



STATEWIDE SINGLE AUDIT  
YEAR ENDED JUNE 30, 1998

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

Report No. 99-14  
March 9, 1999

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

**Some problems were discovered as a result of the Single Federal Audit conducted by our office. The Single Audit meets federal requirements and covers expenditures of federal awards totaling \$4.7 billion by the state during the year ended June 30, 1998. The Single Audit is the most comprehensive government audit conducted by the state auditor's office; almost two-thirds of the federal funding involved goes to the Missouri Department of Social Services. Our findings and recommendations, as well as agency responses, begin on page 26. The following findings are especially noteworthy.**

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Department of Social Services / Division of Family Services:

- < Thousands of individuals were receiving welfare benefits who have not had their Social Security number verified and entered into the state computer system which is fundamentally important to ensure the ability to check for fraud, overpayment, or duplicate payments. We found that more than nine-thousand welfare recipients did not have a social security number in the state's computer system. (See Eligibility-Social Security Number # 98-18 / pages 47-48)
- < The lack of action by caseworkers has in some cases led to the continuation of welfare benefits even when the person has died. (See Eligibility-Death Match #98-16 / pages 44-46)

Missouri Department of Transportation:

- < The state transportation department needs to ensure that local agencies solicit bids from at least three engineering firms for bridge projects. Other audits have noted that some counties do not solicit bids which is restrictive and exclusive, and contrary to state law. (See Subrecipient Monitoring # 98-8 / pages 33-35)

Department of Social Services / Division of Medical Services:

- < We discovered that some nursing homes are being paid by the state for patients who are in hospice care. In addition, the hospice care is also being paid for by the state. During the year ended June 30, 1998, overpayments of \$159,380 were noted. It appears this double dipping may have existed since May 1989, when hospice providers began receiving nursing

YELLOW SHEET

home per diems. (See Nursing Home and Hospice Claim Overpayments # 98-25 / page 55)

- < We also discovered that medicaid benefits totaling \$108,221 were paid for persons after they had died. (See Ineligible Payments #98-24 / page 54)
- < The Division of Medical Services has not collected \$423,670 owed to the state from drug companies. (See Drug Rebate Program #98-26 / pages 55-56)
- < The division also overpaid \$301,096 to one hospital and has not collected \$815,972 owed to the state from another hospital. (See Hospital Overpayments #98-28 / pages 58-60)

Department of Elementary and Secondary Education:

- < The state may have to return \$261,149 to the federal government because the grant funds were not used by the federal government's deadline. (See Period of Availability of Funds #98-5 / pages 30-31)

STATE OF MISSOURI  
SINGLE AUDIT

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## INTRODUCTORY SECTION



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

LETTER OF TRANSMITTAL

Honorable Mel Carnahan, Governor  
and  
Members of the General Assembly

I am pleased to submit the report on the Single Audit of the state of Missouri, covering the fiscal year ended June 30, 1998.

The United States Congress passed the Single Audit Act of 1996 to establish new requirements for audits of states, local governments and non-profit organizations with respect to federal award programs. The Office of Management and Budget (OMB) revised Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* to prescribe policies, procedures, and guidelines to implement the new Single Audit Act.

The Single Audit conducted by my office meets the requirements of the Single Audit Act of 1996 and covers expenditures of federal awards totaling nearly \$4.7 billion by the state during the year.

The following charts and graphs provide summary information related to the expenditure of federal awards for the state of Missouri.

A handwritten signature in cursive script that reads "Claire McCaskill".

Claire McCaskill  
State Auditor

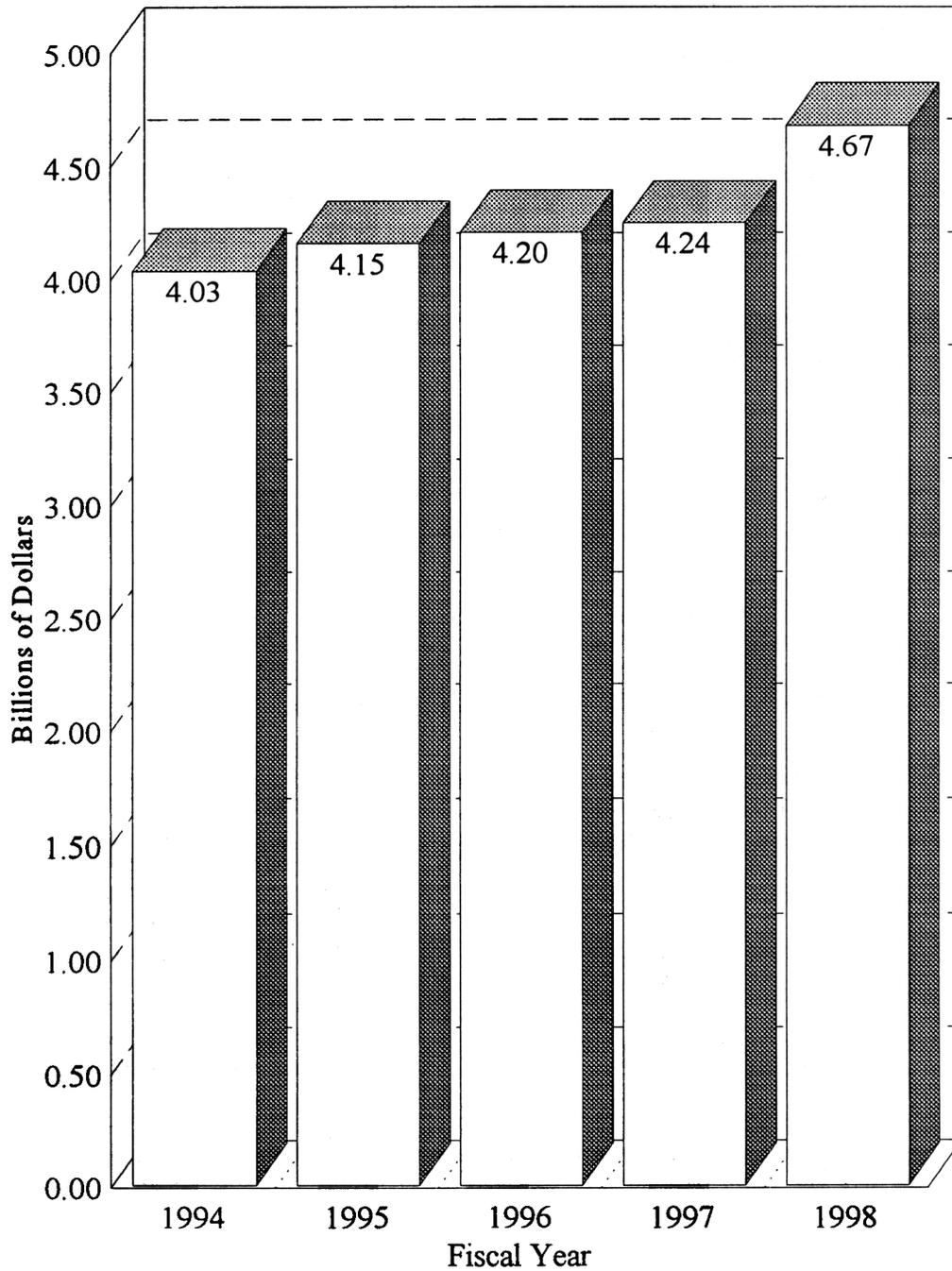
STATE OF MISSOURI  
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1998

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
10.550	Food Distribution	Agriculture	\$ 15,163,139
	Food Stamp Cluster:		
10.551	Food Stamps	Agriculture	351,756,741
10.561	State Administrative Matching Grants for Food Stamp Program	Agriculture	38,976,899
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	23,643,145
10.555	National School Lunch Program	Agriculture	89,969,604
10.556	Special Milk Program for Children	Agriculture	400,971
10.559	Summer Food Service Program for Children	Agriculture	4,673,354
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	64,886,991
10.558	Child and Adult Care Food Program	Agriculture	28,185,356
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	35,650,137
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration	Interior	10,618,843
15.611	Wildlife Restoration	Interior	7,373,019
	Employment Service Cluster:		
17.207	Employment Service	Labor	15,428,724
17.801	Disabled Veterans' Outreach Program	Labor	1,523,625
17.804	Local Veterans' Employment Representative Program	Labor	1,787,583
17.225	Unemployment Insurance	Labor	322,884,967
	Job Training Partnership Act Cluster:		
17.246	Employment and Training Assistance - Dislocated Workers	Labor	13,845,516
17.250	Job Training Partnership Act	Labor	28,293,831
20.205	Highway Planning and Construction	Transportation	397,656,830
66.458	Capitalization Grants for State Revolving Funds	Environmental Protection Agency	39,119,942
84.010	Title I Grants to Local Educational Agencies	Education	116,957,879
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	56,348,040
84.173	Special Education - Preschool Grants	Education	5,249,895
84.032	Federal Family Education Loans	Education	80,267,525
84.048	Vocational Education - Basic Grants to States	Education	19,201,826
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	51,645,391
	Aging Cluster:		
93.044	Special Programs For The Aging - Title III, Part B - Grants For Supportive Services and Senior Centers	Health and Human Services	7,167,900
93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services	Health and Human Services	11,852,430
93.558	Temporary Assistance for Needy Families	Health and Human Services	172,181,336
93.563	Child Support Enforcement	Health and Human Services	34,415,067
93.568	Low-Income Home Energy Assistance	Health and Human Services	24,617,360
93.575	Child Care and Development Block Grant	Health and Human Services	23,391,411
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	45,149,917
93.658	Foster Care - Title IV-E	Health and Human Services	61,821,857
93.667	Social Services Block Grant	Health and Human Services	47,341,938
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,077,844
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	7,212,207
93.778	Medical Assistance Program	Health and Human Services	2,010,816,252

