



**STATE OF MISSOURI
SINGLE AUDIT
YEAR ENDED JUNE 30, 2001**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2002-39
May 16, 2002
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

May 2002

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 State Auditor's Office has completed an audit of the federal grant programs administered by the state. The state is required by the Single Audit Act and Office of Management and Budget, Circular A-133 to have this audit conducted each year for the benefit of the federal agencies that provide grant funds to the state. State agencies expended \$6.2 billion of federal grant funds during the year ended June 30, 2001. The single audit requires an audit of the state's financial statements and expenditures of federal awards.

As stated in numerous previous reports, the audit noted several instances where Food Stamps and Temporary Assistance for Needy Families benefits were provided to ineligible recipients. The audit noted the state provided improper benefits to deceased persons, prisoners incarcerated in state correctional facilities, parents of children in state custody, lottery winners, sponsored aliens, and persons with outstanding felony warrants. These benefits totaled more than \$740,000.

The audit recommended the state resolve the questioned costs with the federal grantor agencies, investigate the cases with improper benefits, establish recoupment claims where appropriate, and implement policy and procedure changes to ensure that improper payments do not occur.

The state made unnecessary managed care payments of at least \$111,312 for Medicaid and State Children's Insurance Program (SCHIP) recipients that moved out of the state. During July 2001, there were 1,987 recipients eligible for Medicaid or SCHIP that had out-of-state addresses in the state's computer system.

Of the 838,000 recipients eligible for Medicaid and SCHIP benefits, nearly 57,000 did not have a valid social security number in the state's computer system. Federal regulations require the state to obtain the social security number for each recipient. Computer matches performed by the state with other database records cannot be effective if the recipient social security numbers are not consistently entered into the state's computer systems.

The state does not perform eligibility redeterminations on Medicaid and SCHIP recipients on a timely basis as required by federal regulation. The audit tested a sample of 185 recipients and found that a redetermination had not been performed for 25 (13 percent) of the recipients. Without timely redetermination of recipient eligibility, there is increased risk these programs are paying medical costs for ineligible individuals.

(over)

YELLOW SHEET

The state is incurring unnecessary Medicaid costs because spenddown program policies are not in compliance with federal regulations. Based on the average of claims tested, the state could have incurred at least \$18 million in unnecessary costs during the 18 month period reviewed.

The state did not meet various federal standards for the Child Support Enforcement Program. The state failed to take the required actions to establish paternity on 46 percent of the cases tested and to establish an order of support on 40 percent of the cases tested.

Child support monies in a State Treasurer's account are not being reconciled to Division of Child Support Enforcement accounting records. In addition, interest totaling \$994,383 has accumulated in the Family Support Trust Fund account since October 1999, but should have been disbursed to the state's general revenue fund and the federal government.

The audit also covered the state's financial statements. The Office of Administration (OA) has issued a Comprehensive Annual Financial Report (CAFR) for about 20 years. The OA typically issues the CAFR within six months (by December 31) after the end of the state's fiscal year. However, the OA has not been able to issue the CAFR by December 31 for the past two years. The OA cited several reasons for the delay in completion of the state's CAFR. While there may be valid reasons for certain delays, the audit recommended the OA complete the state's CAFR by December 31.

Following the implementation of a new accounting system (SAM II) in fiscal year 2000, the OA requested state agencies to submit an internal control plan to the OA. However, only five state agencies had submitted their internal control plan.

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STATE OF MISSOURI
SINGLE AUDIT

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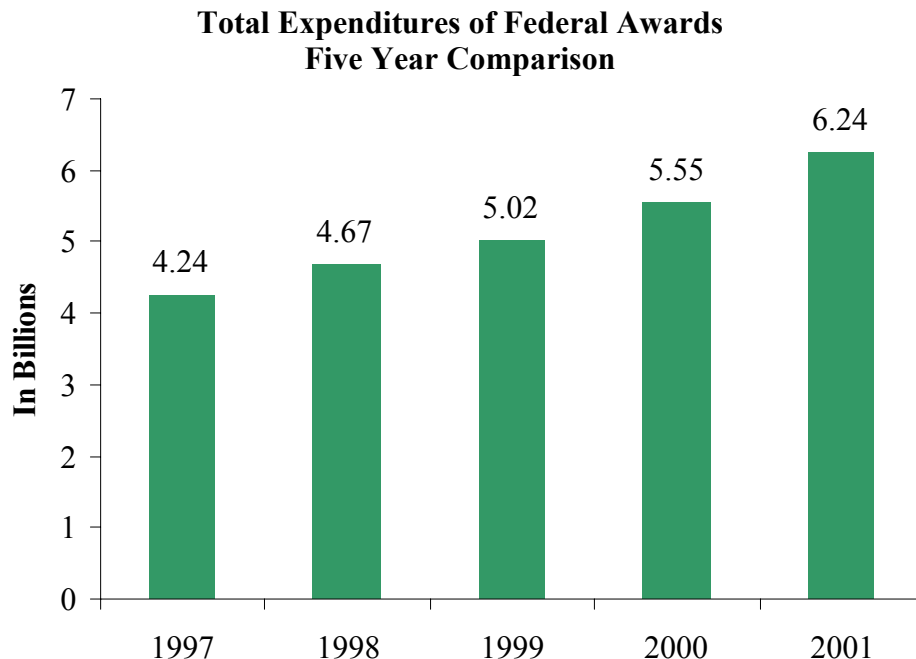
INTRODUCTION AND SUMMARY

INTRODUCTION AND SUMMARY

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

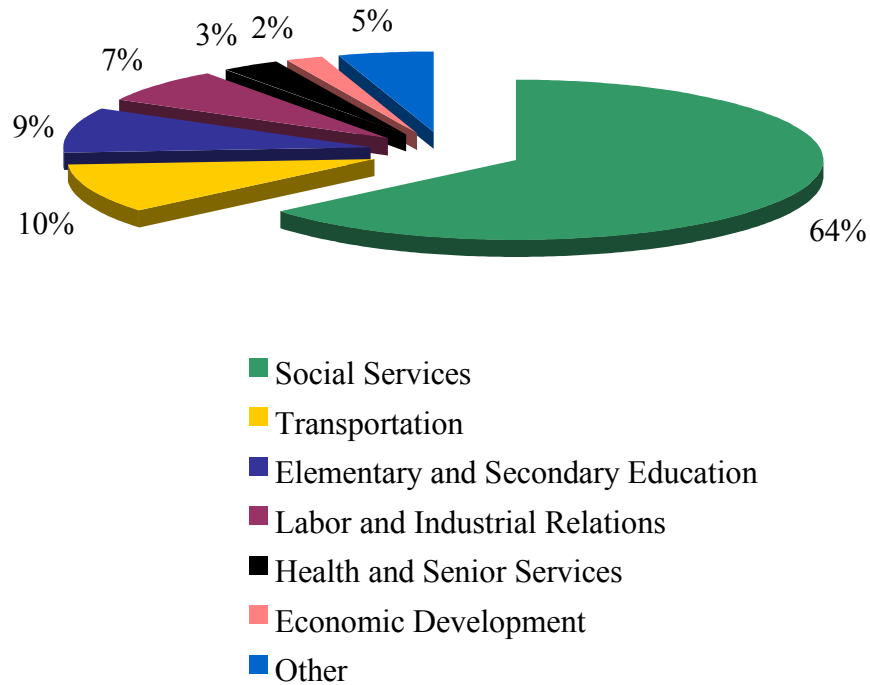
- The state's general-purpose financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is presented fairly in all material respects in relation to the general-purpose financial statements 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 \$6.2 billion in federal awards during the year ended June 30, 2001. Expenditures of federal awards have increased significantly over the past five years.



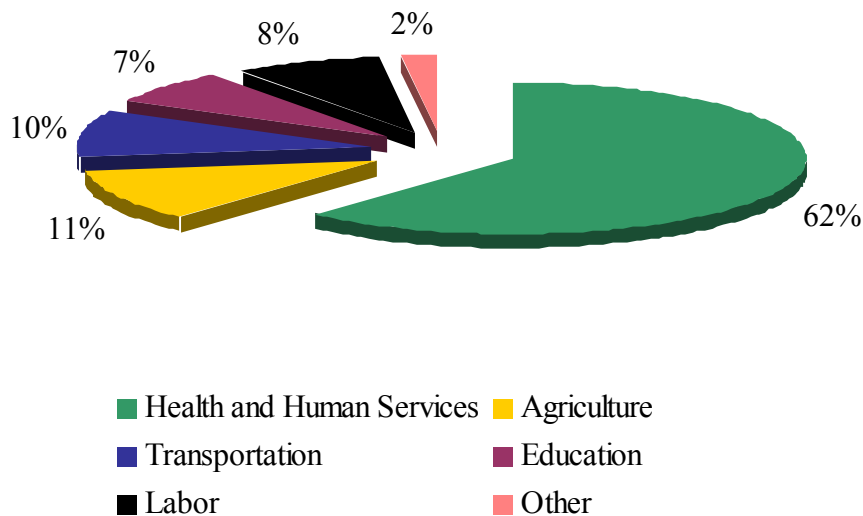
Although all sixteen state departments and other state offices expended federal awards, six state departments expended the bulk of the federal awards (95 percent).

**Expenditures of Federal Awards by State Department
Year Ended June 30, 2001**



The state received federal awards from 20 different federal agencies. Most of the federal awards (98 percent) came from five federal agencies.

**Expenditures of Federal Awards by Federal Department
Year Ended June 30, 2001**

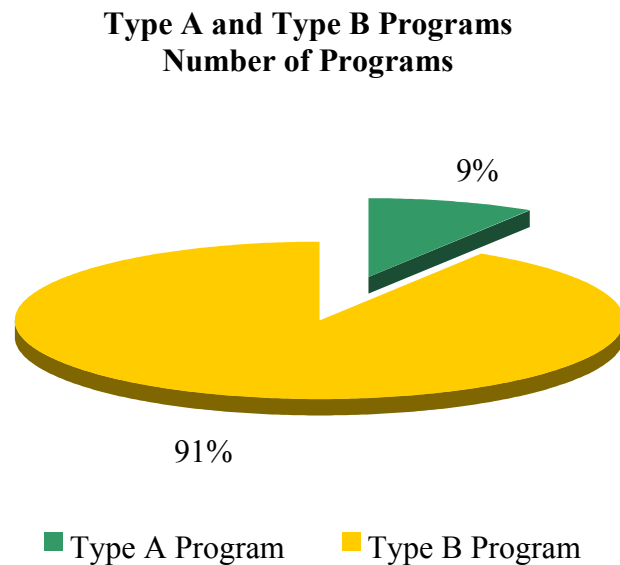


Overall, the state expended federal awards in 271 different programs. Under the audit requirements of OMB Circular A-133, federal programs are divided into Type A and Type B programs based on a dollar threshold. For the state of Missouri, OMB Circular A-133 defines the dollar threshold to distinguish between Type A programs and Type B programs at three-tenths of one percent (.003) of total awards expended.

Determination of Type A Programs	
Total expenditures of federal awards	\$ 6,237,524,816
Three-tenths of one percent	.003
Dollar Threshold	\$ 18,712,574

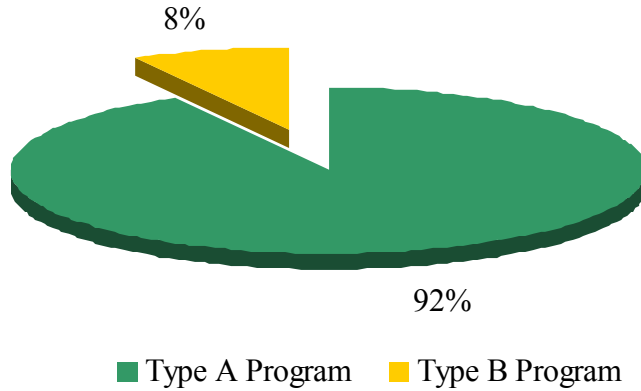
We rounded the dollar threshold to \$18.7 million. Programs with federal expenditures over \$18.7 million are Type A programs and the programs under \$18.7 million are Type B programs.

The state had a total of 271 different federal award programs. There were 25 Type A programs (over \$18.7 million) and 246 Type B programs (under \$18.7 million).



The 25 Type A programs had expenditures of federal awards totaling \$5.7 billion, which was 92 percent of the total expenditures for all programs. The 246 Type B programs had expenditures of federal awards totaling \$496 million, which was only 8 percent of the total expenditures for all programs.

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



OMB Circular A-133 requires the auditor to use a risk-based approach to determine which federal award programs to audit as major programs. We performed a risk assessment on each Type A program and determined that 5 of the 25 Type A programs were low risk and did not need to be audited as major, based on the guidance in OMB Circular A-133.

OMB Circular A-133 requires the auditor to perform risk assessments on the larger Type B programs to determine which ones to audit as major in place of the Type A programs that are not audited as major. The dollar threshold to determine the larger Type B programs is three-hundredths of one percent (.0003) of total awards expended, (\$6.24 billion times .0003 = \$1.87 million). We performed risk assessments on the 61 larger Type B programs that were over \$1.87 million and determined that 9 of them were high risk. In accordance with OMB Circular A-133, we audited 5 (one-half) of these 9 high risk Type B programs as major in place of the 5 low risk Type A programs not audited as major. As a result of the risk-based approach required under OMB Circular A-133, we audited 20 Type A programs and 5 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	20	\$ 4,406,712,508	
Type B major programs	5	41,281,147	
Total major programs	25	4,447,993,655	71.3%
Type A non-major programs	5	1,334,598,164	
Type B non-major programs	241	454,932,997	
Total non-major programs	246	1,789,531,161	28.7%
Total all programs	271	\$ 6,237,524,816	100.0%

STATE OF MISSOURI
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2001

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
	Food Stamp Cluster:		
10.551	Food Stamps	Agriculture	\$ 384,737,694
10.561	State Administrative Matching Grants for Food Stamp Program	Agriculture	37,820,310
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	25,630,865
10.555	National School Lunch Program	Agriculture	96,551,865
10.556	Special Milk Program for Children	Agriculture	346,973
10.559	Summer Food Service Program for Children	Agriculture	5,044,800
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Agriculture	63,979,010
10.558	Child and Adult Care Food Program	Agriculture	28,602,076
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	33,474,698
17.225	Unemployment Insurance	Labor	451,412,844
17.255	Workforce Development Act	Labor	35,169,753
20.205	Highway Planning and Construction	Transportation	601,737,363
66.458	Capitalization Grants for State Revolving Funds	Environmental Protection Agency	43,058,334
84.010	Title I Grants to Local Educational Agencies	Education	132,145,272
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	107,652,530
84.173	Special Education - Preschool Grants	Education	5,996,626
84.032	Federal Family Education Loans	Education	57,892,930
84.048	Vocational Education - Basic Grants to States	Education	27,765,751
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	44,037,071
84.340	Class Size Reduction	Education	21,067,134
93.558	Temporary Assistance for Needy Families	Health and Human Services	199,144,179
93.563	Child Support Enforcement	Health and Human Services	50,334,992
93.568	Low-Income Home Energy Assistance	Health and Human Services	55,662,704
	Child Care Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	54,251,910
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	54,508,340
93.658	Foster Care - Title IV-E	Health and Human Services	69,957,233
93.667	Social Services Block Grant	Health and Human Services	35,653,529
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	651,140
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	9,113,136
93.778	Medical Assistance Program	Health and Human Services	2,897,934,226
93.767	State's Children's Insurance Program	Health and Human Services	50,272,400
93.959	Block Grant for Prevention and Treatment of Substance Abuse	Health and Human Services	28,301,599
96.001	Social Security - Disability Insurance	Social Security Administration	31,401,385
	Total Type A Programs (expenditures greater than \$18.7 million)		5,741,310,672
	Total Type B Programs (expenditures less than \$18.7 million)		496,214,144
	Total Expenditures of Federal Awards		\$ <u>6,237,524,816</u>

STATE AUDITOR'S REPORTS



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH
OMB CIRCULAR A-133 AND ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING

Honorable Bob Holden, Governor
and
Members of the General Assembly

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the state of Missouri, as of and for the year ended June 30, 2001, and have issued our report thereon dated April 5, 2002. We did not audit the financial statements of the Missouri Department of Transportation, which statements constitute 3 percent and 24 percent, respectively, of the assets and revenues of the special revenue funds; 67 percent and 99 percent, respectively, of the assets and revenues of the capital projects funds; 14 percent of the general fixed assets account group; and 18 percent of the general long-term debt account group. We did not audit the financial statements of the Missouri State Lottery, which statements constitute 28 percent and 92 percent, respectively, of the assets and operating revenues of the enterprise funds. We did not audit the financial statements of the Missouri Consolidated Health Care Plan, Missouri State Employees' Insurance Plan, Highway and Transportation Employees' and Highway Patrol Insurance Plan, and the Missouri Department of Transportation Self Insurance Plan, which statements constitute 52 percent and 72 percent, respectively, of the assets and operating revenues of the internal service funds. We did not audit the financial statements of the Missouri State Public Employees Deferred Compensation Plan, which statements constitute 57 percent and 8 percent, respectively, of the assets and revenues of the expendable trust funds. We did not audit the financial statements of the pension trust funds, which statements constitute 82 percent of the assets of the agency and trust funds. We did not audit the financial statements of the colleges and universities and the proprietary component units, which statements constitute 28 percent of the assets for all fund types and account groups. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those amounts, is based on the reports of the other auditors. Our report expressed a qualified opinion on the general-purpose 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.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of the state of Missouri taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. The state of Missouri has excluded federal award expenditures of public universities from the accompanying Schedule of Expenditures of Federal Awards. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, except for the exclusion of federal award expenditures of public universities, is fairly presented in all material respects, in relation to the general-purpose financial statements taken as a whole.

Compliance

As part of obtaining reasonable assurance about whether the general-purpose financial statements of the state of Missouri are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the general-purpose financial statements of the state of Missouri, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the state of Missouri's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 1 to 5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

The State Auditors office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general-purpose financial statements. Our reports of these conditions do not modify our report dated April 5, 2002, on the general-purpose financial statements.

This report is intended for the information of the management of the state of Missouri and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

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

Claire McCaskill
State Auditor

April 5, 2002 (fieldwork completion date)



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE

Honorable Bob Holden, Governor
and
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. 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.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 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 on the state's compliance with those requirements.

