative	89,991	0
16.816	John R. Justice Prosecutors and Defenders Incentive Act	126,409	126,409
Total Department of Justice		40,442,800	31,681,526
Department of Labor			
17.002	Labor Force Statistics	1,199,922	0
17.005	Compensation and Working Conditions	201,043	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	14,204,287	57,070
17.801	Disabled Veterans' Outreach Program (DVOP)	992,057	0
17.804	Local Veterans' Employment Representative Program	2,568,829	0
	Total Employment Service Cluster	17,765,173	57,070
17.225	Unemployment Insurance	1,761,445,147	0
17.225	ARRA - Unemployment Insurance	6,875,870	0
17.235	Senior Community Service Employment Program	29,749	29,749
17.235	ARRA - Senior Community Service Employment Program	3,716,045	3,613,559
17.245	Trade Adjustment Assistance	14,284,639	0
	WIA Cluster:		
17.258	Workforce Investment Act - Adult Program	15,386,027	13,797,099
17.258	ARRA - Workforce Investment Act - Adult Program	1,462,902	1,275,135
17.259	Workforce Investment Act - Youth Activities	16,396,870	15,817,432
17.259	ARRA - Workforce Investment Act - Youth Activities	1,366,420	840,586
17.260	Workforce Investment Act - Dislocated Workers	5,427,854	3,573,004
17.260	ARRA - Workforce Investment Act - Dislocated Workers	8,708,789	6,821,283
17.277	Workforce Investment Act - National Emergency Grants	1,008,111	910,739
17.278	Workforce Investment Act - Dislocated Workers Formula Grants	15,949,696	14,646,043
	Total WIA Cluster	65,706,669	57,681,321
17.261	Workforce Investment Act - Pilots, Demonstrations, and Research Projects	10,709	10,576
17.266	Work Incentive Grants	30,613	30,613
17.267	Incentive Grants - WIA Section 503	395,536	165,059
17.271	Work Opportunity Tax Credit Program (WOTC)	496,524	0
17.273	Temporary Labor Certification for Foreign Workers	44,066	0
17.275	ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	1,788,563	1,307,560
17.504	Consultation Agreements	1,127,065	0
17.505	OSHA Data Initiative	44,040	0
17.600	Mine Health and Safety Grants	303,312	0
Total Department of Labor		1,875,464,685	62,895,507
Department of Transportation			
20.UNKNOWN	National Highway Traffic Safety Administration	17,579	0
20.106	Airport Improvement Program	12,866,282	12,611,833
20.106	ARRA - Airport Improvement Program	134,495	134,495
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	1,222,081,225	120,262,260
20.205	ARRA - Highway Planning and Construction	236,314,850	65,796,478
	Total Highway Planning and Construction Cluster	1,458,396,075	186,058,738
20.217	Motor Carrier Safety	3,207,550	439,723
20.218	National Motor Carrier Safety	1,131,174	1,022,514
20.231	Performance and Registration Information Systems Management	209,440	0
20.237	Commercial Vehicle Information Systems and Networks	235,407	0
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	49,783	0
20.314	Railroad Development	351,558	351,558
20.317	Capital Assistance to States - Intercity Passenger Rail Service	929	929
	Federal Transit Cluster:		
20.500	Federal Transit - Capital Investment Grants	5,681,875	5,648,100
	Total Federal Transit Cluster	5,681,875	5,648,100
20.505	Metropolitan Transportation Planning	5,008,056	4,803,236
20.509	Formula Grants for Other Than Urbanized Areas	13,543,728	12,992,992

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
20.509	ARRA - Formula Grants for Other Than Urbanized Areas	2,272,548	2,272,548
	Transit Services Programs Cluster:		
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,830,939	1,688,822
20.516	Job Access - Reverse Commute	1,371,051	1,371,051
20.521	New Freedom Program	347,852	347,852
	Total Transit Services Programs Cluster	3,549,842	3,407,725
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	4,319,341	3,420,921
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	2,315,857	2,186,550
20.610	State Traffic Safety Information System Improvement Grants	476,316	366,714
20.611	Incentive Grant Program to Prohibit Racial Profiling	58,878	58,878
20.612	Incentive Grant Program to Increase Motorcyclist Safety	198,533	1,300
20.613	Child Safety and Child Booster Seats Incentive Grants	614,119	142,273
	Total Highway Safety Cluster	7,983,044	6,176,636
20.607	Alcohol Open Container Requirements	7,914,230	3,748,865
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	48,854	9,843
20.700	Pipeline Safety Program Base Grants	569,860	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	252,700	127,453
20.721	PHMSA Pipeline Safety Program One Call Grant	8,333	0
20.816	America's Marine Highway Grants	65,492	62,492
Total Department of Transportation		1,523,498,834	239,869,680
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	589,570	0
Total Equal Employment Opportunity Commission		589,570	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	1,877,242	1,559,794
39.011	Election Reform Payments	860,921	859,005
Total General Services Administration		2,738,163	2,418,799
National Foundation on the Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	793,948	495,109
45.025	ARRA - Promotion of the Arts - Partnership Agreements	46,186	46,186
45.301	Museums for America	70,284	0
45.310	Grants to States	3,594,318	2,040,533
45.312	National Leadership Grants	15,548	0
Total National Foundation on the Arts and the Humanities		4,520,284	2,581,828
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	2,137,869	0
64.005	ARRA - Grants to States for Construction of State Home Facilities	5,465,157	0
64.015	Veterans State Nursing Home Care	46,605,652	0
64.024	VA Homeless Providers Grant and Per Diem Program	504,718	504,718
64.124	All-Volunteer Force Educational Assistance	643,983	0
64.203	State Cemetery Grants	2,640,941	0
Total Department of Veterans Affairs		57,998,320	504,718
Environmental Protection Agency			
66.032	State Indoor Radon Grants	157,525	0
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	722,600	103,814
66.039	National Clean Diesel Emissions Reduction Program	965,403	666,317
66.039	ARRA - National Clean Diesel Emissions Reduction Program	746,419	399,376
66.040	State Clean Diesel Grant Program	442,774	235,662

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
66.040	ARRA - State Clean Diesel Grant Program	768,944	750,790
66.180	Chemical Emergency Preparedness and Prevention Technical Assistance	124	0
66.202	Congressionally Mandated Projects	121,540	0
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	188,136	0
66.433	State Underground Water Source Protection	144,135	0
66.454	Water Quality Management Planning	364,478	141,075
66.454	ARRA - Water Quality Management Planning	626,457	302,884
66.458	Capitalization Grants for Clean Water State Revolving Funds	4,897,404	4,371,898
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	69,617,178	67,822,442
66.460	Nonpoint Source Implementation Grants	2,212,105	1,110,297
66.461	Regional Wetland Program Development Grants	266,882	162,317
66.468	Capitalization Grants for Drinking Water State Revolving Funds	6,868,557	2,423,113
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	18,374,660	17,464,452
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	359,845	272,721
66.474	Water Protection Grants to the States	65,565	0
66.605	Performance Partnership Grants	16,892,153	506,681
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	497,614	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	237,042	0
66.709	Multi-Media Capacity Building Grants for States and Tribes	251,043	0
66.714	Regional Agricultural IPM Grants	255	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,574,279	323,484
66.804	Underground Storage Tank Prevention, Detection, and Compliance Program	762,825	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,434,500	164,062
66.805	ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	153,218	152,583
66.810	Chemical Emergency Preparedness and Prevention (CEPP) Technical Assistance Grants Program	4,636	0
66.817	State and Tribal Response Program Grants	1,196,662	0
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	132,548	0
66.940	Environmental Policy and State Sustainability Grants	71,618	0
Total Environmental Protection Agency		131,119,124	97,373,968
Department of Energy			
81.039	National Energy Information Center	2,778	0
81.041	State Energy Program	396,138	9,965
81.041	ARRA - State Energy Program	17,490,505	13,223,584
81.042	Weatherization Assistance for Low-Income Persons	3,871,260	3,519,663
81.042	ARRA - Weatherization Assistance for Low-Income Persons	52,142,736	50,853,031
81.087	ARRA - Renewable Energy Research and Development	23,131	0
81.089	Fossil Energy Research and Development	91,774	0
81.092	Weldon Springs Site Remedial Action Project	375,456	0
81.104	Office of Environmental Waste Processing	135,373	0
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis	227,632	0
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	188,665	0
81.127	ARRA - Energy Efficient Appliance Rebate Program (EEARP)	2,929,369	2,563,225
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	4,632,610	4,140,645
81.902	State Environmental Oversite and Monitoring	62,926	0
Total Department of Energy		82,570,353	74,310,113
Department of Education			
84.UNKNOWN	Cooperative System Grant	7,155	0
84.002	Adult Education - Basic Grants to States	9,310,800	7,975,554
	Title I, Part A Cluster:		
84.010	Title I Grants to Local Educational Agencies	212,302,433	209,486,189
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act	62,496,875	62,383,957
	Total Title I, Part A Cluster	274,799,308	271,870,146
84.011	Migrant Education - State Grant Program	1,183,669	1,176,666
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,312,392	1,298,599

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Special Education Cluster (IDEA):		
84.027	Special Education - Grants to States	216,678,100	195,440,408
84.173	Special Education - Preschool Grants	2,627,599	2,627,599
84.391	ARRA - Special Education - Grants to States, Recovery Act	88,428,528	88,416,882
84.392	ARRA - Special Education - Preschool Grants, Recovery Act	3,165,903	3,165,903
	Total Special Education Cluster (IDEA)	310,900,130	289,650,792
84.032	Federal Family Education Loans	157,472,862	0
84.048	Career and Technical Education - Basic Grants to States	23,362,567	20,782,030
84.069	Leveraging Educational Assistance Partnership	1,286,496	1,286,496
	Vocational Rehabilitation Cluster:		
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	60,210,492	0
84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	2,449,572	0
	Total Vocational Rehabilitation Cluster	62,660,064	0
84.144	Migrant Education - Coordination Program	14,877	12,027
	Independent Living State Grants Cluster:		
84.169	Independent Living - State Grants	356,162	286,687
	Total Independent Living State Grants Cluster	356,162	286,687
	Independent Living Services for Older Individuals Who Are Blind Cluster:		
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	521,293	0
84.399	ARRA - Independent Living Services for Older Individuals Who Are Blind	62,035	0
	Total Independent Living Services for Older Individuals Who Are Blind Cluster	583,328	0
	Early Intervention Services (IDEA) Cluster		
84.181	Special Education - Grants for Infants and Families	7,907,103	0
84.393	ARRA - Special Education - Grants for Infants and Families, Recovery Act	7,819,327	0
	Total Early Intervention Services (IDEA) Cluster	15,726,430	0
84.185	Byrd Honors Scholarships	878,250	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	2,068,171	1,889,655
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	420,077	0
	Education for Homeless Children and Youth Cluster:		
84.196	Education for Homeless Children and Youth	905,007	897,503
84.387	ARRA - Education for Homeless Children and Youth, Recovery Act	448,001	448,001
	Total Education for Homeless Children and Youth Cluster	1,353,008	1,345,504
84.213	Even Start - State Educational Agencies	1,088,611	1,060,151
84.224	Assistive Technology	410,421	230,818
84.243	Tech-Prep Education	2,022,298	2,021,887
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	52,864	0
84.282	Charter Schools	150,851	148,621
84.287	Twenty-First Century Community Learning Centers	14,796,629	14,533,408
	Educational Technology State Grants Cluster:		
84.318	Educational Technology State Grants	1,841,525	1,731,732
84.386	ARRA - Education Technology State Grants, Recovery Act	2,315,803	2,313,811
	Total Educational Technology State Grants Cluster	4,157,328	4,045,543
84.323	Special Education - State Personnel Development	1,067,492	1,067,492
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	176,968	0
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	199,051	199,051
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	479,962	0
84.357	Reading First State Grants	2,340,294	2,319,085

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.358	Rural Education	3,174,660	2,911,629
84.365	English Language Acquisition Grants	4,107,813	4,107,813
84.366	Mathematics and Science Partnerships	2,735,324	2,730,563
84.367	Improving Teacher Quality State Grants	47,640,978	47,114,140
84.369	Grants for State Assessments and Related Activities	4,920,553	0
84.371	Striving Readers	13,884	11,400
	Statewide Data Systems Cluster:		
84.372	Statewide Data Systems	1,829,510	0
	Total Statewide Data Systems Cluster	1,829,510	0
	School Improvement Grants Cluster:		
84.377	School Improvement Grants	4,246,140	4,233,397
84.388	ARRA - School Improvement Grants, Recovery Act	10,352,225	8,927,231
	Total School Improvement Grants Cluster	14,598,365	13,160,628
84.378	College Access Challenge Grant Program	925,939	729,535
	State Fiscal Stabilization Fund Cluster:		
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	158,217,373	158,217,373
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	71,889,456	71,394,506
	Total State Fiscal Stabilization Fund Cluster	230,106,829	229,611,879
84.410	ARRA - Education Jobs Fund	189,727,725	189,727,725
84.902	National Assessment of Educational Programs	106,022	0
Total Department of Education		1,390,526,117	1,113,305,524
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	108,891	59,296
Total National Archives and Records Administration		108,891	59,296
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	1,037,447	339,123
Total Elections Assistance Commission		1,037,447	339,123
Department of Health and Human Services			
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	59,567	0
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	98,528	13,843
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	273,241	84,377
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	534,876	534,876
	Aging Cluster:		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	8,911,299	7,809,182
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,405,056	11,405,056
93.053	Nutrition Services Incentive Program	4,100,982	4,100,982
	Total Aging Cluster	24,417,337	23,315,220
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	123,380	61,187
93.051	Alzheimer's Disease Demonstration Grants to States	94,852	90,844
93.052	National Family Caregiver Support, Title III, Part E	3,109,534	3,109,534
93.069	Public Health Emergency Preparedness	19,276,490	10,604,276
93.070	Environmental Public Health and Emergency Response	653,010	402,888
93.071	Medicare Enrollment Assistance Program	135,127	128,918
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	43,202	0
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	34,946	0
93.103	Food and Drug Administration - Research	265,966	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,813,746	1,742,051
93.110	Maternal and Child Health Federal Consolidated Programs	474,040	125,061
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	640,522	192,188
93.127	Emergency Medical Services for Children	91,560	8,805
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	230,382	67,927
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	35,049	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	481,845	334,189
93.150	Projects for Assistance in Transition from Homelessness (PATH)	983,224	942,420
93.161	Health Program for Toxic Substances and Disease Registry	49,765	0
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	498,326	212,049
93.230	Consolidated Knowledge Development and Application (KD&A) Program	170,821	24,405
93.234	Traumatic Brain Injury State Demonstration Grant Program	278,824	211,999
93.235	Affordable Care Act (ACA) Abstinence Education Program	500	0
93.240	State Capacity Building	316,824	0
93.241	State Rural Hospital Flexibility Program	324,658	193,375
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	7,449,887	6,345,704
93.251	Universal Newborn Hearing Screening	272,897	116,493
93.259	Rural Access to Emergency Devices Grant	15,450	0
	Immunization Cluster:		
93.268	Immunization Grants	61,517,689	447,800
93.712	ARRA - Immunization	1,586,359	319,089
	Total Immunization Cluster	63,104,048	766,889
93.270	Adult Viral Hepatitis Prevention and Control	37,346	0
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	7,925,263	2,771,235
93.293	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	100,947	100,947
93.301	Small Rural Hospital Improvement Grant Program	469,576	447,215
93.402	ARRA - State Loan Repayment Program	30,000	30,000
93.414	ARRA - State Primary Care Offices	52,983	0
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	120,915	0
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	77,967	0
93.507	Strengthening Public Health Infrastructure for Improved Health Outcomes	101,532	0
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	47,805	43,280
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements	221,529	0
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	179,544	0
93.556	Promoting Safe and Stable Families	12,503,417	5,641,834
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	171,892,850	3,375,435
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	40,544,082	28,068,253
	Total TANF Cluster	212,436,932	31,443,688
93.563	Child Support Enforcement	32,372,065	15,009,929
93.563	ARRA - Child Support Enforcement	2,731,643	2,477,021
93.566	Refugee and Entrant Assistance - State Administered Programs	2,460,354	0
93.568	Low-Income Home Energy Assistance	79,637,403	28,795,755
	CSBG Cluster:		
93.569	Community Services Block Grant	20,045,141	19,815,637
93.710	ARRA - Community Services Block Grant	7,016,860	7,016,860
	Total CSBG Cluster	27,062,001	26,832,497

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	53,869,183	2,654,406
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	58,926,961	0
93.713	ARRA - Child Care and Development Block Grant	28,823,744	0
	Total CCDF Cluster	141,619,888	2,654,406
93.576	Refugee and Entrant Assistance - Discretionary Grants	278,854	65,348
93.584	Refugee and Entrant Assistance - Targeted Assistance Grants	91,954	0
93.586	State Court Improvement Program	582,447	0
93.590	Community-Based Child Abuse Prevention Grants	612,481	610,756
93.597	Grants to States for Access and Visitation Programs	591,278	0
93.599	Chafee Education and Training Vouchers Program (ETV)	1,038,395	0
	Head Start Cluster:		
93.600	Head Start	126,496	126,496
93.708	ARRA - Head Start	19,057	15,032
	Total Head Start Cluster	145,553	141,528
93.617	Voting Access for Individuals with Disabilities - Grants to States	281,349	201,956
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,405,797	635,604
93.643	Children's Justice Grants to States	513,810	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	396,591	0
93.652	Adoption Opportunities	366,509	0
93.658	Foster Care - Title IV-E	53,098,125	0
93.658	ARRA - Foster Care - Title IV-E	1,463,765	0
93.659	Adoption Assistance	31,319,271	0
93.659	ARRA - Adoption Assistance	2,189,063	0
93.667	Social Services Block Grant	63,088,776	6,069,031
93.669	Child Abuse and Neglect State Grants	226,133	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,688,659	0
93.674	Chafee Foster Care Independence Program	6,434,766	0
93.717	ARRA - Preventing Healthcare-Associated Infections	28,663	0
93.719	ARRA - State Grants to Promote Health Information Technology	2,544,217	0
93.723	ARRA - Prevention and Wellness - State, Territories and Pacific Islands	724,381	700,118
93.724	ARRA - Prevention and Wellness - Communities Putting Prevention to Work Funding	77,040	71,661
93.725	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	253,586	253,586
93.767	Children's Health Insurance Program	106,598,391	0
	Medicaid Cluster:		
93.720	ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative	203,548	0
93.775	State Medicaid Fraud Control Units	1,248,291	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	16,896,472	0
93.778	Medical Assistance Program	5,207,152,499	511,409
93.778	ARRA - Medical Assistance Program	648,830,108	0
	Total Medicaid Cluster	5,874,330,918	511,409
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	2,377,390	1,086,173
93.790	Alternate Non-Emergency Service Providers or Networks	200,246	0
93.791	Money Follows the Person Rebalancing Demonstration	5,040,474	3,432,153
93.889	National Bioterrorism Hospital Preparedness Program	8,396,437	6,458,178
93.913	Grants to States for Operation of Offices of Rural Health	161,823	4,148
93.917	HIV Care Formula Grants	15,059,081	14,732,387
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2,699,952	190,875
93.940	HIV Prevention Activities - Health Department Based	4,088,530	2,475,708
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human		

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
	Immunodeficiency Virus (HIV) Infection in Selected Population Groups	417,431	129,266
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	723,203	299,739
93.945	Assistance Programs for Chronic Disease Prevention and Control	59	0
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	197,301	43,943
93.958	Block Grants for Community Mental Health Services	6,040,486	5,693,458
93.959	Block Grants for Prevention and Treatment of Substance Abuse	24,160,575	22,124,555
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	2,086,926	217,917
93.991	Preventive Health and Health Services Block Grant	2,230,152	432,794
93.994	Maternal and Child Health Services Block Grant to the States	10,714,897	5,698,605
	Total Department of Health and Human Services	6,881,507,269	238,158,221
Corporation for National and Community Service			
94.003	State Commissions	303,683	0
94.004	Learn and Serve America - School and Community Based Programs	476,180	0
94.006	AmeriCorps	3,456,365	3,442,017
94.006	ARRA - AmeriCorps	191,468	191,468
94.007	Program Development and Innovation Grants	25,672	25,672
94.009	Training and Technical Assistance	83,848	9,448
	Total Corporation for National and Community Service	4,537,216	3,668,605
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security - Disability Insurance	42,305,567	0
	Total Disability Insurance/SSI Cluster	42,305,567	0
	Total Social Security Administration	42,305,567	0
Department of Homeland Security			
97.005	State and Local Homeland Security National Training Program	879,931	689,245
97.008	Non-Profit Security Program	65,253	65,253
97.012	Boating Safety Financial Assistance	1,844,871	0
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	735,321	735,321
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	210,609	0
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	47,596,522	44,404,293
97.039	Hazard Mitigation Grant	10,744,905	10,534,421
97.041	National Dam Safety Program	160,849	0
97.042	Emergency Management Performance Grants	3,622,006	3,622,006
97.045	Cooperating Technical Partners	3,082,391	0
97.047	Pre-Disaster Mitigation	261,346	261,346
97.052	Emergency Operations Center	490,347	490,347
97.055	Interoperable Emergency Communications	298,546	225,870
97.056	Port Security Grant Program	219,650	0
	Homeland Security Cluster:		
97.067	Homeland Security Grant Program	30,675,992	26,469,367
	Total Homeland Security Cluster	30,675,992	26,469,367
97.075	Rail and Transit Security Grant Program	26,946	26,946
97.078	Buffer Zone Protection Program (BZPP)	232,809	231,084
97.082	Earthquake Consortium	43,493	0
97.091	Homeland Security Biowatch Program	424,635	351,875
97.092	Repetitive Flood Claims	266,360	266,360
	Total Department of Homeland Security	101,882,782	88,373,734
		$ 14,227,651,365	2,390,398,769

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 2011 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, 2011, Type A programs are those which exceed $30 million in disbursements, expenditures, or distributions. The determination of major and non-major programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

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

2. Supplemental Nutrition Assistance Program Expenditures

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the ARRA. The portion of total expenditures for SNAP benefits that is supported by ARRA funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents The U.S. Department of Agriculture (USDA) from obtaining the regular and ARRA components of SNAP benefits expenditures through normal program reporting processes. As an alternative, the USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to ARRA funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, the state cannot validly disaggregate the regular and ARRA components of its reported expenditures for SNAP benefits. At the national aggregate level, however, ARRA funds account for approximately 16.55 percent of the USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2011.

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

The state received cash rebates from an infant formula manufacturer, totaling \$33,722,782, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children program (WIC) (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 \$1,715,927,229. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those other states, totaling \$34,713,554, have also been included in the Unemployment Insurance program expenditures. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri, totaling $10,285,377, have been excluded from total expenditures.

5. Federal Loan Guarantees

The Department of Higher Education (DHE) guarantees student loans made by lenders under the Federal Family Education Loans program (CFDA 84.032). The original principal balance outstanding of all loans guaranteed by the DHE was $3,066,258,526 as of June 30, 2011. Additionally, the outstanding balance of defaulted loans (including principal and accrued interest) for which the federal government imposes continuing compliance requirements on the DHE was $327,341,060 as of June 30, 2011.

6. Nonmonetary Assistance

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled $24,461,088.