93.959	Block Grant for Prevention and Treatment of Substance Abuse	Health and Human Services	17,792,590
96.001	Social Security - Disability Insurance	Social Security Administration	<u>30,646,765</u>
	Total Type A Programs (expenditures greater than \$13.5 million)		4,316,994,647
	Total Type B Programs (expenditures less than \$13.5 million)		<u>349,291,886</u>
	Total Expenditures of Federal Awards		<u>\$ 4,666,286,533</u>

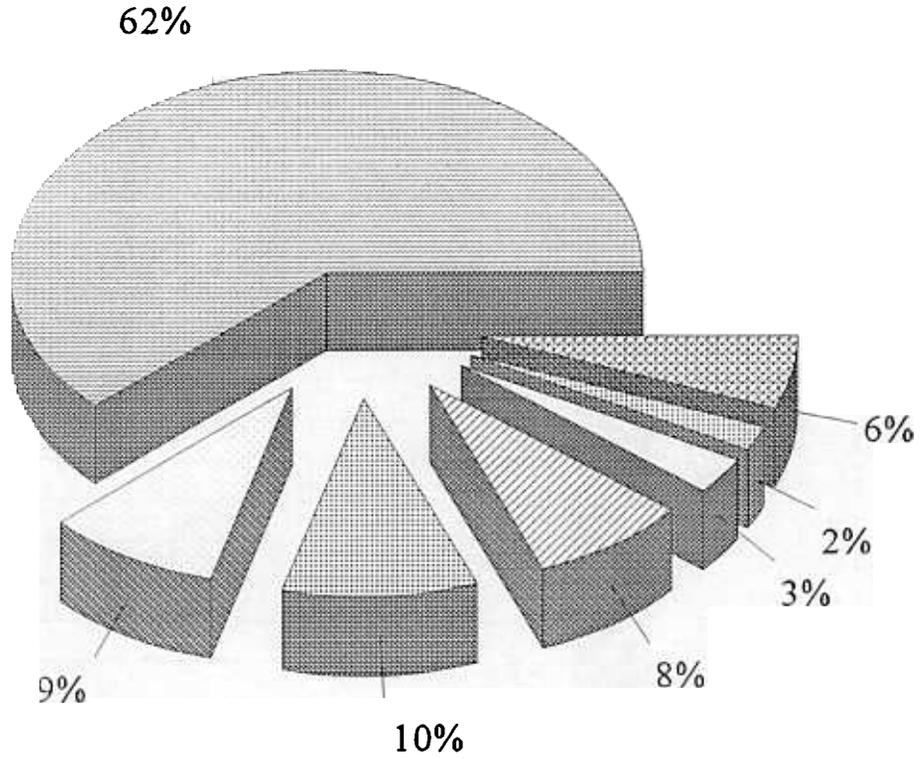
STATE OF MISSOURI

TOTAL EXPENDITURES OF FEDERAL AWARDS  
FIVE YEAR COMPARISON



STATE OF MISSOURI

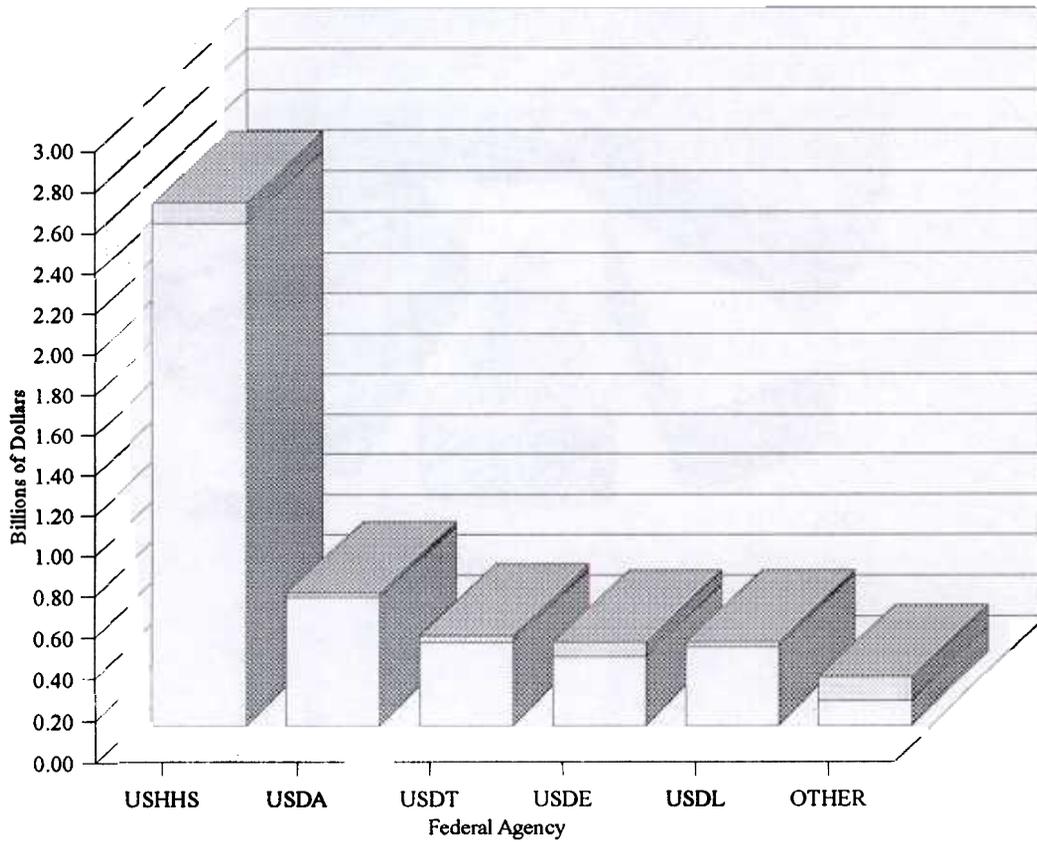
EXPENDITURES OF FEDERAL AWARDS BY STATE DEPARTMENT  
YEAR ENDED JUNE 30, 1998



-  Social Services
-  Transportation
-  Elementary and Secondary Education
-  Labor and Industrial Relations
-  Health
-  Economic Development
-  All Other

STATE OF MISSOURI

EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT  
YEAR ENDED JUNE 30, 1998



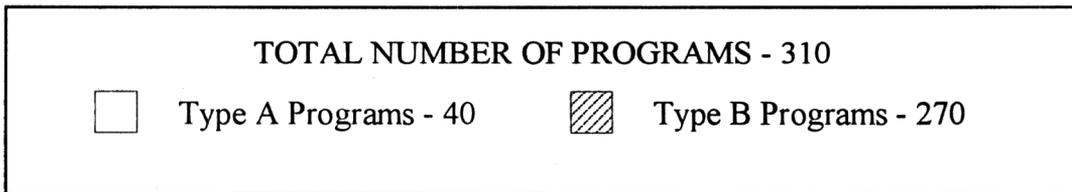
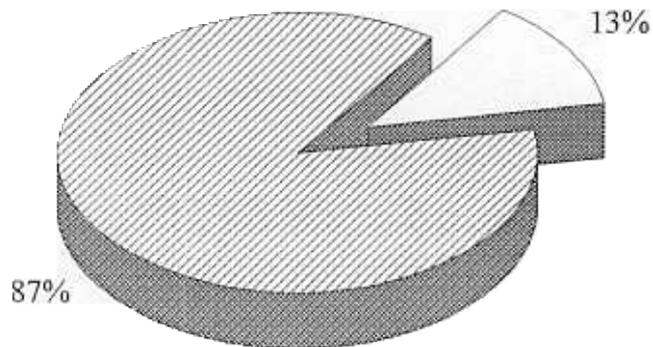
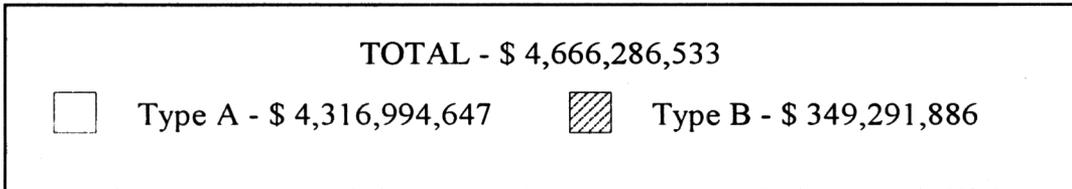
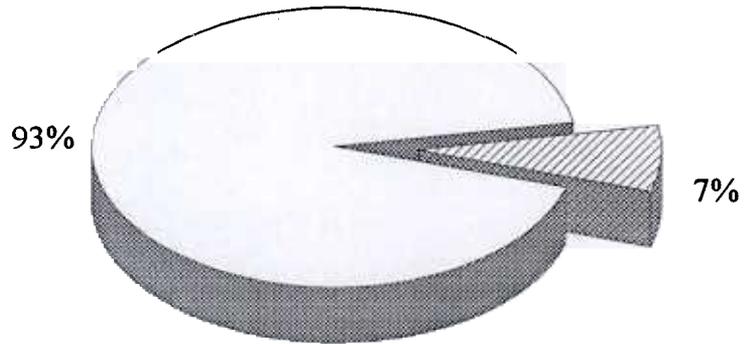
TOTAL - \$ 4,666,286,533

Type B - \$ 349,291,886
  Type A - \$ 4,316,994,647

USHHS	United States Department of Health and Human Services
USDA	United States Department of Agriculture
USDT	United States Department of Transportation
USDE	United States Department of Education
USDL	United States Department of Labor
OTHER	Other United States Departments

STATE OF MISSOURI

TYPE A vs TYPE B EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1998



SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, INTERNAL CONTROL  
OVER COMPLIANCE, AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mel Carnahan, 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, 1998. 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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the state's compliance with those requirements.