As described in item 2001-17 in the accompanying schedule of findings and questioned costs, the state of Missouri did not comply with requirements regarding a periodic risk analysis and system security review of its automated data processing that are applicable to its Medical Assistance Program. Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the state of Missouri complied, in all material respects, with the requirements referred to above that

are applicable to each of its major federal programs for the year ended June 30, 2001. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2001-1 to 2001-16 and 2001-18 to 2001-28.

Internal Control over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the state's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-1, 2001-2, 2001-3A, 2001-4B, 2001-5, 2001-6, 2001-13, 2001-14, 2001-15, 2001-16, 2001-17, 2001-18, and 2001-19.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-17 to be a material weakness.

This report is intended for the information of the state's management, and federal awarding agencies and pass-through entities, and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

February 2, 2002 (fieldwork completion date)

SUPPLEMENTARY SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2001

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Office of National Drug Control Policy			
07.PMWP549	HIDTA-HP Enforcement	\$ 337,840	0
07.PMWP550	HIDTA-Lab Enhancement	219,332	61,322
07.PMWP551	HIDTA-Task Forces	916,885	770,474
07.PMWP552	HIDTA-SAUSA	489,772	360,255
Total Office of National Drug Control Policy		<u>1,963,829</u>	<u>1,192,051</u>
Department of Agriculture			
10	School Lunch Commodity Refund	7,465	0
10.025	Plant and Animal Disease, Pest Control, and Animal Care	90,068	14,970
10.064	Forestry Incentives Program	1,311	0
10.069	Conservation Reserve Program	24,351	0
10.250	Agricultural and Rural Economic Research	96,292	0
10.550	Food Donation	15,863,559	15,592,325
10.551	Food Stamps	384,737,694	0
10.553	School Breakfast Program	25,630,865	25,630,865
10.555	National School Lunch Program	96,551,865	95,245,943
10.556	Special Milk Program for Children	346,973	346,973
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)	63,979,010	11,820,138
10.558	Child and Adult Care Food Program	28,602,076	28,275,557
10.559	Summer Food Service Program for Children	5,044,800	3,859,401
10.560	State Administrative Expenses for Child Nutrition	2,484,513	23,505
10.561	State Administrative Matching Grants for Food Stamp Program	38,200,534	228,600
10.565	Commodity Supplemental Food Program	3,135	0
10.568	Emergency Food Assistance Program (Administrative Costs)	772,141	699,711
10.569	Emergency Food Assistance Program (Food Commodities)	6,451,965	6,451,965
10.570	Nutrition Program for the Elderly	4,546,419	4,546,419
10.572	WIC Farmers' Market Nutrition Program (FMNP)	138,668	138,668
10.574	Team Nutrition Grants	114,438	3,871
10.652	Forestry Research	18,000	0
10.664	Cooperative Forestry Assistance	893,221	0
10.665	Schools and Roads - Grants to States	2,045,641	2,045,641
10.672	Rural Development thru Forestry	29,000	0
10.902	Soil and Water Conservation	167,018	0
10.OM	USDA - Mark Twain N. F./BLM	50,000	50,000
Total Department of Agriculture		<u>676,891,022</u>	<u>194,974,552</u>
Department of Defense			
12	Troops to Teachers	52,414	0
12.104	Flood Plain Management	10,902	0
12.112	Payments to States in Lieu of Real Estate Taxes	755,297	755,297
12.113	State Memorandum of Agreement Program for the Reimbursement of Tech Services	637,096	0
12.401	National Guard Military Operations and Maintenance Projects	15,801,431	0
12.AAG	Drug Interdiction & Counter Drug Activities (Note 4)	90,244	90,244
Total Department of Defense		<u>17,347,384</u>	<u>845,541</u>
Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program	33,474,698	32,450,790
14.231	Emergency Shelter Grants Program	1,190,697	1,190,697
14.238	Shelter Plus Care	4,818,248	4,818,248
14.241	Housing Opportunities for Persons with AIDS	354,856	354,856
14.401	Fair Housing Assistance Program - State and Local	338,672	0
Total Department of Housing and Urban Development		<u>40,177,171</u>	<u>38,814,591</u>
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	452,913	0
15.252	Abandoned Mine Land Reclamation Program	1,020,573	218,432
15.605	Sport Fish Restoration	4,818,178	0
15.611	Wildlife Restoration	4,498,287	0
15.615	Cooperative Endangered Species Conservation Fund	59,019	0
15.616	Clean Vessel Act	27,217	0
15.617	Wildlife Conservation and Appreciation	204,221	0
15.623	North American Wetlands Conservation Fund	194,457	0
15.810	National Cooperative Geologic Mapping Program	118,682	0
15.904	Historic Preservation Fund Grants-In-Aid	828,023	210,557
15.916	Outdoor Recreation - Acquisition, Development and Planning	(29,761)	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2001

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	386,302	0
15.FFB	Webless Migratory Game Bird Research Program	10,675	0
Total Department of the Interior		12,588,786	428,989
Department of Justice			
16.523	Juvenile Accountability Incentive Block	2,292,949	2,292,949
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,192,399	1,192,399
16.541	Juvenile Justice and Delinquency Prevention - Special Emphasis	105,094	105,094
16.542	National Institute for Juvenile Justice and Delinquency Prevention	358,763	0
16.543	Missing Children's Assistance	3,486	0
16.546	Delinquency and Youth Violence	504,030	504,030
16.554	National Criminal History Improvement Program	364,544	255,791
16.555	National Sex Offender Registry Assistance	194,935	0
16.575	Crime Victim Assistance	5,643,686	5,643,686
16.576	Crime Victim Compensation	708,344	0
16.579	Byrne Formula Grant Program	9,276,191	9,276,191
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	267,462	0
16.585	Drug Court Discretionary Grant Program	128,738	0
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	1,379,047	0
16.588	Violence Against Women Formula Grants	2,635,389	2,635,389
16.592	Local Law Enforcement Block Grants Program	442,452	442,452
16.593	Residential Substance Abuse Treatment for State Prisoners	637,967	637,967
16.598	State Identification Systems Grant Program	137,429	0
16.606	State Criminal Alien Assistance Program	467,005	0
16.610	Mid-States Organized Crime Information Center	2,594,266	2,594,266
16.710	Public Safety Partnership and Community Policing Grants	1,418,379	0
16.727	Enforcing Underage Drinking Laws Program	542,410	542,410
16.99CK-WX-0014	COPS Technology Program	2,987,476	0
16.SCMOE121	Organized Crime Drug Enforcement Task Force	916,885	758,765
16	Marijuana Eradication Program	492,334	0
Total Department of Justice		35,691,660	26,881,389
17.002	Labor Force Statistics	1,805,949	0
17.005	Compensation and Working Conditions	207,330	179
17.203	Labor Certification for Alien Workers	154,919	0
17.207	Employment Service	15,189,098	170,645
17.225	Unemployment Insurance (Note 3)	451,412,844	0
17.235	Senior Community Service Employment Program	2,142,440	2,110,303
17.245	Trade Adjustment Assistance - Workers	10,685,770	0
17.249	Employment Services and Job Training-Pilot and Demonstration Programs	679,621	580,665
17.253	Welfare-to-Work Grants to States and Localities	9,176,819	9,038,395
17.255	Workforce Investment Act	35,169,753	34,518,185
17.504	Consultation Agreements	848,719	0
17.600	Mine Health and Safety Grants	371,794	0
17.801	Disabled Veterans Outreach Program	1,609,934	0
17.804	Local Veterans Employment Representative	1,868,219	0
17.E9483928	State Occupational Information Coordinating Committee	108,404	0
Total Department of Labor		531,431,613	46,418,371
Department of Transportation			
20.106	Airport Improvement Program	10,518,306	10,403,068
20.205	Highway Planning and Construction	601,737,363	39,705,343
20.218	Motor Carrier Safety Assistance Program	1,061,804	1,050,040
20.219	Recreational Trails Program	63,113	0
20.500	Federal Transit Capital Investment Grants	8,241,553	8,241,553
20.505	Federal Transit Metropolitan Planning Grants	817,662	704,952
20.507	Federal Transit Formula Grants	646,287	646,287
20.509	Formula Grants for Other Than Urbanized Areas	5,197,204	4,828,868

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2001

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,506,884	1,427,572
20.516	Job Access Reverse Commute	389,977	389,977
20.600	State and Community Highway Safety	4,145,345	4,145,345
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	628,243	628,243
20.604	Safety Incentive Grants for use of Seatbelts	313,293	313,293
20.700	Pipeline Safety	293,254	0
Total Department of Transportation		635,560,288	72,484,541
Department of the Treasury			
21.052	Alcohol, Tobacco, and Firearms Training Assistance	3,981	0
Total Department of the Treasury		3,981	0
Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	303,632	0
Total Equal Employment Opportunity Commission		303,632	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property (Note 4)	2,157,280	2,157,280
Total General Services Administration		2,157,280	2,157,280
National Foundation of Arts and the Humanities			
45.025	Promotion of the Arts - Partnership Agreements	512,251	161,718
45.026	Promotion of the Arts - Leadership Initiatives	12,000	12,000
45.302	Museum Assessment Program	3,805	0
45.304	Conservation Assessment Program	6,570	0
45.310	State Library Program	2,641,493	1,514,615
Total National Foundation of Arts and the Humanities		3,176,119	1,688,333
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	3,801,912	0
64.015	Veterans State Nursing Home Care	12,818,357	0
64.203	State Cemetery Grants	186,283	0
64.V101223B	Veterans Educational Assistance	409,823	0
Total Department of Veterans Affairs		17,216,375	0
Environmental Protection Agency			
66.001	Air Pollution Control Program Support	103,187	0
66.433	State Underground Water Source Protection	137,296	0
66.438	Construction Management Assistance	13,655	0
66.454	Water Quality Management Planning	585,555	0
66.458	Capitalization Grants for State Revolving Funds	43,058,334	30,675,185
66.460	Nonpoint Source Implementation Grants	2,026,197	1,024,706
66.461	Wetlands Grants	379,480	12,073
66.463	Water Quality Cooperative Agreements	76,450	0
66.468	Capitalization Grants for Drinking Water SRF	8,761,274	6,838,866
66.470	Hardship Grant Program Rural Community	997,706	0
66.605	Performance Partnership Grants	11,108,120	539,945
66.606	Surveys, Studies, Investigations and Special Purpose Grants	2,373,138	133,915
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	104,787	0
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	273,341	0
66.708	Pollution Prevention Grants Program	77,558	0
66.802	Superfund State Site - Specific Cooperative Agreements	2,728,356	32,640
66.805	Leaking Underground Storage Tank Trust Fund Program	1,126,597	0
66.810	CEPP Technical Assistance Grants Program	12,361	0
Total Environmental Protection Agency		73,943,392	39,257,330
Department of Energy			
81.039	National Energy Information Center	8,810	0
81.041	State Energy Program	1,041,544	268,189
81.042	Weatherization Assistance for Low-Income Persons	4,805,923	3,481,748
81.092	Weldon Springs Site Remedial Action Project	497,082	0
81.111	Alternative Fuel Transportation Program	88,100	0
81.119	State Energy Program Special Projects	33,107	0
81.902	State Environmental Oversight & Monitoring	431,435	0
Total Department of Energy		6,906,001	3,749,937

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2001

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
Federal Emergency Management Agency			
83.105	Community Assistance Program - State Support Services Element	121,580	121,580
83.534	Emergency Management - State and Local Assistance	9,750	9,750
83.536	Flood Mitigation Assistance	982,757	982,757
83.541	Disaster Unemployment Assistance	13,394	0
83.542	Fire Suppression Assistance Grants	132,351	132,351
83.544	Public Assistance Grants	5,196,653	5,096,821
83.548	Hazard Mitigation Grant	1,191,430	1,186,159
83.550	National Dam Safety Program	11,883	0
83.551	Disaster Resistance Community Grant	9,056	9,056
83.552	Emergency Management Performance Grants	4,399,620	2,707,181
	Total Federal Emergency Management Agency	12,068,474	10,245,655
Department of Education			
84.002	Adult Education - State Grant Program	12,440,322	12,020,172
84.010	Title I Grants to Local Educational Agencies	132,145,272	130,297,695
84.011	Migrant Education - Basic State Grant Program	1,927,918	1,927,918
84.013	Title I Program for Neglected and Delinquent Children	834,720	826,913
84.027	Special Education - Grants to States	107,652,530	104,377,994
84.032	Federal Family Education Loans	57,892,930	0
84.048	Vocational Education - Basic Grants to States	27,765,751	24,789,500
84.069	Leveraging Educational Assistance Partnership	822,750	0
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	49,889,263	1,486,833
84.154	Public Library Construction and Technology Enhancement	153,489	153,489
84.158	Secondary Education and Transitional Services for Youth with Disabilities	164,657	158,344
84.162	Immigrant Education	903,568	903,568
84.169	Independent Living - State Grants	235,578	235,578
84.173	Special Education - Preschool Grants	5,996,626	5,996,626
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	515,881	0
84.181	Special Education - Grants for Infants and Families with Disabilities	8,824,115	8,824,015
84.185	Byrd Honors Scholarships	708,000	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	7,864,638	7,070,547
84.187	Supported Employment Services for Individuals with Severe Disabilities	638,809	0
84.194	Bilingual Education Support Services	86,223	82,983
84.196	Education for Homeless Children and Youth	439,014	438,171
84.213	Even Start - State Educational Agencies	2,148,159	2,148,159
84.215	Fund for the Improvement of Education	1,242,532	1,124,230
84.216	Capital Expenses	25,394	25,394
84.224	Assistive Technology	405,205	0
84.243	Tech-Prep Education	3,124,273	3,014,947
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	81,377	0
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	9,363,335	8,335,364
84.278	School To Work State Implementation Grants	3,812,906	3,662,009
84.281	Eisenhower Professional Development State Grants	6,021,886	5,465,194
84.282	Charter Schools	1,571,324	1,558,615
84.298	Innovative Education Program Strategies	6,275,328	5,259,003
84.314	Even Start-Statewide Family Literacy Program	118,210	118,210
84.318	Technology Literacy Challenge Fund Grants	6,339,665	6,027,464
84.323	Special Education-State Program Improvement Grants for	998,877	998,877
84.326	Special Education-Technical Assistance and Dissemination to	26,002	26,002
84.330	Advanced Placement Incentive Program	295,037	295,037
84.331	Grants to States for Incarcerated Youth Offenders	275,585	0
84.332	Comprehensive School Reform Demonstration	3,927,490	3,686,195
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	170,490	0
84.340	Class Size Reduction	21,067,134	21,067,134
84.RN94-13-6026	National Cooperative System Program	4,636	0
	Total Department of Education	485,196,899	362,402,180
Department of Health and Human Services			
93	Osteoporosis State Mentoring Program	1,746	0
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	90,515	85,989
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	193,376	183,707
93.043	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	264,259	251,046

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2001

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,401,952	7,031,854
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	8,989,299	8,539,834
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	16,425	0
93.052	National Family Caregiver Support Program	43,628	41,447
93.103	Food and Drug Administration Research	13,159	0
93.110	Maternal and Child Health Federal Consolidated Programs	364,071	38,523
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	617,452	69,620
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	62,926	0
93.130	Primary Care Services - Resource Coordination and Development- Primary Care Offices	215,614	60,000
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	121,659	0
93.136	Injury Prevention and Control Research and State and Community Based Programs	98,243	6,727
93.150	Projects for Assistance in Transition from Homelessness (PATH)	504,482	493,973
93.161	Health Program for Toxic Substances and Disease Registry	429,510	0
93.165	Grants for State Loan Repayment	33,344	33,344
93.196	Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	304,451	303,152
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	543,272	2,539
93.223-98-4424	Mammography Inspections	289,014	0
93.223-98-4828	Tobacco Investigations	8,250	0
93.230	Consolidated Knowledge Development and Application (KD&A) Program	548,912	407,167
93.234	Traumatic Brain Injury - State Demonstration Grant Program	101,536	89,678
93.235	Abstinence Education	1,006,379	221,967
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	600,875	26,233
93.239	Policy Research and Evaluation Grants	23,856	0
93.241	State Rural Hospital Flexibility Program	208,454	196,307
93.251	Universal Newborn Hearing Screening	949	0
93.268	Immunization Grants (Note 4)	16,278,300	13,284,261
93.270-95-0031	State Demand and Needs Assessment Studies: Alcohol and Drugs	183,458	181,720
93.270-96-0009	Outcome Pilot Studies	31,124	0
93.277-98-6020	Prevention Needs Assessment	131,085	125,833
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	3,608,477	406,557
93.283-95-0026	Uniform Alcohol and Drug Abuse Grant	93,405	93,405
93.556	Promoting Safe and Stable Families	5,669,371	0
93.558	Temporary Assistance for Needy Families	199,144,179	0
93.563	Child Support Enforcement	50,334,992	15,379,740
93.566	Refugee and Entrant Assistance - State Administered Programs	3,791,155	0
93.568	Low-Income Home Energy Assistance	55,662,704	27,167,784
93.569	Community Services Block Grant	15,080,384	14,900,854
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	69,869	0
93.575	Child Care and Development Block Grant	54,251,910	0
93.576	Refugee and Entrant Assistance - Discretionary Grants	464,575	344,769
93.584	Refugee and Entrant Assistance - Targeted Assistance	1,106,746	0
93.585	Empowerment Zones Program	270,408	270,408
93.586	State Court Improvement Program	175,959	0
93.590	Community-based Family Resource and Support Grants	420,910	420,910
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	54,508,340	0
93.597	Grants to States for Access and Visitation Programs	156,972	0
93.600	Headstart	175,770	175,770
93.603	Adoption Incentive Payments	268,228	0
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,309,740	867,703
93.631	Developmental Disabilities Projects of National Significance	46,558	44,136
93.643	Children's Justice Grants to States	184,788	0
93.645	Child Welfare Services - State Grants	6,108,988	0
93.658	Foster Care - Title IV-E	69,957,233	0
93.659	Adoption Assistance	15,577,249	0
93.667	Social Services Block Grant	35,653,529	0
93.669	Child Abuse and Neglect State Grants	587,972	0
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	1,112,303	0
93.674	Independent Living	1,427,030	0
93.767	State Children's Insurance Program	50,272,400	0

STATE OF MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2001

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.768	Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	31,185	0
93.775	State Medicaid Fraud Control Units	651,140	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	11,523,993	440
93.778	Medical Assistance Program	2,897,934,226	0
93.779	Health Care Financing Research, Demonstrations and Evaluations	357,316	0
93.865	Center for Research for Mothers and Children	389,222	357,129
93.913	Grants to States for Operation of Offices of Rural Health	107,681	34,684
93.917	HIV Care Formula Grants	8,839,281	8,839,281
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer for Early Detection Programs	3,003,283	1,523,128
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to	153,969	109,796
93.940	HIV Prevention Activities - Health Department Based	3,166,321	1,894,736
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance	402,994	68,230
93.945	Assistance Programs for Chronic Disease Prevention and Control	847,410	231,888
93.958	Block Grants for Community Mental Health Services	6,375,819	6,021,312
93.959	Block Grants for Prevention and Treatment of Substance Abuse	28,301,599	25,370,465
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,931,415	666,582
93.982	Mental Health Disaster Assistance and Emergency Mental Health Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	141,036	141,036
93.988	Preventive Health and Health Services Block Grant	27,209	25,000
93.991	Maternal and Child Health Services Block Grant to the States (Note 4)	4,442,710	610,363
93.994		14,848,735	5,715,745
Total Department of Health and Human Services		<u>3,650,690,263</u>	<u>143,356,772</u>
Corporation for National Service			
94.003	State Commissions	218,337	0
94.004	Learn and Serve America - School and Community Based Programs	543,219	484,645
94.006	AmeriCorps	1,854,983	1,854,983
94.007	Planning and Program Development Grants	70,208	52,423
94.009	Training and Technical Assistance	122,515	0
Total Corporation for National Service		<u>2,809,262</u>	<u>2,392,051</u>
Social Security Administration			
96.001	Social Security - Disability Insurance	31,401,385	0
Total Social Security Administration		<u>31,401,385</u>	<u>0</u>
Total Expenditures of Federal Awards		<u>\$ 6,237,524,816</u>	<u>947,289,563</u>

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

STATE OF MISSOURI
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards of the state of Missouri has been prepared to comply with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The circular requires a schedule of expenditures of federal awards showing total expenditures for each federal financial assistance program as identified in the catalog of federal domestic assistance (CFDA), and identification of federal financial assistance programs which have not been assigned a CFDA number.