The Department of Public Safety distributes excess Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Surplus Property program (CFDA No. 12.AAG). Property distributions totaled $2,125,657 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($503,356), 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 $7,927,542 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.68 percent of the historical cost ($1,877,242), 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 Cluster (CFDA No. 93.268 and 93.712). Distributions are valued at the cost of the vaccines paid by the federal government and totaled $58,602,603.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

CFDA Number	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program
	JAG Program Cluster:
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.803	ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
17.225	Unemployment Insurance

17.225	ARRA - Unemployment Insurance
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.205	ARRA - Highway Planning and Construction
64.005	Grants to States for Construction of State Home Facilities
64.005	ARRA - Grants to States for Construction of State Home Facilities
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds
81.041	State Energy Program
81.041	ARRA - State Energy Program
81.042	Weatherization Assistance for Low-Income Persons
81.042	ARRA - Weatherization Assistance for Low-Income Persons
	Title I, Part A Cluster:
84.010	Title I Grants to Local Educational Agencies
84.389	ARRA - Title I Grants to Local Educational Agencies, Recovery Act
	Special Education Cluster (IDEA):
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.391	ARRA - Special Education - Grants to States, Recovery Act
84.392	ARRA - Special Education - Preschool Grants, Recovery Act
84.032	Federal Family Education Loans
	Early Intervention Services (IDEA) Cluster:
84.181	Special Education - Grants for Infants and Families
84.393	ARRA - Special Education - Grants for Infants and Families, Recovery Act
	School Improvements Grants Cluster:
84.377	School Improvement Grants
84.388	ARRA - School Improvement Grants, Recovery Act
	State Fiscal Stabilization Fund Cluster:
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
84.410	ARRA - Education Jobs Fund
	TANF Cluster:
93.558	Temporary Assistance for Needy Families
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program

	CCDF Cluster:	
93.575		Child Care and Development Block Grant
93.596		Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.713		ARRA - Child Care and Development Block Grant
93.659	Adoption Assistance	
93.659	ARRA - Adoption Assistance	
93.667	Social Services Block Grant	
93.767	Children's Health Insurance Program	
	Medicaid Cluster:	
93.720		ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-Associated Infection (ASC-HAI) Prevention Initiative
93.775		State Medicaid Fraud Control Units
93.777		State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778		Medical Assistance Program
93.778		ARRA - Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse	
	Disability Insurance/SSI Cluster:	
96.001		Social Security - Disability Insurance
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	
	Homeland Security Cluster:	
97.067		Homeland Security Grant Program

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

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

Section II - Financial Statement Findings

2011-1. Financial Reporting Controls

The Office of Administration - Division of Accounting (DOA) does not have adequate procedures in place to identify improperly recorded inter-fund and inter-agency transactions. Some transactions were recorded improperly starting in July 2010, and were detected by another division around August 2011. Revenues and expenditures related to these improperly recorded transactions would have been double counted and overstated in the Missouri Comprehensive Annual Financial Report (CAFR) if they had remained undetected. The corrections for the misstatement were made to the CAFR in December 2011.

Data recorded in the SAM II accounting system is a primary source of information used in compiling the CAFR. Policies and procedures for processing transactions in SAM II are designed to allow the DOA to identify and eliminate inter-fund and inter-agency transactions when compiling the CAFR, as required by governmental accounting standards. These policies require state agencies to record inter-agency and inter-fund transactions using inter-agency billing or transfer documents. Recording inter-agency billings and inter-fund transfers correctly provides the transaction information needed by the DOA to identify necessary adjustments.

Beginning in July 2010, the federal Centers for Medicare and Medicaid Services required the state's match portion of certain Medical Assistance Program funds be recorded in SAM II using a more transparent methodology. As a part of this change, the Department of Social Services (DSS) discontinued its previous process of drawing down federal Medical Assistance Program monies directly into the Department of Mental Health (DMH) fund from which the related vendor payments would be made. Instead, the DSS began drawing down the monies into a DSS fund and issuing electronic fund payments to the DMH for both the state and federal portions of the DMH-related Medical Assistance Program claims which created properly recorded revenues and improperly recorded expenditures. The DMH, in turn, began recording these payments as cash receipts when received from the DSS and as expenditures when disbursed to vendors which created improperly recorded revenues and properly recorded expenditures. The improperly recorded transactions, totaling approximately $184 million during the fiscal year ended June 30, 2011, were not processed in compliance with the policies and procedures noted above, and this change was not discussed with the DOA. As a result, these inter-agency/inter-fund transactions could not be readily detected by the DOA. While these transactions were identified by the Office of Administration - Division of Budget and Planning, before the completion of the CAFR, the DOA does not have procedures in place to identify inter-fund or inter-agency transactions which are not processed in compliance with state policy.

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

WE RECOMMEND the DOA implement controls which allow for the detection and correction of inter-agency and inter-fund transactions that are not processed in compliance with SAM II policies and procedures.

AUDITEE'S RESPONSE

We concur. Starting with the next reporting period, we will begin requesting state agencies to provide us with any inter-fund and inter-agency transactions that are not recorded in the statewide accounting system in accordance with written policies and procedures.

Section III - Federal Award Findings and Questioned Costs

2011-2.	**Cash Management**

Federal Agency:	Department of Education
Federal Program:	84.010 Title I Grants to Local Educational Agencies 2010 - S010A090025 and 2011 - S010A100025
	84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act 2010 - S389A090025
	84.027 Special Education - Grants to States 2010 - H027A090040 and 2011 - H027A100040
	84.391 ARRA - Special Education - Grants to States, Recovery Act 2010 - H391A090040
	84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act 2010 - S394A090026
	84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act 2010 - S397A090026
	84.410 ARRA - Education Jobs Fund 2011 - S410A100026
State Agency:	Department of Elementary and Secondary Education (DESE)

The DESE did not always ensure subrecipients spent grant funds received within 3 days of receipt as required. Grant funds for the programs noted above totaling approximately $933 million were provided to school districts during fiscal year 2011.

The school districts typically submit payment requests to the DESE for Title I and Special Education grants for program expenditures already made or expected to be made shortly. Each school district was also allocated State Fiscal Stabilization Fund (SFSF) monies at the beginning of the fiscal year based on the basic school funding formula, and the funds were disbursed to each school district monthly. However, monthly SFSF payments were suspended in December 2010 by the DESE in anticipation of receiving Education Jobs Fund grant monies. The Education Jobs Fund allocation was determined based on the percentage of basic formula funds allocated to each school district. The school districts received a onetime payment for the Education Jobs Fund grant monies in May 2011. The DESE requires school districts receiving federal funds to indicate the funds have already been spent or will be spent within 3 days of receipt, to help ensure compliance with federal Cash Management Improvement Act (CMIA) requirements to minimize the time elapsing between receipt and disbursement of federal funds.

The DESE has provided guidance regarding the CMIA requirements to the school districts through its website, administrative memos, and training sessions. When requesting payments for Title I and Special Education funds, school districts are required to certify the funds have been or will be expended within 3 days of receipt. The SFSF application for funding also provides guidance to the school districts regarding the CMIA requirements. The DESE also performs annual monitoring reviews of the Title I, Special Education, and SFSF programs to ensure the schools districts are expending the funds timely as required.

We reviewed a payment of each grant (Title I, Special Education, and SFSF) to 25 school districts totaling approximately $9.7 million. We requested the school districts provide documentation to support these payments, and we identified 14 school districts did not expend over $1.5 million related to 16 of these payments within 3 days of receipt. These grant funds were expended by these school districts 4 to 206 days after receipt. Of the 14 school districts, the DESE performed monitoring on the SFSF funds for 3 of the school districts. The DESE did have cash management findings for all three of those school districts and developed corrective action plans to address the issues.

We also reviewed Education Jobs Fund payments to 25 school districts totaling approximately $10.7 million. We requested the school districts provide documentation to support the payments, and we identified 15 school districts did not expend almost $3.8 million of these grant funds within 3 days of receipt as required. These grant funds were expended by these school districts 4 to 45 days after receipt. The DESE had not yet performed monitoring of the Education Jobs Fund payments at the time of our review.

The five ARRA programs are no longer active, since program funds were required to be fully spent by January 3, 2012.

In addition to requiring recipients to establish procedures to minimize the time elapsing between receipt and disbursement of federal funds, OMB Circular A-133, Compliance Supplement Part 3, requires recipients (the DESE) to establish similar procedures for its subrecipients when funds are drawn in advance, rather than as a reimbursement. It also requires the DESE to monitor cash drawdowns by its subrecipients to ensure subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

WE RECOMMEND the DESE utilize the problems identified during monitoring visits to provide feedback and additional guidance to all schools receiving funding. The DESE should consider additional targeted monitoring procedures or other alternatives to ensure school districts expend funds received within the required time-frame.

AUDITEE'S RESPONSE

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

2011-3.	Subrecipient Monitoring

Federal Agency:	Department of Education
Federal Program:	84.010 Title I Grants to Local Educational Agencies 2010 - S010A090025 and 2011 - S010A100025 84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act 2010 - S389A090025 84.027 Special Education - Grants to States 2010 - H027A090040 and 2011 - H027A100040 84.391 ARRA - Special Education - Grants to States, Recovery Act 2010 - H391A090040 84.388 ARRA - School Improvement Grants, Recovery Act 2010 - S388A090026
State Agency:	Department of Elementary and Secondary Education (DESE)

The DESE did not timely monitor School Improvement Grant (SIG) program funds provided to school districts from the ARRA. In addition, the DESE could improve some subrecipient monitoring policies and procedures.

A. The DESE did not monitor the SIG monies provided to school districts on a timely basis to ensure compliance with federal guidelines. Although minimal amounts of ARRA SIG funds were expended in fiscal year 2010, significant funds were disbursed to school districts in fiscal year 2011. ARRA SIG monies totaling approximately $8.9 million were provided to 15 school districts during fiscal year 2011. These program funds must be spent by December 30, 2013.

1) Although the DESE began expending fiscal year 2011 ARRA SIG monies in October 2010, the DESE did not perform a risk analysis of these funds, or begin monitoring procedures until November 2011. The DESE created a self-monitoring checklist for subrecipients in October 2011. The DESE requested the 15 school districts that received ARRA SIG funds during fiscal year 2011 to complete and submit the self-monitoring checklists in November 2011. The DESE plans to review these checklists in December 2011 and request additional documentation from the school districts if questions arise during the review. In addition, the DESE plans to perform on-site monitoring reviews of at least three school districts in January 2012. The school districts will be selected by size, risk, and at random, but more than one district could be selected from each category by the DESE for review.

OMB Circular A-133, section .400(d)(3), requires the DESE to monitor subrecipients through reporting, site visits, regular contact, or other means "…to ensure Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts and grant agreements and performance goals are achieved." Given the additional federal requirements related to these ARRA funds and heightened federal expectations of transparency and accountability, more comprehensive and timely monitoring procedures appear needed. While current review procedures performed only after the conclusion of the fiscal year may be acceptable for existing ongoing programs, they may not be adequate for the additional temporary ARRA funds. Without adequate and timely monitoring of ARRA funds, noncompliance with federal guidelines is unlikely to be detected in a timely manner and will not allow corrective action by the DESE before funds are substantially expended.

2) The DESE could improve controls and procedures to ensure ARRA Section 1512 reports are complete and accurate for the SIG program. Improvements were made to Section 1512 report review procedures for other DESE federal programs since the fiscal year 2010 audit. However, due to the timing of the SIG program expenditures and the DESE's current monitoring process, some reporting elements for the SIG program had not been reviewed for accuracy and completeness.

Section 1512 of the ARRA requires comprehensive reporting of certain ARRA awards to promote transparency and accountability over such funds. This section requires various data elements to be reported on a quarterly basis detailing the use of ARRA funds. Quarterly, school districts submit data specific for Section 1512 reporting through an online reporting system administered by the DESE. Some elements submitted by the school districts, such as subaward identifying numbers, award amounts, and project descriptions, are consistent each quarter and are prepopulated from prior quarters, requiring little oversight by the DESE on a quarterly basis. For other elements, DESE personnel review information submitted for reasonableness, and compare expenditure data to SAMII and revenue data to drawdown reports; however, the DESE relies on the accuracy and completeness of much of the other information submitted by the school districts, such as jobs created or retained and vendor payments, for each quarterly report. According to DESE personnel, on-site monitoring of the ARRA funding received by the subrecipients will include verification of Section 1512 reporting elements; however, as stated in part A.1. above, those reviews were not scheduled to begin until January 2012.

OMB Memorandum M09-21 states the DESE, as prime recipient, is ultimately responsible for reporting of all data required by Section 1512 of the ARRA. Additionally, prime recipients, as owners of the data submitted, have the principal responsibility for the quality of information submitted. Without timely monitoring procedures in place over subrecipient data, the DESE has less assurance information included in the Section 1512 reports is complete and accurate.

B. The DESE could improve policies and procedures in place to ensure a sufficient number and amount of expenditures are reviewed and could better ensure actual expenditures reviewed during on-site visits are adequately documented.

The DESE has on-site monitoring policies in place for the Title I and Special Education programs; however, the policies do not set standards for the number or amount of expenditures to be reviewed or how the expenditures will be selected. Further, the policies do not require documentation of the items selected. On-site monitoring of the Title I and Special Education programs includes reviewing the school district's general ledger for every program expenditure for the fiscal year under review up through the date of the monitoring visit. In addition, for Special Education programs, the DESE selects a few expenditures to look at in more detail to determine allowability and reasonableness, but the specific expenditures selected are not adequately documented in the monitoring file.

Standardized procedures for selection and documentation of expenditures reviewed would help ensure on-site monitoring reviews are consistently performed and meet DESE's expectations.

WE RECOMMEND the DESE:

A. Perform subrecipient monitoring procedures of SIG ARRA expenditures and pertinent Section 1512 reporting data elements on a timely basis and utilize the problems identified during monitoring visits to provide feedback and additional guidance to all the school districts receiving funding.

B. Update on-site monitoring policies and procedures related to expenditure selection methodology and documentation.

AUDITEE'S RESPONSE

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

2011-4. Medicaid Home and Community Based Services

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

2010 - 1005MOARRA
2011 - 1105MOARRA
2011 - 1105MOEXTN

State Agency: Department of Health and Senior Services (DHSS) - Division of Senior and Disability Services (DSDS)

Questioned Costs: $392,059

As noted in the prior audit, the DSDS does not have effective controls in place to ensure annual reassessments are performed, as required, to determine continued need of services of Home and Community Based Services (HCBS) recipients. As a result, sufficient procedures have not been performed to ensure most HCBS recipients have a need for and are receiving the appropriate level of care. In addition, the DSDS could not locate documentation supporting the authorization of services provided to one HCBS recipient tested.

The DSDS is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for seniors and adults with disabilities, including the two largest programs, State Plan Personal Care (SPPC) and Aged and Disabled Waiver (ADW). The Medicaid program is administered by the Department of Social Services (DSS) - MO HealthNet Division, while the DSDS is charged with assessing and reassessing the need for, and authorizing HCBS services for these Medicaid recipients. These services, which are authorized in a plan of care, provide assistance to help qualifying recipients remain in or return to their home or community, and include services such as bathing, grooming, and dressing; general toileting activities; cleaning, dusting, and laundry; meal preparation and/or assistance with eating and washing dishes; and transportation for shopping/errands and medical appointments. Other services include advanced personal care, authorized nurse visits, and respite care. During the year ended June 30, 2011, approximately 55,000 recipients were provided HCBS totaling approximately $500 million.

Prior to May 2011, assessments, reassessments, and plans of care were prepared by DSDS staff and HCBS providers. Due to staff reductions in the last several years, DSDS staff have been unable to handle the HCBS caseload, and backlogs of initial assessments, reassessments, and care plan changes increased. In January 2010, an external consultant performed a review of state Medicaid costs associated with long term care and found the practice by the DSDS of allowing HCBS providers to perform assessments and draft care plans provided an inherent conflict of interest. The consultant recommended the assessments and care plans be performed by an objective party, such as a third party administrator.

To increase objectivity and decrease backlogs, in January 2011, the DHSS, through the Office of Administration, contracted with an assessment administrator to perform referral, prescreening, assessment/reassessment, and care plan maintenance services for HCBS programs. The assessment administrator began providing these services in May 2011; however, the administrator was unable to perform the required services in a timely manner. Due to breach of contract requirements by the administrator, the DHSS canceled the contract in September 2011. Since then, the DHSS has hired approximately 100 temporary staff to perform the various case management duties which were provided by the contracted assessment administrator from May to August 2011. DHSS officials indicated as of November 30, 2011, division staff have resolved the assessment administrator's backlog of initial assessments and performed the highest priority care plan changes and reassessments. DHSS officials indicated while they believe current staff levels are sufficient to perform referral, prescreening, and initial assessment duties on a timely basis and to continue to resolve the backlog of needed care plan changes, the division does not have enough staff to resolve the backlog of reassessments. According to DSDS officials, as of December 31, 2011, reassessments were due for almost 36,000 Medicaid HCBS recipients, and an average of only 280 reassessments per month had been performed since September 2011.

In the fiscal year 2013 budget proposal, the Governor has recommended funding to convert 90 of the temporary DSDS staff to regular positions to continue performing call center, initial assessment, and care plan maintenance functions and to pay HCBS providers to perform annual reassessments. The reassessments would be reviewed and entered into the HCBS computer system by DSDS staff.

We tested assessment and payment documentation for 60 Medicaid recipients who received SPPC and/or ADW services during the year ended June 30, 2011. Payments totaling $692,956 were made to SPPC and ADW providers on behalf of these recipients during this period. We noted the following:

A. The DSDS did not perform annual reassessments of eligibility for 46 of 59 (78 percent) recipients reviewed. The most recent reassessment for the majority of these recipients was completed 2 to 5 years ago. As a result, the DSDS could not demonstrate these 46 recipients needed the services for which the payments were made. The payments for SPPC and ADW services provided to these recipients without annual reassessments during the year ended June 30, 2011, totaled $534,219. We question the federal share of $387,576 (72.55 percent).

   Although the fiscal year 2013 budget proposal represents the DSDS current plan to resolve the backlog of reassessments due, the plan allows HCBS providers to perform reassessments for their own clients. As earlier identified by the division's external consultant, allowing HCBS providers to conduct the reassessments presents a potential conflict of interest and increases the risk that unnecessary services are authorized and provided. DSDS officials indicated they are currently developing oversight and monitoring procedures to ensure reassessments performed by HCBS providers, and any resulting care plan changes, are accurate and reasonable.

   The failure to perform annual reassessments as required can result in payments for services which are not necessary. Federal regulation 42 CFR Section 441.302(c) requires a reassessment of the need for services at least annually to ensure ADW recipients continue to need the level of care provided. Similarly, the Cooperative

Agreement between the DSS and the DHSS provides for periodic reassessments of SPPC and ADW services to ensure the continued necessity for, and appropriateness and adequacy of, the services. The DSDS Home and Community Services Case Management Manual, Section 1606.20, provides that the reassessment be completed at least annually to establish continued eligibility for services, ensure adequacy of the care plan, and determine the level of client satisfaction of the provider and service delivery. In addition, due to the significant risks associated with the proposed new reassessment process, it is imperative the DSDS develop and implement thorough provider monitoring procedures. These procedures should include a detailed review of each reassessment and verification of reassessments on a test basis, and require prompt corrective action when provider deficiencies are identified.

B. The DSDS could not locate the case file for 1 of 60 (2 percent) recipients tested. This recipient received HCBS services totaling $13,587 from January 2009 through June 30, 2011. Payments totaling $6,179 were made to SPPC and ADW providers on behalf of this recipient during the year ended June 30, 2011. We question the federal share of $4,483 (72.55 percent).

The DSDS Home and Community Services Case Management Manual, Section 1606.60, requires case files containing assessments, reassessments, plans of care, and other pertinent documents supporting the assessment of need for and authorization of HCBS, be maintained for all recipients. Without maintaining case files for each recipient, the DSDS is unable to demonstrate compliance with federal requirements and that each recipient was properly authorized for HCBS.

WE RECOMMEND the DHSS, through the DSDS, resolve the questioned costs with the grantor agency and:

A. Establish effective controls to ensure the annual reassessments are performed as required. Such controls should include diligent monitoring of reassessments, if any, performed by HCBS providers.

B. Ensure case files are maintained for all HCBS recipients.

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.

2011-5. State Fiscal Stabilization Fund

Federal Agency: Department of Education
Federal Program: 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
State Agency: Department of Higher Education (DHE)

Subrecipient monitoring of the State Fiscal Stabilization Fund (SFSF) program was not adequate. While the DHE did make improvements since the fiscal year 2010 audit, the DHE did not ensure corrective action was taken by Institutions of Higher Education (institutions) when needed. For the year ended June 30, 2011, the DHE disbursed approximately $41 million of remaining SFSF monies, awarded under the ARRA, to 23 institutions to restore state support. All funds allocated to the DHE for the SFSF program under the ARRA were reported as expended by June 2011.

In January 2011, the DHE contracted with a firm to monitor five institutions for compliance with various federal requirements, such as allowable activities, Single Audit (OMB Circular A-133) requirements, and ARRA Section 1512 reporting. The reviews covered the period July 2009 through December 2010 and approximately $104 million in expenditures from both fiscal year 2010 and a portion of fiscal year 2011. Reports were issued to the DHE in June 2011, documenting the results of the reviews. The reports included various observations and two of the five reports issued had findings reported, including two findings on the SFSF program resulting from independent Single Audits of the institutions. The DHE did not follow-up on any of the findings or obtain corrective action plans from these institutions. According to DHE personnel, since the funds were already spent by the time the reports were issued, the DHE did not see a reason to follow-up or request corrective action. In January 2012, the DHE contracted out with another firm to perform similar monitoring of an additional five institutions for the period of January 2011 through June 2011.

OMB Circular A-133, Section 400(d)(3) requires the DHE to monitor subrecipients to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of contracts and grant agreements and that performance goals are achieved. Additionally, for findings identified in Single Audits of subrecipients, OMB Circular A-133, Section 400(d)(5) requires the DHE to issue a management decision within six months after receipt of the audit report and ensure subrecipients take appropriate and timely corrective action. Without adequate follow-up procedures, there is less assurance the institutions took corrective action and are in compliance with federal requirements.

WE RECOMMEND the DHE follow-up with institutions and request corrective action on any findings noted during subrecipient monitoring reviews. In addition, the DHE should issue a management decision on any findings identified in Single Audits of the institutions relating to the SFSF program.

AUDITEE'S RESPONSE

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

2011-6.	Benefit Payments

Federal Agency:	Department of Labor
Federal Program:	17.225 Unemployment Insurance 2010 - UI-19592-10-55-A-29 2011 - UI-21109-11-55-A-29 17.225 ARRA - Unemployment Insurance 2010 - UI-19592-10-55-A-29
State Agency:	Department of Labor and Industrial Relations (DLIR)
Questioned Costs:	$189,423

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid. During the year ended June 30, 2011, total federal unemployment insurance benefits paid totaled over $1.7 billion.

According to 20 CFR Section 601.1, 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 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. Further extension of these programs, which extended the program end dates, were funded with federal general revenues.

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, a claimant can receive Emergency Unemployment Compensation (EUC) benefits which involves four tiers. Each tier represents additional weeks of benefits that can be claimed and the benefit amount for each tier is computed separately. When triggered during times of high unemployment, a claimant can also receive benefits from the Extended Benefits level after the EUC benefits are exhausted.

- We tested 135 benefit payments, covering the various payment types, made to 42 claimants. We noted errors in the accounts of 2 (5 percent) of these claimants.

  Due to a programming error, the computer system did not accurately calculate the maximum benefit amount for Second and Third Tier EUC benefits, resulting in the overpayment of benefits to claimants. The DLIR utilizes a computer system maintained by both the DLIR and the Office of Administration Information Technology Services Division (ITSD) to calculate benefit payments to and available benefit balances of each claimant. We noted two overpayments totaling $73, which resulted from formula errors in system programming. UI Program Letter (UIPL) 23-08, Change 5, issued by the Department of Labor indicates Second Tier benefits are computed as the lesser of 14 times the individual's average weekly benefit amount or 54 percent of the individual's maximum benefit amount. 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 maximum benefit amount. However, these two claimants were paid the larger amount instead of the lesser amount. We question the federal share of $73 for the errors noted during our review.

Although computer programmers were able to generate a listing of potential claimants with possible incorrect maximum benefit amount calculations, DLIR personnel must manually verify the calculations on the listing and were unable to provide an accurate amount of benefits overpaid resulting from this error as of the end of our audit. Procedures should be improved regarding changes made to the computer programs to ensure all changes are properly tested and accurate. Claimant accounts associated with the known questioned costs represented 5 percent (2 of 42) of claimant accounts reviewed. If similar errors were made when computing the maximum benefit amount on the remaining population of claimant accounts, questioned costs could be significant.

- Due to additional programming errors, the computer system generated FAC benefit payments to some claimants after eligibility for the program ended. UIPL 04-10, Change 2 indicates the week ended May 29, 2010, was the deadline to establish FAC eligibility for new claimants. However, 3,574 FAC payments were erroneously issued in June 2010 to new claimants filing for benefits, and approximately 4,000 FAC payments were erroneously issued in November 2010 and December 2010 to new claimants filing for benefits. FAC overpayments relating to these errors totaled approximately $189,350. DLIR personnel quickly identified these errors and corrective action was taken to correct the computer programming and establish the overpayments. In addition, DLIR personnel indicated they had already recovered some of these overpayments, but were unable to separately identify amounts recovered that were specific to this error. We question the federal share of $189,350 for the errors noted during our audit.