In our opinion, 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, 1998. However, the results of our audit procedures disclosed 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 98-1 to 98-12 and 98-14 to 98-28.

#### *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 the 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 judgement, 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 98-1 to 98-12 and 98-14 to 98-28.

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, we believe none of the reportable conditions described above is a material weakness.

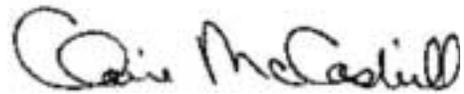
#### *Schedule of Expenditures of Federal Awards*

We have audited the general purpose financial statements of the state of Missouri as of and for the year ended June 30, 1998, and have issued our report thereon dated December 18, 1998. That 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 and because insufficient audit evidence exists to support the state of Missouri's disclosures with respect to year 2000 issues. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements 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 stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the state's management, 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.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill  
State Auditor

January 13, 1999

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 1998

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
U. S. Office of National Drug Control Policy			
07.PMWP549	HIDTA-HP Enforcement	\$ 352,694	831
07.PMWP550	HIDTA-Lab Enhancement	267,220	90,219
07.PMWP551	HIDTA-Task Forces	734,194	617,939
07.PMWP552	HIDTA-SAUSA	328,894	328,894
07.PMWP579	HIDTA-Demand Reduction	17,900	17,900
Total U. S. Office of National Drug Control Policy		1,700,902	1,055,783
U. S. Department of Agriculture			
10.0196-CCS-018	Natural Heritage Database Digitalization	9,876	0
10.0197-CCS-033	Challenge Cost Share - Bat Survey	6,822	0
10.025	Plant and Animal Disease, Pest Control, and Animal Care	118,127	0
10.064	Forestry Incentives Program	2,500	0
10.072	Wetlands Reserve Program	3,957,751	0
10.250	Agricultural and Rural Economic Research	82,277	0
10.550	Food Distribution	15,163,139	14,764,305
10.551	Food Stamps	351,756,741	37,931
10.553	School Breakfast Program	23,643,145	23,345,901
10.555	National School Lunch Program	89,969,604	89,360,820
10.556	Special Milk Program for Children	400,971	400,971
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)	64,886,991	12,973,709
10.558	Child and Adult Care Food Program	28,185,356	28,185,356
10.559	Summer Food Service Program for Children	4,673,354	4,541,412
10.560	State Administrative Expenses for Child Nutrition	1,930,940	0
10.561	State Administrative Matching Grants for Food Stamp Program	38,976,899	165,813
10.564	Nutrition Education and Training Program	79,647	18,428
10.568	Emergency Food Assistance Program (Administrative Costs)	929,583	898,924
10.569	Emergency Food Assistance Program (Food Commodities)	4,102,498	4,102,498
10.570	Nutrition Program for the Elderly	3,860,484	3,860,484
10.572	WIC Farmers' Market Nutrition Program	30,517	30,517
10.664	Cooperative Forestry Assistance	912,756	0
10.665	Schools and Roads - Grants to States	2,415,270	2,415,270
10.7464247001	Soil & Water - National Resources Conservation Services Agreement	32,147	32,147
10.901	Resource Conservation and Development	10,882	10,882
10.902	Soil and Water Conservation	217,136	0
10.904	Watershed Protection and Flood Prevention	22,500	0
10.906	Watershed Surveys and Planning	58,000	0
Total U. S. Department of Agriculture		636,435,913	185,145,368
U. S. Department of Defense			
12.105	Protection of Essential Highways, Highway Bridge Approaches, and Public Works	585,200	0
12.106	Flood Control Projects	790,799	0
12.112	Payments to States in Lieu of Real Estate Taxes	815,308	815,308
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	625,927	0
12.401	National Guard Military Operations and Maintenance Projects	9,771,638	0
12.AAG	Drug Interdiction & Counter Drug Activities (Note 4)	278,394	236,635
12.DAW4196H005	Fire Suppression on Truman Reservoir	10,903	0
12.GR9611-96-01	Fort Leonard Wood	98,500	98,500
Total U. S. Department of Defense		12,976,669	1,150,443
U. S. Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program	35,650,137	34,922,463
14.231	Emergency Shelter Grants Program	1,055,468	1,055,468
14.238	Shelter Plus Care	2,464,938	2,461,375
14.241	Housing Opportunities for Persons with AIDS	529,761	498,857
14.401	Fair Housing Assistance Program - State and Local	131,230	0
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	499,575	491,958
Total U. S. Department of Housing and Urban Development		40,331,109	39,430,121
U. S. Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	424,176	0
The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.			
::			
15.252	Abandoned Mine Land Reclamation Program	2,758,126	0
15.605	Sport Fish Restoration	10,618,843	0
15.611	Wildlife Restoration	7,373,019	7,400
15.615	Cooperative Endangered Species Conservation Fund	73,349	0
15.616	Clean Vessel Act	62,208	0
15.617	Wildlife Conservation and Appreciation	4,000	0
15.807	Earthquake Hazards Reduction Program	17,027	0
15.808	U.S. Geological Survey - Research and Data Acquisition	473,297	0
15.904	Historic Preservation Fund Grants-In-Aid	968,870	345,307

15.916	Outdoor Recreation - Acquisition, Development and Planning	412,454	280,300
15.976	Migratory Bird Banding and Data Analysis	6,477	0
15.FFC	North American Wetlands Conservation Act	148,000	0
15.FFD	Webless Migratory Game Bird Research Program	14,328	0
15.MO9703000	Joint Geohydrologic Investigations	30,000	30,000
Total U. S. Department of the Interior		<u>23,384,174</u>	<u>663,007</u>
U. S. Department of Justice			
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,432,276	1,400,875
16.541	Juvenile Justice and Delinquency Prevention - Special Emphasis	155,066	155,066
16.548	Title V - Delinquency Prevention Program	372,710	372,710
16.550	State Justice Statistics Program for Statistical Analysis Centers	42,325	397
16.554	National Criminal History Improvement Program	564,352	226,469
16.560	Justice Research, Development, and Evaluation Project Grants	344,610	173,711
16.572	State Criminal Alien Assistance Program	50,749	0
16.575	Crime Victim Assistance	3,045,807	2,996,306
16.576	Crime Victim Compensation	1,393,038	0
16.579	Byrne Formula Grant Program	8,960,793	7,472,273
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	224,811	0
16.585	Drug Court Discretionary Grant Program	12,229	0
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	1,896,012	0
16.588	Violence Against Women Formula Grants	2,414,080	2,312,563
16.592	Local Law Enforcement Block Grants Program	859,452	859,452
16.593	Residential Substance Abuse Treatment for State Prisoners	359,599	359,599
16.598	State Identification Systems Grant Program	69,372	0
16.710	Public Safety Partnership and Community Policing Grants	3,221,370	0
16.727	Combating Underage Drinking	30,490	30,490
16.95DD-BX-0108	Mid-States Organized Crime Information Center - Prison Gang Project	272,223	272,223
16.96RS-CX-0005	Mid-States Organized Crime Information Center	2,041,476	2,041,476
16.98RS-CX-0004	Mid-States Organized Crime Information Center - Information Technology	45,381	45,381
16.MO0261100	Equitable Sharing of Seized and Forfeited Property	2,666	0
16.MOMHP0006	Equitable Sharing of Seized and Forfeited Property	360,763	0
16.PRWK0043	Problem Solving Partnership	32,408	0
16.Unknown	Marijuana Eradication Program	505,207	0
Total U. S. Department of Justice		<u>28,709,265</u>	<u>18,718,991</u>
U. S. Department of Labor			
17.002	Labor Force Statistics	1,079,711	0
17.005	Compensation and Working Conditions Data	140,749	0
17.203	Labor Certification for Alien Workers	170,308	0
17.207	Employment Service	15,428,724	691,977
17.225	Unemployment Insurance (Note 3)	322,884,967	0
17.235	Senior Community Service Employment Program	2,193,392	2,160,491
17.245	Trade Adjustment Assistance - Workers	9,902,740	0
17.246	Employment and Training Assistance - Dislocated Workers	13,845,516	10,565,033
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	145,839	54,923
17.250	Job Training Partnership Act	28,293,831	25,713,937
17.253	Welfare-to-Work Grants to States and Localities	237,055	126,688
17.504	Consultation Agreements	448,948	0
17.600	Mine Health and Safety Grants	147,438	0
The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.			
::			
17.801	Disabled Veterans' Outreach Program	1,523,625	0
17.804	Local Veterans' Employment Representative Program	1,787,583	0
17.E9-4-5-46-28	State Occupational Information Coordinating Committee	131,618	0
Total U. S. Department of Labor		<u>398,362,044</u>	<u>39,313,049</u>
U. S. Department of Transportation			
20.005	Boating Safety Financial Assistance	535,865	0
20.106	Airport Improvement Program	11,529,668	11,388,797
20.205	Highway Planning and Construction	397,656,830	60,512,827
20.218	Motor Carrier Safety Assistance Program	2,300,206	1,367,932
20.308	Local Rail Freight Assistance	289,048	289,048
20.500	Federal Transit Capital Improvement Grants	4,268,099	4,268,099
20.505	Federal Transit Technical Studies Grants	908,121	821,637
20.507	Federal Transit Capital and Operating Assistance Formula Grants	1,708,257	1,708,257
20.509	Public Transportation for Nonurbanized Areas	2,597,541	2,303,219
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,089,894	1,033,061
20.600	State and Community Highway Safety	2,770,480	2,405,059
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	643,430	643,430
20.700	Pipeline Safety	224,436	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	114,350	30,300
20.C-98-01-MO-1	Airport Master Record Program	22,172	0
20.DTNH22-92	Crash Outcome Data Evaluation System	65,078	0
20.NRTP-96(001)	National Recreational Trails Fund	151,035	0
Total U. S. Department of Transportation		<u>426,874,510</u>	<u>86,771,666</u>