The accompanying schedule includes all federal financial assistance programs administered by the state of Missouri, except for those accounted for in the college and university fund type of the general-purpose financial statements of the state of Missouri. Federal financial assistance provided to entities accounted for in the college and university fund type has been excluded from this audit.

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, Type A programs are those which exceed \$18.7 million in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

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

The major programs for which expenditures of federal awards are presented on the modified accrual basis are as follows:

17.207	Employment Service
17.253	Welfare to Work Grants to States and Localities
17.255	Workforce Investment Act
17.801	Disabled Veterans Outreach Program
17.804	Local Veterans Employment Representative
20.205	Highway Planning and Construction
84.032	Federal Family Education Loans

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

The state received cash rebates from an infant formula manufacturer, totaling \$28,718,099, on sales of formula to participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

3. Unemployment Insurance Expenditures from the State Unemployment Compensation Fund

Expenditures reported for the Unemployment Insurance program (CFDA No. 17.225) include unemployment benefit payments from the State Unemployment Compensation Fund totaling \$407,399,196. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those states totaling \$14,911,621 have also been included in the Unemployment Insurance program expenditure totals. Reimbursements to the State Unemployment Compensation Fund from other states for benefits paid by the State of Missouri totaling \$5,670,552 have been excluded from the Unemployment Insurance program expenditure totals.

4. Nonmonetary Assistance

The Department of Health and Senior Services distributes vaccines to local health agencies and other health care professionals. Distributions are valued at the cost of the vaccines paid by the federal government and totaled \$9,384,683 under the Immunization Grants program (CFDA No. 93.268) and \$725,136 under the Maternal and Child Health Block Grant to the States Program (CFDA No. 93.994).

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program. Property distributions totaled \$9,258,712 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program. Property distributions totaled \$387,313 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE OF MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2001

Section I - Summary of Auditor's Results

Financial Statements

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

The audit identified reportable conditions in the internal control over financial reporting.

None of the reportable conditions were considered to be material weaknesses.

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

Federal Awards

The auditor's report on compliance on the major programs was unqualified, except for the Medical Assistance Program (CFDA 93.778), which was qualified.

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

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

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

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

The dollar threshold to distinguish between Type A programs and Type B programs was **\$18,700,000**.

The following programs were audited as major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Food Stamp Cluster:
10.551	Food Stamps
10.561	State Administrative Matching Grants for Food Stamp Program
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service for Children
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
14.228	Community Development Block Grants/State's Program
14.238	Shelter Plus Care
	Employment Service Cluster:
17.207	Employment Service
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative Program
17.253	Welfare-to-Work Grants to States and Localities
17.255	Workforce Investment Act
66.458	Capitalization Grants for State Revolving Funds
81.042	Weatherization Assistance for Low-Income Persons
84.032	Federal Family Education Loans
84.048	Vocational Education - Basic Grants to States
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States
84.278	School to Work State Implementation Grants
84.340	Class Size Reduction
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
	Child Care Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care - Title IV-E
93.767	State Children's Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
96.001	Social Security - Disability Insurance

Section II - Financial Statement Findings:

1. **Timeliness of Reporting**

The Office of Administration (OA) has issued a Comprehensive Annual Financial Report (CAFR) for about 20 years. The OA typically issues the CAFR within six months (by December 31) after the end of the state's fiscal year. However, the OA has not been able to issue the CAFR by December 31 for the past two years.

The OA cited several reasons for the delay in completion of the state's CAFR. Because of the recent state budget cuts, the OA has not been able to replace staff. Due to staff changes, only three staff were available to work on the CAFR (instead of the normal five staff). In addition, the OA does not always receive information in survey responses from other state agencies on a timely basis, and audit reports from entities audited by other independent certified public accountants are not received on a timely basis. In total, 51 agencies/entities were late for fiscal year 2001 in submitting to the OA some or all of the required survey response information or audited financial statements. Several examples are noted in the table below:

Agency/Entity	Information Requested	Due Date	Date Received
Office of the Secretary of State	Fixed assets	8/03/2001	12/18/2001
Attorney General	Legal opinion	9/07/2001	1/25/2002
Office of Administration - Division of Budget and Planning	Economic condition of the state and total state revenue refund information	9/28/2001	2/19/2002
Department of Natural Resources	Revolving Fund financial statements	8/06/2001	12/14/2001
State Lottery	Financial statements*	10/26/2001	12/20/2001
City of Springfield Missouri State Highway Improvement Corporation	Financial statements*	8/31/2001	2/20/2002 (Draft)
Southeast Missouri State University	Financial statements* and financial data	10/05/2001	1/07/2002
Missouri Consolidated Health Care Plan	Financial statements*, fixed assets, and accrued leave balances	9/05/2001	12/26/2001
	Deposits and investments	9/05/2001	1/16/2002
St. Louis Regional Convention And Sports Complex Authority	Financial statements*	8/03/2001	1/25/2002

* Audit reports on financial statements audited by Certified Public Accountants.

The staff also experienced delays in obtaining data from the new state accounting system (SAM II) and had to change numerous reports due to modifications made to the data warehouse.

While there may be valid reasons for certain delays, the OA should issue the CAFR by December 31. The Government Finance Officer Association (GFOA) recommends that financial reports be issued on a timely basis (no later than six months after the close of the fiscal year), so that information is still relevant. In addition, the GFOA requires the six-month limit to be eligible to receive the Certificate of Achievement for Excellence in Financial Reporting from the GFOA.

The Governmental Accounting Standards Board (GASB), Codification of Governmental Accounting and Financial Reporting Standards, Section 1900.115 requires the CAFR to be prepared and published promptly after the close of the fiscal year.

WE RECOMMEND the Office of Administration complete the state's CAFR by December 31.

AUDITEE'S RESPONSE

We concur. The OA will make every effort to complete the CAFR by December 31. However, timely completion will be impacted by budget reductions and available resources. Implementation of GASB Statement 34 could also have an impact.

2.

Workflow and Document Listing

The SAM II workflow system routes documents from one user to another user to facilitate the processing and approval of various on-line documents. Included in the workflow system is a worklist which is a listing of all documents routed to a specified user. Each user has a unique worklist which identifies documents ready to be processed and approved.

Vendor invoices are processed using different types of on-line payment voucher documents. All payment vouchers except for automated payment vouchers and vendor payment vouchers require approval by the Office of Administration (OA) – Compliance Audit Section before payment is made. The on-line payment voucher documents are submitted to the compliance auditors from state agencies by the workflow system and the state agencies submit the original invoices to the compliance auditors for final approval of the payment voucher document.

The compliance auditors are not using the worklist in the workflow system to approve payment voucher documents. A large number of payment voucher documents from different state agencies are routed through the workflow system to the compliance auditors for the compliance auditors to approve the payment voucher document. However, the worklist cannot locate payment voucher documents by using a specific document number. In addition, the worklist cannot be sorted to allow the compliance auditors to locate specific documents. To locate a document on the worklist, the compliance auditors must scroll through the listing of documents until the specific document is located. As a result, it takes a significant amount of time to search the

worklist for specific documents needing approval. To locate the documents quicker, the compliance auditors are using the document listing table which is also known as the suspense file (SUSF). However, the SUSF allows the compliance auditor access to documents before the documents have been processed and approved at the agency level.

The SUSF does not operate within the workflow system. The SUSF operates as a holding file storing documents from all workstations connected to the system. The SUSF stores documents until the documents are approved, completed or corrected. Compliance auditors are allowed access to the SUSF and use it to locate documents needing approval. The SUSF allows the compliance auditors to search by document number, document type, agency number, or fund number. However, by using the SUSF, compliance auditors have access to all documents, not just those documents pending approval from the compliance auditors. By not using the workflow system, which restricts the flow of documents to only the designated workstation, the OA compliance auditors could approve documents, which would generate a check to the vendor, before the documents have been reviewed and approved at the agency level. In addition, by using the SUSF the compliance auditors are circumventing the controls established with workflow in the SAM II system.

WE RECOMMEND the Office of Administration modify the workflow system to provide for the more efficient and timely location of documents by the compliance auditors and discontinue allowing the compliance auditors to approve documents from the SUSF.

AUDITEE'S RESPONSE

We have identified the functionality enhancement to the software vendor, American Management Systems. In the meantime, we have strengthened our procedures to reduce the chance of error when using SUSF.

3. Internal Control Plans

Following the implementation of the SAM II system, state agencies were requested to submit an internal control plan to the OA. However, only five state agencies have submitted completed internal control plans as of October 23, 2001.

The instructions for the preparation of an agency internal control plan were distributed to state agencies in April 1999. Originally, internal control plans were to be submitted to the OA by October 1999. However, due to complications and increased workload associated with the implementation of the SAM II system, an extension was granted to January 2000. The OA did not receive any internal control plans by January 2000 and extended the deadline to the spring of 2000 without setting an actual date for the submission of the internal control plans.

The state agencies are responsible for preparing the internal control plans and submitting the plans to the OA. The state agencies are also responsible for reviewing and evaluating internal controls on an annual basis and are required to report on the annual review to the OA. The development of internal control plans by the state agencies will provide assurance that assets are being safeguarded, that applicable statutes, rules and regulations are being followed, and that the objectives of agency management are being met.

WE RECOMMEND the Office of Administration require all state agencies to submit internal control plans by a certain date and discontinue extending the deadline.

AUDITEE'S RESPONSE

A deadline of June 30, 2002, was given to the agencies to submit all internal control plans. The OA is currently reviewing some of the larger agencies' plans and following up with those agencies who have not completed their plans.

4.

Document Processing

Receivable (RE) Documents

The RE document is used to record accounts receivable and interagency billings. In general, receivables are to be recorded in SAM II when the state has the right to an asset (cash) that has not been received.

The processing of an RE document results in a debit to accounts receivable and a credit to revenue. When cash is received for an applicable receivable, the cash receipt (CR) document will reference the RE document number and the system will debit cash and credit accounts receivable.

The RE document is also used to record interagency billings. When a RE document is used to bill another state agency, certain fields in the RE document must be coded correctly to ensure the transaction is accurately recorded. The net effect on cash when processing an RE document correctly for an interagency transaction is zero. A RE document for non-interagency transactions results in a cash increase. To ensure the proper recording of interagency transactions, the prefix IAB was added as the first three digits of the RE document number when processing an interagency billing. In addition to the IAB prefix, interagency revenue source codes were established to distinguish interagency revenue from non-interagency revenues.

Cash Receipt Payment (CRP) Documents

The CRP document was a modification to the SAM II system and is used strictly to record payments for interagency billings. The CRP document is a clone of the SAM II cash receipt (CR) document consisting of the same fields. The CRP document is used to record both revenue and expense information. The CRP document references the

interagency billing/invoice (RE) document and also records the expenditure accounting information for the billed/paying agency.

Users are not following SAM II policies and procedures for processing interagency RE documents or CRP documents. As a result, we noted the following areas of concern:

- A. Since the RE document is used to code both interagency and non-interagency transactions, the SAM II system is unable to ensure the IAB prefix is indicated on the RE document for interagency transactions. It is the users responsibility to know when to manually add the IAB prefix and when to use the specified interagency revenue source code. The SAM II system does not provide an edit check to ensure IAB is coded in the first three characters of the document number when an interagency revenue source code is used or ensure an interagency revenue source code is used when IAB is coded in the first three characters of the document number. Without the IAB coding in the first three characters of the document number, the SAM II system will not recognize the transaction as an interagency transaction and will not record the transaction correctly.
- B. The document prefix IAB and the interagency bank account code fields distinguish CRP documents from CR documents; however, neither the IAB prefix nor the interagency bank account code populate the fields automatically for a CRP document. In addition, the CRP document will accept any valid object or revenue source code in the SAM II system versus only accepting revenue source codes specific to interagency transactions. The CRP document does not have edit checks to ensure the above information has been entered correctly. Thus, interagency transactions are not recorded correctly resulting in errors in the accounting records.

In addition, we noted the following concerns:

- C. The CRP document will process without referencing a valid RE document. When the CRP document is processed without referencing a valid RE document, the transaction will credit revenues instead of accounts receivables, overstating both revenues and accounts receivables. An edit check should be included on the CRP document to ensure a valid RE document is referenced.
- D. For interagency transactions, the purchasing agency must manually cancel the purchase order generated by the SAM II system instead of being automatically liquidated, as the RE document does not include the purchase order document number. Without manually canceling the purchase order, the purchase order will remain on the SAM II system which causes reporting errors and understates the balance of remaining appropriations.

WE RECOMMEND the Office of Administration:

- A. Implement edit checks to ensure that agencies properly code the RE documents when processing interagency transactions by using IAB in the first three characters of the document number and to ensure that agencies use the interagency revenue source code.
- B. Modify the CRP document to populate the prefix IAB and the interagency bank account code automatically to ensure the proper processing of interagency billing transactions. In addition, the modification should ensure only interagency revenue source codes are used on a CRP document.
- C. Design an edit check to ensure a valid RE document is referenced on CRP documents.
- D. Change procedures for interagency transactions so that purchase orders will be liquidated automatically by the SAM II system.

AUDITEE'S RESPONSE

- A. *The OA is currently proceeding with finalizing a proposal to eliminate the use of the CRP document for expenditure transactions. Our plan is to use a standard payment transaction document (PVQ, P1, etc.)*
- B. *With the plan of using the standard payment voucher, the CRP document would only have the revenue side. The data warehouse reports will identify CRP's that have an internal vendor code without an internal revenue source code.*
- C. *Current system functionality exists and will continue to exist to validate the referenced RE document number on the CRP document.*
- D. *The proposed design being finalized by the OA to use a standard payment voucher for internal payments will allow agencies to liquidate purchase orders automatically by the SAM II system.*

5.

Reconciliations

The OA did not prepare their monthly financial summary on a timely basis. As of February 2002, the last monthly financial summary completed was August 2001, indicating the OA was five months behind in preparing the monthly financial summary.

To prepare the monthly financial summary, the OA reconciles SAM II data from the data warehouse to the State Treasurer's Office monthly cash balance report and the SAM II Monthly Fund Cash Activity Report. The OA reconciles the cash balance but also reviews transactions for possible coding errors to ensure transactions were processed

properly. The OA has indicated that most problems encountered when reconciling are due to interagency transactions which have been discussed earlier in this report.

Timeliness of monthly reporting is essential to the monitoring of state activities. By not ensuring monthly financial summary reports are prepared on a timely basis, the state's activities cannot be properly monitored.

WE RECOMMEND the Office of Administration ensure monthly financial summary reports are completed on a timely basis.

AUDITEE'S RESPONSE

While the monthly financial report can be used to reconcile SAM II to the STO Cash Activity Reports, that is not its original purpose. In addition, there are other methods available to monitor the state's activities. Monthly system reports, available on MOBIUS, and the data warehouse can be used to monitor state activity. In the future, the monthly financial reports will be prepared if resources are available to prepare them.

Section III - Federal Award Findings and Questioned Costs

2001-1	Reconciliation of Accounting Systems
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Federal Agency:	Department of Labor
Federal Program:	17.207 Employment Service
	17.801 Disabled Veterans Outreach Program
	17.804 Local Veterans Employment Representative
	17.253 Welfare-to-Work Grants to States and Localities
	17.255 Workforce Investment Act
State Agency:	Department of Economic Development (DED) - Division of Workforce Development (DWD)

The DWD did not reconcile its internal accounting systems to the statewide accounting system (SAM II) during fiscal years 2000 or 2001. The DWD uses two internal accounting systems to track expenditures of its federal programs and to prepare the required reports of federal expenditures to the U. S. Department of Labor. Expenditures are processed and paid through SAM II. We noted several expenditures that had been processed through the SAM II system but had not been recorded in the internal accounting systems. After we completed our prior audit of fiscal year 2000, the DWD performed a reconciliation of fiscal year 2000 records and identified approximately \$1.4 million that had not been recorded in the internal accounting systems and, therefore was not reported to the Department of Labor. A partial reconciliation of fiscal year 2001 records as of November 30, 2001, indicates the amount of unrecorded expenditures for fiscal year 2001 is more than \$235,000. These unrecorded expenditures represent expenses incurred by the state agency for which available federal funds have not been drawn down. Periodic reconciliation of the internal accounting records to the SAM II

records is needed to identify any unrecorded expenditures and to ensure federal reports are accurate.

WE RECOMMEND the DWD reconcile internal accounting records to the SAM II records on a periodic basis. In addition, the DWD should complete the reconciliation for 2000 and 2001 and drawdown the appropriate amount of federal funds.