  Computer controls were not sufficient to prevent the overpayments. Procedures should be improved regarding changes made to the computer programs to ensure only accurate and valid payments are issued to claimants.

The errors indicated appear to be the result of a breakdown in amending computer programming for UI program and policy updates and inadequate testing of the programming changes to ensure benefits are properly computed and disbursed. Failure to ensure benefits are properly computed and disbursed during the period of availability can result in federal reimbursements for unallowable costs.

WE RECOMMEND the DLIR resolve questioned costs with the grantor agency, and work with the ITSD to reanalyze all changes made recently to the computer 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 and continue efforts to recover overpayments caused by the programming errors.

AUDITEE'S RESPONSE

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

2011-7. Allowable Costs and Activities

Federal Agency:	Department of Homeland Security Department of Justice
Federal Program:	16.738 Edward Byrne Memorial Justice Assistance Grant Program 2007 - DJ-BX-0051 2008 - DJ-BX-0731 and DJ-BX-0027 2009 - DJ-BX-0090 2010 - DJ-BX-0066 16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories 2009 - SU-B9-0032 97.067 Homeland Security Grant Program 2006 - GE-T6-0067 2007 - GE-T7-003 2008 - GE-T8-0014 2009 - SS-T9-0062 2010 - SS-T0-0039
State Agency:	Department of Public Safety - Office of the Director (OD)
Questioned Costs:	$740,054

A. The OD did not ensure personnel related expenditures were properly supported by salary certifications and approved activity reports for the Homeland Security or the Justice Assistance Grant (JAG) programs.

1) Salary certifications were not prepared for the eight employees working solely on the Homeland Security program or the eight employees working solely on the JAG program during the year ended June 30, 2011. Personnel costs charged to the Homeland Security and JAG programs (excluding benefits) for these 16 employees totaled $372,063 and $299,224, respectively. We question the federal share of the salary costs for these 16 employees, or $671,287 (100 percent).

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. Although OD officials indicated these 16 employees worked solely on either the Homeland Security or JAG programs, without salary certifications, the OD has not fully substantiated the personnel costs charged to these federal programs.

2) Documentation of employee and supervisor approval for time worked is not maintained for employees working on multiple activities or cost objectives for the Homeland Security and JAG programs. As a result, the OD cannot substantiate some payroll costs charged to the programs.

Each pay period, OD employees enter the time spent on each federal program into an internal time tracking system. This data is used by OD officials to determine the allocation of payroll costs to various federal programs. However, the time entered is not approved by the employee or the employee's direct supervisor as required. A review of salary costs allocated to the Homeland Security and JAG programs during April 2011 found the OD did not ensure the personnel activity reported for the 23 employees working on multiple programs was approved by the employee or the employee's supervisor. Salary costs (excluding benefits) allocated during April 2011 to the Homeland Security and JAG programs for these 23 employees, totaled $66,658 and $2,109, respectively. We question the federal share of these costs, or $68,767 (100 percent). According to OD personnel, this condition also existed during the other months of fiscal year 2011.

OMB Circular A-87 requires employees working on multiple activities or cost objectives have a distribution of their salaries or wages supported by personnel activity reports or equivalent documentation. These personnel activity reports must account for the total activity for which the employee was compensated and be signed by the employee or supervisor. In addition, for the JAG programs, the Department of Justice requires both the employee and the supervisor having first-hand knowledge of the employee's work to approve the time or effort reports. Without proper approval of personnel activity charged to each program, the OD has not fully substantiated the payroll costs allocated to the federal program.

B. Expenditure processing and approval duties are not adequately segregated. The OD has two employees with access to both enter and approve their own procurement transactions in SAM II. Under normal circumstances, other employees are involved in the expenditure approval process; however, these two employees indicated they have entered and approved their own procurement transactions in SAM II on occasion. While the OD has established controls for personnel independent of these duties to reconcile the expenditures for the Homeland Security program to the expenditures posted to SAM II, this process may not detect that the user had entered and approved an improper transaction. For the JAG program, there is no other oversight.

Proper segregation of duties is necessary to safeguard against possible loss or misuse of funds, and ensure all transactions are accounted for properly. Further, to ensure all expenditure transactions are proper and comply with OMB Circular A-87, which provides guidance on allowable costs for federal programs, the duties of entering and approving procurement transactions should be properly segregated.

WE RECOMMEND the OD:

A. Resolve the questioned costs with the grantor agency, and ensure salary certifications are prepared and approved for all employees who work solely on a single program and activities reported by employees working on multiple programs are approved as required.

B. Segregate incompatible duties and implement independent reviews to ensure all transactions are proper.

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.

2011-8. Subrecipient Monitoring

Federal Agency: Department of Homeland Security
Department of Justice

Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066
16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032
97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034

2008 - GE-T8-0014
2009 - SS-T9-0062
2010 - SS-T0-0039

State Agency: Department of Public Safety - Office of the Director (OD)

The OD should improve policies and procedures to provide better assurance that subrecipients of the Homeland Security and the Justice Assistance Grant (JAG) programs are in compliance with applicable federal and grant requirements. During the year ended June 30, 2011, the Homeland Security and the JAG programs disbursed approximately $26.5 million to 70 subrecipients and $8.7 million to 148 subrecipients, respectively.

A. A formal subrecipient monitoring policy for the Homeland Security program was not implemented until March 2011 and monitoring procedures could be improved. The monitoring policy requires the OD to perform an annual desk monitoring review of each subrecipient. However, the delay in implementing the policy resulted in the OD not performing desk monitoring reviews for the majority of subrecipients during fiscal year 2011. Additionally, the monitoring policy requires the OD to perform site visits at two subrecipients per year; however, the OD has not adequately documented the criteria and methodology for selecting Homeland Security subrecipients for a site visit, or specific procedures to be performed during each site visit.

B. The OD has not established a formal subrecipient monitoring policy for the JAG program and could better ensure actual expenditures reviewed during on-site visits are adequately documented. While the OD performs site visits each year for most JAG subrecipients and a checklist is maintained to support the review, neither the checklist nor any other monitoring file documentation indicates which expenditures and related documentation were reviewed, or describe the procedures performed during the on-site review. In addition, the checklist does not address some grant requirements, such as tracking and reporting program income and suspension/debarment.

C. The OD has not established an audit tracking system or ensured Homeland Security and JAG program subrecipients expending $500,000 or more in federal funds obtained independent Single Audits as required. In addition the OD did not document that Single Audit reports received were reviewed.

- Six Homeland Security subrecipients received $500,000 or more in federal funds from the Homeland Security program alone. The OD did not receive Single Audits from three of the subrecipients and did not document review of the audit report received from one subrecipient. In addition, the OD had no system to identify which of the remaining subrecipients could be expected to need a Single Audit. While remaining subrecipients received Homeland Security program funding of less than $500,000, numerous awardees received significant Homeland Security funds and it is likely, when considering federal awards from other sources, a Single Audit would have been required for some.

- The OD has no system to identify which JAG subrecipients could be expected to need a Single Audit. While most JAG subrecipients receive JAG program funding significantly less than the $500,000 Single Audit threshold, many of the subrecipients are governmental entities that receive federal funds from numerous sources and a Single Audit may have been required. In addition, while Single Audits were submitted by some subrecipients during fiscal year 2011, there is no documentation the audits were reviewed by program personnel.

Under 28 CFR Section 66.40, grantees are responsible for monitoring subrecipient activities to assure compliance with applicable federal requirements. Grantee monitoring must cover each program, function, or activity. OMB Circular A-133, Compliance Supplement Part 3, also states monitoring must be performed to provide reasonable assurance that the subrecipient administers the federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. In addition, OMB Circular A-133 requires grant recipients to ensure subrecipients obtain a Single Audit when federal grant expenditures exceed $500,000 in a fiscal year. That audit report is required to be filed with the recipient agency within 9 months of the end of the subrecipient's fiscal year. The recipient agency is also required to issue a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report and ensure the subrecipient takes timely and appropriate corrective action.

WE RECOMMEND the OD:

A&B. Establish and implement policies and procedures to ensure subrecipients are adequately monitored.

C. Establish a system to track Single Audit reports expected and received from applicable subrecipients. In addition, the OD should document its review and follow-up of all subrecipient Single Audit reports received.

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.

2011-9. Reporting

Federal Agency: Department of Justice
Federal Program: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
2007 - DJ-BX-0051
2008 - DJ-BX-0731 and DJ-BX-0027
2009 - DJ-BX-0090
2010 - DJ-BX-0066

16.803 ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories
2009 - SU-B9-0032

State Agency: Department of Public Safety - Office of the Director (OD)

The OD does not have adequate controls and procedures over the preparation of the Federal Financial Report (SF-425) or the Schedule of Expenditures of Federal Awards (SEFA), and as a result, errors were not prevented and/or detected.

The OD utilizes the statewide accounting system, SAM II, to process receipts and payments for the Justice Assistance Grant (JAG) program. The OD also maintains an internal accounting system to track more detailed JAG program information, which is then used to complete the SF-425 report. However, OD personnel do not perform a reconciliation of data between SAM II and the OD internal accounting system prior to preparation or submission of the SF-425. In addition, the OD has limited or no supervisory review processes in place to ensure the accuracy this report. As a result, the total expenditures reported on the SF-425 for the JAG program had unreconciled differences totaling approximately $383,000 when compared to SAM II data. Because the SF-425 report is used as the source to report JAG expenditures on the SEFA, similar differences were also noted on the SEFA for fiscal year 2011.

The awarding agency requires the quarterly submission of the SF-425, which includes reporting the total expenditures. Additionally, OMB Circular A-133, Section .310(b), requires the OD to prepare a SEFA showing the financial activity for each federal program. Without appropriate reconciliation procedures and supervisory reviews, the OD has little assurance the reports are complete and accurate and errors are prevented or detected in a timely manner.

WE RECOMMEND the OD establish procedures to ensure the SEFA and SF-425 reports are complete and accurate.

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.

2011-10. Cash Management

Federal Agency: Department of Homeland Security
Federal Program: 97.067 Homeland Security Grant Program
2006 - GE-T6-0067
2007 - GE-T7-0034
2008 - GE-T8-0014
2009 - SS-T9-0062

2010 - SS-T0-0039

State Agency: Department of Public Safety - Office of the Director (OD)

The OD did not always ensure the time elapsed between the receipt of federal funds and subsequent disbursement to vendors and subrecipients was minimized. During the year ended June 30, 2011, the OD expended approximately $31 million through the Homeland Security program.

The OD typically submits reimbursement requests to the Department of Homeland Security (DHS) when expenditures are incurred, but in advance of paying the vendors and/or subrecipients. Our test of 25 federal reimbursements, which included 137 expenditures totaling approximately $4 million, noted the OD did not disburse the funds for 17 expenditures totaling $180,523 within 3 days of receipt as required by established OD procedures. These funds were disbursed 4 to 11 business days after receipt.

In addition, the OD requested and received approximately $3.522 million in excess of immediate cash needs. An OD official indicated the funds were drawn down based on the assumption the federal government would shut down for a period of time, rather than based on obligated and/or incurred expenditures. Although OD personnel indicated this situation was discussed with DHS officials, no documentation of the discussion or DHS approval was maintained. The OD returned approximately $1 million of unspent funds to the DHS after approximately 30 days had expired.

Federal regulation 31 CFR Section 205.20 states cash advances shall be limited to the minimum amount needed and shall be timed with the actual, immediate cash requirements needed to carry out a program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual cash outlay by the state for direct program costs and the proportionate share of any allowable indirect costs. The OD's established procedure is to make payment to vendors and subrecipients within 3 days of receipt of the federal funds.

WE RECOMMEND the OD follow established cash management procedures to ensure cash advances are limited to the minimum amounts needed, timed with the actual, immediate cash requirements. Monies received should be disbursed timely.

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.

2011-11. Social Services Block Grant

Federal Agency: Department of Health and Human Services

Federal Program: 93.667 Social Services Block Grant

2010 and 2009 - 0901MOSOS2

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

Questioned Costs: $2,507,444

The SEMA did not properly administer its portion of the Social Services Block Grant (SSBG), and as a result several problems were noted.

A federal act passed in 2009 provided additional funds to the SSBG program for expenses resulting from Presidentially declared natural disasters that occurred in 2008. Missouri was provided funding for six qualifying disasters. This funding, the SSBG Disaster Supplemental Funds (SSBG Disaster), could be used for costs outside normal allowable costs for the SSBG program. The Department of Social Services, Children's Division signed an interagency agreement with the SEMA to administer these funds for the state, but had no further responsibility for the grant. The SEMA administered $8.1 million in SSBG Disaster funds during fiscal year ended June 30, 2011.

There were two main uses for the SSBG Disaster funds during the fiscal year. First, the SEMA helped fund the buyout of a small city negatively affected by flood. A regional planning commission (commission) was coordinating the use of other federal funds to defray the cost of voluntarily relocating the citizens to an area outside of the city; however, due to a short-fall in funding, the commission solicited SSBG Disaster funds for the relocation effort. Second, the SEMA used the SSBG Disaster funds to assist individual Missourians, affected by disasters, in returning to a reasonable level of self-sustainability. This included, but was not limited to, home and/or foundation repairs, rebuilding of homes, mobile home replacement, and debris clean-up. These individual assistance projects were initially coordinated and managed by the SEMA. When the SSBG Disaster program was extended in December 2010, the SEMA contracted with the same commission administering the buyout program to become the project manager for 26 individual assistance projects which had not been completed as of that date.

A. The SEMA did not have adequate controls and procedures in place to ensure the SSBG Disaster funds were used for allowable costs and activities.

   1) The SEMA disbursed approximately $1.7 million in SSBG Disaster funds to the commission for the relocation buyout; however, documentation was not adequate to support the allowability of the disbursements.

      For a buyout program, the SEMA policy requires the homeowner to demonstrate an inability to fund the gap when buyout program dollars are insufficient to aid the homeowner completely. Homeowners could receive assistance for lost personal property, needs related to safe, sanitary and functional living conditions, and other unmet needs (i.e. temporary housing and/or temporary storage needs). A letter of commitment from the SEMA to the commission agreed to fund an estimated cost of $25,000 for each of the 62 households (projects) in the buyout area, or approximately $1.5 million;

however, the letter stated the two parties were to agree on certain details such as specific expenses and which disaster clients were eligible.

We reviewed payments made to the commission for the buyout and noted for the year ended June 30, 2011, $1,751,588 was paid for 48 projects. The SEMA received little or no documentation from the commission of project details, including project funding shortfalls after other sources were calculated and scope of work for the projects. SEMA personnel indicated there was an expectation this information would be provided by the commission. Without the documentation, the allowability of the payments could not be determined. Actual payments ranged from $1,900 to $90,000 per project instead of a $25,000 limit. Some projects were not yet complete at June 30, 2011, and additional costs will be paid in the next fiscal year.

Although the commission did provide the SEMA with vendor invoices when requesting reimbursement for buyout expenses, without documentation detailing the approved scope of the projects, the SEMA could not ensure payments made for the buyouts were allowable. We question the federal share of all payments made for the buyout, or $1,751,588 (100 percent).

In addition, the SEMA did not have a written agreement with the commission documenting the funding to be provided and the responsibilities of each party. Although the SEMA sent a letter of commitment to the commission allowing the initiation of the process and stating a formal grant agreement would need to be prepared and signed by both parties before any transaction could take place, a written agreement was never prepared. Without a formal written agreement in place, the SEMA had less assurance of compliance with all grant requirements.

2) Documentation was not adequate to support some disbursements made for the individual assistance projects.

In order to aid individual Missourians, the SEMA relied on Long Term Recovery Committees statewide to identify the citizens in need who qualified for this grant. Once identified, the SEMA was responsible for all aspects of these projects, including approving the scope of work and ensuring the timely completion of the projects. All documentation was maintained by the SEMA.

During the year ended June 30, 2011, the SEMA expended $4.8 million for 172 individual assistance projects statewide. We reviewed 17 projects and found documentation was not adequate to support the allowability of payments made for 2 of the 17 projects (12 percent). These two projects involved the purchase of new residences for the affected individuals, but project files did not adequately document how this determination of need was made. For one project, the homeowner was relocated to a home costing approximately $140,000 with no documentation of the value of the current residence, though the grant specifies that the homeowners situation should not be bettered. In the second case, the individual was provided funds to purchase a home in another county and still hold an unrestricted deed to the original land in a flood plain. We question the federal share of these two payments, or $213,949 (100 percent).

In addition, several projects' files lacked some required supporting documentation, such as bidding documentation, a Certificate of Completion or Acceptance Form signed by the homeowner to attest that the project was completed, and/or a Lien Waiver/Final Payment Release Form signed by the contractor. Also, some files were missing the SSBG Case File Checklist completed by the caseworker and reviewed by SEMA personnel to ensure the case files were complete and included all required documentation. Although these projects did not include all required documentation, there was adequate documentation to support the allowability of these payments.

3) Documentation was not reviewed by the SEMA to ensure payments made to the commission for individual assistance projects were allowable.

The commission was reimbursed $541,907 during fiscal year 2011 for payments relating to 26 projects. While the commission provided supporting documentation with the reimbursement requests, the SEMA did not review or compare the documentation to the respective project case file to ensure payments were to authorized contractors for the correct amount or proper for the various cases. We question the federal share of these payments, or $541,907 (100 percent). Some projects were not yet complete at June 30, 2011, and additional costs will be paid in the next fiscal year.

According to OMB Circular A-87, Attachment A, paragraph C.1, to be allowable under Federal awards, cost must be necessary and reasonable for the performance and administration of Federal awards. In addition, costs must be adequately documented, pursuant to 2 CFR Part 225, Appendix A, Section C. To ensure it is appropriate to reimburse costs, the SEMA must receive and review documentation demonstrating the costs are reasonable, necessary, and within the scope of the project agreement.

B. The SEMA did not have monitoring procedures in place to ensure subrecipients were in compliance with applicable grant and project requirements and that project performance goals were achieved. During the fiscal year ended June 30, 2011, the SEMA disbursed approximately $2.5 million to two subrecipients, of which $2.3 million was to one regional planning commission. Our review of funding to this commission noted the following problems:

1) The SEMA did not properly monitor the commission for the buyout program discussed in part A.1. above. The SEMA provided the commission approximately $1.7 million in SSBG Disaster funds related to the buyout

program. However, the SEMA did not monitor the use of these funds to ensure applicable federal requirements were met. Because the buyout was an ongoing project, the commission maintained all documentation of the buyout projects. SEMA personnel indicated the intent was to perform onsite visits and review project case files to ensure activities were properly documented and projects had been completed; however, due to other disasters occurring in the state, these monitoring activities were not performed.

2) The SEMA did not adequately monitor the use of SSBG Disaster funds for the various individual assistance projects assigned to the commission. Though the agreement specified the commission would abide by the terms of the SSBG Disaster funding program, the SEMA did not take any steps to ensure requirements were followed and projects were completed as required. The initial project files for these cases, including approved scopes of work, were maintained by the SEMA with the expectation the commission would provide all project closeout documentation, such as completion certificates and lien waivers. However, that documentation was maintained in files at the commission and the SEMA did not review those files or perform on-site visits for any of the projects. Without reviewing this documentation and/or performing site visits, the SEMA had less assurance the projects were completed as approved.

OMB Circular A-133, Section .400(d)(3), requires the SEMA to monitor subrecipients through reporting, site visits, regular contact, or other means "…to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts and grant agreements and performance goals are achieved." Without adequate subrecipient monitoring procedures in place, the SEMA has less assurance SSBG Disaster fund requirements were met and projects were completed as required.

WE RECOMMEND the SEMA:

A. Review payments made to ensure they were adequately supported and an allowable use of the SSBG Disaster funds. In addition, the SEMA should resolve the questioned costs with the grantor agency.

B. Implement subrecipient monitoring policies and procedures for all monies paid to subrecipients, as required.

AUDITEE'S RESPONSE

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

2011-12. Disaster Assistance Subrecipient Monitoring

Federal Agency: Department of Homeland Security

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

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

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

Although the SEMA utilizes a tracking system to identify which subrecipients have submitted audit reports, it does not track which subrecipients are required to obtain and submit an audit report or ensure an audit report is received. We reviewed the files of nine subrecipients with grant expenditures exceeding $500,000 and found that five of the nine subrecipients (56 percent) had not submitted an audit report to the SEMA, as required. According to SEMA personnel, the SEMA is in the process of developing a better way to track which subrecipients need Single Audits.

OMB Circular A-133 requires grant recipients to ensure subrecipients obtain a Single Audit when federal grant expenditures exceed $500,000 in a fiscal year. That audit report is required to be filed with the recipient agency within 9 months of the end of the subrecipient's fiscal year. In addition, the recipient agency is required to issue a management decision on audit findings within 6 months after receipt of a subrecipient's audit report and ensure the subrecipient takes timely corrective action.

WE RECOMMEND the SEMA develop procedures to ensure subrecipients obtain and submit independent Single Audits when required.

AUDITEE'S RESPONSE

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

2011-13. Schedule of Expenditures of Federal Awards

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
2010 - 2010IS251443, 2010IE251843, 20108E251843,and 2010IS252043
2011 - 2011IS251443, 2011IS252043, and 2011IY810543

93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF

93.714 ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2

93.575 Child Care and Development Block Grant
2010 - G1001MOCCDF and 2011 - G1101MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2010 - G1001MOCCDF and 2011 - G1101MOCCDF

93.713 ARRA - Child Care and Development Block Grant
2009 - G0901MOCCD7

93.658 Foster Care - Title IV-E
2010 - G1001MO1401 and 2011 - G1101MO1401

93.658 ARRA - Foster Care - Title IV-E
2010 - G1001MO1402
2011 - G1101MO1402 and G1101MO1404

93.659 Adoption Assistance
2010 - G1001MO1407 and 2011 - G1101MO1407

93.659 ARRA - Adoption Assistance
2010 - G1001MO1403
2011 - G1101MO1403 and G1101MO1405

93.667 Social Services Block Grant
2009 - 0901MOSOS2,
2010 - G1001MOSOSR
2011 - G1101MOSOSR

93.767 Children's Health Insurance Program
2010 - 1005MO05021

93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM
2011 - 1105MO5MAP and 1105MO5ADM

93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 0905MOMDSH
2010 - 1005MOARRA, 1005MOHITA, and 1005MOQUAL

2011 - 1105MOARRA, 1105MOEXTN,
1105MOHIMP, and 1105MOQUAL

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

DFAS controls and procedures over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) are not sufficient, and as a result, errors on the SEFA were not prevented and/or detected. Expenditures reported on the SEFA for 7 of 20 (35 percent) programs reviewed were overstated by a net amount of approximately $39 million (overstatements totaled approximately $57 million and understatements totaled approximately $18 million). Listed below are the misstatements applicable to each program:

CFDA	Program	Overstated/ (Understated)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	$ (9,192,892)
93.575	Child Care and Development Block Grant (CCDF)	53,518,860
93.658	Foster Care - Title IV-E	1,463,767
93.658	ARRA - Foster Care - Title IV-E	(211,757)
93.659	Adoption Assistance	2,189,104
93.659	ARRA - Adoption Assistance	139,938
93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (ECF) State Program	(8,830,532)

In addition to the above errors, the amount provided to subrecipients was understated by approximately $13.6 million for the ECF program. DFAS revised the schedule after we brought the above errors to management's attention.

DFAS personnel prepare the SEFA from various records, such as program 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 does not include a comparison or reconciliation to supporting records.

The majority of the above errors resulted from the incorrect compilation of data from federal program reports during preparation of the SEFA. For the CCDF program, DFAS personnel compiled expenditure totals from SAM II expenditure reports instead of quarterly federal reports. The SAM II reports included both federal and state expenditures, resulting in an overstatement of federal expenditures. The amount paid to subrecipients for the ECF program was understated because DFAS personnel preparing the SEFA were not aware of the need to include subrecipient amounts. A reconciliation of the federal reports to the prepared SEFA and a detailed review of amounts listed would likely have detected these misstatements.

OMB Circular A-133, Section .310(b)(3), requires the DSS prepare a schedule of expenditures of federal awards showing the financial activity for each federal program. To ensure the SEFA is complete and accurate, effective procedures should be established, including a reconciliation to federal reports and detailed supervisory review.

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.