U. S. Department of the Treasury			
21.MO0261100	Equitable Sharing of Seized and Forfeited Property	2,665	0
21.MOMHP0006	Equitable Sharing of Seized and Forfeited Property	177,355	0
Total U. S. Department of the Treasury		<u>180,020</u>	<u>0</u>
U. S. Equal Employment Opportunity Commission			
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	271,008	0
Total U. S. Equal Employment Opportunity Commission		<u>271,008</u>	<u>0</u>
U. S. General Services Administration			
39.003	Donation of Federal Surplus Personal Property (Note 4)	3,119,897	2,419,582
Total U. S. General Services Administration		<u>3,119,897</u>	<u>2,419,582</u>
U. S. National Foundation on the Arts and the Humanities			
45.007	Promotion of the Arts - State and Regional Program	58,449	46,410
45.015	Promotion of the Arts - Folk and Traditional Arts	30,000	30,000
45.023	Promotion of the Arts - Local Arts Agencies Program	30,652	30,652
45.025	Promotion of the Arts - Partnership Agreements	393,990	91,924
Total U. S. National Foundation on the Arts and the Humanities		<u>513,091</u>	<u>198,986</u>
U. S. Veterans Administration			
64.005	Grants to States for Construction of State Home Facilities	1,219,799	0
64.015	Veterans State Nursing Home Care	9,465,339	0
64.V101223P3832	Veterans Educational Assistance	389,733	0
Total U. S. Veterans Administration		<u>11,074,871</u>	<u>0</u>
U. S. Environmental Protection Agency			
66.000	Environmental Protection Agency - Cross Cutting Issues	0	0
66.032	State Indoor Radon Grants	91,788	21,321
66.1434HQ97AG01801	Quaterney Faulting in Benton Hills	15,767	0
66.435	Water Pollution Control - Lake Restoration Cooperative Agreements	23,671	23,222
66.438	Construction Management Assistance	259,288	0
66.454	Water Quality Management Planning	949,609	77,653
66.458	Capitalization Grants for State Revolving Funds	39,119,942	38,054,205
66.460	Nonpoint Source Implementation Grants	1,139,545	905,753
66.461	Wetlands Protection - State Development Grants	207,671	0
66.600	Environmental Protection Consolidated Grants - Program Support	447,378	294,500
66.605	Performance Partnership Grants	8,536,156	442,198
66.606	Surveys, Studies, Investigations and Special Purpose Grants	84,555	25,220
The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.			
::			
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	465,891	0
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	137,418	42,370
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	235,745	129,995
66.802	Superfund State Site - Specific Cooperative Agreements	2,298,766	0
66.804	State Underground Storage Tanks Program	130,928	0
66.805	Leaking Underground Storage Tank Trust Fund Program	925,708	0
66.810	CEPP Technical Assistance Grants Program	53,234	0
66.900	Pollution Prevention Grants Program	68,053	0
66.CP997201010	Geographically Integrated Whole Management Basin	52,576	0
66.DOO7696010	Solid Waste Management Program - Resource Conservation Recovery Act 4008 Flood Activities	585,396	0
66.MM99751801	Technical Assistance Program - Environmental Management Institute	14,765	0
66.SPX	Stormwater/Sludge Project	407,997	88,802
66.X99723901	Air Pollution Control Program - Central States Air Resources Agency's Program	9,611	9,611
Total U. S. Environmental Protection Agency		<u>56,261,458</u>	<u>40,114,850</u>
U. S. Nuclear Regulatory Commission			
77.NRC-30-83-64	Measurement of Radiation Levels	2,500	0
Total U. S. Nuclear Regulatory Commission		<u>2,500</u>	<u>0</u>
U. S. Department of Energy			
81.041	State Energy Conservation	622,360	212,787
81.042	Weatherization Assistance for Low-Income Persons	2,576,655	2,343,257
81.052	Energy Conservation for Institutional Buildings	258,515	253,054
81.090	Energy Information Administration - State Heating Fuels	5,215	0
81.092	Weldon Springs Site Remedial Action Project	706,953	0
81.997	Petroleum Violation Escrow Funds - Oil Overcharge	2,814,354	0
81.TV94076V	Tennessee Valley Authority Contracts	3,339	0
Total U. S. Department of Energy		<u>6,987,391</u>	<u>2,809,098</u>
U. S. Federal Emergency Management Agency			
83.008	Community Based Anti-Arson Program	4,908	0
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	111,037	0
83.105	Community Assistance Program - State Support Services Element	152,666	0
83.504	Maintenance and Services	36,319	0
83.505	State Disaster Preparedness Grants	36,272	0
83.521	Earthquake Hazards Reduction Grants	62,617	41,087
83.534	Emergency Management - State and Local Assistance	2,194,146	1,596,224
83.535	Mitigation Assistance	51,693	0
83.537	Community Disaster Loans	261,865	0

83.541	Disaster Unemployment Assistance	5,009	0
83.544	Public Assistance Grants	8,903,075	8,887,708
83.546	National Arson Prevention Initiative	11,968	0
83.547	First Responder Anti-Terrorism Training Assistance	30,500	0
83.548	Hazard Mitigation Grant	923,119	798,624
Total U. S. Federal Emergency Management Agency		<u>12,785,194</u>	<u>11,323,643</u>
U. S. Department of Education			
84.002	Adult Education - State Grant Program	6,641,029	6,298,161
84.010	Title I Grants to Local Educational Agencies	116,957,879	115,946,481
84.011	Migrant Education - Basic State Grant Program	1,231,370	1,215,470
84.013	Title I Program for Neglected and Delinquent Children	856,529	856,165
84.025	Services for Children with Deaf - Blindness	122,506	122,506
84.027	Special Education - Grants to States	56,348,040	53,853,886
84.029	Special Education - Personnel Development and Parent Training	85,680	83,420
84.032	Federal Family Education Loans	80,267,525	0
84.034	Public Library Services	1,786,719	1,163,564
84.035	Interlibrary Cooperation and Resource Sharing	222,184	53,008
84.041	Impact Aid	4,711	4,711
84.048	Vocational Education - Basic Grants to States	19,201,826	17,851,471
84.069	State Student Incentive Grants	1,006,380	0

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

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84.116	Fund for the Improvement of Postsecondary Education	22,161	0
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	51,645,391	1,536,989
84.154	Public Library Construction and Technology Enhancement	11,858	11,858
84.158	Secondary Education and Transitional Services for Youth with Disabilities	460,744	335,245
84.162	Immigrant Education	232,621	232,621
84.169	Independent Living - State Grants	325,353	204,718
84.173	Special Education - Preschool Grants	5,249,895	5,015,324
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	225,852	0
84.181	Special Education - Grants for Infants and Families with Disabilities	6,936,390	3,183,842
84.185	Byrd Honors Scholarships	492,824	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	12,189,754	11,294,753
84.187	Supported Employment Services for Individuals with Severe Disabilities	506,236	0
84.194	Bilingual Education Support Services	121,632	0
84.196	Education for Homeless Children and Youth	445,994	441,576
84.213	Even Start - State Educational Agencies	1,519,474	1,489,545
84.215	Fund for the Improvement of Education	811,396	233,540
84.216	Capital Expenses	2,158,312	2,158,312
84.218	State School Improvement Grants	50,937	0
84.224	State Grants for Assistive Technology	727,093	0
84.243	Tech-Prep Education	1,963,716	1,963,716
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	121,113	0
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	2,835,031	2,475,035
84.278	School To Work State Implementation Grants	4,320,963	4,064,149
84.281	Eisenhower Professional Development State Grants	7,462,116	6,311,959
84.298	Innovative Education Program Strategies	7,591,120	6,387,929
84.318	Technology Literacy Challenge Fund Grants	7,165,084	7,004,750
84.RN94-13-6026	National Cooperative System Program	9,527	0
84.unknown	American Printing House Quota Act to Promote the Education of the Blind	133,714	120,974
Total U. S. Department of Education		<u>400,468,679</u>	<u>251,915,678</u>
U. S. Department of Health and Human Services			
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	146,890	139,546
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	92,965	88,317
93.043	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	441,579	419,500
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	7,167,900	6,809,505
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	11,852,430	11,259,809
93.046	Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	247,876	235,482
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	3,539	0
93.05-9705-MO	WEDGE	13,589	0
93.05-9805-MO	Operation Restore Trust	24,623	0
93.101	Grants for Residential Treatment Programs for Pregnant and Postpartum Women	887,376	822,171
93.110	Maternal and Child Health Federal Consolidated Programs	220,917	19,394
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	681,998	199,373
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	115,245	0
93.125	Mental Health Planning and Demonstration Projects	1,835,470	1,372,838