AUDITEE'S RESPONSE

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

2001-2	Schedule of Expenditures of Federal Awards
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Federal Agency: Department of Agriculture
 Federal Program: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
 10.558 Child and Adult Care Food Program
 State Agency: Department of Health and Senior Services (DOHSS)

The original schedule of expenditures of federal awards prepared by the DOHSS was overstated by approximately \$126 million. Amounts were incorrectly stated on the schedule for most programs. Listed below are the programs with the most significant misstatements.

CFDA #	Program	Overstated (Understated)
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 74,344,455
10.558	Child and Adult Care Food Program	29,840,607
93.268	Immunization Grants	(11,066,863)
93.575	Child Care and Development Block Grant	3,816,464
93.917	HIV Care Formula Grants	9,552,564
93.994	Maternal and Child Health Services Block Grant to the States	7,724,982

We noted additional problems with the schedule prepared by the DOHSS:

- The amount provided to subrecipients was overstated by approximately \$76 million for the Special Supplemental Nutrition Program for Women, Infants, and Children program. In addition, for some other programs, the schedule indicated the amount provided to subrecipients exceeded the total expenditures of the program.

- The program name was not correct for many of the programs included on the schedule. Programs were identified by the generic title used by the DOHSS instead of the proper name used by the federal government in the Catalog for Federal Domestic Assistance.
- Several grants were not reported on the original schedule.

The DOHSS made several revisions to the schedule after our review. It appears these errors resulted from inadequately trained staff, a lack of formal procedures for preparing the schedule, inappropriate sources for the information, and a lack of appropriate supervisory reviews.

Section .310(b) of OMB Circular A-133 requires the DOHSS to prepare a schedule of expenditures of federal awards showing the financial activity for each federal program. The DOHSS needs to establish effective procedures to ensure the schedule is complete and accurate.

WE RECOMMEND the DOHSS implement procedures to ensure the schedule of expenditures of federal awards is complete and accurate.

AUDITEE'S RESPONSE

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

2001-3	Subrecipient Monitoring
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Federal Agency: Housing and Urban Development
 Federal Program: 14.238 Shelter Plus Care
 State Agency: Department of Mental Health (DMH)

The DMH did not adequately monitor subrecipients of the program. In addition, program spending exceeded the limits established by the grant agreement and some expenditures were improperly charged to the grant. The DMH received a five-year grant which ends in June 2006. The purpose of the grant is to provide shelter, primarily through rental assistance, to homeless individuals with disabilities and their families.

- A. The DMH provides funding to eight subrecipients who provide assistance to eligible individuals. Subrecipients that spend more than \$300,000 of federal grant funds during the year are required to obtain audits in accordance with OMB Circular A-133. The DMH relies on a review of these A-133 audit reports as its primary monitoring of grant expenditures. We noted the following concerns with the monitoring system:

- 1) For fiscal year 2000, six of the eight subrecipients were required to have an A-133 audit, but the DMH only received four audit reports. Although the DMH has procedures to require subrecipients expending \$300,000 or more in federal grant funds to submit copies of audit reports, the DMH did not follow up with one applicable subrecipient that did not submit an audit report. Furthermore, of the four audit reports received, the Shelter Plus Care program was audited as a major program for only one subrecipient. As a result, little, if any, monitoring of this program was performed for seven of the eight subrecipients.
- 2) One subrecipient audit report did not list the Shelter Plus Care program on the schedule of expenditure of federal awards. The DMH noted this omission, but did not follow-up to determine the reason for the omission.

An adequate system of subrecipient monitoring is required by OMB Circular A-133. Failure to adequately monitor subrecipients could result in violations of the grant agreement and a loss of future grants.

B. On May 2, 2001, the federal Department of Housing and Urban Development issued their report resulting from a review of the program, which noted the following concerns:

- 1) The Tenant-Based Rental Assistance program exceeded spending limits set by the grant agreement. Grant expenditures cannot exceed twenty-five percent of the total grant award in any year of the five-year grant period. The DMH exceeded this limit by over \$700,000 in the first year of the grant. The DMH is developing a plan to eliminate the deficit, but the plan has not been approved by the grantor agency as of December 27, 2001.
- 2) The DMH incorrectly charged administrative costs of approximately \$22,000 as rental assistance. As a result, total administrative costs exceeded the eight percent limit set by the grant agreement.
- 3) The DMH charged approximately \$80,000 to the grant for costs incurred prior to the effective date of the grant agreement.

The DMH needs to resolve these issues with the grantor agency and implement procedures to ensure compliance with grant requirements.

WE RECOMMEND the Department of Mental Health:

- A. Implement a monitoring system which provides adequate assurance that subrecipients comply with grant requirements.
- B. Resolve these issues with the grantor agency and implement procedures to ensure compliance with grant requirements.

AUDITEE'S RESPONSE

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

2001-4

Accounting and Reporting Procedures

Federal Agency: Environmental Protection Agency
Federal Program: 66.458 Capitalization Grants for State Revolving Funds
State Agency: Department of Natural Resources (DNR)

- A. The DNR has not completed the Clean Water State Revolving Fund annual report for fiscal year 2001 as of December 31, 2001. Federal regulations in 40 CFR Section 35.3165(a) and (b) require the DNR to provide the annual report to the federal agency by October 1, 2001.

The federal agency granted the DNR an extension to December 1, 2001; however, DNR staff indicated the annual report would not be complete until February 2002.

- B. The original schedule of expenditures of federal awards prepared by DNR understated the amounts provided to subrecipients by approximately \$1.9 million. The DNR revised the schedule after we questioned the accuracy of the schedule.

OMB Circular A-133 requires the DNR to prepare the schedule of expenditures of federal awards showing the financial activity for each federal program.

- C. The DNR is not processing Trustee Reserve Fund administration fees in a timely manner. The DNR receives administration fees paid by the community through the trustee bank of approximately one percent of the trustee reserve fund balance. When these fees are paid to the trustee bank by the community, the trustee bank issues a check to the DNR Water Pollution Control Program for the amount of these fees. The lack of timely logging of receipts by administrative staff has led to several of these checks being held by the DNR six to eighteen days before being deposited.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited in a timely manner. In addition, timely deposits maximize interest income.

- D. Administration fees are unnecessarily being held by the trustee banks. According to the agreement between the DNR and the trustee banks, the banks hold all fees until each community within a bond series has made payment. We noted the trustee banks held some fees (totaling \$205,524) 30 to 108 days after receiving payment from individual communities.

To reduce the amount of time between fees being due and the actual receipt of these fees, the DNR should require the trustee banks to remit the fees when received instead of waiting for all fees within a series to be received.

- E. The DNR management does not periodically supervise accounting and reporting responsibilities over the State Revolving Fund. The program's primary accounting analyst is responsible for supervising the State Revolving Fund accounting staff and performs several of the responsibilities, such as, approving the draw down requests and preparing the annual report. However, there is no supervisory review of the work performed by the accounting analyst. At a minimum, there should be a periodic documented review of the work performed by the accounting analyst for accuracy and completeness.

WE RECOMMEND the DNR establish procedures to ensure:

- A. The annual report is submitted to the federal agency in a timely manner.
- B. The schedule of expenditures of federal awards is prepared timely and accurately.
- C. All administration fees are processed in a timely manner.
- D. The trustee banks remit administration fees to the DNR when received from each community.
- E. Periodic supervisory reviews are performed over the State Revolving Fund accounting and reporting activities.

AUDITEE'S RESPONSE

- A. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*
- B. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address the finding.*
- C. *We agree with the auditor's finding. Although new procedures have been in place since February of 2001 and the timeliness of administration fee checks deposited has greatly improved, there is still room for additional improvements.*

- D. *We agree with the auditor's findings in that the Trustee Bank should not hold administration fees unnecessarily. The department's current agreement with the Trustee Bank is that they submit administration fees once a month.*
- E. *We agree with the auditor's findings but wish to point out that much of the work the accounting analyst is responsible for is reviewed or overseen by the program.*

2001-5

Subrecipient Monitoring

Federal Agency: Environmental Protection Agency
 Department of Energy
 Federal Program: 66.458 Capitalization Grants for State Revolving Funds
 State Agency: Department of Natural Resources (DNR)

The DNR does not adequately monitor subrecipients to ensure that an A-133 audit is performed when applicable and submitted to the DNR. We noted the DNR did not have an annual audit on file for 47 out of 118 communities for the Capitalization Grants for State Revolving Funds program and did not monitor subrecipients to determine whether thresholds were met requiring an audit under OMB Circular A-133.

OMB Circular A-133 requires grant recipients to ensure that subrecipients obtain an A-133 audit when grant expenditures exceed \$300,000 in a fiscal year. Without the audit reports, the DNR has little assurance these monies are expended and accounted for properly.

WE RECOMMEND the DNR ensure all subrecipients submit an A-133 audit.

AUDITEE'S RESPONSE

We agree with the auditor's finding. The requirement for subrecipients to perform A-133 audits was formally transmitted to the states via PRM 02-2 on November 6, 2001. Department staff currently track subrecipient A-133 audit submittals. They also track subrecipient draws of program federal dollars. It should be noted that the federal agency has been inconsistent on whether or not the program funds fall within the definition of the A-133 requirements.

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

Federal Program: 10.551 Food Stamps
 84.126 Rehabilitation Services - Vocational Rehabilitation
 Grants to States
 93.767 State Children's Insurance Program
 93.778 Medical Assistance Program

State Agency: Department of Social Services (DSS)

The DSS incorrectly reported expenditure amounts for some programs on the schedule of expenditures of federal awards. The original schedule prepared by the DSS misreported expenditure amounts for the following programs:

CFDA #	Program	Overstated (Understated)
10.551	Food Stamps	\$ (27,229,931)
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	1,472,738
93.767	State Children’s Insurance Program	518,247 (1,497,945) (10,949)
93.778	Medical Assistance Program	3,426,314 (518,247) 10,949

In addition to the above errors, the amount provided to subrecipients was understated by \$6,102,550 for the Low-Income Home Energy Assistance program (CFDA #93.568) and several program names did not agree with the names used by the federal government in the Catalog of Federal Domestic Assistance.

We noted similar conditions in our prior report. Although the Summary Schedule of Prior Audit Findings prepared by the DSS indicates corrective action was taken, our review of the schedule noted the above errors. It appears several of these errors were caused by inconsistent use of data sources. The sources used to calculate expenditure amounts for some programs varied from quarter to quarter and the preparer did not always use the most current copies of grant program financial reports. The errors noted above were corrected when we brought them to the attention of DSS management.

Section .310(b) of OMB Circular A-133 requires the DSS to prepare a schedule of expenditures of federal awards showing the financial activity for each federal program.

The DSS needs to establish effective procedures to ensure the schedule is complete and accurate. To be effective, the procedures should include a detailed supervisory review.

WE RECOMMEND the DSS 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.

2001-7	Eligibility - Improper Benefit Payments
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Federal Agency:	Department of Agriculture Department of Health and Human Services	
		<u>Questioned Costs</u>
Federal Program:	10.551 Food Stamps	\$ 28,817
	93.558 Temporary Assistance for Needy Families	4,290
State Agency:	Department of Social Services - Division of Family Services (DFS)	

On August 3, 2001, the Missouri State Auditor's Office issued audit report No. 2001-58, ***Department of Social Services Electronic Benefit Security Card and Electronic Benefit Transfer Benefit Delivery System***. (A copy of the complete audit report can be obtained from: Missouri State Auditors Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the internet at www.auditor.state.mo.us.)

The audit noted several instances where Food Stamps and Temporary Assistance benefits were provided to ineligible recipients. The audit matched September 2000 Food Stamp and Temporary Assistance recipients to state death records through January 2001. The audit reviewed the benefit records of deceased recipients in detail and identified benefits received and used subsequent to the recipient's death. In total, 300 of the 418 (72 percent) deceased recipients in the test had received \$31,130 in food stamp benefits following the death of the recipient and at least \$2,117 had been used. According to division personnel, it is reasonable to take up to two months to terminate benefits for a deceased recipient. However, the audit noted it took the DFS an average of six months to terminate benefits.

In addition, the audit matched September 2000 recipients to incarceration records of state correctional facilities during October 2000. The audit reviewed the benefit records of the 114 prisoners identified by this match for possible receipt of improper benefits. State and federal laws and division policy prohibit prisoners from receiving food stamp or temporary assistance payments. Improper food stamp benefits totaling at least \$13,100 were used while the recipients were incarcerated. The benefits were either used by the prisoner who was on daytime community release or escape status, or by an individual

who was in possession of the prisoner’s electronic benefits transfer card and personal identification number.

The audit also determined that parents of children in state custody were allowed to collect Food Stamp and Temporary Assistance benefits for an average of 8 and 12.5 months, respectively, after the child was placed in state custody. Federal regulations and division policy allow benefits to be extended for only 60 days after the child is placed in the state's custody. Audit tests estimated that \$7,150 in improper Temporary Assistance benefits, and \$13,600 in improper Food Stamp benefits were paid to parents after their children were placed in state custody. The federal share of the Temporary Assistance benefits is \$4,290 (60 percent) and the Food Stamp benefits is \$13,600 (100 percent). Estimated amounts of improper payments were determined by multiplying the number of months each child was in state custody by the average monthly Food Stamp and/or Temporary Assistance benefit for Missouri recipients, as determined by the Department of Agriculture and/or reported in the DFS Annual Data Report for Federal Fiscal Year 2000.

As a result of the conditions noted above, we question the federal share of Food Stamp benefits (\$28,817) and Temporary Assistance benefits (\$4,290).

WE RECOMMEND the DFS resolve the questioned costs with the grantor agencies. In addition, the DFS should investigate the various cases noted above and establish recoupment claims where appropriate. The DFS should also implement policy and procedure changes to ensure that improper payments do not occur. Where necessary, the DFS should reinforce to staff the importance of compliance with existing policies and procedures.

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.

2001-8	Eligibility – Unreported Lottery Winnings
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Federal Agency:	Department of Agriculture Department of Health and Human Services
Federal Program:	10.551 Food Stamps 93.558 Temporary Assistance for Needy Families
State Agency:	Department of Social Services – Division of Family Services (DFS)

The DFS determines eligibility for Food Stamp benefits and Temporary Assistance benefits based on family income and asset guidelines established under various state and federal rules and policies. Under those rules, recipients who receive lump sum income, such as lottery winnings, must report the income within ten days of its receipt. While the

DFS policies require the recipient to report the lump sum income, the policies also exclude such income from being counted in determining continuing eligibility for benefits. As a result, when a recipient wins a lottery prize, the money won counts only as an asset and would not necessarily disqualify the recipient from continuing assistance benefits. Further, if the recipient has already spent the lottery winnings, it would not count as an asset because it is no longer available.

To help ensure recipients report lottery winnings, the DFS obtains monthly lottery win information from the Missouri Lottery Commission and performs a match with Temporary Assistance and Food Stamp recipients. The DFS policies require the caseworker to perform a redetermination of the recipient's eligibility counting the unspent lottery winnings as an asset.

To test the effectiveness of these procedures, we performed a match of Temporary Assistance and Food Stamp recipients for June 2001 with individuals who received lottery winnings greater than \$5,000 between July 1999 and June 2001. We identified 13 cases where the recipient received either Temporary Assistance and/or Food Stamps during the same month of their lottery win. Two of the 13 clients properly reported their win to the DFS. The results of our review of the remaining 11 case files are summarized below:

Case Number	Net lottery winnings	June 2001 benefits	Did DFS perform a redetermination?
1	\$ 5,290	\$ 341 - FS 234 - TA	No
2	6,800	104 - FS	No
3	6,800	130 - FS	No
4	18,890	226 - FS	No
5	5,290	213 - FS	No
6	6,290	472 - FS	No
7	6,801	186 - FS 292 - TA	No
8	5,702	339 - FS	No
9	6,800	169 - FS	Yes
10	16,320	130 - FS	Yes
11	6,801	246 - FS	Yes

FS – Food Stamps
TA – Temporary Assistance

Even though the DFS has procedures to perform computer matches on lottery winners, the DFS did not perform a redetermination of eligibility for 8 of the 11 (73 percent) recipients who had lottery winnings of as much as \$18,890. The DFS should perform a redetermination of eligibility on these eight recipients. In addition, the DFS should

ensure that caseworkers perform redeterminations of eligibility on all recipients identified in the match of lottery winners.

WE RECOMMEND the DFS perform a redetermination of eligibility on the eight recipients noted above. In addition, the DFS should ensure that caseworkers perform redeterminations of eligibility on all recipients identified in the match of lottery winners.

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.

2001-9

Cash Management - Interest Calculation Errors

Federal Agency: Department of Health and Human Services
Federal Program: 93.568 Low-Income Home Energy Assistance
State Agency: Department of Social Services – Division of Budget and Finance (DBF)

The DBF has not established procedures to ensure interest earned on federal grants is calculated correctly. The federal Cash Management Improvement Act requires each state to enter into an agreement with the federal Department of the Treasury covering the rules and procedures for the transfer of federal funds to the state for specific federal programs covered in the agreement. The state will owe interest to the federal government or the federal government will owe interest to the state based on the drawdown and expenditure clearing patterns for these monies.

For fiscal year 2001, the Low-Income Home Energy Assistance Program was covered by the cash management agreement. The DBF did not calculate interest earned on some monies received. As a result, the interest amount reported in the annual report to the federal Department of the Treasury was understated by \$9,386. The DBF should implement procedures, including a supervisory review, to ensure the interest calculations are accurate.

WE RECOMMEND the DBF implement procedures, including a supervisory review, to ensure interest calculations are 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.

2001-10

Sponsored Alien Reimbursement Claims

Federal Agency:	Department of Agriculture Department of Health and Human Services	
Federal Program:	10.551 Food Stamps 93.558 Temporary Assistance for Needy Families	<u>Questioned Costs</u> \$ 3,364 3,510
State Agency:	Department of Social Services – Division of Family Services (DFS)	

The DFS has not established policies and procedures to pursue reimbursement of public assistance benefits paid to sponsored aliens. Under federal law, a United States resident can sponsor a person from another country to arrange for that foreign person to migrate to the United States. To sponsor an alien person, the sponsor must sign an affidavit stating the sponsor agrees to provide financial support to maintain the sponsored alien at an annual income that is not less than 125 percent of the federal poverty level.