2011-14. Eligibility and Child Care Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2010 - G1001MOCCDF and 2011 - G1101MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2010 - G1001MOCCDF and 2011 - G1101MOCCDF 93.713 ARRA – Child Care and Development Block Grant 2009 - G0901MOCCD7
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	$58,215

Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments on behalf of ineligible clients or improper payments to child care providers. As a result, eligibility and payment documentation could not be located for many child care cases reviewed, overpayments were made to some providers, and payments were made on behalf of some ineligible clients for one ARRA Child Care initiative. During the year ended June 30, 2011, the DSS paid over 8,400 child care providers approximately $171 million for services provided to about 87,000 children.

The DSS provides funds to child care providers who serve eligible clients. Federal regulation 45 CFR Section 98.20 provides that to be eligible for services the child must 1) be under 13 years old, or at the option of the DSS under age 19 and physically or mentally incapable of caring for himself/herself or under court supervision, 2) live with a family who meets certain income guidelines, and 3) have parents who are working or attending a job training or educational program. In addition, 45 CFR Section 98.41 requires states to establish provider licensing requirements to protect the health and safety of children provided assistance, and Sections 210.025, 210.027, and 210.211, RSMo, require that providers be either licensed or registered based on the number of children under their care.

Parents/caregivers apply to FSD or CD case workers for participation in the program. Once approved, the parent/caregiver selects a child care provider and the DSS enters into an agreement with the provider for child care services. To comply with federal requirements, the DSS Income Maintenance manual requires that case workers set maximum authorized service units for the amount and type of care that best meets the family's need; maintain case file documentation, including the child care application or a signed system-generated interview summary and copies of income (including work hours) or educational program verifications to support eligibility determinations; and limits the number of absences and holidays eligible for reimbursement. In addition, the manual and provider agreements require that providers submit a monthly invoice either through the DSS on-line invoicing system or by a manual invoice, and maintain detailed attendance records documenting daily arrival and departure times and containing parent/caregiver signature verifying the child received the services. Although all providers are required to retain attendance records for 5 years, the DSS only requires registered (license exempt) providers who submit manual invoices to submit attendance records for payment.

A. Controls over eligibility and provider payments are not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers. The DSS has not established procedures to review eligibility determinations and current procedures are inadequate to monitor payments to providers. As a result, audits and reviews continue to identify significant child care payments made without sufficient supporting documentation.

   To test compliance with program requirements, we sampled eligibility documentation for 60 children, and reviewed provider agreements and payment documentation supporting one payment for each of these children. Payments totaling approximately $124,000 were made to child care providers on behalf of these children during state fiscal year 2011. We noted the following:

   - The DSS could not locate the eligibility file for 6 of 60 (10 percent) cases reviewed. Child care payments made on behalf of these children and their siblings during the year ended June 30, 2011, totaled $46,466. We question the federal share of $37,637 (81 percent).

   - Eligibility documentation was not sufficient to support a valid need for child care for 3 of 60 (5 percent) cases reviewed. For one case, the child care authorization was not terminated, and payments continued for 9 months, after the DSS was notified the client was no longer employed. For the other two cases, there was no documentation supporting the need for child care while enrolled in an educational program for part of the year. Payments totaling $4,610, made on behalf of these children and their siblings, were unallowable and/or unsupported by adequate documentation. We question the federal share of $3,734 (81 percent).

- For child care payments, 13 of 60 (22 percent) payments reviewed were not supported by adequate documentation and/or were not in compliance with DSS policies. Attendance records were not provided by child care providers upon our request, some provider invoices did not agree to the corresponding attendance records, and one attendance record did not include all daily arrival/departure times. In addition, the DSS did not authorize evening/weekend rates in accordance with policy for one case. Of these 13 payments, 2 were for cases which also lacked eligibility documentation and were included in the above questioned costs. Payments for the remaining 11 cases totaled an additional $1,028. We question the federal share of $833 (81 percent).

During the fiscal year ended June 30, 2011, there was a lack of overall quality control for the Child Care program. The various errors noted above occurred because the DSS lacks sufficient controls to ensure eligibility determinations are accurate and payments are proper and adequately supported. There appear to be at least three significant factors contributing to the weak control system:

- There is no supervisory review of child care eligibility determinations. These determinations are made by numerous caseworkers in county offices around the state. Although the DSS has a system for monthly supervisory reviews of eligibility determinations for other DSS assistance programs, this review system does not include the Child Care program.

- The DSS does not perform on-site contract compliance reviews of child care providers and there are minimal other procedures in place to review provider attendance records. Currently, DSS payment review procedures are limited to CD desk reviews of manual invoices and attendance sheets submitted by registered providers, and follow-up of provider complaints received.

- Overall, management of the case records is poor. As noted above, the DSS could not locate 6 of 60 (10 percent) case files requested, and several other case files did not include documentation to support eligibility.

The lack of controls over eligibility determinations and payments to providers can result in provider overpayments and federal reimbursements for ineligible clients and/or unallowable costs. In addition, without complete and accurate case records, adequate documentation is not available to verify the eligibility of clients, support the appropriateness of child care payments, and provide an adequate audit trail. The DSS needs to review and strengthen policies and procedures to ensure child care payments are made on behalf of eligible clients, invoices agree to the corresponding attendance records, attendance records are complete, payments are in accordance with department policy, and appropriate child care services are authorized. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

Payments associated with known questioned costs represented approximately 24 percent of payments reviewed. If similar errors were made on the remaining population of child care payments, questioned costs could be significant.

We noted similar conditions in our prior report. In addition, the DSS identified similar errors in the most recent (2010) DSS Child Care program improper payment review. The review indicated the majority of improper authorizations for payment were due to missing or insufficient documentation and estimated annual improper authorizations of $64 million.

B. Payments were made on behalf of clients ineligible for an ARRA Child Care Initiative. In May 2010, with additional funding from the ARRA, the DSS expanded child care assistance to additional children and families including an initiative to provide child care assistance to eligible clients not receiving Temporary Assistance for Needy Families (TANF) benefits who were searching for employment. This initiative ended September 30, 2011. During the year ended June 30, 2011, ARRA funded child care assistance payments totaling approximately $1.8 million were made on behalf of 3,831 children of 2,298 clients.

Previously, child care assistance for job search activities was only allowed for TANF clients. Through this ARRA initiative, non-TANF clients engaged in job search activities qualified for child care assistance for a maximum of 8 consecutive weeks, as outlined in the DSS Child Care State Plan approved by the Department of Health and Human Services, Administration of Children and Families. Clients could not participate in this initiative if they were currently receiving or applying for TANF benefits.

To test compliance with the non-TANF eligibility requirement for this initiative, we reviewed the Family Assistance Management Information System (FAMIS) for 49 clients receiving child care assistance under this initiative. ARRA funded payments totaling approximately $79,000 were made to child care providers on behalf of these clients during state fiscal year 2011. We noted 9 (18 percent) of these clients were receiving TANF benefits, although the initiative provides that clients receiving TANF benefits were not eligible. We question the federal share of the payments made on behalf of these clients, or $16,011 (100 percent).

The payments to child care providers for ineligible clients resulted from incorrect coding of client child care need in the FAMIS. The DSS established a child care need code (NTA) to authorize child care assistance under this new initiative and provided written guidance to case workers regarding the new initiative and child care need code. In response to a similar issue noted in our prior report, the DSS issued additional guidance to reinforce policies regarding the use of NTA in April 2011 and instructed staff to review a listing of cases where the need was identified as NTA.

As of January 2012, DSS staff had reviewed 431 cases and identified approximately $205,000 paid improperly from ARRA funds, including approximately $85,000 paid on behalf of clients ineligible for any type of subsidized child care and $120,000 paid on behalf of clients who were ineligible for the ARRA initiative but were otherwise eligible for regular child care benefits. While the review identified errors, DSS staff only identified errors in three of the nine cases we identified in our test and only identified the correct error amount for one of these cases. DSS attributed not identifying these ineligible clients to using a different methodology to determine TANF clients potentially receiving ARRA Child Care Initiative benefits.

To ensure ineligible payments made under the non-TANF job search initiative are identified and recouped, the DSS should review its methodology for identifying ineligible clients and continue to investigate identified cases.

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

A. Review and strengthen policies and procedures regarding child care eligibility determinations, provider payments, and case record documentation and retention. These procedures should include sufficient monitoring of eligibility determinations and provider payments, and follow-up on errors identified.

B. Revise its methodology for identifying clients who were ineligible for non-TANF ARRA Child Care Initiative benefits and recoup any improper payments identified.

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.

2011-15. Eligibility and Adoption Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.659 Adoption Assistance
2010 - G1001MO1407 and 2011 - G1101MO1407
93.659 ARRA - Adoption Assistance
2010 - G1001MO1403
2011 - G1101MO1403 and G1101MO1405

State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $40,682

Payments were made on behalf of ineligible children, some subsidy agreements appear to have been backdated, and some payments were not allowable or not supported by adequate documentation. During the year ended June 30, 2011, the DSS provided Adoption Assistance benefits totaling over $44 million for approximately 11,400 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 Part 673 must be met. The DSS is required to enter into adoption subsidy agreements with adoptive parents who receive subsidy payments on behalf of the child. The nature of services to be provided and nonrecurring expenses to be paid must be stated in the subsidy agreement as required by 45 CFR Section 1356.40 and 45 CFR Section 1356.41, 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, child care, respite care, and nonrecurring adoption expenses. Federal regulations limit nonrecurring expenditures to $2,000 per adoptive placement.

To test compliance with these requirements, we reviewed eligibility and expenditure documentation for 60 children receiving Adoption Assistance. Assistance payments totaling approximately $250,500 were made on behalf of these children during the year ended June 30, 2011. In addition, we reviewed fiscal year 2011 non-recurring adoption expense payment data totaling approximately $998,000 to determine if total payments per child exceeded the federal $2,000 limit. Our review noted the following:

A. For two (3 percent) cases tested, payments were made on behalf of children ineligible for Adoption Assistance benefits because the adoption subsidy agreement was not signed and in effect before or at the date of adoption. The DSS policy requires subsidy agreements be signed by both the adoptive parents and the CD Director to be considered in effect. However, for these cases, the subsidy agreement was not signed by all parties until 1 to 4 months after the date of the adoption decree. In these two cases, payments totaling $7,452 were made on behalf of ineligible children during the year ended June 30, 2011. We question the federal share of $5,119 (68.7 percent).

   Cumulative payments, totaling $30,357 and $27,330, for these two cases were charged to the Adoption Assistance program from April 2003 to June 2011 and May 2003 to June 2011, respectively. The payments made for these two cases during fiscal year 2011 were included in the questioned costs above.

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

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

For three (5 percent) cases tested, case files contained documentation indicating the CD Director's signature may have been applied to the subsidy agreement after the date of the adoption decree, 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 or the Director's signature stamp date was prior to the date the agreement was received by the CMU. DSS officials indicated backdating of subsidy agreements by CMU personnel was permissible under DSS policy prior to May 2008, and backdating was utilized because of a backlog in processing and submitting the subsidy agreements to the CMU.

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 prior to the adoption date, the CD Director's signature may not have been applied prior to or on the adoption decree date as required by DSS policy for the agreement to be in effect and payments relating to these cases are unallowable. For these three cases, payments totaling $10,548 were made during the year ended June 30, 2011. We question the federal share of $7,248 (68.7 percent).

One of the subsidy agreements was established in 1997 and the other two were established in 2006. Cumulative payments, totaling $44,689; $17,169; and $40,130, for these three cases were charged to the Adoption Assistance program through June 30, 2011. The payments made for these three cases during fiscal year 2011 were included in the questioned costs above.

In May 2008, the CD issued a policy memo prohibiting backdating of subsidy agreements. The subsidy agreements for the three 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. The DSS claimed reimbursement for non-recurring adoption expenditures in excess of allowable federal limits, and did not comply with federal guidance prohibiting the limitation of nonrecurring expenditures by category. Our review of DSS expenditure data determined the DSS paid nonrecurring expenses in excess of the $2,000 limit for 49 children during fiscal year 2011. These excess expenditures totaled $56,630. We question the federal share of $28,315 (50 percent).

Nonrecurring adoption expenditures are limited to $2,000 per placement, and are reimbursed at the administrative match rate, per 45 CFR Section 1356.41(f)(1).

Section 8.2D.3 of the Administration for Children and Families Policy Manual also prohibits states from limiting reimbursement for nonrecurring adoption expenses by category. However, DSS policy instead allows adoptive parents to request up to $4,000 in nonrecurring adoption expenses be paid under the adoption subsidy agreement. This amount is also limited to $1,500 for nonrecurring legal fees, or up to $3,000 for contested cases; and up to $1,000 for other nonrecurring expenses which may include pre-placement lodging, meals, transportation, or other costs.

Pursuant to our review, the DSS refunded the federal share of these overpayments by reducing subsequent federal reimbursement requests.

The failure to ensure adoption subsidy agreements are signed prior to the adoption can result in federal reimbursements for ineligible children and/or unallowable costs. Payments associated with known questioned costs for A and B above represented approximately 7 percent of payments reviewed. If similar errors were made on the remaining population of assistance payments, questioned costs could be significant.

Conditions similar to A and B were noted in our previous 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 and effective prior to the adoption. In addition, the CD should refund the federal share of cumulative overpayments.

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

AUDITEE'S RESPONSE

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

2011-16. Cost Allocation Procedures

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

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

The DFAS has developed procedures to identify, measure, and allocate all costs to the programs administered by the department. These procedures provide for the quarterly allocation of costs using comprehensive cost allocation spreadsheets which contain formulas to allocate costs to the various programs. As part of this process, DFAS personnel annually adjust the SSBG expenditure total by entering IV-B Child Welfare Services (CWS) program costs into a formula that deducts the costs from total SSBG expenditures. This adjustment allows the DSS to separately identify expenditures for the CWS program and prevent claiming the same expenditures against both federal programs. DFAS personnel indicated a supervisory review of the cost allocation spreadsheets is performed; however, this review is not documented and does not include a review of spreadsheet formulas or a comparison/reconciliation to supporting records.

Our review of the SSBG section of the relevant cost allocation spreadsheet for the quarter ended September 30, 2010, identified an overstatement of expenditures totaling approximately $16.1 million. The overstatement was due to spreadsheet data entry and formula errors related to the CWS annual adjustment. DFAS personnel had entered an incorrect CWS expenditure amount into the spreadsheet and a formula error resulted in the incorrect amount being added to instead of deducted from total SSBG expenditures. These errors resulted in the DFAS adding approximately $8.7 million to the SSBG expenditure total rather than deducting $7.4 million.

While the errors resulted in excess expenditures on the cost allocation spreadsheet, the errors did not result in unallowable costs charged to the SSBG program. At the time of the error, eligible SSBG expenditures already exceeded the available amount of the federal grant award. The DSS paid the excess eligible expenditures with state funds and did not claim the overstatement or excess eligible expenditures on federal reports. If eligible expenditures had not exceeded the available federal grant award, the error could have resulted in the claiming of unallowable expenditures on federal reports and likely questioned costs.

Federal regulation 45 CFR Section 96.30(a) requires the DSS to have sufficient controls over block grants to ensure expenditures are allowable. Good internal controls require adequate procedures to ensure formulas and amounts entered into cost allocation spreadsheets are accurate and reliable. Inadequate supervisory reviews of the spreadsheets could hinder the ability to manage federal funds effectively and to comply with federal regulations.

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

AUDITEE'S RESPONSE

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

2011-17. Earmarking

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

Controls and procedures to ensure Temporary Assistance for Needy Families (TANF) funds transferred to the Social Services Block Grant (SSBG) are used for programs and services to eligible individuals are not sufficient. The State may transfer up to 10 percent of its TANF funds for a given fiscal year to carry out activities under the SSBG. The DFAS documents which programs and services were funded by SSBG and TANF transfer monies on the annual Post-Expenditure report. According to the Post-Expenditure report, during the year ended June 30, 2011, TANF funds totaling $21,705,174 were expended to carry out activities under the SSBG.

42 USC Sections 604(d)(3)(A) and 9902(2) provide that the state shall use all of the amount transferred into the SSBG from TANF only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by the Department of Health and Human Services (DHHS). Report No. 2007-09, *State of Missouri, Single Audit, Year Ended June 30, 2006* (issued in March 2007) finding number 2006-5 questioned the adequacy of DSS procedures for ensuring TANF transfer funds were used in compliance with this requirement. In response, DFAS management indicated they would only use TANF transfer monies to fund specific programs for children or their families whose income is verified as meeting the federal criteria. At that time, the DFAS identified two programs, case management and residential treatment of foster children, which met this criteria and agreed to use TANF funds for only these two programs. The DHHS, Administration for Children and Families, sustained the finding in a letter dated January 31, 2008, and concurred with DFAS' corrective action to use TANF funds only for case management and residential treatment activities.

During preparation of the Post-Expenditure report for the year ended June 30, 2011, DFAS personnel allocated expenditures totaling $6,461,316 of TANF transfer funding to programs other than case management and residential treatment. Personnel responsible for the preparation and review of the most recent Post-Expenditure report had not previously been assigned this task and stated they were unaware of the requirements regarding identification of TANF funds. While personnel indicated a review of the report is performed, the review is not documented and did not detect this error. It appears the DSS incurred additional case management and residential treatment expenditures that could have been substituted for the unapproved program expenditures which were reported. The DFAS does not have support to demonstrate the expenditures for the other programs reported were only for children or families whose income was under 200 percent of the poverty level. As a result, we question the $6,461,316 allocated in error to unapproved programs.

Good internal controls require adequate procedures to ensure earmarking requirements are met and reports are accurate. Inadequate supervisory reviews of program reports could hinder the ability to manage federal funds effectively and comply with federal regulations.

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

AUDITEE'S RESPONSE

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

2011-18. Eligibility and TANF Assistance Payments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families 2010 - G1002MOTANF and 2011 - G1102MOTANF 93.714 ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families State Program 2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs:	$16,328

Income information was not timely updated and eligibility documentation was not complete for some Temporary Assistance for Needy Families (TANF) recipients reviewed. In addition, sanctions were not imposed on recipients who failed to cooperate with Child Support Enforcement (CSE) procedures. During the state fiscal year ended June 30, 2011, the DSS expended federal funding of over $212 million for the TANF program, of which about $99 million was basic assistance payments to families.

A. The FSD paid TANF benefits to some recipients who may not have been eligible or were ineligible for the full amount of TANF payments received. We sampled

60 recipients, with payments totaling $126,653 for the year ended June 30, 2011, and noted concerns with 7 (12 percent) of the cases tested. The purpose of the test was to determine whether the proper eligibility determinations were made, and whether payments were calculated in accordance with program requirements, including obtaining any required documentation. Our test disclosed the following:

- For four recipients tested, the eligibility specialist did not act on information timely when quarterly wage matches between various federal and state databases and the TANF case management system showed significant unresolved differences in income earned during state fiscal year 2011. We determined that for these recipients, the FSD was not taking action on the case when the system generated alert from the quarterly wage matches was received via e-mail. This inaction allowed TANF recipients who were ineligible for portions of state fiscal year 2011 to continue to receive TANF benefits. The FSD determined these four recipients received overpayments totaling $4,246, for which we question the entire amount (100 percent federal share).

  Under 45 CFR Section 206.10, eligibility must be reconsidered or redetermined for an individual determined to be eligible: (1) when required on the basis of information the agency has obtained previously about anticipated changes in the individual's situation; (2) promptly, after a report is obtained which indicates changes in the individual's circumstances that may affect the amount of assistance to which he is entitled or may make him ineligible; and (3) periodically, within agency established time standards, but not less frequently than every 12 months for certain other eligibility factors subject to change. For recipients of TANF, all factors of eligibility must be redetermined at least every 6 months or more often for certain cases. Under the TANF program, at least one face-to-face redetermination must be conducted in each case once every 12 months.

- For three recipients tested, the FSD did not maintain adequate documentation. In one instance, the case file did not contain the recipient's signed assistance application/eligibility statement or system-generated interview summary. In another instance, the interview summary was not signed by the applicant. In the third instance there was no documentation of the verification of a minor child living in the household. The assistance application/eligibility statement and interview summary contain questions concerning income, reasons for need, and required federal prohibitions and requirements, and must be signed by the applicant certifying compliance with the requirements and attesting to the accuracy of the information provided. The verification of a minor child living in the home is a federal eligibility requirement.

  Under 45 CFR Section 206.10(a)(ii), applications for program participation must be in writing on an agency prescribed form and signed by the applicant or an appropriate representative. In addition, 45 CFR Section 205.60(a) requires the agency to maintain records for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and other pertinent information obtained.

Because the FSD did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility for the TANF program. Payments made for these three cases during the year ended June 30, 2011, totaled $10,824, for which we question the entire amount (100 percent federal share).

B. The FSD did not act upon some notices of non-cooperation from the CSE Unit to sanction recipients. We obtained a listing of CSE cases flagged in the child support case management system for non-cooperation during the year ended June 30, 2011, and matched it against a listing of TANF cases. There were 2,743 TANF cases flagged for non-cooperation. We tested 60 of these TANF recipients to determine whether the FSD was properly sanctioning recipients who were not cooperating with CSE procedures. TANF payments for the year for the 60 recipients totaled almost $132,000. Of the 60 recipients tested, 13 recipients were not referred by the CSE for sanction for valid reasons, such as immediate cooperation or good cause exemptions. The remaining 47 recipients were referred by the CSE for sanctions. For seven of these referred recipients (15 percent), the FSD did not sanction the recipient when notified. The Income Maintenance eligibility specialist receives an alert from the CSE via e-mail when non-cooperation occurs. For these seven recipients, there was no action taken upon receiving the e-mail to sanction the TANF recipient. The FSD identified overpayments totaling $1,258 were made to these 7 recipients during the year ended June 30, 2011.

Under 45 CFR Section 264.30, the FSD must refer to the CSE all appropriate individuals in the family of a child, for whom paternity has not been established or for whom a child support order needs to be established, modified, or enforced. Referred individuals must cooperate in establishing paternity and in establishing, modifying, or enforcing a support order with respect to the child. If the CSE determines an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the CSE, the FSD, or federal law, the CSE agency must notify the FSD promptly. The FSD must then take appropriate action by either deducting an amount equal to at least 25 percent from the TANF assistance that would otherwise be provided to the family of the individual or denying the family assistance entirely. The DSS has determined the sanction will be 25 percent of the assistance amount.

The FSD also reported that while reviewing the 60 cases they identified and established claims for overpayments of TANF benefits for non-cooperation sanctions that should have been imposed outside of the audit period for three of the seven recipients, totaling $700, and three other recipients, totaling $627. Since these overpayments occurred outside of the audit period, they are not included as questioned costs.

The FSD did not have a system to track the non-cooperation notices received from the CSE and therefore could not ensure or demonstrate compliance with federal requirements related to sanctioning of recipients who were not cooperating with the CSE program requirements.

We question the costs for failure to impose sanctions upon the seven non-cooperation cases for the state fiscal year ended June 30, 2011, totaling $1,258 (100 percent federal share).

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

A. Strengthen controls to ensure income information is reviewed periodically and proper and timely action is taken regarding the updated income information, including case sanctions, case closures and recoupment of overpayments if warranted. In addition, the FSD should maintain required eligibility documentation in all case files.

B. Develop additional controls to ensure sanctions are imposed on TANF recipients who fail to cooperate with child support enforcement program requirements.

AUDITEE'S RESPONSE

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

2011-19. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2010 - G1002MOTANF and 2011 - G1102MOTANF
93.714 ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families State Program
2009 - G0901MOTAN2 and 2010 - G1001MOTAN2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $44,304,556

The DSS does not have adequate controls in place to ensure costs claimed under the Temporary Assistance for Needy Families (TANF) program meet federal requirements. The DSS claimed unallowable foster care, adoption assistance, and subsidized guardianship costs totaling over $25.8 million under the TANF program. The DSS included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the TANF program. In addition, the DSS claimed unallowable scholarship program costs totaling nearly $18.5 million directly under the TANF program.

The four purposes of the TANF program as stated in 45 CFR Section 260.20 include: (1) provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives; (2) end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage; (3) prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and (4) encourage the formation and maintenance of two-parent families.