93.130	Primary Care Services - Resource Coordination and Development Primary Care Offices	176,216	95,933
93.136	Injury Prevention and Control Research and State and Community Based Programs	173,567	5,798
93.150	Projects for Assistance in Transition from Homelessness	307,189	288,000
93.161	Health Program for Toxic Substances and Disease Registry	413,678	143,379
93.165	Grants for State Loan Repayment	16,563	16,563
93.184	Disabilities Prevention	61,678	0

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

::			
93.194	Community Prevention Coalitions Demonstration Grant	328,612	0
93.196	Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	2,035,793	1,704,330
93.197	Lead Poisoning Prevention Projects-State and Community-Based Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	602,886	362,754
93.223-96-4424	Mammography Inspections	117,153	0
93.223-98-4828	Tobacco Investigations	1,056	0
93.234	Traumatic Brain Injury	28,665	3,740
93.262	Occupational Safety and Health Research Grants	55,419	0
93.268	Childhood Immunization Grants (Note 4)	10,964,072	8,416,543
93.270-95-0031	State Demand and Needs Assessment Studies: Alcohol and Drugs	405,520	293,364
93.270-96-0009	Outcome Pilot Studies	60,352	39,815
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	1,288,750	76,871
93.283-95-0026	Uniform Alcohol and Drug Abuse Grant	80,481	80,481
93.393	Cancer Cause and Prevention Research	1,038,732	604,287
93.556	Family Preservation and Support Services	7,301,940	7,301,940
93.558	Temporary Assistance for Needy Families	172,181,336	1,585,874
93.563	Child Support Enforcement	34,415,067	3,853,474
93.566	Refugee and Entrant Assistance - State Administered Programs	4,022,599	0
93.568	Low-Income Home Energy Assistance	24,617,360	5,617,800
93.569	Community Services Block Grant	12,770,287	12,581,804
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	47,407	0
93.575	Child Care and Development Block Grant	23,391,411	3,018,800
93.584	Refugee and Entrant Assistance - Targeted Assistance	458,917	0
93.585	Empowerment Zones Program	1,850,745	1,850,745
93.586	State Court Improvement Program	235,875	0
93.590	Community-Based Family Resource and Support Grants	750,926	750,000
93.595	Welfare Reform Research, Evaluations and National Studies	19,018	0
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	45,149,917	141,272
93.597	Grants to States for Access and Visitation Programs	58,315	0
93.600	Head Start	150,000	0
93.630	Developmental Disabilities Basic Support and Advocacy Grant	1,381,980	782,084
93.643	Children's Justice Grants to States	402,038	0
93.645	Child Welfare Services - State Grants	6,049,431	0
93.656	Temporary Child Care and Crisis Nurseries	97,411	0
93.658	Foster Care - Title IV-E	61,821,857	0
93.659	Adoption Assistance	8,205,404	0
93.667	Social Services Block Grant	47,341,938	3,367,185
93.669	Child Abuse and Neglect State Grants	444,597	0
93.670	Child Abuse and Neglect Discretionary Activities	52,557	50,093
93.671	Family Violence Prevention and Services	679,369	0
93.673	Grants to States for Planning and Development of Dependent Care Programs	38,141	0
93.674	Independent Living	1,421,018	0
93.775	State Medicaid Fraud Control Units	1,077,844	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	7,212,207	0
93.778	Medical Assistance Program	2,010,816,252	0
93.779	Health Care Financing Research, Demonstrations and Evaluations	164,734	0
93.865	Center for Research for Mothers and Children	45,343	22,317
93.913	Grants to States for Operation of Offices of Rural Health	124,186	8,016
93.917	HIV Care Formula Grants	5,452,813	5,452,813
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2,740,469	1,765,003
93.928	Special Projects of National Significance	213,117	114,253
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	121,252	43,202
93.940	HIV Prevention Activities - Health Department Based	3,234,830	2,106,693
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance	743,079	188,760
93.945	Assistance Program for Chronic Disease Prevention and Control	123,901	25,326

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

::			
93.958	Block Grant for Community Mental Health Services	5,264,424	4,440,641
93.959	Block Grant for Prevention and Treatment of Substance Abuse	17,792,590	14,807,224
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,437,777	392,300
93.987	Health Programs for Refugees	49,909	46,002
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and		

	Evaluation of Surveillance Systems	231,341	38,724
93.991	Preventive Health and Health Services Block Grant	4,746,080	1,583,230
93.994	Maternal and Child Health Services Block Grant	13,174,232	7,663,883
93.unknown	Rural CDP Center	232,578	18,059
	Total U. S. Department of Health and Human Services	<u>2,572,244,598</u>	<u>113,115,310</u>
	U. S. Corporation for National and Community Service		
94.003	State Commissions	94,056	0
94.004	Learn and Serve America - School and Community Based Programs	265,334	195,000
94.006	AmeriCorps	2,487,332	2,487,332
94.007	Planning and Program Development Grants	1,920	1,920
94.009	Training and Technical Assistance	90,604	0
	Total U. S. Corporation for National and Community Service	<u>2,939,246</u>	<u>2,684,252</u>
	U. S. Social Security Administration		
96.001	Social Security - Disability Insurance	30,646,765	0
96.007	Social Security - Research and Demonstration	150	0
	Total U. S. Social Security Administration	<u>30,646,915</u>	<u>0</u>
	U. S. State Justice Institute		
SJI-98-E-051	Juvenile Intermediate Sanctions Team Training	17,079	0
	Total U. S. State Justice Institute	<u>17,079</u>	<u>0</u>
	Total Expenditures of Federal Awards	<u>\$ 4,666,286,533</u>	<u>796,829,827</u>

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

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 for the year ended June 30, 1998. 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 \$13.5 million in disbursements, expenditures, or distributions for the year ended June 30, 1998. 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; however, some are presented on a modified accrual basis.

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

17.246 Employment and Training Assistance - Dislocated Workers  
17.250 Job Training Partnership Act  
20.205 Highway Planning and Construction  
84.010 Title I Grants to Local Educational Agencies  
84.027 Special Education - Grants to States  
84.032 Federal Family Education Loans  
84.048 Vocational Education - Basis Grants to States  
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States  
84.173 Special Education - Preschool Grants  
84.181 Special Education - Grants for Infants and Families with Disabilities  
84.318 Technology Literacy Challenge Fund Grants  
96.001 Social Security - Disability Insurance

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

During the year ended June 30, 1998, the state received cash rebates from an infant formula manufacturer, in the amount of \$19,297,386 on sales of formula to participants in the WIC Program (CFDA No. 10.557). Rebate contracts with infant formula manufacturers are authorized by 7 CFR 246.16(m) as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The state was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

3. Unemployment Insurance Expenditures 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 \$263,426,776. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those states totaling \$16,805,637 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 \$3,981,786 have been excluded from the Unemployment Insurance program expenditure totals.

4. Nonmonetary Assistance

The Department of Health distributes vaccines to local health agencies and other health care professionals under the Childhood Immunization Grants program (CFDA No. 93.268). During the year ended June 30, 1998, distributions were valued at the cost of the vaccines paid by the federal government and totaled \$6,196,865.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program. During the year ended June 30, 1998, property distributions totaled \$13,390,117, 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, Office of Director distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program. During the year ended June 30, 1998, property distributions totaled \$1,194,822, 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, 1998**

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

Type of auditor's report issued:	Qualified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____  no
Reportable conditions identified that are not considered to be material weaknesses?	_____ yes	_____  none reported
Noncompliance material to financial statements noted?	_____ yes	_____  no

**Federal Awards**

Internal control over major programs:		
Material weaknesses identified?	_____ yes	_____  no
Reportable conditions identified that are not considered to be material weaknesses?	_____  yes	_____ none reported

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____  yes	_____ no
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Identification of major programs:

CFDA	
<u>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 Program 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  
 Fish and Wildlife Cluster:  
 15.605 Sport Fish Restoration  
 15.611 Wildlife Restoration  
 Employment Service Cluster:  
 17.207 Employment Service  
 17.801 Disabled Veterans' Outreach Program  
 17.804 Local Veterans' Employment Representative Program  
 17.225 Unemployment Insurance  
 Job Training Partnership Act Cluster:  
 17.246 Employment and Training Assistance - Dislocated Workers  
 17.250 Job Training Partnership Act  
 20.205 Highway Planning and Construction  
 81.042 Weatherization Assistance for Low-Income Persons  
 84.010 Title I Grants to Local Educational Agencies  
 Special Education Cluster:  
 84.027 Special Education - Grants to States  
 84.173 Special Education - Preschool Grants  
 84.032 Federal Family Education Loans  
 84.048 Vocational Education - Basic Grants to States  
 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States  
 84.318 Technology Literacy Challenge Fund Grants  
 Aging Cluster:  
 93.044 Special Programs for the Aging - Title III, Part B - Grants for Supportive  
 Services and Senior Centers  
 93.045 Special Programs for the Aging - Title III, Part C - Nutrition Centers  
 93.558 Temporary Assistance for Needy Families  
 93.563 Child Support Enforcement  
 93.568 Low-Income Home Energy Assistance  
 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  
 93.667 Social Services Block Grant  
 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 Grant for Prevention and Treatment of Substance Abuse  
 96.001 Social Security - Disability Insurance

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 13,500,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes       no

## **Section II - Financial Statement Findings**

There were no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

DEPARTMENT OF CONSERVATION

**98-1. Suspension and Debarment Compliance**

Federal Agency: Department of Interior  
Federal Program: 15.605 Sport Fish Restoration  
State Agency: Department of Conservation (DOC)

The DOC has entered into contractual agreements with several contractors to build a new hatchery as well as various boating access projects. The DOC does not require contractors to certify that they have not been suspended or debarred.