During our testing of Temporary Assistance case files, we noted the DFS provided a sponsored alien \$5,850 in Temporary Assistance benefits and \$3,364 in Food Stamp benefits over a period of nearly 24 months. Chapter 2, Section 213A of the Immigration and Nationality Act indicates that when public assistance benefits are provided to sponsored aliens, the government entity providing the benefits is to request full reimbursement of the benefits from the sponsor. In addition, the Immigration and Nationality Act provides for the government entity to compel the sponsor to provide reimbursement.

Although the DFS became aware of this alien's sponsor in April 2001, the DFS has not properly identified the sponsor or requested reimbursement of the benefits. Based on discussions with DFS personnel, they were not aware of the reimbursement provisions in the Immigration and Nationality Act until we brought those provisions to their attention, and as a result, the DFS does not have policies and procedures to identify sponsors and pursue reimbursements.

We question the federal share of \$3,364 for Food Stamps (100 percent) and \$3,510 for Temporary Assistance (60 percent).

WE RECOMMEND the DFS resolve the questioned costs with the grantor agencies and pursue reimbursement from the sponsor. In addition, the DFS should establish policies and procedures to ensure identification of sponsors and reimbursement of benefits.

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.

Federal Agency: Department of Agriculture
 Department of Health and Human Services
 Federal Program: 10.551 Food Stamps
 10.561 State Administrative Matching Grants for Food
 Stamp Program
 93.558 Temporary Assistance for Needy Families
 State Agency: Department of Social Services – Division of
 Family Services (DFS)

The DFS did not require its electronic benefits transfer (EBT) service provider to fully comply with audit requirements imposed by the U.S. Department of Agriculture, Food and Nutrition Service. The DFS uses an electronic benefits transfer (EBT) security card system for delivery of Food Stamp and Temporary Assistance benefits. DFS clients must use their EBT card at an automated teller machine or retailer point-of-sale terminal to make withdrawals and/or purchases. Effective March 30, 2000, federal regulation 7 CFR Part 274.12(j)(5)(i) requires annual audits of Food Stamp EBT service providers and indicates the annual audit must cover the entire period since the previous audit.

During the year ending June 30, 2001, the DFS paid a service organization \$2,829,557 to process Food Stamp and Temporary Assistance electronic benefit transactions totaling approximately \$384,737,694 and \$148,863,632, respectively. The service organization subcontracted the processing work to another service organization. The subcontractor's controls and procedures for providing the processing services were not audited for the six months ending November 2000, but were audited for prior and subsequent periods. DFS personnel confirmed they did not inform the service provider and subcontractor that the federal regulation had changed to require audits covering all periods of service, because they were unaware of the change until we brought it to their attention.

WE RECOMMEND the DFS ensure service providers obtain annual audits that cover the entire period since the previous audit.

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.

2001-12

Management of Outstanding Felony Warrants

Federal Agency: Department of Agriculture
Department of Health and Human Services
Federal Program: 10.551 Food Stamps
93.558 Temporary Assistance for Needy Families
State Agency: Department of Social Services - Division of
Family Services (DFS)

On August 16, 2001, the Missouri State Auditor's Office issued audit report No. 2001-63, ***Management of Outstanding Felony Warrants***. (A copy of the complete audit report can be obtained from: Missouri State Auditors Office, P.O. Box 869, Jefferson City, MO 65102-0869, or on the internet at www.auditor.state.mo.us.)

The audit matched the Missouri Highway Patrol's database of outstanding warrants to the DFS database of benefit recipients. The audit reported 802 individuals with outstanding felony warrants were collecting Food Stamp and/or Temporary Assistance benefits. Federal regulations 7 CFR, Section 2015, and 42 CFR, Section 608, prohibit payments of Food Stamp benefits and Temporary Assistance benefits, respectively, to individuals with outstanding felony warrants. The audit determined 605 individuals collected an estimated \$192,712 in improper Food Stamp benefits and 197 individuals collected an estimated \$479,928 in improper Temporary Assistance benefits. The federal share of the Temporary Assistance benefits is \$287,956 (60 percent) and the Food Stamp benefits is \$192,712 (100 percent).

WE RECOMMEND the DFS coordinate with the Missouri Highway Patrol to develop a system to routinely match benefit payments on federal programs to felony warrants data and use the results to stop payments to ineligible individuals. In addition, the DFS should establish recoupment claims where appropriate.

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.

2001-13**Eligibility - Out of State Recipients**

Federal Agency:	Department of Health and Human Services	<u>Questioned Cost</u>
Federal Program:	93.767 State Children's Insurance Program (SCHIP)	\$ 87
	93.778 Medical Assistance Program	67,861
State Agency:	Department of Social Services - Division of Family Services (DFS) Division of Medical Services (DMS)	

Inadequate procedures for changing the eligibility and benefit status for Medicaid and SCHIP recipients that move out of the state have resulted in unnecessary managed care payments of at least \$111,312 (federal share \$67,948). During July 2001, there were 1,987 recipients eligible for Medicaid or SCHIP that had out-of-state addresses in the department's computer systems. The income maintenance unit and the children's services unit of the DFS determine eligibility. The following table shows the results by program and the unit responsible for eligibility determination:

Program and Unit	Recipients Out of State	Recipients in Managed Care	Recipients Reviewed	Recipients with Managed Care Payments	Total Managed Care Payments ¹
<u>Medicaid</u>					
Children's services unit	1,047	246	139	38	\$ 94,957
Income maintenance unit	819	297	36	23	16,236
Total Medicaid	<u>1,866</u>	<u>543</u>	<u>175</u>	<u>61</u>	<u>111,193²</u>
<u>SCHIP</u>					
Income maintenance unit	121	67	4	1	119 ³
Grand Total	<u>1,987</u>	<u>610</u>	<u>179</u>	<u>62</u>	<u>\$ 111,312</u>

¹ Payments from November 1998 to October 2001 - only three years of data is readily available in the department's computer system.

² Federal share \$67,861.

³ Federal share \$87.

When recipients handled by the children's services unit move out of state, federal law requires that they must continue to be covered by Missouri until state officials are notified that Medicaid benefits have been started in the new state. However, Missouri should change the coverage from managed care to fee-for-service when the recipient moves out of state. We noted 38 of 139 (27 percent) recipients reviewed for which managed care payments, totaling at least \$94,957, continued after the recipient moved out

of the state. Beginning in April 2001, the unit implemented a computer system change that automatically changes a recipient from managed care coverage to fee-for-service coverage when the caseworker enters the location code for an out of state address. For 3 of the 38 recipients for which we noted errors, the location code was not correctly changed by the caseworker. The unit also did not make the system changes retroactive, so recipients that moved prior to April 2001 were not changed to fee-for-service. For 35 of the 38 recipients for which we noted errors, the recipient had moved prior to April 2001. In addition, 8 of these recipients moved prior to the managed care benefit option being available in the state, yet they were automatically placed in managed care coverage when the option became available in the region handling their case.

When recipients handled by the income maintenance unit leave the state, their cases should be closed, unless the recipient indicates the intent to remain a Missouri resident (temporarily leaves the state). To avoid unnecessary managed care payments, recipients that leave the state permanently should be removed from Medicaid or SCHIP eligibility in a timely manner. We noted 24 of 40 (60 percent) Medicaid or SCHIP recipients reviewed for which managed care payments, totaling at least \$16,355, continued after they moved out of the state. Nineteen of these cases were closed after we questioned DFS officials about the eligibility of these recipients. The other 5 cases were closed at the time of our review, but had not been closed timely. The income maintenance unit should also implement a change to the computer system to ensure recipients permanently moving out of state have their managed care payments stopped timely.

WE RECOMMEND the DSS resolve the questioned costs with the grantor agency. In addition, the DSS should improve procedures to ensure recipients that move out of the state are timely removed from eligibility or the managed care program. The DSS should review the eligibility status for all other managed care program recipients with out of state addresses and recoup improper managed care payments.

AUDITEE'S RESPONSE

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

2001-14	Eligibility - Recipient Social Security Numbers
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.767 State Children's Insurance Program (SCHIP) 93.778 Medical Assistance Program
State Agency:	Department of Social Services - Division of Family Services (DFS) Division of Youth Services (DYS)

During July 2001, there were nearly 57,000 recipients (7 percent of the total 838,000 recipients) that were eligible for Medicaid or SCHIP benefits without social security

numbers or with invalid numbers on the state's computer systems. Nearly 25,000 of these recipients had been eligible for benefits for more than a year. The following table shows the results by program and the division or unit responsible for eligibility determination:

Program and Division or Unit	Recipients without Social Security Numbers	Recipients Eligible for More Than a Year	Recipients with Invalid Social Security Numbers	Recipients Eligible for More Than a Year
<u>Medicaid</u>				
Income maintenance unit	50,299	20,321	71	29
Children's services unit	1,885	1,296	8	6
Division of Youth Services	<u>80</u>	<u>26</u>	<u>0</u>	<u>0</u>
Total Medicaid	<u>52,264</u>	<u>21,643</u>	<u>79</u>	<u>35</u>
<u>SCHIP</u>				
Income maintenance unit	<u>4,617</u>	<u>3,116</u>	<u>15</u>	<u>7</u>
Grand Total	<u>56,881</u>	<u>24,759</u>	<u>94</u>	<u>42</u>

Recipients must apply for Medicaid or SCHIP benefits. During the application process, federal regulation 42 CFR 435.910 requires caseworkers to obtain social security numbers for each person included in the case and validate those numbers with the Social Security Administration. If the applicant cannot provide documentation of the social security number of all case members, the law requires the caseworker to open the case and obtain the social security number documentation at the next redetermination. In addition, federal regulation 42 CFR 435.916 and state regulation 13 CSR 40-2.020 require a redetermination at least every 12 months. If the documentation is not provided at redetermination, the client's eligibility is to end. The department is not in full compliance with these requirements.

In 5 of 10 case files reviewed for recipients eligible for more than one year with no social security number, we located documentation that a social security number was obtained for the recipient; however, the number had not been entered into the state's computer system. In addition, the children's services unit and the Division of Youth Services do not require caseworkers to obtain a social security number for recipients, including those receiving Medicaid benefits.

The DSS should improve its procedures to ensure social security numbers are obtained for all recipients, validated with the Social Security Administration, and entered into the state's computer systems. Computer matches performed by the department with other database records cannot be effective if recipient social security numbers are not consistently entered into the state's computer systems.

WE RECOMMEND the DSS improve procedures to ensure social security numbers are received from all Medicaid and SCHIP eligible recipients, validated with the Social Security Administration, and entered into the state's computer systems.

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.

2001-15

Eligibility - Redeterminations

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

The DFS does not perform Medicaid and SCHIP eligibility redeterminations on a timely basis. Federal regulation 42 CFR 435.916 and state regulation 13 CSR 40-2.020 require a redetermination of eligibility at least every 12 months. During fiscal year 2001, more than 800,000 recipients participated in these programs.

We selected a sample of 170 Medicaid recipients and 15 SCHIP recipients and reviewed the case files to determine if the DFS performed redeterminations in accordance with state and federal law. For 13 of the 185 recipients (7 percent) tested, annual eligibility redeterminations were not performed within the required frequency during the 2 year period tested. For twenty-five of the 185 recipients (13 percent) an eligibility redetermination was not performed at all during the entire test period. Changes in a recipient's eligibility status (marriage, death, increased income, etc.) could result in a recipient being ineligible for benefits. Without timely redetermination of recipient eligibility, there is increased risk these programs are paying medical costs for ineligible individuals.

WE RECOMMEND the DFS establish procedures to ensure Medicaid and SCHIP recipient eligibility is redetermined in accordance with state and federal regulations.

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.

Federal Agency: Department of Health and Human Services
 Federal Program: 93.778 Medical Assistance Program
 State Agency: Department of Social Services - Division of
 Family Services (DFS)
 Division of Medical Services (DMS)
 Questioned Costs: \$2,283

The state is incurring unnecessary Medicaid costs because spenddown program policies are not in compliance with federal requirements. Spenddown is a status given to a recipient whose income is too high to qualify for normal Medicaid benefits but can qualify after incurring a determined amount of medical costs during a three-month period. A DFS caseworker calculates a quarterly spenddown amount the recipient must incur before Medicaid coverage takes effect. The quarterly spenddown amount for a recipient may be only a few dollars up to several thousand dollars depending on the recipient's income. As of October 31, 2001, there were 24,911 recipients in the spenddown program. During the year ended June 30, 2001, the Medicaid program paid medical costs of approximately \$893 million for spenddown recipients.

To determine if spenddown recipients were meeting their incurred cost obligation prior to becoming Medicaid eligible, we tested five spenddown recipients. For these five recipients, we reviewed the claims for the last 6 quarters (30 quarters tested) and determined in 10 of the 30 quarters, the claim that would have put the recipient over his/her spenddown amount was paid by the Medicaid program, causing the program to pay for some or all of the spenddown obligation of the recipients. Costs paid by the Medicaid program, which were the responsibility of the spenddown recipient, totaled \$3,741. We question the federal share of this amount, \$2,283. The state's practice of allowing the Medicaid program to pay for any expenses incurred to meet spenddown obligations is not in compliance with federal regulations. The average costs paid by the state which the recipient was responsible for averaged \$748 for the 5 cases tested. Based on this average, the state could have incurred at least \$18 million in unnecessary costs during the 18 month period reviewed.

Federal regulation 42 CFR 435.121 (f)(iii), indicates expenses incurred by a recipient for the spenddown are not subject to payment by a third party. Officials of the Department of Health and Human Service - Centers for Medicare and Medicaid Services stated this provision means the Medicaid program should not pay for any expenses incurred by recipients to meet their spenddown obligation.

WE RECOMMEND the DMS resolve the questioned costs with the grantor agency. In addition, the DFS should establish policies and procedures to ensure Medicaid does not pay for any portion of a recipient's spenddown obligation.

AUDITEE'S RESPONSE

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

2001-17

ADP Risk Analysis and Security Review

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services - Division of
Medical Services (DMS)

The DMS failed to perform an automated data processing (ADP) analysis and system security review in accordance with federal regulation 45 CFR 95.621 during fiscal years 2001 and 2000. According to the federal regulation, the DMS must conduct a periodic risk analysis to ensure appropriate cost effective safeguards are incorporated into new and existing systems. The DMS must also review the system security on a biennial basis. These reviews must include an evaluation of physical and data security operating procedures, and personnel practices.

The state's contract with the service provider requires the service provider to have a security officer who is to develop and implement a security program including periodic risk analyses. A risk analysis and system security review was started in fiscal year 2000; however, it was not completed because the service provider's security officer resigned in November 2000 and the position was not filled until June 2001.

WE RECOMMEND the DMS perform a periodic risk analysis and system review in accordance with federal requirements.

AUDITEE'S RESPONSE

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

2001-18

Claims Processing Service Provider System Reviews

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services - Division of
Medical Services (DMS)

The DMS did not perform system reviews as outlined in the claims processing contract. The contract with the service provider sets forth the requirements and responsibilities of the DMS and the service provider. The contract indicates the DMS staff will review at least once per year compliance with the contract terms relating to claims control and identification, timeliness of processing, prior authorization control and entry, and third party liability verification. However, the DMS failed to perform these reviews in fiscal year 2001. Division officials decided to implement new procedures to satisfy the review requirements for fiscal year 2001, but the new procedures were not finalized and thus the reviews did not take place.

WE RECOMMEND the DMS perform system reviews in accordance with the claims processing contract.

AUDITEE'S RESPONSE

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

2001-19

School District Administrative Claiming Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services - Division of
Medical Services (DMS)

Sufficient controls are not in place to ensure claims submitted for the School District Administrative Claiming program are accurate. The DMS hired a contractor to administer the program and primarily relies on the contractor to ensure billings to the state are accurate.

The program reimburses participating school districts for performing Medicaid administrative services. Reimbursements to school districts are based on calculations using staff expenses, the Medicaid federal financial participation rate, the percentage of time staff spent performing claimable administrative activities, and the percentage of Medicaid eligible children in the school districts. Services are provided by skilled medical personnel (speech pathologists, physical therapists, occupational therapists, etc.)

or non-skilled personnel. The program reimburses 75 percent for skilled personnel and 50 percent for non-skilled personnel. The school districts are required to maintain documentation to support invoiced amounts, but do not have to submit that documentation with the invoice. Expenditures for the program were more than \$7.4 million in fiscal year 2001, which was 60 percent higher than the prior year.

The DMS requires the contractor to:

- Develop and conduct periodic random moment time studies of a sample of all school personnel participating in the program.
- Obtain the percentage of Medicaid eligible students for each school district from the Department of Elementary and Secondary Education.
- Obtain cost pool data on staff salaries and related expenses from each school district.
- Prepare the billings for the school districts to submit to the Medicaid program.

The DMS does not adequately monitor the work performed by the contractor. The DMS did not:

- Determine if amounts billed at the 75 percent rate were performed by skilled personnel and met the program criteria. The contractor's computer software has an edit to ensure the 75 percent federal match is only claimed for services meeting the criteria; however, the DMS has not performed any procedures to ensure the edit is working properly.
- Sufficiently review the cost pool information submitted by the participating school districts. The cost pool and sample data submitted by the contractor prior to the beginning of a quarter is not always reviewed for reasonableness prior to the school billings being submitted and paid. Through observation or survey, DMS employees review 5 percent of the sample population.
- Test the accuracy of the percentage of Medicaid eligible students for the school districts.
- Review supporting documentation maintained by the school districts or the reviews performed by the contractor.
- Evaluate the contractor's procedures for performing the time studies. Although the time study methodology was approved by the Department of Health and Human Services - Centers for Medicare and Medicaid Services, DMS officials have not reviewed the procedures for selecting the sample to determine if the sample selection process is adequate.

Based on discussions with the DMS staff, the state primarily relies on the contractor to have effective controls in place to ensure program billings are accurate.

WE RECOMMEND the DMS strengthen procedures to evaluate the controls in place by the contractor to ensure program billings are 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.

2001-20

Review of Hospital Final Settlements

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services - Division of
Medical Services (DMS)

The DMS is not completing hospital final settlements in a timely manner. The DMS has finished all hospital final settlements for fiscal year 1992, which resulted in a net recoupment of \$4 million. However, the DMS has not finished the final settlement determinations for years subsequent to 1992. As of September 2001, the DMS was working on final settlements for fiscal years ending in 1993, 1994, and 1995, and had completed more than 80 percent of the final settlements for these three years.