A. The DSS claimed unallowable state foster care, adoption assistance, and subsidized guardianship costs under the TANF program. Federal regulation, 45 CFR Section 263.11, includes a grandfather clause allowing states to continue to claim expenditures previously authorized under certain federal programs which are now obsolete. Such expenditures are referred to as prior approved program costs. The DSS identified the foster care, adoption assistance and subsidized guardianship costs as authorized under the IV-A Emergency Assistance (EA) Plan in effect on September 30, 1995. However, EA that may be claimed as a prior approved program cost is limited by the 1995 IV-A EA plan, to a maximum duration of 365 days or less as necessary to alleviate the emergency condition, and must be authorized within a single 30-day period no less than 12 months after the beginning of the family's last EA authorization period.

   The DSS started claiming certain child welfare expenditures in state fiscal year 2006 including some state foster care, adoption assistance, and subsidized guardianship under the TANF program. Expenditures claimed do not appear to meet the criteria for emergency assistance. The foster care, adoption assistance, and guardianship expenditures can and often do extend beyond 12 months and do not necessarily correspond to an emergency or an emergency assistance authorization. While it is clear that some expenditures for some families within those categories would meet the requirements as a prior approved program cost, the DSS does not have a methodology to track which specific foster care, adoption assistance and guardianship expenditures meet the emergency assistance criteria and were authorized as required.

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

B. The DSS included unallowable educational expenditures totaling $19,034,632 in the amounts reported for the annual MOE requirement. MOE is the minimum amount of funding the state must expend from other funding sources as a condition of receiving TANF funding each year. Qualifying activities provided to TANF eligible families may be included in MOE. In addition, qualifying activities provided to families who are not eligible for participation in the TANF program may be included in MOE only if those activities are closely related to the promotion of healthy marriages and responsible fatherhood. The MOE must meet a threshold based on either 80 percent ($128.1 million) or 75 percent ($120.1 million) of the 1994 base year expenditures, depending on whether the state meets the work participation rate requirements for the fiscal year. This is termed "basic MOE" and the requirement is based on the federal fiscal year.

MOE expenditures must be made on behalf of eligible TANF families pursuant to 42 USC Section 609(a)(7)(B)(i)(IV). Eligible families are defined in 45 CFR Section 263.2, as families who meet the income and resource standards and other eligibility criteria defined in the state TANF plan. For federal fiscal years 2006 through 2008 only, an exception was made whereby states could claim MOE for certain expenditures directed toward any family regardless of financial need or eligibility, if the expenditure was reasonably expected to accomplish TANF purposes 3 or 4, which relate to preventing and reducing out-of-wedlock pregnancies and encouraging the formation and maintenance of two-parent families. For federal fiscal year 2009 and forward, this policy has been revised and states are only allowed to claim specific activities for families who are not TANF eligible if the expenditure is closely related to the promotion of healthy marriages and responsible fatherhood as defined in Administration for Children and Families (ACF) directive TANF-ACF-PI-2008-10 issued October 23, 2008.

We reviewed all sources of MOE claimed for federal fiscal year 2010 and noted three educational programs claimed do not appear to be allowable sources of MOE. These programs are operated by the Missouri Department of Elementary and Secondary Education. The DSS began including these educational programs in MOE in 2007.

The three educational programs, Character Education, Parents as Teachers, and the Missouri Pre-School Program, appear to fall under the category of early childhood education programs which have been deemed by the ACF as meeting TANF purposes 3 and 4. However, for these educational program activities to be includable in MOE, the activities must be provided to TANF eligible families or, for families who are not eligible to participate in the TANF program, those programs must be closely related to the promotion of healthy marriages and responsible fatherhood. The DSS does not have a methodology to track which expenditures within these three programs benefit only TANF eligible families. The DSS has also not determined and documented how these three programs are closely related to the promotion of healthy marriages and responsible fatherhood for families not eligible for TANF participation. Therefore, the DSS is unable to substantiate which, if any, expenditures for these three educational programs are allowable sources of MOE. For these three programs, the DSS claimed unallowable costs totaling approximately $19 million in federal fiscal year 2010.

For federal fiscal year 2010, the DSS reported MOE total expenditures of $203.1 million including the unallowable educational program costs of $19 million. It appears the allowable MOE expenditures were $184.1 million which exceeds the required MOE for federal fiscal year 2010. The DSS did not comply with TANF program requirements related to MOE and continuing to claim unallowable MOE expenditures increases the risk the DSS could fail to meet the MOE requirements. Under 45 CFR Section 263.8, the failure to meet the MOE requirement may result in a penalty, which is a dollar for dollar reduction in the TANF grant award for the subsequent year.

C. For the quarter ended September 30, 2010, the DSS claimed costs under the TANF program, totaling $18,493,665, related to three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships. According to the TANF Funding Guide, the ACF indicates TANF expenditures may include expenditures for TANF eligible families that serve to meet any of the four purposes of the TANF program. For families that are not TANF eligible, the funded activities must serve to meet TANF purposes 3 or 4, which relate to preventing and reducing out-of-wedlock pregnancies and encouraging the formation and maintenance of two-parent families. The DSS reported the scholarship programs meet TANF purposes 3 and 4; however, the DSS has not determined and documented there is any correlation between those programs and any of the four TANF purposes. We question the state fiscal year 2011 costs for scholarship programs that were claimed under the TANF program, totaling $18,493,665 (100 percent federal share).

D. The DSS control system has not been effective in ensuring the types of costs claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements, resulting in unallowable costs and unqualified sources of MOE claimed against the federal TANF grant. Such a control system should include formal evaluations, periodic re-evaluations, and management review of the related federal regulations and expenditure categories to ensure expenditures claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

Findings similar to A, B, C, and D were noted in our prior audit report.

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

A. Ensure prior approved program costs claimed under the TANF program comply with federal regulations.

B. Ensure expenditures claimed as MOE are allowable.

C. Ensure program costs claimed under the TANF program comply with federal regulations.

D. Establish a formal control system to ensure the types of costs claimed under the TANF program or recorded as TANF MOE meet all federal regulatory and grant requirements.

AUDITEE'S RESPONSE

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

2011-20. Work Participation and Sanctions

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

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2011 and, as a result, the FSD has less assurance the data used to calculate the work participation rate is accurate. In addition, controls were not adequate to ensure recipients were sanctioned when they were not in compliance with federal and state requirements.

The FSD contracted with the Missouri Department of Economic Development - Division of Workforce Development (DWD) to perform many of the required TANF work activity functions for state fiscal year 2010. These duties included case management, enrollment and assistance to TANF recipients who are required to participate in eligible work activities, and reporting recipient noncompliance and hours of participation to the FSD. The DWD contracted with regional workforce investment boards (WIBs) to provide those functions at the local level. The FSD assumed direct administration of the TANF work activities from the DWD on July 1, 2010, utilizing the WIBs while seeking new service providers. By October 1, 2010, the FSD had contracted directly with community organizations to perform the related activities at the local level for the 19 regions in the Missouri Work Assistance (MWA) program. The FSD and the community organizations continued to use the legacy computer system, DWD Toolbox, to record work participation data. The FSD expended over $19 million on the TANF work activities program during the year ended June 30, 2011, including $11 million in ARRA funding. Just over $17.7 million of the total was paid to local contractors.

During the transition of program administration, the FSD did not conduct any on-site monitoring visits from July 2010 through October 2010. By the time the new contracts were awarded in October 2010, the FSD had hired and trained program development specialists to conduct the on-site monitoring visits and developed specific procedures to be used to improve contractor compliance. However; our test results indicate the on-site monitoring was not effective in improving contractor compliance. As a result, the FSD failed to comply, and failed to ensure the MWA contractors complied, with the state's work verification plan. FSD officials indicated additional steps have been taken since June 2011 to improve contractor compliance with work verification requirements.

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

A. The FSD was not in compliance with certain work activity reporting requirements contained in the Work Verification Plan in effect for state fiscal year 2011. We obtained a March 2011 listing of those TANF recipients referred to the MWA contractors which included data on the status of each recipient's compliance with the work participation requirements and number of hours of participation in the various work related activities. Of the 21,856 TANF recipients included in the report, 4,259 recipients had at least an hour of work activity reported. We selected 60 recipients with reported work activity for testing and obtained their case files. We noted for 17 (29 percent) of the cases tested, the work participation hours were either not documented, not verified, and/or not reported correctly in accordance with the Work Verification Plan. In five instances the errors led to incorrectly reporting the recipient as meeting the work participation requirements when in fact they did not. The net effect of the errors was an overstatement of the work participation compliance rate by 8.33 percent for this group of 60 individuals.

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

B. The FSD did not have adequate procedures in place to ensure contractors notified the FSD when TANF recipients failed to meet work participation requirements. As a result, many TANF recipients who failed to meet work participation requirements were not sanctioned. In addition, the FSD did not ensure TANF recipients referred to MWA contractors were assigned MWA case managers.

- Our audit noted MWA contractors were not sending sanction requests to the FSD when recipients were not in compliance with work participation requirements and therefore recipients continued to receive full benefits. Of 21,856 individuals on the March 2011 listing of TANF recipients referred to the MWA contractors, there were 17,597 recipients for which no work activities were reported. About 1,400 of these recipients were not subject to sanction due to various allowable waivers and exemptions, leaving about 16,200 recipients who were not participating in work activities and subject to sanction. We sampled 55 of the 16,200 cases and noted 18 (33 percent) of the recipients were not appropriately sanctioned for non-compliance with work participation requirements. Twenty recipients were appropriately sanctioned and the remainder either subsequently complied or began participation. The DSS has established the sanction at 25 percent of the monthly benefit amount. We question the amount of the sanctions that were not imposed on these 18 recipients for the month of March 2011, which totaled $1,134 (100 percent federal share).

  For 16 of the errors, MWA program contractors had multiple contacts with the recipients to get them engaged with the program and to reschedule missed appointments. However, the contractors did not place the recipients in conciliation or report them to the FSD to begin the sanctioning process. For two of the errors it appeared the contractors were not aware the recipient had been referred to them and no action had been taken to get them to comply with the work participation requirements. One of the two recipients had no case notes in the DWD Toolbox system and the other had no case notes since 2009.

- The FSD did not ensure TANF recipients, including the two instances noted above, referred to the DWD and MWA contractors were assigned case managers. The FSD switched from the DWD Toolbox computer system to its new MWA case management computer system in June 2011. Upon switching systems, FSD officials discovered many TANF recipients that had been reflected in the previous DWD Toolbox system as referred to the DWD and MWA contractors were never actually assigned to a case manager. As a result, the contractors were not aware of the cases and the recipients were not engaged in the work participation process. These recipients were reported as having no hours of work participation. After the system switch, these recipients showed up on the "new referral" listing within the MWA system. The FSD estimated the listing included several thousand recipients as of June 2011. However, the FSD was unable to tell us how many recipients were included on the list for which a case manager had never been assigned. After these problems were identified, the cases were assigned to case managers. The recipients that had not previously been assigned a case manager were not required to participate in work activities and were not subject to work participation sanctions until they were assigned.

Under 45 CFR Section 261.14, for an individual who refuses to engage in work required under section 407 of the Social Security Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish. The State has determined the sanction shall be 25 percent of the monthly benefit. A State that fails to impose penalties on individuals in accordance with the provisions of section 407(e) of the Social Security Act may be subject to penalty. Under 45 CFR Section 261.54, the federal agency may impose a penalty amount for a fiscal year of no less than 1 percent and no more than 5 percent of the annual grant amount.

The failure to maintain adequate controls to ensure recipients who are not in compliance with the work requirements are appropriately sanctioned has resulted overpayment of benefits totaling $1,134.

The FSD should develop additional controls to ensure work activities are adequately documented, verified, and reported in accordance with the FSD Work Verification Plan. In addition, the FSD should develop additional controls to ensure TANF recipients failing to meet work participation requirements are sanctioned as required.

WE RECOMMEND the FSD:

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

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

AUDITEE'S RESPONSE

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

2011-21. Low-Income Home Energy Assistance Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.568 Low-Income Home Energy Assistance
2010 - G10B1MOLIEA and 2011 - G11B1MOLIEA
State Agency: Department of Social Services (DSS) - Family Support Division - Low-Income Home Energy Assistance Program (LIHEAP) Unit

The Human Development Corporation of Metropolitan St. Louis (HDC), a DSS subrecipient, misused at least $669,704 of LIHEAP funds, according to DSS personnel. During state fiscal year 2011, the DSS paid the HDC LIHEAP funds totaling $4,235,746. However, the HDC did not remit $669,704 to the energy supplier on behalf of LIHEAP clients as required by the LIHEAP program and contractual requirements. During September 2011 through December 2011, the DSS issued payments totaling $669,704 from state funds to satisfy amounts due the energy supplier.

The DSS indicated it had increased the intensity of monitoring efforts for the HDC in early 2011 after the DSS was made aware of financial problems at the HDC. The DSS did not allow the HDC to participate in the LIHEAP program during federal fiscal year 2012. The HDC voluntarily withdrew from the Community Services Block Grant program in September 2011, and filed for corporate dissolution in December 2011. DSS personnel indicated they have taken possession of HDC documents related to the federal grants and financial records of the HDC and they plan to conduct a review to determine whether other federal funds provided the HDC were properly expended. The DSS also indicated it has notified the applicable federal authorities and referred the matter to the Missouri Attorney General's office.

The DSS should complete the planned grant close out reviews, report the results of those reviews to federal and state officials, and seek recovery of all improperly used funds. In addition, the DSS should review its monitoring efforts of LIHEAP subrecipients to determine whether improvements are needed.

WE RECOMMEND the DSS complete the planned grant close out reviews, report the results of those reviews to federal and state officials, and seek recovery of all improperly used funds. In addition, the DSS should review its monitoring efforts at the HDC to ensure established procedures were followed and determine if improvements in those procedures are needed.

AUDITEE'S RESPONSE

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

2011-22. Medicaid Management Information System

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

2010 - 1005MOARRA
2011 - 1105MOARRA and 1105MOEXTN

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

Questioned Costs: $123

The MHD does not have effective controls in place to ensure overrides of claims or computer access requests for the Medicaid Management Information System (MMIS) were properly authorized. In addition, certain claims were not properly processed by the MMIS. The Medical Assistance Program, also known as Medicaid, and the Children's Health Insurance Program (CHIP) are administered by the MHD. The MMIS is the benefit claims processing and information retrieval system used by the MHD for the Medicaid program and CHIP. Providers submit claims for services to participants and are paid through the MMIS. There are numerous system edit checks established in the MMIS to flag and/or refuse payment on suspicious or unusual claims to help ensure only allowable claims are paid.

A. MMIS system edit override documentation was not properly completed or approved by MHD personnel for 2 of 60 override actions reviewed (3 percent). There were 6,636 overrides applied during the year ending June 30, 2011. The amount billed by the providers for the 60 overrides we tested averaged approximately $4,000 each, although the amount finally paid by the MMIS could be less.

The Patient Protection and Affordable Care Act requires state Medicaid agencies to incorporate into their MMIS compatible National Correct Coding Initiative methodologies to promote correct coding and control improper coding leading to inappropriate payments. This coding was implemented by the MHD in the form of system edits. The system edits can deny a payment or establish a hold on payment authorization for a claim; but, under some circumstances an override of the denial or hold can be processed to allow claim payment. However, MHD policy requires documented approval of each override, with reasons to explain the override, to authorize the payment of claims that have been flagged by an edit in the system.

Our review of override authorizations noted documentation was not adequate for 2 of 60 overrides tested. Neither authorization indicated the reason the override was necessary and one of these authorizations also was not approved by an authorized individual. Without properly completing or approving override documentation, the MHD cannot demonstrate the related payments were allowable costs under the Medicaid program. The payments related to these overrides totaled $63. We question the federal share of the total payments, or $45 (71.61 percent).

B. The MHD did not ensure some department personnel with access to the MMIS were approved for such access. Department policy requires Security Access

Request forms be completed and approved before access authority for the MMIS is granted or changed. Forms should be approved by the user's supervisor and by proper employees within the MMIS unit.

We reviewed Security Access Request forms for 25 accounts added to or changed for the MMIS during fiscal year 2011 and noted 11 errors related to 9 accounts (36 percent). Four of these access forms could not be located, four forms were not approved by the employees' supervisors, and three forms did not include a proper reason for the action. Without fully approving access and maintaining documentation of such approvals, the MHD cannot ensure access to the MMIS, which contains sensitive participant information and processes all claim payments for the Medicaid program, is properly limited.

Federal regulation 42 CFR Section 431.301, requires states to enact a statute that restricts the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the Medicaid plan.

C. The MMIS did not properly process certain spend down claims, allowing some participants with medical claims that extended between 2 or more calendar months to receive benefits without meeting spend down requirements in any of the months. As of June 2011, there were 24,315 participants in the spend down program.

Spend down is an eligibility status given to participants with disabilities or age 65 and over whose income is too high to qualify for normal Medicaid benefits but who may qualify after incurring a pre-determined amount of medical costs during the month of service. The monthly spend down amount for which a participant is responsible may range from only a few dollars up to several thousand dollars depending on the participant's income. A spend down participant is considered eligible for Medicaid each month after the monthly spend down amount has been met. A participant may meet the spend down requirement by paying the monthly spend down amount directly to the DSS each month, or by submitting to an FSD caseworker medical bills for which the participant is responsible.

During our test of 60 Medicaid and CHIP claims paid, we reviewed 9 claims for spend down participants and noted 1 paid claim where the participant had not met the required monthly spend down amount. The claim was a Medicare cross-over claim, for which Medicare was the primary payer and Medicaid was paying the remainder of the allowed amount. The dates of service on the claim extended between February and May 2011. However, the participant had not met the required monthly spend down amount for February; therefore, the participant was ineligible for Medicaid on the February date of service. An MMIS programming error related to system edits for claims paid for spend down participants with dates of service extending across 2 or more months was also identified by the MHD in December 2010; therefore, this was not an isolated incident. The programming error was corrected by the MHD in June 2011.

The payments related to the claim tested totaled $109. We question the federal share of the total payments, or $78 (71.61 percent). Similar claims could have been improperly paid for additional spend down participants with Medicaid claims spanning more than one month. However, the MHD has not performed the review necessary to identify the total amount of payments made in error. If similar errors were made on the remaining population of spend down cases, questioned costs could be significant.

WE RECOMMEND the MHD

A. Ensure the override authorizations are properly completed and approved by appropriate employees. In addition, the MHD should resolve questioned costs with the grantor agency.

B. Ensure the proper completion and authorization of the Security Access Request forms for employees obtaining or changing access in the MMIS.

C. Identify and resolve questioned costs with the grantor agency related to spend down participant claims paid in error.

AUDITEE'S RESPONSE

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

2011-23.	**Participant Eligibility**

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

Adequate controls are not in place to ensure all required documentation is obtained and maintained supporting eligibility of participants related to the Medical Assistance Program and the Children's Health Insurance Program (CHIP). As a result, the DSS could not demonstrate compliance with eligibility requirements for some participants reviewed.

The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD, while the FSD is charged with determining the eligibility of Medicaid and CHIP participants. During the year ended June 30, 2011, Medicaid and CHIP payments totaled approximately $8.3 billion, of which approximately $5.9 billion was claimed as federal expenditures. There were approximately 1.2 million Medicaid and CHIP participants active for at least part of fiscal year 2011.

The FSD did not obtain or maintain all documentation required for eligibility for 3 of 60 Medicaid and CHIP participants reviewed (5 percent). As a result, the DSS could not demonstrate these participants were eligible to receive benefits during the year ended June 30, 2011. The following problems were noted during our testing:

- A Social Security Number (SSN) was not obtained at the time the Medicaid application was submitted or after the grace period expired for one participant reviewed. Federal regulation 42 CFR Sections 435.910 and 457.340 require applicants furnish their SSNs when applying for Medicaid or the CHIP. If the applicant does not have the SSN available, the state may grant a grace period for the participant to furnish the SSN. This participant's grace period expired November 22, 2009; however, the participant remained eligible in the system until October 15, 2010, when the participant's responsible party did not respond to the annual eligibility redetermination request.

- Citizenship was not verified during determination of eligibility for one Medicaid participant reviewed. Federal regulation 42 CFR Sections 435.406 and 435.407 and the state plan for the CHIP require applicants provide documentary evidence of citizenship or national status. If the applicant does not have proof of citizenship, the state may grant a grace period to furnish the documentation. This participant's grace period expired June 8, 2011, at which time the eligibility should have ended. When we brought this issue to management's attention in December 2011, DSS personnel requested proof of citizenship from the participant. However, the proof of citizenship was never provided and the eligibility for this participant was ended in January 2012.

- Income was not verified during a December 2010 eligibility redetermination for one Medicaid participant reviewed. Federal regulation 42 CFR, Sections 435.948, 435.952 and 457.350 require states to request and use income and wage information when determining eligibility for Medicaid and CHIP participants. Without verifying income, the DSS cannot ensure the participant remained eligible.

DSS personnel could not explain why the case workers approved the eligibility for the above participants without obtaining and verifying the necessary documentation.

Case workers are to obtain and document various information from applicants and enter it into the Family Assistance Management Information System (FAMIS). The FAMIS automates the application process and determines eligibility for Medicaid and other DSS programs based on the information entered. Monthly, supervisors review a small sample of cases processed by each case worker. However, if a case has missing information for which the applicant has been given a grace period to provide, there is no subsequent control to ensure this information is eventually received. While case workers can set their own system reminders, the system does not automatically set reminders. In addition, supervisors are not required to later follow up on sampled cases for which information was pending.

Because the FSD did not maintain required case file documentation, it could not ensure or demonstrate compliance with federal requirements related to eligibility. The ineligible payments made on behalf of the participants mentioned above totaled $3,717 during the year ended June 30, 2011. We question the federal share of the total payments or $2,620 (70.49 percent).

Medical payments associated with known questioned costs identified above represented payments made on behalf of participants for 5 percent of Medicaid and CHIP participants reviewed. If similar errors were made on the remaining population of Medicaid and CHIP participants, questioned costs could be significant.

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

AUDITEE'S RESPONSE

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

2011-24. Pharmacy Dispensing Fees

Federal Agency:	Department of Health and Human Services (DHHS)
Federal Program:	93.767 Children's Health Insurance Program 2010 - 1005MO05021 93.778 Medical Assistance Program 2010 - 1005MO5MAP and 1005MO5ADM 2011 - 1105MO5MAP and 1105MO5ADM 93.778 ARRA - Medical Assistance Program 2009 - 0905MOARRA 2010 - 1005MOARRA 2011 - 1105MOARRA and 1105MOEXTN
State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs:	$6,909,934

The MHD has periodically changed the rate paid pharmacies for dispensing prescription drugs under the Medical Assistance Program and the Children's Health Insurance

Program (CHIP); however, the state regulation authorizing these dispensing fees has not been updated since 1988. In addition, the MHD does not have adequate documentation to support the determination of the current dispensing fee structure. The Medical Assistance Program, also known as Medicaid, and the CHIP are administered by the MHD under the federally approved Medicaid and CHIP State Plans.

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

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

In addition, the MHD does not have adequate documentation to support the dispensing fee amounts currently paid. MHD personnel stated the dispensing fee is based on a 2007 national survey of pharmacy companies, which shows the median cost of dispensing prescription drugs nationwide. However, MHD cannot demonstrate the amount used is reasonable for Missouri.

Federal regulations 42 CFR Sections 447.203 and 457.238, indicate the Medicaid and CHIP agencies, respectively, must maintain documentation of payment rates. Further, 42 CFR Section 447.203, requires when payment rates are increased, the Medicaid agency must record, in state manuals or other official files, the various information to support the increases. This includes, "an estimate of the percentile of the range of customary charges ... and a description of the methods used to make the estimate," as well as, "an estimate of the composite average percentage increase of the revised payment rates over the preceding rates." Additionally, the CHIP State Plan indicates, "the state assures that services are provided in an effective and efficient manner through free and open competition or through basing rates on other public and private rates that are actuarially sound." Without ensuring the basis for the increased dispensing fee was properly documented or showing the new rates are actuarially sound, the MHD cannot demonstrate the increases in these fees are allowed under federal law.

The MHD paid pharmacies base dispensing fees totaling $62,331,717 during the year ended June 30, 2011. Had the dispensing fees been paid in accordance with the 1991 settlement agreement, the fees would have totaled $52,672,877, a difference of $9,658,840. We question the federal share of the increased payments, or $6,909,934 (71.54 percent).