43 CFR 12.75 requires that DOC must not make any award to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance. This requirement applies to all contractors receiving individual awards of \$100,000 or more and all subrecipients. Controls must be established to obtain suspension and debarment certifications from parties to ensure compliance with the federal guidelines.

**WE RECOMMEND** the DOC obtain certifications from parties awarded contracts of \$100,000 or more that the organization and its principals are not suspended or debarred.

**AUDITEE'S RESPONSE**

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

DEPARTMENT OF ECONOMIC DEVELOPMENT -  
DIVISION OF JOB DEVELOPMENT AND TRAINING

**98-2. Expenditures**

Federal Agency: Department of Labor  
Federal Program: 17.246 Employment and Training Assistance - Dislocated Workers  
17.250 Job Training Partnership Act  
State Agency: Department of Economic Development - Division of Job  
Development and Training (DJDT)

The State of Missouri is divided into fifteen Service Delivery Areas (SDAs). Each SDA serves as a primary recipient of federal funds from the DJDT. The funds may be spent by the SDAs to operate federal programs as outlined in the DJDT's Financial Manual, which specifies the procedures the SDAs must follow for procuring goods and services.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Our review and testing of expenditure records at four of the fifteen SDAs noted that SDA 4 did not obtain invoices to support four advanced payments to motels totaling \$5,711. As a result, the SDA has no assurance the amounts paid did not exceed the amounts charged. The SDA frequently pays motel expenses in advance to attend conferences in other states. The SDA determined the amounts to pay by contacting the applicable motels and inquiring about their rates. We reviewed supporting documentation for some prepaid motel expenses that were supported by motel invoices and found that refunds totaling \$229 were due to the SDA, but had not been received. In one instance, the SDA paid for two rooms, but only used one. In the other instance, the rates actually charged were lower than the rates quoted and paid. SDA personnel contacted the motels and obtained the refunds after we brought these matters to their attention.

Procedures should be established to ensure invoices are obtained and reviewed for all motel expenditures to provide adequate documentation for the expenditures, and to provide assurance the amounts paid did not exceed the amounts charged.

**WE RECOMMEND** the DJDT require the SDA to obtain motel invoices to support the \$5,711 in advance payments made to motels and require the SDA to establish procedures to ensure adequate supporting documentation, such as motel invoices, is obtained and reviewed for all future expenditures.

**AUDITEE'S RESPONSE**

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

<b>98-3. Fixed Asset Records and Procedures</b>
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Federal Agency: Department of Labor  
Federal Program: 17.246 Employment and Training Assistance - Dislocated Workers  
17.250 Job Training Partnership Act  
State Agency: Department of Economic Development - Division of Job  
Development and Training (DJDT)

The DJDT communicates fixed asset regulations to the SDAs by documenting the regulations in the DJDT Financial Manual. Each SDA receives a copy of the manual.

Our review of SDA and DJDT fixed asset records and procedures revealed the following concerns:

- A. Some SDAs did not report physical inventory results to the DJDT on a timely basis. As of October 1998, seven of the fifteen SDAs had not reported their physical

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

inventory results to the DJDT. The DJDT Financial Manual indicates a physical inventory must be performed, reconciled, and documented at least once each year between April and June. In addition, the Financial Manual requires each SDA to send a letter to the DJDT upon completion of the physical inventory. DJDT personnel indicated the letters were supposed to be submitted to the DJDT by July 1, 1998.

To ensure the DJDT's fixed asset records are accurate and complete, the DJDT should enforce deadlines for receipt of physical inventory results from SDAs.

- B. The DJDT did not follow up on SDAs' physical inventory results on a timely basis. The results of two SDAs' physical inventories as of June 30, 1997, indicated some items could not be located. SDA 13 reported 28 items missing, with acquisition costs totaling \$52,975. However, when the physical inventory as of June 30, 1998, was completed, the SDA reported 13 of the missing items, costing a total of \$38,179, from the year earlier inventory had been located; but 15 items, totaling \$14,796, had not been located. Also, ten additional items, totaling \$11,462, were missing according to the SDA's June 30, 1998 physical inventory report. The missing items included computer equipment, a fax machine, a wheel balancer, a tool cabinet, a dictation unit, a camcorder, a VCR, a folding machine, a typewriter, and large appliances. The large appliances were among seven items left at a training site that was vacated several years ago. SDA 11 reported three items missing, with acquisition costs totaling \$4,303. The missing items included a typewriter, a computer system, and a keyboard. The DJDT Financial Manual indicates SDAs are required to replace missing items or pay the DJDT the fair market value of the items. Although the physical inventory results for the year ended June 30, 1997, were reported to the DJDT by June 30, 1997, as of October 1998, the DJDT has not required the SDAs to replace the items or pay the DJDT the fair market value of the items.

To encourage SDAs to ensure all fixed assets are accounted for properly, the DJDT should establish procedures to enforce the requirement that SDAs must replace missing items or pay DJDT the fair market value of the items.

#### **WE RECOMMEND** the DJDT:

- A. Enforce deadlines for receipt of physical inventory results from SDAs.
- B. Establish procedures to enforce the requirement that SDAs replace missing items or pay DJDT the fair market value of the items.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**AUDITEE'S RESPONSE**

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

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

**98-4. Subrecipient Monitoring**

Federal Agency: Department of Education  
Department of Health and Human Services  
Federal Program: 84.010 Title I Grants to Local Educational Agencies  
84.027 Special Education - Grants to States  
84.048 Vocational Education - Basic Grants to States  
84.173 Special Education - Preschool Grants  
93.575 Child Care and Development Block Grant  
State Agency: Department of Elementary and Secondary Education (DESE)

- A. The DESE either makes advance payments or disburses monies based on a payment schedule to school districts and post-secondary schools until the end of the fiscal year when the last payment made is based on a final expenditure report submitted by these subrecipients. Department of Education Regulation 34 CFR 80.37(a)(4) and Department of Health and Human Services Regulation 45 CFR 92.37(a)(4) require the state to minimize the time elapsing between the receipt of funds and disbursement and to establish similar requirements for subrecipients. Although the DESE has established such procedures for the department, it has not established procedures for subrecipients to minimize the time elapsing between the transfer of funds from the state and subsequent disbursement by the subrecipients.
- B. The DESE does not have established procedures to inform subrecipients of grant award information, such as the Catalog of Federal Domestic Assistance (CFDA) title and number, award name and number, and the name of the federal agency. Office of Management and Budget (OMB) Circular A-133 requires the DESE to inform subrecipients of CFDA title and number, award name and number, and name of federal agency.

**WE RECOMMEND** the DESE:

- A. Establish procedures to ensure subrecipients minimize the time elapsing between the transfer of funds from the state and disbursement by the subrecipients.
- B. Provide subrecipients grant award information such as CFDA title and number, award name and number, and name of federal agency.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**AUDITEE'S RESPONSE**

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

<b>98-5.</b>	<b>Period of Availability of Funds</b>
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Federal Agency: Department of Education  
Federal Program: 84.027 Special Education - Grants to States  
State Agency: Department of Elementary and Secondary Education (DESE)  
Questioned Costs: \$261,149

Special Education regulations provide for an obligation period for using grant funding of fifteen months from July 1 through September 30 of the following year plus a one-year carryover provision. For example, the 1995 appropriation initially became available on July 1, 1995 which allows grant funds to be obligated from July 1, 1995 through September 30, 1997. Department of Education Regulation 34 CFR 80.23(a) indicates where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period.

In addition, Department of Education Regulation 34 CFR 80.23(b) requires that obligations incurred under a federal award must be liquidated not later than 90 days after the end of the funding period. For the Special Education grant, obligations should have been liquidated by December 31, 1997.

Special Education funds totaling \$76,719 were not obligated until October 14, 1997, which was after the date when funds could be obligated. In addition, \$129,037 in Special Education funds originally obligated in June 1997 to various school districts were unobligated in October 1997 and reobligated to other school districts, after the date when funds could be obligated.

Payments totaling \$55,393 were made from Special Education Grant funds during January 1998 through April 1998, which was after the date when obligations could be liquidated.