The DMS is required to determine if the Medicaid payments to hospitals are in accordance with state regulations and the state Medicaid plan. State regulation 13 CSR 70-15.010 requires hospitals to submit annual cost reports within five months after their year end. The DMS performs a desk review on the hospital's cost report to ensure the expenses are properly classified. Hospitals also send cost reports to the federal Medicare fiscal intermediary to perform an audit. When the federal fiscal intermediary has completed the audit, the results are sent to the DMS to allow the final settlement process to begin. The federal Medicare fiscal intermediary has completed audits of all cost reports for hospitals for fiscal years through 1998. Therefore, the DMS has the information necessary to complete final settlements for all hospitals through 1998.

State regulation 13 CSR 70-15.040 requires the DMS to review the audited Medicare cost report for each hospital. This audited cost report is used to perform the final settlement for inpatient and outpatient hospital services. For inpatient services, final settlements are performed to ensure Medicaid payments do not exceed the allowable inpatient Medicaid charges. If payments exceed the charges, the DMS recoups the excess payments. For outpatient services, final settlements determine if there has been an overpayment or underpayment. Overpayments are recouped and underpayments are paid to the hospital.

The DMS should consider ways to ensure hospital final settlement are completed in a timely manner. If staffing shortages are causing the delay in the final settlement process, the DMS could change the order in which the cost reports are reviewed. For example, instead of reviewing the cost reports in no particular order, the DMS could review them based upon the recoupment or payout for the previous period. With this method, the facilities more likely to have a large recoupment or payout could be completed first.

WE RECOMMEND the DMS consider ways to speed up hospital final settlement determinations.

AUDITEE'S RESPONSE

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

2001-21

Lock-In Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services - Division of
Medical Services (DMS)

The DMS is not evaluating enough recipients for potential inclusion in the lock-in program. The lock-in program is used by the DMS to restrict a recipient to a single primary physician or single pharmacy if the recipient overutilizes Medicaid services. For program abuse that is less severe, the DMS may send a warning letter and place the recipient on watch status to evaluate for the lock-in program in the future. Warning letters are also sent if a recipient is considered to be making unnecessary trips to emergency rooms. The DMS reviews quarterly reports of potential program abusers that meet established criteria for lock-in status. As of June 30, 2001, there were 2,229 recipients in lock-in status.

To evaluate the program, we reviewed the results of the most recent quarterly review completed by the DMS. Of the 996 potential cases on the quarterly report, the DMS selected 115 cases for evaluation and determined 34 of these recipients should have a detailed review. Of the 34 cases reviewed, the DMS determined 24 should be placed in lock-in status. The following concerns were noted:

- Review of the Medicaid computer system indicated four of the twenty-four recipients to be placed in lock-in were not done so until our review noted the problem. A misunderstanding between DMS staff over who was to place these recipients in lock-in lead to these errors.

- Since only a small portion of the recipients were evaluated for potential lock-in, we reviewed 190 more recipients from the report. Ninety of the 190 recipients (47 percent) met the division's criteria for a lock-in status review or to be placed on watch status. With the assistance of the DMS medical staff, we evaluated 25 of the 90 recipients for possible lock-in and noted the following:
 - Five of the 25 recipients met the criteria to be locked into one pharmacy and/or one physician.
 - Four of the 25 recipients were abusing the use of emergency room facilities and could be sent a warning letter and placed on watch status.
 - Five of the 25 recipients met the criteria for both assignment to lock-in and a warning letter for abusing the use of emergency room facilities

The results indicate many recipients listed on the quarterly exception report meet the lock-in review criteria but are not being reviewed for possible lock-in or watch status. As a result, the overuse and abuse of Medicaid services by these recipients is allowed to continue for an indefinite time. The DMS should review additional recipients for possible lock-in or watch status.

WE RECOMMEND the DMS expand its reviews of cases for the lock-in program and improve procedures to ensure all recipients determined to be placed in the lock-in program are placed in the program.

AUDITEE'S RESPONSE

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

2001-22	Medicaid Eligibility Quality Control
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Federal Agency:	Department of Health and Human Services
Federal Program:	93.778 Medical Assistance Program
State Agency:	Department of Social Services - Division of Family Services (DFS)

The DFS has not completed Medicaid eligibility quality control pilot projects that cover a broad enough recipient population to meaningfully reduce the state's Medicaid error rate. Missouri obtained a waiver from the federal grantor beginning with fiscal year 1999 that allowed the state to suspend the normal testing for five years. Pilot projects replaced the normal testing and are intended to reduce the state's Medicaid error rate. Since the waiver was granted in 1999, the DFS has started only five pilot projects. The following table lists the projects, estimated Medicaid population covered by the project, and project status:

Project Title	Start Date	Current Status	Estimated Population Covered
Transitional medical assistance	September 1999	Not Completed ¹	Less than 1%
Case closing	January 2000	Not Completed ¹	Less than 1%
Family Medicaid denials	April 2000	Not Completed ¹	Less than 1%
Spenddown	January 2001	Completed	3%
Supplemental Aid to the Blind	September 2001	In Progress ²	Less than 1%

¹ Projects were stopped due to sampling concerns and will not be completed. DFS officials indicated the results of these projects were not submitted to the federal agency, but the results were used in some staff training.

² At December 2001

Although the DFS is conducting pilot projects in compliance with federal requirements, the one completed and the one in progress do not cover a broad base of the recipient population. In addition, the projects have focused primarily on untimely establishment of benefits or errors in the denial of eligibility rather than also covering whether the recipient's eligibility was appropriately determined and the person remained eligible through appropriate redeterminations. Without additional projects to cover a broader Medicaid population which also address the appropriateness of eligibility determinations made and person's continued eligibility, the DFS will not have enough information to meaningfully reduce the Medicaid error rate. As a result, the DFS is not meeting the intent of the federal waiver.

WE RECOMMEND the DFS perform additional pilot projects covering a broader Medicaid recipient population which also evaluate whether the recipient's eligibility was appropriately determined and whether the person remained eligible through appropriate redeterminations.

AUDITEE'S RESPONSE

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

2001-23

340B Program

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services - Division of
Medical Services (DMS)

A review of compliance issues regarding a federal government prescription drug discount program available to applicable covered entities (340B program) is being performed as part of a performance audit covering state prescription drug cost containment. That report will be issued in spring 2002. The results of this review will be in that audit report.

2001-24

Allowable Costs

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
State Agency: Department of Social Services - Division of
Child Support Enforcement (DCSE)
Questioned Costs: \$44,336

We identified expenditures totaling \$67,176 (federal share \$44,336) that were either unallowable or unnecessary.

Tuition expenses of \$54,049 and \$180 to replace a lost child support check were claimed for reimbursement, but are not allowable. Federal regulations specifically prohibit reimbursement for education costs, except for short term training provided to child support agency staff.

We identified unnecessary costs of \$4,575 for lodging expenses for Jefferson City Central Office employees attending two training seminars at the Lake of the Ozarks. These lodging expenses violate Rule 15 of the state travel regulations which states, "while traveling on state business, employees and officials will not be allowed hotel expenses when it would be more economical and advantageous to the state to return to their residence". Mileage reimbursement for a 100 mile round trip daily to the seminar would have cost approximately 50 percent of the daily lodging costs for each employee. Federal regulations do not allow reimbursement for expenditures that are prohibited under state laws, rules, and regulations.

Other unnecessary costs include \$1,434 for food provided to employees for various luncheon meetings, \$5,738 for plaques, clocks, watches and other gifts for employee tenure awards, and \$1,200 for attorney fees where the judgment stated the division unjustly denied a timely hearing request made by a client. Federal regulations require expenditures to be allowable and necessary to administer the child support program.

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

AUDITEE'S RESPONSE

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

2001-25

Approval of Allowable Costs

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
State Agency: Department of Social Services - Division of
Child Support Enforcement (DCSE)
Questioned Costs: \$2,566

Unallowable costs are being claimed for federal reimbursement because of control weaknesses in identifying and accumulating costs allowable for reimbursement. The DCSE approves invoices and sends warrant requests to the Division of Budget and Finance (DBF) for payment, where the expenditures are recorded on the statewide accounting system (SAM II). The DBF prepares the quarterly claim for federal reimbursement based on reporting category codes of expenditures recorded on SAM II.

We noted the DCSE failed to identify and properly code unallowable guardian ad litem costs, resulting in those costs being claimed for reimbursement. We also noted the DBF incorrectly claimed reimbursement for unallowable guardian ad litem costs that had been correctly coded by the DCSE. Guardian ad litem costs totaling \$3,888 (federal share \$2,566) were either incorrectly coded as allowable by DCSE or incorrectly claimed for reimbursement by the DBF.

DCSE is responsible for approving invoices for payment and determining allowability of costs by ensuring that proper reporting category codes are assigned to expenditures and that unallowable costs are not accumulated and claimed for reimbursement.

WE RECOMMEND the DCSE resolve the questioned costs with the grantor agency. In addition, establish procedures to ensure costs are coded to the proper reporting category and work with the DBF to ensure that unallowable expenditures are not claimed for reimbursement.

AUDITEE'S RESPONSE

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

2001-26

Compliance

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
State Agency: Department of Social Services - Division of
Child Support Enforcement (DCSE)

The objectives of the Child Support Enforcement program are to: enforce support obligations owed by non-custodial parents, locate absent parents, and establish paternity and orders for child support. Federal regulations establish standards for program operations that the DCSE must meet in providing support enforcement services.

To test the effectiveness of procedures in meeting program standards for case management, we reviewed the division's enforcement efforts in five areas of support enforcement services. Division officials provided computer-generated lists of case populations for each enforcement area reviewed. We tested items requiring enforcement services during the period July 1, 2000 through September 30, 2001.

- A. Federal regulations require DCSE to establish paternity or attempt to establish paternity within 90 calendar days of locating the alleged father (45 CFR Section 303.5). We randomly selected cases to review for paternity services from a population of 48,673 cases in the paternity function. Test results disclose that for 29 of 85 cases reviewed, DCSE failed to take any action to establish paternity and on 10 cases failed to take action within the required time frames, resulting in a compliance rate of 54 percent for cases tested.
- B. Federal regulations require DCSE to establish an order of support or serve process to establish an order of support within 90 calendar days of locating the non-custodial parent (45CFR Section 303.4). We randomly selected cases to review for establishment services from a population of 57,289 cases in the establishment function. Test results disclose that for 17 of 42 establishment cases reviewed, DCSE failed to take the required actions to establish an order of support within the established timeframe, resulting in a compliance rate of 60 percent for cases tested.

- C. Federal regulations require DCSE to initiate income withholding or another appropriate enforcement action within no more than 30 calendar days of identifying a delinquency (45 CFR Section 303.6). We randomly selected cases to review for enforcement services from a population of 287,359 cases in the enforcement function. Test results disclose that for 13 of 55 enforcement cases reviewed, DCSE failed to initiate income withholding, or another enforcement action, within 30 days of identifying a delinquency, resulting in a compliance rate of 76 percent for cases tested.
- D. Federal regulations require DCSE to petition for and secure, or pursue enforcement of medical support in the form of health insurance as part of support orders, and to inform the Medicaid agency and custodial parent, as applicable (45 CFR Section 303.31). We randomly selected cases to review for medical support services from a population of 203,341 cases requiring or having medical support orders. Test results disclose that for 28 of 101 cases reviewed, DCSE failed to take one or more of the following required actions: petition for an order of medical support when requested by the custodial parent, verify if employer-related insurance was available at a reasonable cost, enroll dependents when employer-related insurance was available, and provide insurance coverage information to the custodial parent and/or Medicaid agency after dependents were enrolled in health insurance plans. For cases tested, the compliance rate for providing medical support services is 72 percent.
- E. Federal regulations require DCSE, as the responding state, to take appropriate action on inquiries received from other states within ten working days, and as the initiating state, to refer cases requiring interstate services to other states within 20 calendar days of determining that the non-custodial parent is in another state (45 CFR Section 303.31). We selected cases where interstate activity was present on the other tests for support enforcement services. For 12 of 28 cases reviewed, DCSE failed to provide interstate services as required by federal regulation, resulting in a compliance rate of 57 percent for cases tested.

Federal regulations include program standards to ensure child support clients receive effective and timely enforcement services. When DCSE fails to meet program standards, some child support clients do not receive effective and timely services.

WE RECOMMEND the DCSE provide services within timeframes established by federal regulation.

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.

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
State Agency: Department of Social Services - Division of
Child Support Enforcement (DCSE)

Child support monies in a State Treasurer's account are not being reconciled to DCSE accounting records. In addition, interest totaling \$994,383 has accumulated in the Family Support Trust Fund account since October 1999, and has not been disbursed as of October 31, 2001.

DCSE maintains records of collections, disbursements and open items (monies collected but not yet paid out), while the Division of Budget and Finance (DBF) controls the monies once they are deposited in the bank. Child support collections are deposited to the Family Support Trust Fund account, while some collections, such as federal tax refund intercepts, are deposited to a State Treasurer's account. When child support payments to custodial parents are due to be paid out, the DCSE notifies the DBF and they release the money.

DCSE accounting records materially agree to DBF's reconciled cash balance of the Family Support Trust Fund account at October 31, 2001. Although DCSE accounting records identify a book balance for the State Treasurer's account of \$6,416,306 at November 5, 2001, the DBF does not reconcile cash in the State Treasurer's account to the accounting records.

DCSE and DBF have a fiduciary responsibility to ensure that child support funds are adequately safeguarded and accounted for properly. Records of open items should be reconciled to the cash balances to ensure the records are in balance and that sufficient cash is available for the payment of all liabilities. State law 454.533.1, RSMo 2000, and federal regulation 45 CFR 304.50 require interest in the Family Support Trust Fund be disbursed to the state's general revenue fund with an adjustment to the quarterly report of expenditures for the federal share.

WE RECOMMEND the DCSE and DBF establish procedures to reconcile accounting records to cash in State Treasurer's account. In addition, we recommend the DBF remit accumulated interest to the state's general revenue fund and adjust the quarterly report of expenditures for the federal share.

AUDITEE'S RESPONSE

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

Federal Agency: Department of Health and Human Services
Federal Program: 93.563 Child Support Enforcement
State Agency: Department of Social Services - Division of
Child Support Enforcement (DCSE)

The DCSE disbursed 7,505 duplicate payments on November 23, 2001, totaling approximately \$1,204,389 to families receiving child support. These same payments had already been made on November 21, 2001. The transactions consisted of checks mailed to families and electronic fund transfers deposited directly to the families' bank accounts.

The DCSE is responsible for collecting and disbursing child support monies for all custodial parents in the state and has contracted with an outside vendor to process the collections and disbursements. The vendor processes payments for cases being enforced by the division as well as cases not being enforced by the division; therefore, the overpayments went to both DCSE clients and non-clients. The vendor deposits payments received and DCSE notifies them when a disbursement should be made. A breakdown in procedures occurred which resulted in duplicate payments being made.

When the overpayment was discovered on Monday, November 26, 2001, division officials took immediate action to determine how the duplicate payment occurred to prevent a possible recurrence. According to DCSE records, on Friday, November 30, 2001, the division successfully reversed 92 percent of the amount paid out by electronic fund transfer and mailed letters to check recipients requesting them to return the duplicate payment. DCSE officials told us they decided not to issue stop payment orders on the checks.

Based on discussions with DCSE personnel and summary reports of recoveries, the amount of unrecovered monies totaled approximately \$485,152 at February 14, 2002, or 40 percent of the total overpayment. Because recovery efforts are ongoing, officials cannot accurately estimate how much of the overpayment they will recoup and any liability to the state due to this situation cannot yet be determined. The State Auditor's office will continue to monitor this situation.

In addition, the DCSE issued duplicate checks of about \$63,000 in December 2001 and January 2002, on the St. Louis City Circuit Clerk's bank account. Details regarding these duplicate payments are not yet available, and this matter is still being reviewed by the State Auditor's office.

WE RECOMMEND the DCSE implement procedures to ensure duplicate payments are not made.

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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

STATE OF MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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, 2000, and the findings from the prior audits for the years ended June 30, 1999 and 1998, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

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

The disposition of the findings from the year ended June 30, 1999 is as follows:

Findings numbered 1, 2, 4C, 5B, 6B, 10, 11, 14, and 15 were corrected.

Findings numbered 3, 4A, 4B, 5A, 6A, 7A, 7B, 7C, 8, 9, 12, and 13 are included in the Summary Schedule of Prior Audit Findings.

The disposition of the findings from the year ended June 30, 1998 is as follows:

Findings numbered 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19B, 20, 21, 22, 23, 25, 26, 27B and 28 were corrected.

Findings numbered 5, 19A, 24, and 27A are included in the Summary Schedule of Prior Audit Findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-1 Cost Allocation Errors

State Agency: Department of Social Services
Federal Agency: Department of Health and Human Services
Federal Program: 93.659 - Adoption Assistance

The department's Division of Budget and Finance (DBF) incorrectly allocated \$67,139 in administrative costs to the federal Adoption Assistance program. The DBF made correcting entries to the cost allocation for the fourth quarter to correct the previous errors after we informed them of the problem.

Recommendation:

The DBF ensure future cost allocations are correct.

Status of Finding:

Corrective action has been implemented. The error in the spreadsheet application was corrected.

Contact Person: Victoria Therien

Phone number: (573) 751-2170

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-2.A Schedule of Expenditures of Federal Awards

State Agency: Department of Social Services
Federal Agency: Department of Health and Human Services
Federal Program: 93.563 - Child Support Enforcement
 93.658 - Foster Care - Title IV-E
 93.667 - Social Services Block Grant

Amounts were incorrectly stated on the Schedule of Expenditures of Federal Awards (SEFA) for some programs.

Recommendation:

The DSS should ensure amounts are accurately reported on the SEFA.

Status of Finding:

Corrective action has been implemented and completed.

Contact Person: Victoria Therien

Phone number: (573) 751-2170

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-2.B Schedule of Expenditures of Federal Awards

State Agency: Department of Social Services
Federal Agency: Department of Health and Human Services
Federal Program: 93. – Combined
Questioned Costs: \$11,832,573

The SEFA prepared by the DSS did not report any amounts provided to subrecipients for the Social Services Block Grant or Family Preservation and Support Services programs. The DSS indicated they did not report these amounts as payments to subrecipients because these entities were vendors instead of subrecipients within the definition of OMB Circular A-133. However, we believed these entities were subrecipients. The DSS indicated another reason they classified the community partnerships as vendors is they were unable to determine the specific grant fund source for the funding provided the partnerships. The DSS stated its accounting system did not provide the needed information. To comply with OMB Circular A-133 Section 400 (d), the DSS should provide all possible required information to subrecipients. In addition, the above problems resulted in additional concerns, including failure of appropriate subrecipients to obtain required audits of the use of their federal funds in compliance with OMB Circular A-133. As a result, we questioned the federal funds provided to the local juvenile courts and the Caring Communities Program totaling an estimated \$11,832,573.