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

AUDITEE'S RESPONSE

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

2011-25.	**Report Reviews**

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

The MHD does not have effective controls in place for the production and review of some reports necessary to ensure compliance with participant enrollment or paid claim requirements of the Medical Assistance Program. The Medical Assistance Program, also known as Medicaid, and the Children's Health Insurance Program (CHIP) are administered by the MHD.

A. The MHD identifies Medicaid and CHIP claims requiring post-payment reviews and generates daily exception reports; however, these reports were not reviewed during the year ended June 30, 2011.

Providers submit claims for payment through the state's Medicaid Management Information System (MMIS). Claims are processed through various edits in the system to ensure the data is valid and the billing of the services complies with DSS policies. The MMIS edits have various status codes, which identify a claim as paid, suspended, or denied. One status allows the claims to be paid, but posts the claims to a daily exception report to be reviewed further for possible recoupment. This daily report only lists claims with exceptions for each specific day the report is run and is not a cumulative report. Therefore, each daily report would need to be reviewed to ensure all identified exceptions are properly evaluated. However, this daily report was not reviewed at all during the year ended June 30, 2011. As an example, claims listed on the December 31, 2010, daily exception report totaled over $1 million. Without reviewing paid claims that have been identified as possible erroneous billings, there is less assurance abusive billing practices will be detected on a timely basis.

B. The MHD could not ensure all Medicaid participants who also qualify for Medicare were properly enrolled or removed from the Medicare Buy-In program because some reports necessary to identify these participants were not generated and/or reviewed during the year ended June 30, 2011.

Under the Buy-In program, the MHD may enroll certain eligible participants in Medicare Part A and Part B and use Medicaid funds to pay the premiums, deductibles, cost sharing, and other charges, as allowed by federal regulations 42 CFR Section 406.26 and 42 CFR Section 431.625. This program is cost-beneficial to the state because the federal Medicare program is the primary insurance and Medicaid is the secondary insurance for the participants. MHD responsibilities for the Buy-In program include identifying existing Medicaid participants eligible for Buy-In, maintaining the records of Buy-In participants, removing participants when they become ineligible, and verifying payments for Medicare premiums made to the Federal government.

Several reports are generated and reviewed to ensure the proper enrollment of participants in the Buy-In program. While the reports are system-generated and the DSS reviews most of these reports, we identified issues with two reports. One report lists participant additions and deletions the computerized system was unable to process automatically. This report was not generated or reviewed during the year ended June 30, 2011, because a change in the eligibility system stopped this report from being generated and MHD personnel could not determine how to resolve the issue until August 2011. Another report lists Medicaid participants with changes to their eligibility that may result in adding or removing the participant from the Buy-In program. The eligibility system change also affected this report. Although this report was generated, the number of records on the report increased significantly, causing the unit to fall behind in reviewing the report. As of July 2011, the Buy-In Unit was approximately 6 months behind in processing additions to the Buy-In program from this report and 2 months behind in processing deletions.

Without generating and reviewing lists of participants whose cases did not process properly or had eligibility changes, the MHD is not able to ensure only eligible Medicaid participants are properly enrolled in the Buy-In program.

C. Various monthly Managed Care eligibility reports were not retained for the year ended June 30, 2011.

Medicaid and CHIP participants in certain counties may be enrolled in Managed Care organizations. The state pays preset monthly capitation payments to the organizations for each participant instead of paying for medical services directly. To ensure capitation payments are paid for only eligible participants, the MHD produces and reviews various eligibility reports. While some reports were produced and retained, MHD personnel indicated reports for the following three areas were produced but not retained for the year ending June 30, 2011: participants who had passed away and should be removed from eligibility, newborn participants who should be added to the Managed Care program, and participants whose eligibility dates might have had errors. The MHD changed the reporting software during the year ended June 30, 2011, and MHD personnel were not aware the software did not retain the reports. According to 42 CFR Section 438.66, the MHD must have procedures for monitoring enrollment and disenrollment of Managed Care participants. Without retaining these reports, the MHD cannot demonstrate compliance with this requirement.

WE RECOMMEND the MHD:

A. Review the report of claims that have been identified for post-payment reviews to ensure erroneous billings are properly recouped.

B. Ensure the production and review of all reports related to enrolling and removing Medicaid participants from the Medicare Buy-In program to ensure compliance with federal requirements.

C. Ensure the production and retention of all reports related to enrollment in the Managed Care program to demonstrate compliance with federal requirements.

AUDITEE'S RESPONSE

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

2011-26.	Spend Down

Federal Agency: Department of Health and Human Services (DHHS)
Federal Program: 93.778 Medical Assistance Program
2010 - 1005MO5MAP and 1005MO5ADM

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

State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)

FSD caseworkers did not always properly determine eligible expenses to count toward participant spend down requirements, causing some participants to be considered eligible for Medical Assistance Program benefits before they had actually met their spend down amount. This may have caused participants to receive Medical Assistance Program coverage for which they were not eligible.

The Medical Assistance Program, also known as Medicaid, is administered by the MHD. The FSD is charged with determining the eligibility of Medicaid participants. Spend down is an eligibility status given to persons with disabilities or age 65 and over whose income is too high to qualify for normal Medicaid benefits but who may qualify after incurring a pre-determined amount of medical costs during the month of service. The monthly spend down amount for which a participant is responsible may range from only a few dollars up to several thousand dollars depending on the participant's income. A spend down participant is considered eligible for Medicaid each month after the monthly spend down amount has been met.

A participant may meet the spend down requirement by paying the monthly spend down amount directly to the DSS each month, or by submitting to an FSD caseworker medical bills for which the participant is responsible. If the participant submits medical bills, federal regulation 42 CFR Section 435.121 (f)(1)(iii), requires the participant to have incurred the expense and the expense cannot be subject to payment by a third party, such as Medicare or other insurance. Medicaid eligibility for the participant starts monthly on the date the participant has incurred expenses equal to or above the spend down amount and only medical bills incurred after that point may be paid by Medicaid. As of June 2011, there were 24,315 participants in the spend down category, 9,136 of whom met the spend down requirement by submitting bills incurred and also had other insurance.

In October 2011, FSD officials discovered some caseworkers were counting expenses toward the spend down requirement which were paid by, or expected to be paid by, a third party. However, as explained above, these expenses are not allowable spend down costs under federal program rules. At that time, FSD officials took steps to ensure all spend down cases were handled in accordance with federal law. However, numerous participants and providers questioned the FSD regarding the changes due to concerns about participants no longer receiving coverage for the health care they needed. In order to assess the situation and the impact to the participants, the FSD halted the corrective action, and as of January 2012, DSS officials were still determining how to correct this federal noncompliance with the least disturbance to participants as possible.

In February 2012, to identify all participants impacted by incorrect eligibility determinations, FSD caseworkers began reviewing all Medicaid participants in the spend down program who qualified by submitting bills incurred. However, the DSS has not yet determined the full extent of this issue and has not taken steps to determine how much, if any, in improper claims were paid.

WE RECOMMEND the DSS work with the grantor agency to resolve this issue to ensure the correct application of the spend down requirements.

AUDITEE'S RESPONSE

We agree with the auditor's finding. Our Corrective Action Plan includes our 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. Management reports may include issues relating to the administration of federal programs. Reports issued during fiscal year 2011 and through current 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. Findings noted in these reports are not required to be reported.

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, 2010, and the findings from the prior audits for the years ended June 30, 2009 and 2008, 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 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, 2009, is as follows:

Findings numbered 2A, 2C, 4A-C, 5, 7-11, 13, 14A-C, 15B and 16 were corrected.

Findings numbered 1, 2B, 3, 6A, 6B, 12, 15A, 17, and 18 are included in the Summary Schedule of Prior Audit Findings.

For the year ended June 30, 2008, all findings were corrected, no longer valid, or did not warrant further action, except for findings numbered 2A, 2B, 6, 7A, 8A, 8B, 9A and 10, which are included in the Summary Schedule of Prior Audit Findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2008-2A. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2007 - DAHA23-07-2-1000 and 2008 - DAHA23-08-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

Some assets purchased during fiscal year 2008 were not properly accounted for in the AG's capital asset tracking system and were not assigned a property tag or capital asset number. In addition, the AG did not perform adequate periodic inventories to ensure capital assets were retained and used appropriately.

Recommendation:
The AG ensure all equipment is properly entered into the capital asset tracking system and assigned a property tag number. In addition, the AG should develop and implement a process to ensure capital assets are appropriately accounted for on the annual physical inventories. The inventories should be completed by someone without physical custody of the assets, or at a minimum, reviewed by someone independent.

Status of Finding:
Of the $213,703 in capital assets that were not assigned property tags or capital asset numbers, 92 percent have been identified and 8 percent are 100 percent completed. The 92 percent has been identified and is in the process of being tagged and entered into the capital asset system. Provided the agency is not called upon to manage numerous state emergency duties or other unforeseen emergencies, we anticipate fiscal year 2008 being resolved by the end of fiscal year 2012.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2008-2B. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2007 - DAHA23-07-2-1000 and 2008 - DAHA23-08-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

AG personnel did not complete a reconciliation between the expenditure and capital asset records in the SAM II system.

Recommendation:
The AG ensure the capital asset reconciliation is completed to identify all capital assets and ensure the capital asset records are accurate.

Status of Finding:
The reconciliation between the expenditures and capital asset records in the SAM II system is complete and we are in the process of getting the documents entered. We anticipate this being completed by the end of fiscal year 2012.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2008-6. Foster Care - Court Contracts

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: $216,178

The DSS received federal reimbursement for administrative costs associated with services provided by juvenile officers and guardians ad litem, although such costs did not appear allowable in the Foster Care program. During fiscal year 2008, the DSS claimed reimbursement of such costs totaling $432,356. We questioned the federal share of $216,178.

Recommendation:
The DSS through the CD, ensure Foster Care costs claimed for federal reimbursement are allowable Foster Care expenses. In addition, the DSS should resolve the questioned costs with the grantor agency.

Status of Finding:
In fiscal year 2010, the DSS ceased claiming Title IV-E for contracts with juvenile courts for deputy juvenile officer services and guardian ad-litem services. Juvenile courts were notified that their contracts would be cut in half in fiscal year 2010 to account for the loss of federal funds to support the initiative. In fiscal year 2011 the DSS eliminated contracts with juvenile courts for deputy juvenile officer services and guardian ad-litem services.

Status of Questioned Costs:
The Department of Health and Human Services, Administration for Children and Families disallowed the questioned costs in a letter dated June 6, 2011. The DSS decreased the quarter ending June 30, 2011, Title IV-E financial report to settle the disallowed costs of $216,178.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2008-7A. Foster Care - Residential Facilities

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:	$9,511

Reimbursements to residential facilities for training expenses were not always supported by sufficient documentation that the expenditures were allowable, and some training costs reimbursed appeared unallowable. Of the $34,100 in reimbursements reviewed, payments totaling $12,875 were unallowable and/or unsupported, of which we questioned $9,511 claimed as the federal share.

Recommendation:
The DSS through the CD, continue to ensure training activities reimbursed are for allowable activities outlined in federal regulations. In addition, the DSS should resolve the questioned costs with the grantor agency.

Status of Finding:
On May 3, 2011, the DSS-CD issued to residential treatment providers reimbursed for training costs a letter outlining enhanced procedures that will ensure there is adequate documentation to support claiming those costs for Title IV-E training reimbursement. Residential treatment providers are now required to code the training course to one of a list of Title IV-E allowable topics and to provide a rationale/justification for Title IV-E reimbursement of the course costs. Additionally, the Division of Finance and Administrative Services is strengthening department quality assurance and compliance functions to provide better monitoring of and technical assistance to staff with fiscal responsibilities. One assignment of this new unit will be to actively monitor programs and practices with identified weaknesses in statewide single audits and other audit and monitoring reports.

Status of Questioned Costs:
The Department of Health and Human Services, Administration for Children and Families disallowed the questioned costs in a letter dated June 6, 2011. The DSS decreased the quarter ending June 30, 2011, Title IV-E financial report to settle the disallowed costs of $9,511.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2008-8A. 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: $2,790

The DSS did not maintain sufficient documentation to support eligibility or did not comply with federal requirements for some cases. For one case reviewed, the DSS could not locate a court order indicating the removal of the child from the home was in the child's best interest. Payments relating to this case, totaling $4,484, were charged to the Foster Care program. We questioned the federal share of $2,790. In addition, for other cases reviewed, the DSS did not comply with federal requirements and file or join a petition to file for termination of parental rights (TPR) or document compelling reasons for not pursuing termination; or TPR was not initiated within the required timeframe.

Recommendation:
The DSS through the CD resolve the questioned costs with the grantor agency, and ensure Foster Care judicial determinations contain specific language required by federal regulations, and that petitions to terminate parental rights are filed for parents whose children are in custody for 15 of the most recent 22 months or compelling reasons for not filing the petition are documented.

Status of Finding:
A Practice Alert was issued to all CD staff on July 15, 2009, informing staff that they must obtain a copy of the initial court order indicating that removal from the home was in the child’s best interest and file the order in the case record. The Practice Alert also states that when TPR is required, CD staff must file or join a petition for TPR, or document compelling reasons for not pursuing termination within required timeframes.

Status of Questioned Costs:
The Department of Health and Human Services, Administration for Children and Families disallowed the questioned costs in a letter dated June 6, 2011. The DSS decreased the quarter ending June 30, 2011, Title IV-E financial report to settle the disallowed costs of $2,790.

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

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:

Effective August 1, 2010, the CD implemented a new payment system as the final component of its Statewide Automated Child Welfare Information System (SACWIS), along with new business practices and controls for processing Foster Care eligibility and assistance payments. Under the new payment system, an internal control structure was implemented requiring Central Office Payment Unit approval, in addition to local county office approval, for all clothing, transportation and many other foster care payments. Filing of the final payment documentation is now maintained by the Central Office Payment Unit. Also, effective August 1, 2010, the CD implemented a new system and business practices for child care assistance payments for protective services clients. Under the new system, additional edits are in place to ensure child care payments are made on behalf of eligible children.

Department of Health and Human Services (DHHS), Administration for Children and Families (ACF) staff responsible for oversight of the SACWIS were onsite during the week of March 29, 2011, to conduct a preliminary review of the system and to make recommendations to improve the system. The CD understood from ACF feedback that its SACWIS eligibility and payment components were strong points in the system design. The ACF did make recommendations to the DSS to improve systems design and operation; those recommendations have been taken under advisement as the DSS enhances SACWIS over the next year to ensure the system complies with federal requirements.

The CD issued a practice point to staff reminding them of the policies around payment documentation, retention and filing (dated May 11, 2011). The Division of Finance and Administrative Services is strengthening department quality assurance and compliance functions to provide better monitoring of and technical assistance to staff with fiscal responsibilities.

Status of Questioned Costs:
The DHHS-ACF disallowed the questioned costs in a letter dated June 6, 2011. The DSS decreased the quarter ending June 30, 2011, Title IV-E financial report to settle the disallowed costs of $1,747.

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

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 - H126A080037
State Agency: Department of Social Services - Family Support Division (FSD) - Rehabilitation Services for the Blind (RSB)
Questioned Costs: $3,444,779

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

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

Status of Finding:
The FSD-RSB has modified and implemented the processes to ensure compliance with regulations regarding personnel cost allocations effective July 1, 2009, with more recent modifications to improve the quality management and verification of accuracy. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards as dictated in regulations. The FSD-RSB and the Division of Finance and Administrative Services continue to meet on a regular basis to improve communications and ensure compliance with regulations and documentation for auditors.

Status of Questioned Costs:
This finding is the subject of continued discussion with the grantor agency, but no resolution has yet been realized.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2008-10. Medical Assistance Program

Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program 2007 - 0705MO5028 and 0705MO5048 2008 - 0805MO5028 and 0805MO5048
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) and MO HealthNet Division (MHD)
Questioned Costs:	$2,048

Various documentation detailing eligibility of recipients, payments to providers, and payment overrides could not be located related to the above referenced program.

A. Eligibility documentation could not be located by FSD for one Medicaid case file reviewed. Medical payments made on behalf of the client during the year ended June 30, 2008, totaled $3,297. We questioned the federal share of the total payments or $2,048.

B. Medicaid Eligibility Quality Control System documentation could not be located and/or was not adequate for some cases reviewed.

C. Medicaid payment override documentation could not be located for one case file reviewed.

D. Medicaid payment documentation could not be located by the MHD for one Program Integrity Unit's post payment case file reviewed.

Recommendation:
The DSS through the FSD and MHD ensure complete case files are maintained and/or documentation is adequate to ensure compliance with applicable federal requirements related to the Medicaid program. In addition, the FSD should resolve questioned costs with the grantor agency.

Status of Finding:
A&B. Per the FSD’s previous response, we hold that missing case file documentation is not substantial enough ground to presume eligibility error, thereby warranting questioned costs. Eligibility determination information is maintained electronically in the Family Assistance Management Information System; the lack

of a "hard case record" does not affect the eligibility. The agency did, however, develop and distribute a memorandum (IM-72, dated December 1, 2010) to all the county offices discussing maintenance of hard-copy case files, specifying documents that should be retained.

C. The MHD Participant Services Unit implemented new procedures for tracking, monitoring and retaining claim payment override documentation in December 2008.

D. The MHD 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 were adjusted by the Division of Finance and Administrative Services on the September 30, 2010 quarterly report (finalized October 2010). Email received from the Department of Health and Human Services, Centers for Medicare and Medicaid Services on September 14, 2011, says this finding is closed.

Contact Person: Sandra Nelson and Julie Creach
Phone Number: (573) 751-3124 and (573) 751-6922

2009-1. Untimely Teacher Loan Forgiveness Payments

Federal Agency: Department of Education
Federal Program: 84.032 Federal Family Education Loans - Guaranty Agencies
State Agency: Department of Higher Education (DHE)
Questioned Costs: $502,851

The DHE did not have adequate controls in place to ensure payments were made to lenders within the 45 days required by program regulations for teacher loan forgiveness (TLF) claims. During the year ended June 30, 2009, payments totaling approximately $2.25 million were made for 311 TLF claims. We questioned the federal share of 75 untimely payments, or $502,851.

Recommendation:
The DHE 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 DHE should resolve the questioned costs with the grantor agency.

Status of Finding:
The DHE's loan servicer implemented procedures to ensure that eligible TLF claims are paid within 45 days of receipt. In addition, the DHE updated its internal procedures and now reviews all approved TLF claims weekly to verify the lender was paid within 45 days.

Status of Questioned Costs:
The DHE disagreed with the questioned costs. To date, the Department of Education has not followed up with the DHE on this audit finding or required any action relating to the questioned costs.

Contact Person: Carla Hancock
Phone Number: (573) 522-1363

2009-2B. 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 and 2009 - UI-18030-09-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Controls and procedures related to the computer system used to manage unemployment benefits were not adequate. 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 was previously exhausted, when repaid or recouped, that previous level's benefits would no longer actually be exhausted. As a result, the potential existed that these benefits would not subsequently be paid to the claimants when owed.

Recommendation:
The DLIR 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.

Status of Finding:
The corrective actions have been implemented. DLIR employees currently identify on a daily list each claim that had previously exhausted benefits and now has a restored balance due to the establishment of subsequent overpayments. Written procedures were hand delivered to Benefit Payment Control Unit personnel assigned to work on claims with restored balances on or before June 1, 2011. Assigned staff began working on these restored balance claims on June 1, 2011. The Department of Labor's (DOL) Final Determination was issued September 6, 2011. In this determination, the DOL found that the information, procedures, and written documentation submitted is sufficient to determine that this finding is corrected.

Contact Person: Carol Luecke
Phone Number: (573) 751-4012

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 and 2009 - UI-18030-09-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Due to inadequate procedures and a lack of oversight, reports necessary to comply with federal reporting requirements were not submitted timely. Available tracking reports were apparently not used to ensure compliance in filing reports timely.

Recommendation:
The DLIR improve procedures to ensure applicable reports are filed with the Department of Labor (DOL) 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.

Status of Finding:
The corrective actions have been implemented. DLIR implemented procedures to ensure that applicable reports are filed within the required time frame. The DLIR also implemented oversight of the reporting process to ensure reports are accurate and filed timely. These new procedures include: Grant Accounting Process and Procedures, 9130 Reporting Procedures, and 2112 and Other Reports - Reporting Procedures. The DOL's Final Determination regarding finding 2010-10 was issued September 6, 2011. In this determination, the DOL found this finding is corrected.

Contact Person: Spencer Clark
Phone Number: (573) 751-3366

2009-6A. Capital Assets

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)

Some assets purchased during fiscal year 2009 had not been properly accounted for in the AG's internal capital asset tracking system or the SAM II accounting system's capital asset tracking system, and some assets had not received a property tag and asset number. In addition, the AG had not performed physical inventories during fiscal year 2009 at any of the offsite locations housing the assets.

Recommendation:
The AG ensure all equipment is properly assigned a property tag number and entered into both the internal and SAM II 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.

Status of Finding:
Of the $21,474 in capital assets that were not assigned property tags or capital asset numbers, 100 percent have been identified and are in the process of being tagged and entered into the capital asset system. Provided the agency is not called upon to manage numerous state emergency duties or other unforeseen emergencies, we anticipate fiscal year 2009 being resolved by the end of fiscal year 2012. Of the AG property books, 10 percent have been inventoried and an additional 7 percent are scheduled through January 2012.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2009-6B. Capital Assets

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)

AG personnel had not completed a reconciliation between the expenditure and capital asset records in the SAM II system. While a reconciliation was 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 had not been reconciled.

Recommendation:
The AG ensure the capital asset reconciliation is completed to identify all capital assets and ensure the capital asset records are accurate.

Status of Finding:
Of the approximate $1.2 million in fixed assets that had not been reconciled from fiscal years 2002 through 2009, all have been reconciled and $235,177 is in the process of being tagged and entered into SAM II. Provided this agency is not called upon to manage numerous state emergency duties or other unforeseen emergencies, I anticipate this being resolved by the end of fiscal year 2012.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2009-12. Cost Allocation Procedures

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

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

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

Status of Finding:
The DSS has been working with the Department of Health and Human Services (DHHS) to amend the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2009-15A. Vocational Rehabilitation Program

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

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

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

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

Status of Questioned Costs:
This finding is the subject of continued discussion with the grantor agency, but a resolution has yet to be agreed upon.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2009-17. Child Support Enforcement - Salary Certifications

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 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. We questioned the federal share of the salaries, fringe benefits, and indirect costs, totaling $47,164, for those employees excluded from the certification listing.

Recommendation:
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.

Status of Finding:
Although the DSS disagreed with the finding, the DSS through the FSD reviewed the salary certification process and enhanced written policies and procedures, in accordance with OMB Circular A-87, to ensure salary certifications were completed for all employees who are 100 percent claimed to a specific grant. These enhancements were effective April 2010. Under Missouri's current procedures, twice a year the supervisor/administrator receives and verifies a comprehensive electronic listing of all employees working solely on a grant so that salary certifications are complete. The Department of Health and Human Services (DHHS), Administration for Children and Families (ACF) decision issued March 7, 2011, concurred with the finding and recommendation, did not sustain the questioned costs and noted that Missouri's corrective actions sufficiently addressed the finding and prevent its recurrence.

Status of Questioned Costs:
DHHS/ACF decision issued March 7, 2011, did not sustain the questioned costs.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2009-18. Medical Assistance Program

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
Questioned Costs: $1,428

A redetermination was not conducted timely to determine the eligibility of a recipient related to the Medical Assistance Program (Medicaid). 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 questioned the federal share of these payments or $1,428 (74.23 percent).

Recommendation:
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.

Status of Finding:
The FSD still considers timely eligibility reinvestigations a matter of priority and continues to strive for a 100 percent reinvestigation currency. As reported by the FSD Income Maintenance Section, the reinvestigation currency percentage was 98.25 percent for state fiscal year 2011, which ended June 30, 2011.

Status of Questioned Costs:
Of the $1,428 in questioned costs, $1,216 was adjusted on the September 30 2010, quarterly report, and the balance of $212 will be adjusted on the December 31, 2011, quarterly report.

Contact Person: Emily Rowe
Phone Number: (573) 526-0607

2010-1. Davis-Bacon Act

Federal Agency: Department of Education
Federal Program: 84.377 School Improvement Grants
2009 - S377A080027 and 2010 - S377A090026

84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388A090026
84.010 Title I Grants to Local Educational Agencies
2009 - S010A080025 and 2010 - S010A090025
84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
2010 - S389A090025

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

The DESE did not ensure prevailing wages were paid by subrecipients when necessary.