**WE RECOMMEND** 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.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**AUDITEE'S RESPONSE**

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

DEPARTMENT OF HEALTH

**98-6. Schedule of Expenditures of Federal Awards and Subrecipient Awards**

Federal Agency: Department of Agriculture  
Department of Health and Human Services  
Federal Program: 10.557 Special Supplemental Nutrition Program for Women, Infants,  
and Children  
10.558 Child and Adult Care Food Program  
93.575 Child Care and Development Block Grant  
93.596 Child Care Mandatory and Matching Funds of the Child Care  
and Development Fund  
State Agency: Department of Health (DOH)

A. OMB Circular A-133 requires the DOH to prepare a Schedule of Expenditures of Federal Awards (SEFA). This Circular states the SEFA shall, at a minimum, list individual federal programs by federal agency and include the CFDA number for each individual federal program. To the extent practical, the schedule is also to include amounts provided to subrecipients for each federal program. We noted the following problems with the SEFA prepared by DOH:

- The programs listed on the SEFA were not listed by federal agency. In general, Department of Health and Human Services programs were listed first followed by Department of Agriculture programs; however, programs without a CFDA number were listed last and other programs were listed randomly on the SEFA.
- While in most cases the DOH did identify the CFDA number, the CFDA title used by the DOH was not correct for most of the programs included on the SEFA. Programs were identified by the generic title used by the DOH instead of the proper title used by the CFDA.
- Amounts provided to subrecipients were included on a separate schedule. This schedule did not include the CFDA number and did not list programs by federal agency. In addition, the schedule originally prepared by DOH was not accurate because it indicated a higher amount provided to subrecipients than the total expenditures for several programs.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

As a result, the SEFA prepared by the DOH was not accurate and did not comply with OMB Circular A-133. We made the appropriate adjustments to the original SEFA to conform to federal requirements. The DOH needs to implement procedures and maintain proper records to ensure the SEFA is prepared accurately.

- B. OMB Circular A-133 requires DOH to inform subrecipients of the CFDA title and number of federal awards. The DOH makes several awards to subrecipients that include both state and federal monies and other awards that include monies from various federal programs. While the DOH does inform subrecipients when federal and/or state monies are used in an award, DOH does not inform subrecipients of the amount of federal monies used from each particular federal program. As a result, subrecipients cannot determine how much federal money is provided to them for each federal program included in the award and this may impede the subrecipient's audit process. In addition, the CFDA title of the federal award was rarely provided to subrecipients. At a minimum, DOH should implement procedures to provide the percentage of each award that is attributable to each individual federal program and include the CFDA title in the contract to ensure compliance with OMB Circular A-133.

**WE RECOMMEND** the DOH implement procedures and maintain records to ensure:

- A. The SEFA is prepared in accordance with OMB Circular A-133.
- B. Subrecipients are provided with the information required by OMB Circular A-133.

**AUDITEE'S RESPONSE**

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

DEPARTMENT OF HIGHER EDUCATION

**98-7.**

**Reconciliation of Reports**

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

The DHE contracts with a loan program servicer to maintain records, process loans and claims, and collect on defaulted loans guaranteed through the Federal Family Education Loans (FFEL) program. The loan program servicer is responsible for providing data used to compile monthly (1189) and quarterly (1130) reports submitted by the DHE to the United States Department of Education (USDE). Although the DHE agrees the data presented on

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

the quarterly and monthly reports to supporting documentation, a reconciliation of the monthly and quarterly reports is not performed.

The 1130 report sections that could be reconciled with the 1189 report are the claims section, the collections section, and the federal receivable data section. Although methods to reconcile the two reports have been provided to both DHE and the loan program servicer in previous audits and by the USDE, the reconciliations have not been routinely performed. The loan servicer prepared a reconciliation of the federal receivable data section for the quarter ending December 31, 1997.

To adequately monitor the department's financial position and to ensure errors are detected and corrected on a timely basis, the DHE should reconcile the monthly reports to the quarterly reports on a timely basis. Without a reconciliation of the monthly and quarterly reports, errors may go undetected.

**WE RECOMMEND** the DHE establish and implement procedures to reconcile the 1189 and 1130 reports and maintain documentation of the reconciliations.

**AUDITEE'S RESPONSE**

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

DEPARTMENT OF TRANSPORTATION

<b>98-8. Subrecipient Monitoring</b>
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Federal Agency: Department of Transportation  
Federal Program: 20.205 Highway Planning and Construction  
State Agency: Department of Transportation (MoDOT)

The MoDOT passes federal funds to subrecipient local governments through various programs, including the Highway Bridge Replacement and Rehabilitation Program. OMB Circular A-133 requires the grant recipients to provide subrecipients the applicable federal compliance requirements and to monitor the subrecipients' activities to provide reasonable assurance that the subrecipients administer the federal awards in compliance with the federal requirements. The MoDOT provides each recipient of federal funds a Local Public Agency Manual (LPA) which identifies the applicable federal compliance requirements.

- A. Section 6.2.2 of the Cash Management Improvement Act Agreement between the State of Missouri and the United States Department of Treasury states that funds should be requested such that they are received not more than two days prior to disbursement of a payment. The LPA does not address this cash management

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

requirement. Some subrecipients incur the related expenditures prior to claiming reimbursement from MoDOT; however, it appears many subrecipients request and receive grant funds from MoDOT prior to disbursing the monies. Audits of some subrecipients have reported these entities holding funds longer than two days before payment is made to the applicable parties, with some monies being held for a significant amount of time.

The MoDOT must monitor cash drawdowns by its subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the state. In addition, the LPA should be revised to address these requirements.

- B. Sections 8.289 and 8.291, RSMo 1994, provide that when obtaining engineering services for any capital improvement project, at least three highly qualified firms should be considered. The LPA provides that each subrecipient shall submit to MoDOT a statement of procedures which it uses to evaluate and select consultants and that three or more firms be considered before the final selection is made. However, the MoDOT does not ensure that subrecipients submit the required statement of procedures or ensure subrecipients evaluate at least three firms as required. Audits of some subrecipients have reported that the applicable subrecipient had no documentation to indicate at least three engineering firms were considered prior to a contract for engineering services being entered into.

The MoDOT should establish procedures to ensure subrecipients submit the required statement of procedures and evaluate at least three firms.

- C. The MoDOT does not have adequate procedures to ensure findings reported in subrecipient audit reports are properly addressed. Subrecipients have not always been contacted or management decisions issued related to audit findings. OMB Circular A-133 requires subrecipients expending \$300,000 or more in federal awards during the subrecipient's fiscal year to have a single audit performed. The pass-through entity is also required to issue management decisions on audit findings in those reports within six months of receipt of the report and ensure that the subrecipient takes appropriate and timely corrective action.

#### **WE RECOMMEND** the MoDOT:

- A. Inform subrecipients about the cash management requirements and establish procedures to ensure the requirements are met.
- B. Establish procedures to ensure subrecipients submit a statement of procedures used to evaluate and select engineering consultants as required and ensure subrecipients consider at least three firms before procuring such services.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

- C. Establish procedures to ensure that management decisions are made on subrecipient audit findings within six months after receipt of the audit reports and that the subrecipient takes appropriate and timely corrective action.

**AUDITEE'S RESPONSE**

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

DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS

<b>98-9. Cost Allocation System</b>
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Federal Agency:	Department of Labor
Federal Program:	17.207 Employment Service 17.225 Unemployment Insurance 17.801 Disabled Veterans' Outreach Program 17.804 Local Veterans' Employment Representative Program
State Agency:	Department of Labor and Industrial Relations (DLIR)

The DLIR allocates costs to its various grant programs each month through the use of a computerized Cost Allocation System (CAS). The system performs this allocation based on percentages of time devoted to various project codes during the month which is developed from the DLIR's time recording system. The allocation process is performed in several phases to ensure that allocated costs can be allocated to a specific cost center or to various cost centers in accordance with one or more allocation tables used by the DLIR.

The DLIR's controls over the CAS input and output are inadequate. Each month, prior to the allocation process, the DLIR prepares a detailed listing of expenditures incurred by the various cost centers. This pre-allocation report indicates whether each expenditure is charged directly to a program or set aside to be allocated among various programs. Subsequent to the allocation process, the DLIR prepares a summary report of total costs allocated for the same month. This post-allocation report also indicates whether each expenditure is a direct cost or a cost that was allocated by the CAS.

The DLIR does not reconcile indirect costs from the pre-allocation report to the post-allocation report; however, with the DLIR's assistance, we performed this reconciliation for the month of March 1998. A monthly reconciliation as described above is needed to ensure that total expenditures not coded directly to projects have been properly allocated. In addition, the DLIR does not perform periodic tests of the allocation performed by the CAS to ensure expenditures are being properly allocated at the project code level.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**WE RECOMMEND** the DLIR establish procedures to reconcile monthly reports of costs to be allocated by the CAS to actual allocated expenditures. In addition, the DLIR should periodically test the CAS, to ensure it is allocating costs properly at the project code level.

**AUDITEE'S RESPONSE**

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

DEPARTMENT OF MENTAL HEALTH

**98-10. Suspension and Debarment Compliance**

Federal Agency: Department of Health and Human Services  
Federal Program: 93.959 Substance Abuse Prevention and Treatment Block Grant  
State Agency: Department of Mental Health (DMH)

The State is required to obtain a certification from all subrecipients and any contractors receiving individual awards of \$100,000 or more. The certification indicates that the organization and its principals are not suspended or debarred from doing business with the federal government. The DMH has not obtained such certifications from subrecipients and contractors.

**WE RECOMMEND** the DMH obtain appropriate suspension and debarment certifications from subrecipients and applicable contractors.