Recommendation:

The DSS resolve the questioned costs with the grantor agency. In addition, the DSS should treat the community partnerships and local juvenile courts as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain audits in compliance with OMB Circular A-133 when appropriate.

Status of Finding:

DBF completely disagrees with the finding. DBF is having negotiations with the federal government to determine the vendor vs. subrecipient designation. Resolution is expected by the end of the calendar year.

Status of Questioned Costs:

The status of questioned costs will be addressed once the vendor vs. subrecipient designation is resolved.

Contact Person: Ray Schneider, Dep. Director, DBF

Phone number: (573) 526-8758

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-3 Inadequate Monitoring of Immigrant Mutual Aid Association

State Agency: Department of Social Services - Division of Family Services

Federal Agency: Department of Health and Human Services

Federal Program: 93.566 - Refugee & Entrant Assistance - State Administered Programs

Questioned Costs: \$36,000

The Lao Mutual Aid Association (Association) received reimbursements from the Division of Family Services (DFS) for expenditures incurred in accordance with a contract to provide refugee resettlement services to persons immigrating to Missouri from Laos. The Association was unable to provide supporting documentation for most of the expenditures claimed for reimbursement. The DFS contract with the Association did not cover the retention period for financial records. Although the DFS contract with the Association required an annual audit, such an audit was not obtained and the DFS had only limited assurance monies provided to the Association were used in accordance with the budget specified in the contract. As a result, we questioned the entire \$36,000 paid to the Association during the year ended June 30, 2000.

Recommendation:

The DFS resolve the questioned costs with the Association and the grantor agency. In addition, DFS should require the Association to keep all financial records for at least three years and submit an annual audit as required by the contract.

Status of Finding:

The DFS is modifying grant award contracts to reflect a higher level of financial accountability by Refugee service vendors. The two suggestions noted above are among those changes.

Status of Questioned Costs:

Insofar as resolution concerning questioned costs, the DFS is currently exploring this.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-4 Independent Living Program Payments

State Agency: Department of Social Services - Division of Family Services
Federal Agency: Department of Health and Human Services
Federal Program: 93.674 - Independent Living
Questioned Costs: \$537

We identified six individuals out of forty tested (15 percent) that were not eligible to receive federal Independent Living Program payments because they were under sixteen years of age. These six individuals received \$725 in benefits during the year ended June 30, 2000, and we question the federal share of \$537 (74 percent).

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should ensure the system edit prevents future errors and review for and correct similar errors in the remaining client records.

Status of Finding:

On August 23, 2000 data processing changes were made to prevent expenditure of these funds on behalf of youth under the age of 16.

Status of Questioned Costs:

Through a fund recoupment process in the Children's Services Integrated Payment System, the funds have been recovered. Documentation has been forwarded to the proper federal agency. No further response is expected.

Contact Person: Sheila Tannehill

Phone number: (573) 526-5533

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-5 Eligibility - Unreported Income

State Agency: Department of Social Services - Division of Family Services (DFS)

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

Federal Program: 10.551 - Food Stamp
 93.778 - Medical Assistance

Questioned Costs: \$8,668

We performed a match of computer records of Temporary Assistance for Needy Families and Food Stamp clients as of September 2000 against records of individuals who received a settlement from the Second Injury Fund between January 1999 and June 2000. The match identified 235 clients that received benefits and also received a settlement from the Second Injury Fund. We selected six cases for further review to determine if the client had properly reported this unearned income. We determined four of the six (67%) had not properly reported the unearned income and as a result, received \$8,399 in Food Stamp benefits and \$446 in Medical Assistance Claims they may not have been eligible for. We questioned the federal portion of these amounts - \$8,399 for Food Stamps and \$269 for Medical Assistance.

Recommendation:

The DFS resolve the questioned costs with grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. The DFS should also determine needed policy and procedure changes to help identify clients who fail to properly report Second Injury Fund or other types of unearned income.

Status of Finding:

The DFS was supplied a list of four (4) exception in this finding. Staff was asked to review the benefit statuses questioned by the SAO. Of a total of \$8398 in Food Stamps benefits and \$446 in Medicaid premiums questioned, our reviews reveal that none of the four cases were ineligible as a result of the settlements they received from the 2nd Injury Fund; no claims were due.

Staff are continually reminded, when taking applications and/or conducting regular eligibility reviews, that clients should always be informed of their obligations to report new income to the household while in active status. This message is even included on applications, and should be a covered point with the applicant during intake.

Status of Questioned Costs:

Initially, due to lack of time for an adequate review, the DFS partially agreed with the finding. However, subsequent investigation has determined that none of the four cases were ineligible. Since we have determined that the cases were indeed eligible, there were no associated questioned costs. This information will be forwarded to the proper federal agency for consideration and resolution.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-6 Child Care Attendance Records

State Agency: Department of Social Services - Division of Family Services (DFS)
Federal Agency: Department of Health and Human Services
Federal Program: 93.575 - Child Care and Development Block Grant
93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Unlicensed child care providers who serve clients participating in the above programs are required to submit an attendance sheet signed by the parents to verify the child received the services. However, since state regulations require licensed providers to keep attendance records, the DFS does not require licensed providers to submit any attendance records to the DFS. Without reviewing the attendance records of the licensed providers, the DFS has little assurance it is billed for the correct amount or that its policies regarding allowable absences are followed.

Recommendation:

The DFS consider ways to enhance the reliability of billings submitted by licensed child care providers.

Status of Finding:

To enhance the reliability of billings submitted by licensed providers, the DFS effected production of a report identifying licensed providers submitting invoices exceeding a given monthly amount. The target date established in the original corrective action plan was met. Where a provider is identified as submitting an excessive invoice, a report is generated to the county that is billed for the provider's services. County staff then, in turn, investigate circumstances and submit their compiled findings back to the Child Care Unit here in Central Office where the findings are addressed accordingly.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-7.A Cash Management

State Agency: Department of Natural Resources (DNR)

Federal Agency: Environmental Protection Agency

Federal Program: 66.458 - Capitalization Grants for State Revolving Funds

The DNR has not established adequate cash management procedures to ensure the minimum time elapses between receipt of federal monies and the disbursement of such monies.

Recommendation:

The DNR ensure federal monies are requested in accordance with the Cash Management Improvement Act.

Status of Finding:

The Department of Natural Resources has implemented new guidelines to ensure minimum time elapses between receipt and disbursement of federal monies. The department has also initiated new procedures to ensure that the state match is deposited into fund 0649 prior to the deposit of the federal monies. The procedures were outlined in the corrective action plan on file with Office of Administration and have been used since early this year.

The SAM II system requires two days to process checks from the scheduled pay date. The money must be in the fund before the checks (EFT) can be processed. Therefore, at least three days are required for this process.

Contact Person: Steve Townley

Phone number: (573) 751-1397

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-7.B Cash Management

State Agency: Department of Natural Resources (DNR)

Federal Agency: Environmental Protection Agency

Federal Program: 66.458 - Capitalization Grants for State Revolving Funds

The DNR had not established adequate cash management procedures to ensure a timely state match on all federal draws deposited in the State Revolving Fund (SRF).

Recommendation:

The DNR ensure that the state match is made on or before federal monies are received.

Status of Finding:

The department has implemented new guidelines to ensure minimum time elapses between receipt and disbursement of federal monies and a timely state match. Responsible parties including the Water Pollution Control Program, Accounting Program, and OA have outlined and used these procedures since early this year.

Contact Person: Sandy Wells

Phone Number: (573) 751-0960

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-7.C Cash Management

State Agency: Department of Natural Resources (DNR)

Federal Agency: Environmental Protection Agency

Federal Program: 66.458 - Capitalization Grants for State Revolving Funds

The DNR did not process the repayments of loan guarantees in a timely manner. Our test of twenty-five repayments noted that all repayments were deposited in the Water and Wastewater Loan Revolving Fund, approximately one month after receiving the checks from the trustee banks.

Recommendation:

The DNR ensure all repayments of loan guarantees are deposited in a timely manner.

Status of Finding:

New procedures are in place and repayments of loan guarantees are being processed in a timely manner. The program's administration staff are aware of the urgency of timely deposits and are required to contact FSS the same day a repayment check is received. The accountant is required to process the repayment no later than the next day. In the event a check is not deposited timely, reasons for the delay are documented. The program continues to review the electronic fund transfer (EFT) process for additional improvement.

Contact Person: Carrie Schulte

Phone Number: (573) 526-8403

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-8 Reporting

State Agency: Department of Natural Resources (DNR)
Federal Agency: Environmental Protection Agency
Federal Program: 66.458 - Capitalization Grants for State Revolving Funds

The original Schedule of Expenditures of Federal Awards (SEFA) prepared by the DNR was overstated by approximately \$48 million.

Recommendation:

The DNR prepare a complete and accurate SEFA.

Status of Finding:

The Accounting Program has developed and used formal written procedures for preparing the FY2001 SEFA. Review procedures have been implemented where the report is reviewed by the preparer for reasonableness, then reviewed by the preparer's supervisor and passed to the Internal Audit function before submission to the State Auditor's Office.

Contact Person: Sandy Wells

Phone Number: (573) 751-0960

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-9 Accounting Procedures

State Agency: Department of Natural Resources (DNR)

Federal Agency: Environmental Protection Agency

Federal Program: 66.458 - Capitalization Grants for State Revolving Funds

The recording and custodial duties regarding receipts were not adequately segregated within the State Revolving Fund (SRF) Program. The program's primary accountant was responsible for recording and had access to the receipts.

Recommendation:

The DNR adequately segregate the recording function from the custody of assets functions over receipts.

Status of Finding:

The Financial Services Section (FSS) Accounting Analyst II position now has approval level only and no data entry capabilities. The FSS accountant continues to work with the program's administration staff to further implement proper recording and custodial duties regarding receipts.

Contact Person: Steve Townley

Phone Number: (573) 751-1397

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-10.A Administrative Fees

State Agency: Department of Natural Resources

Federal Agency: Environmental Protection Agency

Federal Program: 66.458 - Capitalization Grants for State Revolving Funds

The DNR did not process Construction Loan Fund administration fees in a timely manner.

Recommendation:

The DNR establish procedures to ensure all administration fees are processed in a timely manner.

Status of Finding:

New procedures have been in place since February of 2001 and the timeliness of checks deposited has greatly improved. We continue to review our activities in an effort to improve our operations. Department staff receiving checks have been informed of the importance of timely deposits and have been instructed to immediately endorse the check and contact the appropriate program.

Contact Person: Steve Townley

Phone Number: (573) 751-1397

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-10.B Administrative Fees

State Agency: Department of Natural Resources

Federal Agency: Environmental Protection Agency

Federal Program: 66.458 - Capitalization Grants for State Revolving Funds

Trustee banks held some checks thirty-three to sixty-five days after receiving payment from individual communities for administration fees.

Recommendation:

The DNR require the trustee bank to remit the administration fees to the DNR when received from each community.

Status of Finding:

The department's agreement with the Trustee bank is that they are to submit administration fees once a month. We will continue to work with the Trustee to ensure the Trustee does not hold administration fees unnecessarily.

Contact Person: Steve Townley

Phone Number: (573) 751-1397

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-11.A Compliance Issues

State Agency: Department of Natural Resources (DNR)

Federal Agency: Environmental Protection Agency

Federal Program: 66.458 - Capitalization Grants for State Revolving Funds

Unused Construction Loan Funds (CLF) were not used to reduce bond issue debt. We noted thirty-seven completed projects with CLF balances totaling approximately \$26,675,000 at June 30, 2000.

Recommendation:

The DNR revise the bond covenant to require unused CLF monies to be applied to the reduction of bond principal.

Status of Finding:

The department is drafting regulations for management review with an expected effective date of November 11, 2002. New regulations will not affect previous financings and therefore we will continue with administrative action to encourage these communities to spend their funds on approved construction as promptly as possible.

Contact Person: Steve Townley

Phone Number: (573) 751-1397

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-11.B Compliance Issues

State Agency: Department of Natural Resources

Federal Agency: Environmental Protection Agency

Federal Program: 66.458 - Capitalization Grants for State Revolving Funds

The DNR did not adequately monitor subrecipients to ensure that an A-133 audit had been performed when applicable and a comprehensive annual financial report (CAFR) was submitted.

Recommendation:

The DNR ensure applicable communities submit an A-133 audit and a CAFR.

Status of Finding:

Department SRF staff currently log all sub-recipient A-133 submittals. We also track sub-recipient expenditures of SRF program federal dollars. However, our tracking form is currently being updating so that we can record the sub-recipient's requirement with the OMB Circular A-133. Our plans are to monitor the receipt of submittals from sub-recipients that have exceeded the \$300,000 threshold of expended federal funds as they relate to the SRF program funds. If the sub-recipient fails to submit the required A-133 audit report they will be sent a written notification of their responsibility in complying with the OMB Circular A-133 requirement and the EPA will be copied.

Our intention is to train the SRF Coordinators to review the A-133 audit and report specific information necessary in determining whether or not performance goals are being achieved. We will do everything we have the ability to do in persuading sub-recipients to comply with this requirement.

Contact Person: Steve Townley

Phone Number: (573) 751-1397

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 2000

Finding 00-12 Reconciliation of Accounting Systems

State Agency: Department of Economic Development, Division of Workforce Development

Federal Agency: Department of Labor

Federal Program: 17.207 - Employment Service
17.801 - Disabled Veterans Outreach Program
17.804 - Local Veterans Employment Representative
17.246 - Employment and Training Assistance - Dislocated Workers
17.250 - Job Training Partnership Act - JTPA Title II
17.253 - Welfare-to-Work Grants to States and Localities

The Division of Workforce Development (DWD) did not reconcile its internal accounting systems to the statewide accounting system (SAM II) during fiscal year 2000. We noted several expenditures that had been processed through the SAM II system that had not been recorded in the internal accounting systems. As a result, these expenditures of federal funds were not included in the reports filed with the federal grantor as required.

Recommendation:

The DWD review fiscal year 2000 activity to identify any transactions that were not properly reported and reconcile their internal accounting systems to the SAM II system.

Status of Finding:

Partially Completed: The reconciliation is 80% complete. Expected completion date is April 30, 2002.

Contact Person: Carl Rogers

Phone Number: (573) 526-8214

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-3 Expenditures

State Agency: Department of Social Services – Division of Child Support Enforcement (DCSE)

Federal Agency: Department of Health and Human Services

Federal Program: 93.563 - Child Support Enforcement

Questioned Costs: \$755,911

During our review of expenditures charged to the Child Support Enforcement (CSE) grant, we noted the DCSE included costs associated with the Parents Fair Share (PFS) program. The federal Office of Child Support Enforcement (OSCE) had issued a draft report dated December 8, 1999, which identified \$1,112,636 (federal share \$734,340) in PFS program costs which had been inappropriately charged to the CSE grant for the period January 1, 1998 through March 31, 1999. The DCSE continued to charge PFS program costs to the CSE grant until September 30, 1999; however, the additional amount of questioned costs was not determined. The OSCE draft report also noted some personnel and other administrative costs of the Department of Health to provide birth record information to the DCSE were inappropriately charged to the CSE grant. The federal share of these costs amounted to \$21,571.

Recommendation:

The DCSE resolve the questioned costs with the grantor agency. In addition, we recommend the DCSE establish procedures to ensure costs charged to the Child Support Enforcement grant are allowable for federal reimbursement.

Status of Finding:

These findings were resolved with the OIG Audit Clearance Document transmitted on June 13, 2000.

Written approval of DCSE's resolution of the findings from HHS' ACF Region VII is on file with DSS/DBF/Audit Services.

Status of Questioned Costs:

Questioned costs were adjusted on the March 31, 2000 OCSE-396A.

Contact Person: Michael H. Longanecker

Phone number: (573) 526-3227

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-4.A Eligibility-Unreported Income

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

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

Federal Program: **Questioned Costs:**

10.551 - Food Stamps \$48,606

93.558 - Temporary Assistance for Needy Families (TANF) 16,682

We performed a match of computer records of TANF and Food Stamp clients with computer records of DFS paid child day care vendors. This match identified 4,495 TANF and/or Food Stamp clients who also received DFS state paid child day care vendor payments. We reviewed 53 of these cases and noted that 26 (49 percent) clients had not reported their state paid child day care vendor income, nor did the DFS discover its own payments to 24 of those same clients. As a result, these 26 cases received approximately \$27,347 in TANF benefits and \$48,606 in Food Stamp benefits that they may not have been eligible for. We questioned the federal portion of these amounts, \$16,682 in TANF benefits and \$48,606 in Food Stamp benefits.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. Further, the DFS should ensure caseworkers consider DFS records of state paid child day care income paid to Food Stamp and TANF applicants when making eligibility determinations.

Status of Finding:

A pilot is scheduled to occur in FAMIS in May 2002 to cross-check child day care payment records against public assistance applicants/recipients. A memo was also sent to field staff at the time of DFS's response to the initially released findings reminding them to always carefully explore with public assistance applicants all sources of income. That would include income an individual might not necessarily consider "bona-fide" income (i.e. baby-sitting).

Status of Questioned Costs:

The regional administrator for the Dept. of Health & Human Services does not agree with the SAO finding for TANF. The questioned costs of \$16,682.00 are not sustained and the finding is resolved.

All information regarding the questioned costs for Food Stamps has been forwarded to the proper federal agency and is in the process of being resolved.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-4.B Eligibility-Unreported Income

State Agency: Department of Social Services – Division of Family Services (DFS)
Federal Agency: Department of Agriculture and Department of Health and Human Services
Federal Program: **Questioned Costs:**
10.551 - Food Stamps \$126,093
93.558 - Temporary Assistance for Needy Families (TANF) 40,406

A match of TANF and Food Stamp clients with retirement and disability benefit recipients of the Missouri State Employee Retirement System (MOSERS) identified 128 TANF and/or Food Stamp clients who were also receiving MOSERS retirement or disability payments. Our review indicated that 49 (38 percent) of these clients had not properly reported their retirement or disability benefits to the DFS caseworkers. As a result, these 49 cases received approximately \$66,240 in TANF benefits and \$126,093 in Food Stamp benefits that they may not have been eligible to receive. We questioned the federal portion of these amounts, \$40,406 in TANF benefits and \$126,093 in Food Stamp benefits.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. Further, the DFS should establish a periodic match with the MOSERS to help ensure Food Stamp and TANF recipients report all unearned income.