Recommendation:
The DESE establish procedures to clearly identify funds expended by subrecipients which may require prevailing wages to be paid, and monitor those subrecipients to ensure compliance with the Davis-Bacon Act.

Status of Finding:
Implemented.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2010-2A. School Improvement Grants

Federal Agency: Department of Education
Federal Program: 84.377 School Improvement Grants
2009 - S377A080027 and 2010 - S377A090026
84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388A090026
State Agency: Department of Elementary and Secondary Education (DESE)
Questioned Costs: $225,680

The DESE did not always ensure payments were made to subrecipients in accordance with approved budgets and DESE written policies, and budget amendments were not adequately documented. We questioned the federal share of payments made in excess of the documented approved budget category, or $225,680 (100 percent).

Recommendation:
The DESE ensure all payments are made in accordance with the approved budget, federal guidelines, and written policies, and budget amendments are adequately documented. In addition, the DESE should resolve the questioned costs with the grantor agency.

Status of Finding:
Partially implemented. Payments are made in accordance with the approved budget, federal guidelines, and written policies, and budget amendments are adequately

documented. The Department is in the process of resolving the questioned costs with the grantor agency.

Status of Questioned Costs:
Pending.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2010-2B. School Improvement Grants

Federal Agency: Department of Education
Federal Program: 84.377 School Improvement Grants
2009 - S377A080027 and 2010 - S377A090026
84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388A090026
State Agency: Department of Elementary and Secondary Education (DESE)

The DESE did not question a school district's ability to spend grant monies timely, as required. The school district did not expend $93,060 within 3 days of receipt of grant funds from the DESE, and the school district issued a $293,195 check on September 15, 2009, to a vendor for future services.

Recommendation:
Establish procedures to ensure school districts appropriately expend funds received within the required time-frame.

Status of Finding:
Implemented.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2010-3. Monitoring of Recovery Act Funds

Federal Agency: Department of Education
Federal Program: 84.386 ARRA - Education Technology State Grants, Recovery Act
2010 - S386A090025
84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
2010 - S389A090025
84.391 ARRA - Special Education Grants to States, Recovery Act
2010 - H391A090040

84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act
2010 - S397A090026

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

The DESE did not monitor ARRA funds provided to school districts on a timely basis.

Recommendation:
The DESE develop additional monitoring procedures to ensure ARRA expenditures are in compliance with federal guidelines. In addition, these procedures should be performed on a timely basis.

Status of Finding:
Not implemented. Current monitoring procedures are adequate to comply with federal requirements.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2010-4A. Section 1512 Reporting

Federal Agency: Department of Education

Federal Program:
84.386 ARRA - Education Technology State Grants, Recovery Act
2010 - S386A090025
84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388S090026
84.389 ARRA - Title I Grants to Local Education Agencies, Recovery Act
2010 - S389A090025
84.391 ARRA - Special Education Grants to States, Recovery Act
2010 - H391A090040
84.392 ARRA - Special Education - Preschool Grants, Recovery Act
2010 - H392A090103
84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act
2010 - S397A090026

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

The DESE did not have adequate controls and procedures in place to provide assurance Section 1512 report information submitted by school districts and universities (subrecipients) was complete and accurate.

Recommendation:
The DESE establish procedures to ensure the accuracy and completeness of data submitted by subrecipients for Section 1512 reporting purposes.

Status of Finding:
Implemented.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2010-4B. Section 1512 Reporting

Federal Agency: Department of Education
Federal Program: 84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388S090026
State Agency: Department of Elementary and Secondary Education (DESE)

Payments made through the School Improvement Grants (SIG) program were not properly classified as payments to subrecipients on the Section 1512 report.

Recommendation:
The DESE properly classify subawards on Section 1512 reports for the SIG program.

Status of Finding:
Implemented.

Contact Person: Andrea Beck
Phone Number: (573) 751-8292

2010-4C. Section 1512 Reporting

Federal Agency: Department of Education
Federal Program: 84.386 ARRA - Education Technology State Grants, Recovery Act
2010 - S386A090025
84.388 ARRA - School Improvement Grants, Recovery Act
2010 - S388S090026
84.389 ARRA - Title I Grants to Local Education Agencies, Recovery Act
2010 - S389A090025
84.391 ARRA - Special Education Grants to States, Recovery Act
2010 - H391A090040

	84.392 ARRA - Special Education - Preschool Grants, Recovery Act 2010 - H392A090103 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act 2010 - S394A090026 84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act 2010 - S397A090026
State Agency:	Department of Elementary and Secondary Education (DESE)

The DESE did not have a formal written plan in place to address the Section 1512 reporting process.

Recommendation:
The DESE establish a formal written plan for all programs that require Section 1512 reporting.

Status of Finding:
Not Implemented. Adequate procedures are in place to ensure that Section 1512 reports are accurate and timely.

Contact Person: Andrea Beck
Phone Number: 573) 751-8292

2010-5. Food Instruments

Federal Agency:	Department of Agriculture
Federal Program:	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children 2007 - 07WICSPNDRFD and 3MO700754-07 2008 - 3MO700754-08 2009 - 09WIC, 09WICSPNDFWD, and 09BRSTFEDWIC 2010 - 10WIC, 10WICSPNDFWD, and 10BRSTFEDWIC
State Agency:	Department of Health and Senior Services (DHSS)
Questioned Costs:	$43,140

For the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the DHSS did not have adequate controls in place to ensure the disposition of voided food instruments (WIC checks) was properly accounted for as required by program regulations. We determined 2,191 (1 percent) of the voided checks in the Missouri WIC Information Network System were redeemed by participants. We questioned the federal share of the voided checks that were issued and redeemed, or $43,140.

Recommendation:
The DHSS develop controls and procedures to prevent voided checks from being redeemed. In addition, the DHSS should resolve the questioned costs with the grantor agency.

Status of Finding:
The United States Department of Agriculture (USDA) sent the DHSS a June 3, 2011, letter requesting a Corrective Action Plan. The plan was sent to the USDA on June 15, 2011. The Corrective Action Plan was implemented effective June 10, 2011.

Status of Questioned Costs:
The DHSS received a bill for collection from the USDA in the amount of $43,140 in a July 20, 2011, letter. The letter included a provision for the state agency to provide evidence, explanation or information related to the audit issue before a final determination would be made. The DHSS responded with additional detailed documentation in an August 16, 2011, letter. The USDA responded on December 8, 2011, to confirm acceptance of the corrective actions. In addition, the questioned costs have been resolved as follows:

- $26,780 was determined by the DHSS not to be an over issuance of benefits. The food instruments were voided in error and returned to the participants.
- An additional $1,931 was determined by the DHSS to be a combination of voided and reissued food instruments, with no over issuance of benefits.

The remaining claim of $14,429 and any accrued interest has been forgiven by the USDA.

Contact Person: Lisa Brown
Phone Number: (573) 522-6266

2010-6. Eligibility Reassessments

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

The DHSS did not have effective controls in place to ensure annual reassessments to determine the eligibility of recipients receiving State Plan Personal Care or Aged and Disabled Waiver services were conducted, as required. The DHSS did not perform annual reassessments of eligibility for 49 of 66 cases reviewed. The payments made on behalf of the recipients without annual reassessments during the year ended June 30, 2010, totaled

$806,967. We questioned the federal share of these payments or $598,286 (74.14 percent).

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

Status of Finding:
SynCare, LLC was awarded a competitively bid third party assessor contract on January 19, 2011, to complete assessments, reassessments, person-centered care planning, and care plan maintenance on behalf of the DHSS. The third party assessor began providing services on May 19, 2011. The state's requirement under the contract was that approximately 4,400 reassessments would be completed by the third party assessor monthly with all participant reassessments current within 12 months.

On June 29, 2011, the DHSS Director responded to a letter from the Department of Health and Human Services (DHHS), Office of the Assistant Secretary for Resources and Technology/Office of Finance, Division of Systems Policy, Payment Integrity, and Audit Resolution regarding implementation of the DHSS Corrective Action Plan as previously reported to the Office of Administration.

The DHSS began transitioning the duties performed by the third party assessor back to the Department on September 1, 2011, in response to SynCare's failure to meet the terms and conditions of its third party assessor contract. This action was necessary to ensure Missouri seniors and persons with disabilities receive the services they need in a timely and efficient manner.

The Department is working with stakeholders to develop a long-term plan for how to handle the responsibilities that were assigned to the third party assessor.

Status of Questioned Costs:
As noted above, the Department provided information regarding its Corrective Action Plan to the DHHS in a June 29, 2011, letter. The Department has not been contacted by the DHHS regarding this matter since that date.

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

2010-7. Teacher Loan Forgiveness Payments

Federal Agency: Department of Education
Federal Program: 84.032 Federal Family Education Loans
State Agency: Department of Higher Education (DHE)
Questioned Costs: $1,408,723

The DHE did not make payments to lenders within 45 days as required by program regulations for teacher loan forgiveness (TLF) claims. During the year ended June 30, 2010, payments totaling approximately $3.83 million were made for 558 TLF claims. The DHE identified 184 of these claims were paid untimely. We questioned the federal share of the 184 untimely claim payments, or $1,408,723.

Recommendation:
The DHE continue monitoring to ensure TLF payments are made in a timely manner in accordance with federal regulations. In addition, the DHE should resolve the questioned costs with the grantor agency.

Status of Finding:
The DHE's loan servicer implemented procedures to ensure that eligible TLF claims are paid within 45 days of receipt. In addition, the DHE updated its internal procedures and now reviews all approved TLF claims weekly to verify the lender was paid within 45 days.

Status of Questioned Costs:
The DHE disagreed with the questioned cost. To date, the Department of Education has not followed up with the DHE on this audit finding or required any action relating to the questioned costs.

Contact Person: Carla Hancock
Phone Number: (573) 522-1363

2010-8A. State Fiscal Stabilization Fund

Federal Agency: Department of Education
Federal Program: 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act
2010 - S397A090026
State Agency: Department of Higher Education (DHE)

The DHE had not established a monitoring plan to review State Fiscal Stabilization Fund (SFSF) funds provided to and expended by higher education institutions and did not perform any monitoring of the SFSF monies, such as on-site monitoring visits, desk reviews, or obtaining OMB Circular A-133 audit reports from the various institutions.

Recommendation:
The DHE develop policies and procedures for the timely monitoring over the use of SFSF program monies by the institutions to ensure compliance with federal requirements.

Status of Finding:

The DHE and the Office of Administration (OA) contracted with McGladrey and Pullen to monitor five of the institutions for fiscal year 2010. We obtained those monitoring results from McGladrey and Pullen and those were reviewed and sent to the OA. We are working on a contract with the OA to monitor fiscal year 2011 funds.

Contact Person: Pam Evers
Phone Number: (573) 751-1883

2010-8B. State Fiscal Stabilization Fund

Federal Agency: Department of Education
Federal Program: 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act
2010 - S397A090026
State Agency: Department of Higher Education (DHE)

The DHE did not identify the federal award information to each institution at the time of subaward as required by federal regulations. Additionally, each institution signed a Statement of Assurances outlining the specific ARRA compliance requirements and their responsibilities for meeting those requirements; however, the DHE did not communicate the responsibilities of the institutions to comply with additional State Fiscal Stabilization Fund program requirements or the general requirements applicable to all federal programs. Furthermore, the DHE did not communicate the responsibilities of the institutions to separately identify ARRA funds on their schedule of expenditures of federal awards, or meet OMB Circular A-133 Single Audit requirements.

Recommendation:

The DHE establish procedures to identify federal award information to the institutions at the time of the subaward and communicate subrecipient responsibilities under OMB Circular A-133.

Status of Finding:

The DHE provided award and CFDA information to each institution on March 31, 2011.

Contact Person: Pam Evers
Phone Number: (573) 751-1883

2010-8C. State Fiscal Stabilization Fund

Federal Agency: Department of Education
Federal Program: 84.394 ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act
2010 - S394A090026
84.397 ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act
2010 - S397A090026
State Agency: Department of Higher Education (DHE)

The DHE did not have adequate procedures in place to provide assurance Section 1512 report information submitted by the institutions was complete and accurate.

Recommendation:
The DHE develop policies and procedures for the State Fiscal Stabilization Fund program to ensure the accuracy and completeness of data submitted by the institutions for Section 1512 reporting purposes.

Status of Finding:
A monitoring contract was put into place for fiscal year 2010 funds and a different company has been selected for fiscal year 2011 funds. Additionally, five different institutions will be chosen to be monitored, different from fiscal year 2010 institutions that were chosen. By monitoring the institutions, the accuracy and completeness of information reported will be ensured.

Contact Person: Pam Evers
Phone Number: (573) 751-1883

2010-9A. Benefit Payments

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
17.225 ARRA - Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid or owed to claimants. For eight accounts reviewed, we noted benefits from a previous level were initially exhausted; however, due to the DLIR identifying the failure of the claimants to report wages earned, overpayments of benefits totaling $3,592 were established. Since these overpayments were made from a level that had previously been exhausted, when repaid or recouped, the benefits of that previous level would no longer be exhausted. As a result, the potential existed that these benefits would not subsequently be paid to the claimants when owed.

Recommendation:
The DLIR expedite efforts to resolve cases with restored balances and ensure any payments due to the claimants are paid.

Status of Finding:
The corrective actions were taken. DLIR employees currently identify on a daily list each claim that had previously exhausted benefits and now has a restored balance due to the establishment of subsequent overpayments. Written procedures were hand delivered to Benefit Payment Control Unit personnel assigned to work on claims with restored balances on or before June 1, 2011. Assigned staff began working on these restored balance claims on June 1, 2011. The Department of Labor's (DOL) Final Determination regarding finding 2010-9A was issued September 6, 2011. In this determination, the DOL found that the information, procedures, and written documentation submitted is sufficient to determine this finding is corrected.

Contact Person: Carol Luecke
Phone Number: (573) 751-4012

2010-9B. Benefit Payments

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
17.225 ARRA - Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in establishing overpayments. For one account reviewed, an overpayment of $4,760 (which included a $500 overpayment of Federal Additional Compensation) was not properly established on an Emergency Unemployment Compensation Tier 1 claim due to an oversight by DLIR personnel entering the identified overpayments.

Recommendation:
The DLIR develop procedures to ensure all overpayments are properly established so collection can be pursued.

Status of Finding:
The corrective actions were taken. In March 2011, additional procedures were added to the process of entering various types of overpayments to ensure all appropriate weeks of benefits are included in the overpayment. The Department of Labor's (DOL) Final

Determination was issued September 6, 2011. In this determination, the DOL found that the information, procedures, and written documentation submitted is sufficient to determine this finding is corrected.

Contact Person: Carol Luecke
Phone Number: (573) 751-4012

2010-9C. Benefit Payments

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
17.225 ARRA - Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Controls and procedures used to manage unemployment benefits were not adequate, resulting in errors in benefits paid or owed to claimants. For eight accounts reviewed, we noted Federal Additional Compensation (FAC) overpayments totaling $425 were not offset from other weekly benefits disbursed to claimants.

Recommendation:
The DLIR implement computer programming to offset FAC overpayments from other allowable benefits.

Status of Finding:
The corrective actions were taken. Beginning in mid-May 2011, the DLIR has corrected the programming and restitution for FAC overpayments are now being offset from any type of unemployment benefits. The Department of Labor's (DOL) Final Determination was issued September 6, 2011. In this determination, the DOL found that the information and written documentation submitted is sufficient to determine this finding is corrected.

Contact Person: Carol Luecke
Phone Number: (573) 751-4012

2010-10. Reporting

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
17.225 ARRA - Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

Due to inadequate procedures and a lack of oversight, reports necessary to comply with federal reporting requirements were not submitted timely and some reports submitted were not accurate.

Recommendation:
The DLIR improve procedures to ensure applicable reports are filed with the Department of Labor within the required timeframe. The DLIR should ensure adequate oversight of the reporting process to ensure reports are accurate and utilize the tracking reports to monitor the timeliness of reports.

Status of Finding:
The corrective actions were taken. The DLIR implemented procedures to ensure that applicable reports are filed within the required time frame. The DLIR also implemented oversight of the reporting process to ensure reports are accurate and filed timely. These new procedures include: Grant Accounting Process and Procedures, 9130 Reporting Procedures, and 2112 and Other Reports - Reporting Procedures. The Department of Labor's (DOL) Final Determination regarding finding 2010-10 was issued September 6, 2011. In this determination, the DOL found this finding is corrected.

Contact Person: Rebecca A. Voss
Phone Number: (573) 751-1135

2010-11. Schedule of Expenditures of Federal Awards

Federal Agency: Department of Labor
Federal Program: 17.225 Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
17.225 ARRA - Unemployment Insurance
2009 - UI-18030-09-55-A-29 and 2010 - UI-19592-10-55-A-29
State Agency: Department of Labor and Industrial Relations (DLIR)

DLIR controls and procedures were not sufficient to prevent or detect errors in accounting records and financial reports and to ensure the timely preparation of an accurate schedule of expenditures of federal awards (SEFA). Also, because the financial accounting records and reports were not finalized in a timely manner, the DLIR was delayed in providing to the Office of Administration financial statements and related adjusting entries necessary for presentation in the state of Missouri Comprehensive Annual Financial Report. Additionally, periodic reports filed to comply with other federal Unemployment Insurance program reporting requirements were originally based on inaccurate data, requiring the reports to be re-submitted to the Department of Labor (DOL).

Recommendation:
The DLIR implement procedures to prepare a complete and accurate SEFA in a timely manner. In addition, the DLIR should ensure financial accounting records and reports are

prepared properly and adequately reviewed to detect and correct errors in a timely manner.

Status of Finding:
The corrective actions were taken. The DLIR created Accounting Specialist positions and reassigned the trust fund and grant accounting responsibilities to the new positions; thereby, improving the skill sets of the staff responsible for the accounting records and reports. Financial Management employees are also completing the grants management training and certification process, have completed training in administrative requirements (OMB Circular A-102), and cost principles (OMB Circular A-87). Monthly completion deadlines have been reaffirmed for the trust fund. Regarding the preparation of the SEFA, the DLIR will pursue clarification from the DOL in a more timely fashion when there are accounting and reporting questions and will document all attempts to obtain information. The SEFA information will be compiled within two weeks of finalizing the June grant and trust fund financial reports. Supervisory reviews are required and must be documented.

The DOL's Final Determination regarding finding 2010-11 was issued September 6, 2011. The DOL examined the outlined procedures and determined this finding is corrected.

Contact Person: Rebecca A. Voss
Phone Number: (573) 751-1135

2010-12. Comprehensive Home and Community-Based Services Waiver

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
2009 - 0905MO5028 and 0905MO05048
2010 - 1005MO5ADM and 1005MO5MAP
93.778 ARRA - Medical Assistance Program
2009 - 0905MOARRA and 2010 - 1005MOARRA
State Agency: Department of Social Services - Missouri HealthNet Division (DSS-MHD), and the Department of Mental Health - Division of Developmental Disabilities (DMH-DD)

During the fall of 2009, the DMH-DD converted services provided to MO HealthNet-eligible clients at two state-operated facilities from the Intermediate Care Facilities for the Mentally Retarded program to a Medicaid Waiver program without ensuring the related services constituted allowable home and community-based services. The federal grantor agency, Department of Health and Human Services (DHHS) Centers for Medicare and Medicaid Services (CMS), subsequently disapproved a waiver amendment request related to this action.

Recommendation:
The DMH-DD work with the DSS-MHD and the DHHS-CMS to resolve this matter. In addition, the DMH-DD should ensure the services related to any future planned expansion of this program constitute home and community-based services.

Status of Finding:
The DMH stopped billing waiver services at the two facilities in August 2010. The DMH will not proceed with billing of new waiver services until receipt of official approval from the CMS. The CMS conducted a targeted review of state habilitation centers the week of March 21, 2011, that included public testimony, tours of the facilities, interviews with facility staff, interviews with individuals/guardians, and directly observing client living conditions. The DMH continues to work with CMS staff on this issue.

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

2010-13A. Section 1512 Reporting

Federal Agency: Department of Energy
Environmental Protection Agency
Federal Program: 66.458 ARRA - Capitalization Grants for Clean Water State Revolving Funds
2009 - 2W977080-01
66.468 ARRA - Capitalization Grants for Drinking Water State Revolving Funds
2009 - 2F977082-01
81.042 ARRA - Weatherization Assistance for Low-Income Persons
2009 - DE-EE0000151
State Agency: Department of Natural Resources (DNR)

The DNR needed to strengthen controls and procedures in place to provide assurance Section 1512 report information submitted by subrecipients of the Weatherization Assistance for Low-Income Persons (WAP) program was complete and accurate. For some elements submitted by subrecipients, DNR personnel reviewed information submitted for reasonableness and compared expenditure data to SAM II; however, the DNR relied on the accuracy and completeness of much of the other information submitted by subrecipients, such as jobs created and retained and vendor payments, for each quarterly report. Additionally, field visits did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting purposes.

Recommendation:
The DNR strengthen procedures for the WAP program to ensure the accuracy and completeness of data submitted by the subrecipients for Section 1512 reporting purposes.

Status of Finding:
We disagree with the auditor's finding. We assert our controls and procedures ensure Section 1512 report information submitted by subrecipients is complete and accurate. There were no instances noted of information being less than complete or accurate.

Contact Person: Joe Gassner
Phone Number: (573) 751-7657

2010-13B. Section 1512 Reporting

Federal Agency:	Department of Energy Environmental Protection Agency	
Federal Program:	66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds 2009 - 2W977080-01
	66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds 2009 - 2F977082-01
	81.042	ARRA - Weatherization Assistance for Low-Income Persons 2009 - DE-EE0000151
State Agency:	Department of Natural Resources (DNR)	

The DNR did not have a formal written plan in place for the Section 1512 reporting process for the Weatherization Assistance for Low-Income Persons, Clean Water State Revolving Fund, or Drinking Water State Revolving Fund programs.

Recommendation:
The DNR establish a formal written plan for all programs that require Section 1512 reporting.

Status of Finding:
We disagree with the auditor's finding. We assert the procedures in place do constitute a written plan. While procedures, processes, and staff assignments may not be in the format desired, we assert it is still a written plan. In addition, the 1512 federal requirements do not stipulate that state agencies must have procedures in a written plan. It should also be noted that there were no instances noted of information being less than complete or accurate using the plan in place. In addition, a letter from the Environmental Protection Agency (EPA) dated October 25, 2011, concurs with the DNR. The EPA believes procedures are adequate and no inaccuracies or errors were identified.

Contact Person: John Madras
Phone Number: (573) 522-9912

2010-14A. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2009 - DAHA23-09-2-1000 and 2010 - DAHA23-10-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

Some assets purchased during state fiscal year 2010 had not been properly accounted for in the AG internal capital asset tracking system or the SAM II, Fixed Asset subsystem, and some assets had not received a property tag and asset number. Also, the AG had only performed physical inventories during fiscal year 2010 for 2 of 56 different property books used to track assets purchased.

Recommendation:
The AG ensure all equipment is properly assigned a property tag number and entered into both the internal and SAM II 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.

Status of Finding:
Fiscal year 2010 has been reconciled and $175,755 of fixed assets purchased are in the process of being tagged and entered into the SAM II system. Inventories are being conducted as scheduled. Of the AG property books, 10 percent have been inventoried and an additional 7 percent are scheduled through January 2012.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2010-14B. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2009 - DAHA23-09-2-1000 and 2010 - DAHA23-10-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

AG personnel had not completed a reconciliation between expenditure records and capital asset records in the SAM II or internal capital asset tracking systems.

Recommendation:
The AG ensure capital asset reconciliations between expenditure records and capital asset records in both the SAM II and internal capital asset tracking systems are completed.

Status of Finding:

Reconciliations between expenditure records and capital asset records and the internal capital asset tracking system are being conducted monthly at a minimum. State Resource staff is continually working to resolve and close all fixed assets issues.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2010-14C. Capital Assets

Federal Agency: Department of Defense
Federal Program: 12.401 National Guard Military Operations and Maintenance Projects
2009 - DAHA23-09-2-1000 and 2010 - DAHA23-10-2-1000
State Agency: Department of Public Safety - Adjutant General (AG)

Equipment expenditures were not always properly classified to specific capital asset object codes in the SAM II accounting system. As a result, some equipment was not identified in the system for proper tracking and was subsequently omitted from all capital asset records.

Recommendation:

The AG ensure capital asset expenditures are charged to appropriate object codes.