Status of Finding:

The DFS is still looking at the viability of doing a quarterly match with MOSERS, comparing Social Security numbers of active clients with those of persons receiving pension or disability payments. Cost of effecting such a match is a crucial consideration, however, and that is being looked into. If approval can be obtained for the expenditure, then we will need to enter into an agreement with MOSERS, decide on a way to get data to MOSERS, and implement a plan to receive and disburse match information.

Status of Questioned Costs:

The regional administrator for the Dept. of Health & Human Services does not agree with the SAO finding for TANF. The questioned costs of \$40,406.00 are not sustained and the finding is resolved.

All information regarding the questioned costs for Food Stamps has been forwarded to the proper federal agency and is in the process of being resolved.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-5.A Independent Living Expenditures and Eligibility

State Agency: Department of Social Services – Division of Family Services (DFS)
Federal Agency: Department of Health and Human Services
Federal Program: 93.674 - Independent Living
Questioned Costs: \$85,407

Section 477 (e) (3) of Title IV-E of the Social Security Act specifies that Independent Living (IL) monies may not be used to provide room and board. In addition, state monies used as matching contribution for the Independent Living Program (ILP) cannot be used to provide room and board. We determined the DFS had expenditures totaling \$115,415 for room and board, which was inappropriately paid from the ILP. Therefore, we questioned the federal share of \$85,407 (74 percent).

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should ensure that expenditures of the federal ILP are for allowable cost and in compliance with federal requirements or limitations.

Status of Finding:

An error was made in identifying and subsequently reporting expenditures to the federal agency. Appropriate changes were made to internal procedures in conjunction with the Division of Budget and Finance to correct this problem.

Status of Questioned Costs:

The June 2000 report submitted to the federal government by Budget and Finance corrected this error and appropriately charged the correct funding sources. In addition, the year end report for this grant submitted in February 2001 also documented the correction.

Contact Person: Sheila Tannehill

Phone number: (573) 526-5533

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-6.A Eligibility – Child Care Services

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

Federal Agency: Department of Health and Human Services

Federal Program: **Questioned Costs:**

93.575 - Child Care and Development Block Grant \$2,019

93.596 - Child Care Mandatory and Matching Funds
of the Child Care and Development Fund 2,019

Children are eligible to receive Child Care Development Fund (CCDF) services if under age 13 or under age 19 when physically or mentally incapable of caring for themselves or are under court supervision. We selected a sample of 40 of the state's 2,089 clients that were age 13 or older and still received CCDF services during fiscal year 1999. The DFS was unable to locate 8 of the 40 case files requested, in one case the child's birth date was recorded wrong, and in 8 cases the client was not properly identified. Of the 23 cases tested, 12 of the clients were not eligible for CCDF services. These clients received \$10,355 in CCDF benefits and we questioned the federal portion of the amount, which is \$4,038.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should review the case errors noted above and initiate recoupment claims for any inappropriate CCDF benefits.

Status of Finding:

Relating to the 12 exception cases identified by the SAO as being in error for receipt of Child Care services, claims have been effected.

Status of Questioned Costs:

Claims have been effected to recapture the \$4038.00 from the claimants. The federal agency has been repaid. No further response is expected.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-7.A Eligibility – Kansas Match

State Agency:	Department of Social Services – Division of Family Services (DFS)
Federal Agency:	Department of Agriculture and Department of Health and Human Services
Federal Program:	Questioned Costs:
10.551 - Food Stamps	\$ 9,229
93.558 - Temporary Assistance for Needy Families	9,638

In accordance with various regulations, no individual may receive Food Stamps, Temporary Assistance for Needy Families (TANF), and/or Medicaid benefits in more than one state at the same time. We performed a match of computer records of TANF and Food Stamp clients during April 1999 against computer records of TANF and Food Stamp clients in Kansas during April 1999. The match identified 23 cases that had received Food Stamp and/or TANF benefits in both Missouri and Kansas at the same time. These 23 cases received \$9,229 in Food Stamp benefits and \$15,805 in TANF benefits from April 1, 1999 through August 31, 1999. We questioned the federal portion of these amounts, \$9,638 in TANF benefits and \$9,229 in Food Stamp benefits.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the questioned payments for Food Stamps and TANF and establish recoupment claims where appropriate.

Status of Finding:

Claims have been effected on the cases ineligible. To note, however, questioned costs were not sustained in the HHS ruling received by the DFS 3/12/01; the Regional Administrator deemed the finding resolved.

Status of Questioned Costs:

Questioned costs were not sustained in the HHS ruling received by the DFS 3/12/01; the Regional Administrator deemed the finding resolved.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-7.B Eligibility – Kansas Match

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

Federal Agency: Department of Health and Human Services

Federal Program: 93.778 - Medical Assistance Program

Questioned Costs: \$30,008

Clients who receive Food Stamps or Temporary Assistance for Needy Families (TANF) benefits often also qualify for health care coverage under the Medicaid program. Medicaid coverage can take two different forms, one being based on the traditional direct fee for services paid to the health care provider, and the other being based on the HMO model whereby a monthly fee (or capitation payment) is paid to a care provider who provides all needed services at no additional charge. Through our match of Missouri and Kansas client records, we determined that 31 of the individuals who were listed on a Food Stamp or TANF case also had a capitation payment made on their behalf in both states for the same period. These 31 individuals received approximately \$13,615 in capitation payments on their behalf, which they were not eligible to receive. We questioned the federal share of the Missouri payments, which was \$8,202. We also noted two instances where an individual received capitation payments in Kansas and at the same time direct fee for service payments in Missouri. This resulted in Medicaid direct fee for service payments totaling over \$36,200 in Missouri while capitation payments were being paid in Kansas. We questioned the federal share of the Missouri payments, which was \$21,806.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the questioned payments for Medicaid and establish recoupment claims where appropriate.

Status of Finding:

Claims have been established on cases ineligible; capitation payments have been recouped by Medical Services from HMO vendors.

Status of Questioned Costs:

The regional administrator for the Dept. of Health and Human Services, in finding 99-7.A, does not sustain the SAO questioned costs associated with TANF.

The necessary information has been sent to the proper federal agency regarding finding 99-7.B and is in the process of being resolved.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-7.C Eligibility – Kansas Match

State Agency: Department of Social Services – Division of Family Services (DFS)
Federal Agency: Department of Agriculture and Department of Health and Human Services
Federal Program: 10.551 - Food Stamps
 93.778 - Medical Assistance Program
 93.558 - Temporary Assistance for Needy Families

The DFS needs to improve procedures to help ensure Missouri clients do not receive Food Stamps or other public assistance benefits in more than one state at the same time. The U.S. Department of Health and Human Services Administration for Children and Families (ACF) encourages states to participate in interstate matches conducted through the Public Assistance Recipient Information System (PARIS).

Recommendation:

The DFS arrange to participate in the PARIS interstate match program, and enhance its procedures to ensure bordering state public assistance information is reviewed during the application process.

Status of Finding:

The DFS is participating in the quarterly match coordinated by Manpower Defense – the initial trial run was February, 2001. Procedures are being fine-tuned to realize optimal effectiveness and, as with any new program, this will be so in time.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-8 Eligibility – Benefits Provided to Inmates

State Agency: Department of Social Services – Division of Family Services (DFS), Division of Medical Services (DMS)

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

Federal Program: **Questioned Costs:**

10.551 - Food Stamps \$11,251

93.558 - Temporary Assistance for Needy Families 4,976

93.778 - Medical Assistance Program 913

Our match of computer records of TANF and Food Stamp clients for April 1999 against computer records of inmates in the custody of the state Department of Corrections (DOC) as of the same date identified 189 current TANF and/or Food Stamp clients who were also incarcerated in the DOC. We selected 60 of those clients and determined that 24 (40 percent) had received two or more months of assistance payments while incarcerated. Therefore, we questioned \$11,251 in Food Stamp benefits, \$4,976 as the federal share (61 percent) of \$8,158 in TANF benefits, and \$913 as the federal share (60.24 percent) in Medicaid benefits received through September 30, 1999. We also contacted 40 of the 114 county jails in Missouri and found that 14 (35 percent) were not providing the local DFS office with inmate information. Personnel in those 14 DFS offices confirmed that inmate information is not requested and that they only worked with the information provided from the state level DOC matches.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. The DFS should also enhance its procedures to ensure all inmates in the custody of the state DOC or local law enforcement facilities are identified and appropriate benefit changes processed in a timely manner.

Status of Finding:

Staff have been reminded to stress to clients that they are obligated to report changes to household makeup when a member in the assistance group leaves - for example, becomes incarcerated. The DFS, in collaboration with the Department of Corrections, is routinely alerted to possible inmates active on the public assistance rolls. Often this information is some number of months old when received due to processing time in the Corrections system and the time frame involved for the DFS' data to match with Correction's data. The DFS has in place a highly effective tracking system for staff actions on the alerts. It is felt that ultimately the vast majority of assistance active inmates are identified and the cases acted on as appropriate.

Status of Questioned Costs:

The regional administrator for the Department of Health and Human Services does not agree with the SAO finding for TANF. The questioned costs of \$4,976 are not sustained and the finding is resolved.

For all other questioned costs, recoupments have been established.

All information regarding the questioned costs for Food Stamps has been forwarded to the proper federal agency and is in the process of being resolved.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-9 Eligibility – Personal Property Match

State Agency:	Department of Social Services – Division of Family Services (DFS)
Federal Agency:	Department of Agriculture and Department of Health and Human Services
Federal Program:	Questioned Costs:
10.551 - Food Stamps	\$29,477
93.558 - Temporary Assistance for Needy Families	15,124

We performed a match of computer records of TANF and Food Stamp clients as of April 1999 against records of registered vehicles as of April 1999 obtained from the Missouri Department of Revenue (DOR). We selected 33 cases, representing 63 of the 1,935 vehicles identified in the match, and determined that 13 of the 33 (39%) had not properly reported their vehicles and similar personal property. Further review of these cases revealed that \$29,477 in Food Stamp benefits and \$24,794 in TANF benefits were paid to recipients whose assets exceeded the eligibility limitations. We questioned the federal portion of these amounts, \$29,477 for Food Stamps and \$15,124 for TANF.

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the cases noted above and establish recoupment claims where appropriate. Also, the DFS should seriously consider policy and procedure changes to reduce client under reporting of assets.

Status of Finding:

Of the 13 cases identified by the SAO as exception cases in the finding, claims were effected on four; review of all the cases revealed that claims were not in order for nine of the thirteen cases.

Status of Questioned Costs:

The HHS regional Administrator, by the way, did not sustain the SAO's questioned costs in this finding and ruled it resolved in a notice received by the DFS 3/12/01.

Insofar as "... policy and procedural changes to reduce client under reporting of assets.", in addition to policy effected August 2000 (excluded licensed vehicles as inaccessible assets when equity is less than 1/2 of the resource standard for the household), policy was again revised 3/01, and then again 7/01. The most recent revision excludes the value of all vehicles in the determination of available resources.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-12. Surveillance Utilization and Review System (SURS)

State Agency: Department of Social Services – Division of Medical Services (DMS)
Federal Agency: Department of Health and Human Services
Federal Program: 93.778 - Medical Assistance Program
Questioned Costs: \$3,577

The DMS operates a Surveillance Utilization Review Subsystem (SURS), which is the principal unit responsible for identifying recipient and provider abuse of the Medicaid program. The SURS unit does not perform a post-payment review of a representative sample of Medicaid claims. We selected a sample of 60 of the approximately 27 million fee for service claims paid during fiscal year 1999 and noted various problems with twelve of the claims. The total dollar value of the twelve unsupported or deficient claims noted was \$5,938 (federal share \$3,577).

Recommendation:

The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should establish procedures to comply with the federal regulations.

Status of Finding:

The SURS Unit did resolve the FY1999 issues from the sample review, as determined appropriate with the providers. The issues and actions were also reviewed and approved by Mary Stewart, CMS. SURS has completed the FY2000 sample and taken the necessary actions determined appropriate. SURS is currently in the process of performing the FY2001 sample, and will be initiating the FY2002 sample procedures by the 01/02.

Status of Questioned Costs:

Contact Person: Sherry Simon

Phone number: (573) 751-2001

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

Finding 99-13. Ineligible Payments

State Agency: Department of Social Services – Division of Medical Services (DMS)
Federal Agency: Department of Health and Human Services
Federal Program: 93.778 - Medical Assistance Program
Questioned Costs: \$8,377

The DMS performs a monthly match of Medicaid recipients with death records provided by the Department of Health – Bureau of Vital Records (BVR). When claims have been paid after a recipient's death, the DMS will take action to recoup the payments. We performed a match of Managed Care Plus (MC+) recipient and mental health services claims paid during the year ended June 30, 1999, with computer records of deaths reported in Missouri since 1990 obtained from the BVR. We identified 15 of 330 MC+ and 35 of 106 mental health recipients by social security number with BVR records of a deceased individual. Of these, we identified 40 recipients who had claims paid for service periods after their date of death but no recoupment had been made. The total amount of claims paid for these recipients was \$13,906 (federal share \$8,377).

Recommendation:

The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from providers for the overpayments and improve procedures to ensure recoupments are made and eligibility codes are updated when a deceased recipient is identified.

Status of Finding:

Long term corrective action was placed into production on September 10, 2001. Prior to implementation, another mass recoupment was done on August 9, 2001 (M-2006). There were 3,329 claims paid in error and original payments totaling \$245,519.90 were recouped from providers. One more mass credit will be done to cover the period between last mass credit and implementation of system fix.

Status of Questioned Costs:

The questioned cost has been resolved with CMS.

Contact Person: Lynn Young

Phone number: (573) 751-3752

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

98-5. Period of Availability of Funds

State Agency: Department of Elementary and Secondary Education (DESE)
Federal Agency: Department of Education
Federal Program: 8.027 – special Education – Grants to States
Questioned Costs: \$261,149

The DESE obligated grant funds totaling \$76,719 after the date when these funds could be obligated. In addition, \$129,037 in grant funding originally obligated in June 1997 to various school districts was unobligated in October 1997 and reobligated to other school districts after the date the funds could be obligated. Also, the DESE made payments totaling \$55,393 during January 1998 through April 1998, which was after the date when obligations could be liquidated.

Recommendation:

The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should ensure funds are obligated within the period of availability and that obligations are liquidated not later than 90 days after the end of the funding period.

Status of Finding:

Partially Resolved. In March 2000, the Department of Education contacted DESE concerning the status of this finding. DESE wrote a letter indicating that internal procedures had been established to ensure that funds are obligated within the period of availability and that obligations are liquidated not later than 90 days after the end of the funding period. In addition, the Department of Education contacted the DESE and the State Auditor's Office in fiscal year 2001 concerning the status of this finding. Information was submitted to the Department of Education, but no final resolution has been determined.

Status of Questioned Costs:

Unknown.

Contact Person: Rudene Book

Phone number: 751-4681

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

Finding 98-19.A Corrective Action on Prior Audit Findings

State Agency: Department of Social Services - Division of Family Services (DFS)
Federal Agency: Department of Agriculture and Department of Health and Human Services
Federal Program: 10.551 - Food Stamps
 93.558 - Temporary Assistance for Needy Families

For audit finding 97-16A in the Summary Schedule of Prior Audit Findings, the DFS responded that corrective action was taken. Although corrective action was taken on the nine ineligible cases reported, a periodic match of computer records had not been established to identify workers' compensation benefits unreported by clients.

Recommendation:

The DFS establish an interim match between DFS computer records and workers' compensation computer records until the match planned as part of the FAMIS system is implemented and operating effectively.

Status of Finding:

The response by the DFS is that another request has been sent to the Department of Labor's Division of Worker's Compensation for a match implementation costs work-up. Until the DFS can consider the cost effectiveness of such a match, it is felt it would not be prudent to proceed beyond this phase. A proposal seeking permission to obtain award settlement information will have to be submitted to the Director of the Division of Worker's Compensation if it appears that the match will be viable. If permission is obtained, and an agreement is formally entered into by both entities, then the DFS will have to look at the mechanics of how data will be transmitted for cross-checking via what file format.

Contact Person: D. Wayne Osgoode

Phone number: (573) 526-0967

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

Finding 98-24 Ineligible Payments

State Agency: Department of Social Services - Division of Medical Services (DMS)
Federal Agency: Department of Health and Human Services
Federal Program: 93.778 - Medical Assistance Program
Questioned Costs: \$65,669

We matched Medicaid recipient inpatient and nursing home claims paid during the fiscal year ended June 30, 1998, and managed care claims paid in June 1998, with computer records of deaths reported in Missouri since 1980 obtained from the state's Department of Health - Bureau of Vital Statistics. We identified 52 recipients who had claims paid for service periods after their date of death but no recoupment had been made. The total amount of claims paid for these recipients was \$108,221 (\$65,669 federal share). In addition, for 18 of the 52 recipients, the Missouri Medicaid Information System (MMIS) did not indicate a date of death, and recipient records for five of these 18 recipients still showed the individual as being eligible for Medicaid benefits.

Recommendation:

The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from providers for the overpayments and establish procedures to ensure the MMIS is updated upon a recipient's death.

Status of Finding:

Long term corrective action was placed into production on September 10, 2001. Prior to implementation, another mass recoupment was done on August 9, 2001 (M-2006). There were 3,329 claims paid in error and original payments totaling \$245,519.90 were recouped from providers. One more mass credit will be done to cover the period between last mass credit and implementation of system fix.

Status of Questioned Costs:

The questioned cost has been resolved with CMS.

Contact Person: Lynn Young

Phone number: (573) 751-3752

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

Finding 98-27.A Third Party Liability

State Agency: Department of Social Services - Division of Medical Services (DMS)

Federal Agency: Department of Health and Human Services

Federal Program: 93.778 - Medical Assistance Program

The DMS did not maintain an up-to-date Third Party Liability (TPL) action plan and had not submitted any updates to the Health Care Financing Administration (HCFA) since March 1991.

Recommendation:

The DMS ensure that the TPL action plan is maintained on a current basis and updates are submitted to HCFA in accordance with federal regulations.

Status of Finding:

The TPL Unit is still working to appropriately draft and update the action plan. It is anticipated that this will be completed for DMS review by February 2002.

Contact Person: Chris Reeter

Phone number: (573) 751-2005