Status of Finding:

Accounting procedures for fixed assets were revised last year, and since that time there has been significant improvement in proper classification and coding of these assets. The responsibility for proper accountability has been assigned to several State Resource staff members rather than just one person, which allows errors to be identified prior to payment being made.

Contact Person: Jill Delgado
Phone Number: (573) 638-9574

2010-15. Cost Allocation Procedures

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402 and 2010 - G1001MO1402
93.659 Adoption Assistance
2009 - G0901MO1407 and 2010 - G1001MO1407

93.674 Chafee Foster Care Independence Program
2009 - G0901MO1420 and 2010 - G1001MO1420
93.778 Medical Assistance Program
2009 - 0905MO5048 and 2010 - 1005MO5ADM

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

Questioned Costs: $2,168,919

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

Recommendation:

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

Status of Finding:

The DSS has been working with the Department of Health and Human Services (DHHS) to amend the cost allocation plan to better define its methodologies for allocating costs to various DHHS grants. The DSS has assigned a senior level staff person to manage the cost allocation plan. That person is responsible and accountable for updates/revisions to the plan.

Status of Questioned Costs:

Questioned costs were settled on the quarter ended March 2011 and the quarter ended June 2011 federal reports.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-16A. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2009 - G0901MOCCDF and 2010 - G1001MOCCDF

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2009 - G0901MOCCDF and 2010 - G1001MOCCDF
93.713 ARRA - Child Care and Development Block Grant
2009 - 20091MOCCD7

State Agency: Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)

Questioned Costs: $73,315

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

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

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

Recommendation:

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

Status of Finding:

Corrective actions that have been taken since the finding was issued follow:

Case Adjustments - Funds have been returned to the federal government or claims have been entered on either a parent or provider. This activity was complete as of July 31, 2011.

Case Review Tool - On July 27, 2011, the FSD presented to the CD a walkthrough of the base Case Review System to which a child care component will be added. A webinar providing detail on the child care component of the system was completed with the Rushmore group (provider of current Case Review System) on August 11, 2011. On

September 2, 2011, the Rushmore Group began coding child care into the existing Case Review System. The CD is reviewing the new functionality at this time.

*Self Employment Trainin*g - Effective August 1, 2011, the FSD Eligibility Specialists (ES) and eligibility supervisors will be required to complete the on-line Self-Employment Income Budgeting training course found in the Employee Learning Center. ES and eligibility supervisors are required to complete the training by December 31, 2011. The self-employment training is to assist in reducing the error rates for all income maintenance programs.

FSD Workers Online Child Care Training - The FSD administers the child care assistance program for income maintenance households. The majority of the families accessing child care receive services through their local FSD office. As of September 1, 2011, FSD frontline workers and supervisors can access online child care training through the FSD Training Unit intranet page. New FSD employees will be required to complete the online training and complete the training with a 70 percent accuracy rate or above prior to enrolling in the in-person Basic Child Care Orientation training. New staff will have to access the training through the DSS Employee Learning Center to complete the training with the online assessment component. To view the training go to http://dssweb/fsd/training/IM/im_online/course_catalogs/child-care.html.

Casework Reference Guide - Recently, the FSD Training Unit, in collaboration with Child Care Program and Policy staff, developed a Case Reference Guide (CRG) for FSD workers. The CRG is an informational tool that can be utilized by workers when processing applications and completing other case actions. The CRG does not replace the policy and forms manuals. It is intended to be an additional resource for workers. Workers are to use this guide in conjunction with the policy and forms manuals and memorandums. To view the CRG for child care go http://dssweb/fsd/training/IM/crg/childcare/index.html.

Child Care Manual Revisions - The CD continues to review and revise its child care manual. There are several manual revisions that are forthcoming that will support the program integrity and accountability. Also, both FSD and CD staff receive support through Practice Points and Practice Alerts, as needed, to enforce and clarify program policy.

Status of Questioned Costs:
The questioned costs were adjusted on the federal report for quarter ended June 30, 2011.

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

2010-16B. Child Care Eligibility and Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.575 Child Care and Development Block Grant
2009 - G0901MOCCDF and 2010 - G1001MOCCDF

	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2009 - G0901MOCCDF and 2010 - G1001MOCCDF 93.713 ARRA - Child Care and Development Block Grant 2009 - 20091MOCCD7
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	$2,732

Controls over eligibility for the newly established non-Temporary Assistance for Needy Families (TANF) client ARRA Child Care initiative were not sufficient to prevent and/or detect payments made on behalf of ineligible clients. As a result, 10 percent of payments during the first month of operation were for ineligible clients. We noted 8 of 82 (10 percent) clients reviewed received TANF benefits, although the initiative provided that clients receiving TANF benefits were not eligible. We questioned the federal share of the payments made on behalf of these clients, or $2,732 (100 percent).

Recommendation:
The DSS, through the CD and FSD, resolve the questioned costs with the grantor agency and improve controls to ensure payments under the non-TANF client ARRA Child Care initiative are made for eligible clients in accordance with the Child Care State Plan. In addition, the DSS should review fiscal year 2011 payments under this initiative, and recoup any additional payments improperly made from ARRA funds.

Status of Finding:
Actions taken since the finding was disclosed, as part of the CD's Child Care section's proposed corrective action response, follows:

On April 29, 2011, memorandum CD11-41/OEC11-110 was sent to field staff to reinforce the use of the non-TANF job search. Along with the memo, a listing of TANF recipients who potentially received the non-TANF job search child care benefit anytime between May 2010 and March 2011 was issued to FSD eligibility staff. During the subsequent months in which the program was in effect, the CD issued to field staff a non-TANF job search list for review and potential cleanup. The non-TANF job search ended in August 2011. Child Care Program and Policy staff continues to work with FSD staff to review fiscal year 2011 cases for possible clean up.

Status of Questioned Costs:
Questioned costs were adjusted on the June 30, 2011 quarterly report.

Contact Person: Alicia Jenkins
Phone Number: (573) 526-3899

2010-17. Performance Based Case Management Contracts

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

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

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

Status of Finding:
As stated in the Corrective Action Plan, the DSS believes that its current process for claiming performance based case management contractor payments is in accordance with federal regulations. The DSS did commit to have a third party evaluate its cost reports and to make recommendations on improvements that could be made to its claiming methodology. The DSS is in the process of awarding a work order for a third party to evaluate its cost report methodology and to make recommendation on any improvements to its claiming methodology. The deadline to complete activities under the work order is December 31, 2011.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-2170

2010-18A. Foster Care Eligibility and Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402 and 2010 - G1001MO1402
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $2,282

Controls over eligibility were not sufficient; and as a result, payments were made on behalf of ineligible children. For 2 of 60 (3 percent) cases reviewed, payments were made on behalf of children ineligible for Foster Care benefits due to inaccurate eligibility determinations made by the DSS Family and Children Electronic System (FACES). For these cases, DSS eligibility specialists entered various eligibility data in the FACES and determined the children were ineligible for benefits; however, based on this data, the FACES incorrectly concluded the children were eligible for Foster Care benefits and overrode the previous determination of the eligibility specialist. Fiscal year 2010 payments totaled $3,242 for these two ineligible children. We questioned the federal share, or $2,282 (70.38 percent).

Recommendation:
The DSS through the CD, resolve the questioned costs with the grantor agency and continue working to identify and correct FACES programming issues and strengthen controls over eligibility determinations to ensure payments are made on behalf of eligible children.

Status of Finding:
As noted in its original Corrective Action Plan, as CD eligibility staff continue to identify FACES system issues, they are reported to the FACES helpdesk. In addition, the Eligibility Daily Batch has been stopped. This change has reduced the number of incorrect determinations being made by the automated system.

The Department of Health and Human Services, Administration for Children and Families (ACF) staff responsible for oversight of the Statewide Automated Child Welfare Information System (SACWIS) was onsite during the week of March 29, 2011 to conduct a preliminary review of the system and to make recommendations to improve the system. The CD understood from the ACF feedback that its SACWIS eligibility and payment components were strong points in the system design. The ACF did make recommendations to the DSS to improve systems design and operation; those recommendations have been taken under advisement as the DSS enhances the SACWIS over the next year to ensure the system complies with federal requirements.

Status of Questioned Costs:
Questioned costs were settled on the quarter ended June 2011 federal reports.

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

2010-18B. Foster Care Eligibility and Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401

93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402 and 2010 - G1001MO1402

State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $314

Controls over maintenance payments were not sufficient; and as a result, some payments made were not allowable. For 15 of 60 (25 percent) cases reviewed, 33 reimbursements to foster parents for certain types of transportation costs were incorrectly recorded as maintenance payments, and reimbursed at the higher federal financial participation percentage (70.38 percent) for maintenance instead of the administrative percentage (50 percent). For these cases, transportation payments totaling $1,540 were incorrectly reimbursed at the higher maintenance percentage. We questioned $314 (20.38 percent), the federal share of the difference between the amount paid at the maintenance percentage and the administrative percentage.

Recommendation:
The DSS through the CD, resolve the questioned costs with the grantor agency and implement controls to ensure transportation payments are reimbursed at the proper federal financial participation percentage.

Status of Finding:
This A-133 finding and recommendation were related to how certain transportation payment codes were picked up from the Statewide Automated Child Welfare Information System (SACWIS) and claimed as allowable costs for federal reimbursement. The DSS has made changes to the SACWIS system to ensure only allowable transportation expenditures are claimed for federal reimbursement.

Status of Questioned Costs:
Questioned costs were settled on quarter ended June 2011 federal reports.

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

2010-18C. Foster Care Eligibility and Assistance Payments

Federal Agency: Department of Health and Human Services
Federal Program: 93.658 Foster Care - Title IV-E
2009 - G0901MO1401 and 2010 - G1001MO1401
93.658 ARRA - Foster Care - Title IV-E
2009 - G0901MO1402 and 2010 - G1001MO1402
State Agency: Department of Social Services (DSS) - Children's Division (CD)
Questioned Costs: $5,596

Controls over maintenance payments were not sufficient; and as a result, some payments were not allowable or not supported by adequate documentation. For 17 of 60 (28 percent) cases reviewed, Foster Care maintenance payments were not allowable and/or not supported by adequate documentation. For these 17 cases, payments totaling $7,951 were unallowable and/or unsupported by adequate documentation. We questioned the federal share, or $5,596 (70.38 percent).

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

Status of Finding:
Effective August 1, 2010, the CD implemented a new payment system as the final component of its Statewide Automated Child Welfare Information System (SACWIS), along with new business practices and controls for processing Foster Care eligibility and assistance payments. Under the new payment system, an internal control structure was implemented requiring Central Office Payment Unit approval, in addition to local county office approval, for all clothing, transportation and many other foster care payments. Filing of the final payment documentation is now maintained by the Central Office Payment Unit. Also, effective August 1, 2010, the CD implemented a new system and business practices for child care assistance payments for protective services clients. Under the new system, additional edits are in place to ensure child care payments are made on behalf of eligible children.

Department of Health and Human Services, Administration for Children and Families (ACF) staff responsible for oversight of the SACWIS was onsite during the week of March 29, 2011, to conduct a preliminary review of the system and to make recommendations to improve the system. The CD understood from the ACF feedback that its SACWIS eligibility and payment components were strong points in the system design. The ACF did make recommendations to the DSS to improve systems design and operation; those recommendations have been taken under advisement as the DSS enhances SACWIS over the next year to ensure the system complies with federal requirements.

The CD issued a practice point to staff reminding them of the policies around payment documentation, retention and filing (dated May 11, 2011). The Division of Finance and Administrative Services is strengthening department quality assurance and compliance functions to provide better monitoring of and technical assistance to staff with fiscal responsibilities.

Status of Questioned Costs:
Questioned costs have not yet been resolved with the grantor agency. Questioned costs have been partially corrected utilizing recoupments and adjustments to federal reports.

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

2010-19. Residential Facility Training Reimbursements

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

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

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

Status of Finding:
On May 3, 2011, the CD issued to residential treatment providers reimbursed for training costs a letter outlining enhanced procedures that will ensure there is adequate documentation to support claiming those costs for Title IV-E training reimbursement. Residential treatment providers are now required to code the training course to one of a list of Title IV-E allowable topics and to provide a rationale/justification for Title IV-E reimbursement of the course costs. Additionally, the Division of Finance and Administrative Services is strengthening department quality assurance and compliance functions to provide better monitoring of and technical assistance to staff with fiscal responsibilities. One assignment of this new unit will be to actively monitor programs and practices with identified weaknesses in statewide single audits and other audit monitoring reports.

Status of Questioned Costs:
The questioned costs were based on a course name and not a course description. The CD is working with the residential treatment providers to review additional information on courses included in the questioned costs. The DSS has notified the federal agency for course costs that do not meet the definition of Title IV-E allowable training. Questioned costs have not yet been resolved with the grantor agency.

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

2010-20. Vocational Rehabilitation Program

Federal Agency: Department of Education
Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States
2009 - H126A090037 and 2010 - H126A100037
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: $46,035

The FSD improperly charged the Vocational Rehabilitation (VR) program for personnel costs totaling $58,494, of which we questioned the federal share of $46,035 (78.7 percent). Additional improvement in the policies and procedures for the allocation of personnel costs were needed.

- For the period January 1, 2010 to June 30, 2010, personnel costs for 13 employees were allocated using an incorrect allocation formula and the VR grant was incorrectly charged $12,944 for work related to other programs. We questioned the federal share, or $10,187 (78.7 percent).

- For the period April 1, 2010 to June 30, 2010, personnel activity reports were prepared for four employees who worked on multiple programs; however, costs were not allocated according to the activity reports. We questioned the federal share, or $35,848 (78.7 percent) for these personnel costs improperly charged to the VR program for this period.

Recommendation:
The DSS through the FSD and DFAS resolve the questioned costs with the grantor agency. In addition, the FSD and RSB should develop comprehensive written policies and procedures to ensure personnel costs for employees who work on multiple federal awards or cost objectives are allocated in accordance with federal laws and OMB Circular A-87.

Status of Finding:
The agency disagrees, as noted in our initial response, with the SAO finding that established written policies and procedures for the allocation of personnel costs lack detail. The FSD/RSB contends the established written policies and procedures for allocation of personnel costs do have sufficient detail to ensure personnel costs are properly allocated to the benefiting grant in accordance with federal laws and OMB Circular A-87. The FSD/RSB and the DFAS are working more closely together to ensure policies and procedures are understood, staff is following them and adequate quality controls are in place.

Status of Questioned Costs:
Questioned costs were resolved on the March 31, 2011, quarterly report.

Contact Person: Mark Laird
Phone Number: (573) 751-4249

2010-21A. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)
Questioned Costs: $29,638,870

The DSS charged unallowable state foster care, adoption assistance, and subsidized guardianship costs to the Temporary Assistance for Needy Families (TANF) program. The foster care, adoption assistance, and subsidized guardianship costs charged included non-emergency assistance, and the costs charged for emergency assistance were not separately identified; therefore all costs were unallowable. We questioned all state fiscal year 2010 costs for foster care, adoption assistance, and subsidized guardianship charged to the TANF program, totaling $29,638,870 (100 percent federal share).

Recommendation:
The DSS ensure prior approved program costs charged to the TANF program comply with federal regulations. In addition, the DSS should resolve the questioned costs with the grantor agency.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a tool, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This tool will help the DSS ensure it has appropriately categorized costs as TANF or TANF MOE, as the definitions of allowable costs vary between the two.

Status of Questioned Costs:
The DSS will work with the granting agency to address any questioned costs that are sustained.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-7533

2010-21B. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The DSS included unallowable educational program costs as qualifying under the maintenance of effort (MOE) requirement for the Temporary Assistance for Needy Families (TANF) program and, as a result, DSS failed to meet the MOE funding requirements by at least $30.9 million.

Recommendation:
The DSS ensure expenditures claimed as MOE are allowable and resolve the potential penalty with the grantor agency.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a tool, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This tool will help the DSS ensure that it has appropriately categorized costs as TANF or TANF MOE, as the definitions of allowable costs vary between the two.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-7533

2010-21C. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

For the quarter ended September 30, 2010, the DSS charged costs to the Temporary Assistance for Needy Families (TANF) program, totaling $18,493,665, relating to three scholarship programs: A+ Schools, Bright Flight Scholarships, and Ross-Barnett Scholarships; however, the DSS had not determined and documented whether there was any correlation between these programs and the four purposes of the TANF program. As a result, these scholarship program costs charged to the TANF program in state fiscal year 2011 did not appear allowable.

Recommendation:
The DSS ensure program costs charged to the TANF program for state fiscal year 2011 comply with federal regulations.

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a tool, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF maintenance of effort (MOE). This tool will help the DSS ensure it has appropriately categorized costs as TANF or TANF MOE, as the definitions of allowable costs vary between the two.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-7533

2010-21D. Unallowable Costs and Maintenance of Effort

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

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

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

Status of Finding:
The DSS disagreed with this finding. The DSS's previous response to the finding is unchanged. The DSS is using a tool, developed with the assistance of a third party, to evaluate whether costs are allowable under TANF and/or TANF MOE. This tool will help the DSS ensure it has appropriately categorized costs as TANF or TANF MOE, as the definitions of allowable costs vary between the two.

Contact Person: Patrick Luebbering
Phone Number: (573) 751-7533

2010-22. Work Verification Activities

Federal Agency: Department of Health and Human Services
Federal Program: 93.558 Temporary Assistance for Needy Families
2009 - G0901MOTANF and 2010 - G1002MOTANF
State Agency: Department of Social Services (DSS) - Family Support Division (FSD)

The FSD did not have adequate controls in place to ensure compliance with the Temporary Assistance for Needy Families (TANF) Work Verification Plan in effect for state fiscal year 2010 and, as a result, the FSD had less assurance the data used to calculate the work participation rate was accurate.

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

Status of Finding:

We partially agreed with this finding. As noted in the original Corrective Action Plan, effective October 1, 2010, the FSD resumed administration of the TANF work activities and contracted directly with Missouri Work Assistance (MWA) program service providers to implement the required TANF work activities functions. Additionally, the FSD created nine MWA Coordinator positions to monitor and provide technical assistance to the MWA service providers. Over the course of the year, the FSD has taken additional actions as follows:

1. The MWA Case Management system was available for data entry June 28, 2011, and entries ceased in the Toolbox system on June 23, 2011. Inquiry access to Toolbox has continued to ensure necessary data was converted from Toolbox to the MWA System.

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

3. A Case Review Guide was written and shared with MWA staff August 2011 to ensure the MWA Coordinators understand where policies regarding the form are located in the policy manual and request for proposal to assist contractors with any incorrect findings. This guide and the case review form have also been shared with MWA contractors for use when reviewing their staff case files if they choose to do so.

4. Effective August 1, 2011, MWA Coordinators report to the FSD Program Manager responsible for the MWA program (before that time Coordinators reported to regional FSD staff). The change in supervision ensures that positions are dedicated to the MWA Program and Coordinator accountability for assigned work by the MWA FSD Program Manager. With this change, four teams have been designated to further develop the MWA program. These teams are:

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

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

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2010-23. Salary Certifications

Federal Agency:	Department of Health and Human Services
Federal Program:	93.563 Child Support Enforcement 2009 - G0904MO4004 and 2010 - G1004MO4004
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD) - Child Enforcement (CSE) and Division of Finance and Administrative Services (DFAS)
Questioned Costs:	$83,289

The FSD did not always prepare required salary certifications for employees working solely on the CSE program. Salary certifications were not prepared for 15 of about 870 FSD employees whose personnel costs were charged 100 percent to the CSE program for the period of July 2009 to September 2009. Personnel costs charged to the CSE grant for these 15 employees totaled $126,196, of which we questioned the federal share of costs totaling $83,289 (66 percent).

Recommendation:
The DSS through the FSD and DFAS resolve the questioned costs with the grantor agency.

Status of Finding:
Although the DSS disagreed with the finding, after a similar finding in 2009, the DSS through the FSD reviewed the salary certification process and enhanced written policies and procedures, in accordance with OMB Circular A-87, to ensure salary certifications were completed for all employees who are 100 percent claimed to a specific grant. These enhancements were effective April 2010. Under Missouri's current procedures, twice a year the supervisor/administrator receives and verifies a comprehensive electronic listing of all employees working solely on a grant so that salary certifications are complete. The Department of Health and Human Services, Administration for Children and Families decision issued March 7, 2011, on the 2009 finding, concurred with the finding and recommendation, did not sustain the questioned costs and noted that Missouri's corrective actions sufficiently addressed the finding and prevent its recurrence. The 2010 finding has not been resolved with the grantor agency.

Status of Questioned Costs:
Questioned costs have not been resolved with the grantor agency.

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2010-24A. Section 1512 Reporting

Federal Agency: Department of Health and Human Services
Federal Program: 93.710 ARRA - Community Services Block Grant
2009 - 0901MOCOS2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and the Division of Finance and Administrative Services (DFAS)

The DSS did not have adequate controls and procedures in place to ensure program information was accurately entered into the overall Section 1512 report or to provide assurance Section 1512 report information submitted by subrecipients of the Community Services Block Grant (CSBG) program was complete and accurate. FSD personnel reviewed information submitted for reasonableness and compared expenditure date to SAM II; however, the FSD relied on the accuracy and completeness of much of the other information submitted by the subrecipients, such as jobs created or retained and vendor payments, for each quarterly report. The FSD conducted a site-visit for each subrecipient once every 3 years; however, state fiscal year 2010 reviews did not include a review of documentation supporting the data submitted by subrecipients and relied on for Section 1512 reporting.

Recommendation:
The DSS through the FSD and DFAS establish procedures over the CSBG program to ensure the accuracy and completeness of Section 1512 reports and ensure timely reviews of data submitted by the subrecipients for Section 1512 reporting.

Status of Finding:
The finding was made during a time when the DFAS was rekeying all data from Excel spreadsheets to Missouri's Section 1512 reporting system that uploaded to the Federal Section 1512 reporting system. Since that time, the DFAS has developed an electronic system that eliminates some manual data entry processes. The implementation of the electronic system is a tool to aid in accurate data reporting. The CSBG Monitoring Tool has been amended and now includes requirements to review Section 1512 data.

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2010-24B. Section 1512 Reporting

Federal Agency: Department of Health and Human Services
Federal Program: 93.710 ARRA - Community Services Block Grant
2009 - 0901MOCOS2
State Agency: Department of Social Services (DSS) - Family Support Division (FSD) and the Division of Finance and Administrative Services (DFAS)

The DSS did not have a formal written plan in place to address the agency's Section 1512 reporting process for the Community Services Block Grant program.

Recommendation:
The DSS through the FSD and DFAS establish a formal written plan for Section 1512 reporting.

Status of Finding:
The finding was made during a time when the DFAS was rekeying all data from Excel spreadsheets to Missouri's Section 1512 reporting system that uploaded to the Federal Section 1512 reporting system. Since that time, the DFAS has developed an electronic system that eliminates some manual data entry processes. The implementation of the electronic system is a tool to aid in accurate data reporting. Formal written procedures for Section 1512 reporting have been implemented.

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2010-25. Provider Eligibility and Improper Payments

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

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

Recommendation:
The MHD develop procedures to ensure providers meet required criteria to be eligible Medicaid providers, including periodically verifying provider licenses, obtaining updated provider disclosures, and ensuring timely detection of deceased providers, to aid in the

prevention and correction of improper claims paid. In addition, the MHD should resolve the questioned costs with the grantor agency.

Status of Finding:

Our Corrective Action Plan includes addressing the provider's date of death issue through the current Fraud Waste and Abuse contract with Thomson Reuters. The contractor has recently purchased a license for the Social Security Master Death File (SSMDF) and monthly updates. They can provide ongoing matching and monthly updates to the SSMDF through the DataProbe database. The data would be loaded and validated monthly.

Our Corrective Action Plan also includes addressing the controls to ensure providers continually meet federal requirements for disclosure of convictions of criminal offenses against Medicare, Medicaid, or Title XX service programs. Currently the state of Missouri is working on a new provider enrollment system. However, manually, forms have been updated to require this information from all new initial applications. Additionally, 42 CFR Section 424.514 (effective March 25, 2011) requires prospective institutional providers submitting an initial application or currently enrolled institutional providers submitting an application establishing a new practice location to submit enrollment credentials, which includes disclosure information.

Status of Questioned Costs:

The Missouri Medicaid Audit and Compliance Unit plans to repay the $122 through an adjustment to the December 2011 quarterly report.

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