**AUDITEE'S RESPONSE**

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

DEPARTMENT OF NATURAL RESOURCES

**98-11. Federal Grant Reporting Procedures**

Federal Agency: Environmental Protection Agency  
Federal Program: 66.000 Environmental Protection Agency-Cross Cutting Issues  
State Agency: Department of Natural Resources (DNR)

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

The DNR administered about 40 federal grant programs during the year ended June 30, 1998.

The DNR periodically files financial status reports (FSRs) with the federal grantor to report the federal grant activity. The DNR obtains the information needed to complete the FSRs from their Integrated Administrative System (IAS). OMB Circular A-133 requires the DNR to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year showing the financial activity for each federal program. Our review of the federal grant reporting procedures noted the following:

- A. Differences exist between the amounts reported on the FSRs, the amounts reported on the IAS for each federal grant, and the amounts presented on the SEFA. Documentation of the reconciliations of these amounts is not retained.

To ensure expenditures are properly reported to the appropriate federal agencies and accurately stated on the SEFA, documentation of the reconciliation between the amounts shown on the FSRs to the amounts recorded on the IAS and the SEFA should be retained.

- B. The SEFA prepared for the fiscal year ended June 30, 1998, was incorrect and incomplete and required several adjustments. Some federal programs were not included on the schedule, some expenditures were actually expenditures or accounting adjustments from previous years, and some expenditures were incorrectly reported based on supporting documentation. Reported federal expenditures for some programs on the original schedule as compared to the actual federal expenditures shown on the adjusted schedule of expenditures for the year ended June 30, 1998, are as follows:

<u>CFDA #</u>	<u>Federal Program</u>	<u>Expenditures Originally Reported</u>	<u>Corrected Expenditures Reported</u>
15.252	Abandoned Mine Land Reclamation Program	\$ 1,643,641	2,758,126
66.438	Construction Management Assistance	(1,257,089)	259,288
66.458	Capitalization Grants for State Revolving Funds	107,787,774	39,119,942
66.605	Performance Partnership Grants	11,314,925	8,536,156
81.042	Weatherization Assistance for Low-Income Persons	4,052,347	2,576,655

In addition to the above programs, \$1.1 million in adjustments were required to correct the SEFA for various other programs. The total federal expenditures originally reported on the SEFA was \$136,736,538, while the adjusted and corrected total expenditures presented on the schedule was \$67,531,968, or a difference of \$69,204,570 in adjustments.

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

The DNR should ensure the SEFA is complete and accurate. Formal written procedures should be developed on how the schedule is to be prepared and checked for completeness and accuracy. In addition, the DNR should ensure the individual preparing the schedule is properly trained and supervised.

#### **WE RECOMMEND** the DNR:

- A. Retain written documentation of the reconciliations between the amounts reported on the Integrated Administrative System, the FSRs, and the SEFA.
- B. Prepare a complete and accurate SEFA. Formal written procedures for preparation of the schedule should be prepared and the individual preparing the schedule should be properly trained and supervised.

#### **AUDITEE'S RESPONSE**

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

<b>98-12. Monitoring of Weatherization Subgrantees</b>
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Federal Agency: Department of Energy  
Federal Program: 81.042 Weatherization Assistance for Low Income Persons  
State Agency: Department of Natural Resources (DNR)

The DNR provides funding for weatherization activities to 18 subgrantees located throughout the state. The DNR monitors the expenditures by subgrantee to ensure various financial and compliance guidelines are met. In addition, the subgrantees are required to have an annual audit performed in accordance with OMB Circular A-133, which is submitted to and reviewed by the DNR. The DNR internal auditor also performs a yearly monitoring visit on each subgrantee. A review of 11 subgrantee independent audit reports noted one audit that disclosed several weaknesses in the weatherization program. Although the audit report for the period ended September 30, 1997, and dated November 21, 1997, disclosed no questioned costs, the audit report revealed the following weaknesses:

- Weatherization expenditure reports being prepared by the program director were based upon budget estimates and work orders. There was no way to reconcile these reports to the subgrantee's general ledger.
- The subgrantee had over expended in certain categories of funding with respect to its weatherization program.
- One client file contained no proof of ownership.
- Four client files indicated applications were not current and income was not reverified.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

- One client file contained a calculation of income that was performed incorrectly, which would have made the client ineligible if calculated correctly.
- Four client files contained no proof of address relating to copies of loan payments.
- One instance was noted where support for an expense could not be located.
- One expenditure had been incorrectly charged to the weatherization program.
- Various instances were noted where proper bidding was not performed.
- One expenditure was not recorded to the proper account.
- Supporting documentation could not be located for two disbursements.

There was no documentation available at the DNR to indicate the audit findings were followed up on. A discussion with the DNR internal auditor in December 1998 noted that he had not contacted the subrecipient to determine if corrective action had been taken. He indicated that this would be done as part of a monitoring visit in January 1999.

OMB Circular A-133, Section 400(d) requires the DNR to issue a management decision on audit findings within six months after receipt of the audit report and to ensure the subrecipient takes appropriate and timely corrective action.

The weaknesses noted in the audit report and the lack of follow up by the DNR could result in the weatherization program being charged for expenditures not related to that particular activity and, consequently, could represent unallowable costs to the program.

**WE RECOMMEND** the DNR establish procedures to ensure all subrecipient audit reports are followed up on to ensure proper corrective action has been taken as required by OMB Circular A-133.

**AUDITEE'S RESPONSE**

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

<b>98-13.</b>	<b>State Revolving Fund Bank Reconciliations</b>
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Federal Agency: Environmental Protection Agency  
Federal Program: 66.458 Capitalization Grants for State Revolving Funds  
State Agency: Department of Natural Resources (DNR)

Reconciliations of the State Revolving Fund reserve account bank balances to the accounting records are not being performed properly. At June 30, 1998, the accounting records indicated the reserve account balances were \$2.1 million less than what was actually held in the various bank accounts. We also noted there were no independent reviews of the

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

reconciliations between the accounting records and the various bank statements by someone other than the person that normally performs the reconciliations.

To ensure the reserve account balances of the State Revolving Fund are accurate, a proper reconciliation between the accounting records and the various bank statements must be performed. Any difference between the accounting records and the amounts per the bank statements should be resolved and corrections appropriately made and documented.

**WE RECOMMEND** the DNR ensure accurate reconciliations of the State Revolving Fund reserve account balances per the accounting records to the amounts recorded on the various bank statements be performed and any difference be investigated and resolved. An independent review of the reconciliations should also be made periodically.

**AUDITEE'S RESPONSE**

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

DEPARTMENT OF SOCIAL SERVICES -  
DIVISION OF CHILD SUPPORT ENFORCEMENT

<b>98-14.</b>	<b>Subrecipient Audits</b>
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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 reimburses counties for a share of expenses related to the Child Support Enforcement program. The DCSE requires these subrecipients to sign a cooperative agreement to receive reimbursements. OMB Circular A-133 requires the state to ensure that subrecipients expending \$300,000 or more in federal awards in a fiscal year have met the audit requirements of OMB Circular A-133. The state must also issue a management decision on all audit findings within six months after receipt of the subrecipient's audit report and ensure the subrecipient takes appropriate and timely corrective action if instances of noncompliance with federal laws and regulations are noted.

The DCSE'S county cooperative agreements incorrectly continue to require audits in compliance with OMB Circular A-128 instead of OMB Circular A-133.

**WE RECOMMEND** the DCSE provide all subrecipients notice that audits must be in compliance with OMB Circular A-133, and similarly correct all future cooperative agreements.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**AUDITEE'S RESPONSE**

*DCSE agrees with the auditor's finding. DCSE's Corrective Action Plan includes DCSE's planned actions to address this finding.*

DEPARTMENT OF SOCIAL SERVICES -  
DIVISION OF FAMILY SERVICES

<b>98-15.</b>	<b>Benefit Eligibility</b>
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Federal Agency:	Department of Health and Human Services	
Federal Program:	93.658 Foster Care - Title IV-E	<u>Questioned Costs</u> \$16,174
	93.778 Medical Assistance Program	5,422
State Agency:	Department of Social Services - Division of Family Services (DFS)	

- A. Under 42 USC Sections 606 and 672(a), foster children are eligible to receive Title IV-E benefits if under age eighteen, or, until age nineteen if a full-time high school student and are reasonably expected to graduate by their nineteenth birthday. Once a foster child reaches either one of these two limitations, the state may continue benefits with state funds.

To comply with the above age limitation rules, the DFS uses a monthly computer report to identify foster children reaching age nineteen who would no longer be eligible for the federal benefits. This monthly report is sent to the local DFS office for any necessary case actions such as changing the funding source or closing the case. The system does not review graduation date status or identify foster children reaching the age of eighteen who need graduation status review.

We obtained a computer file of all Foster Care clients as of April 1998 and used the information to determine the adequacy and test the effectiveness of the DFS procedures. At April 30, 1998, there were 111 open cases in which the foster child was age eighteen or older and was receiving benefits from Title IV-E. We selected 28 of these 111 cases for further review. Of the 28 cases, 24 were for foster children nineteen or older with 17 of these cases being active and 4 were for children between the age of eighteen and nineteen with active cases. We noted eighteen cases where the child continued to receive benefits from Title IV-E after age nineteen or after age eighteen when the case file documentation clearly indicated the child was not expected to graduate from high school by age nineteen. The review also noted an additional five cases where the child received benefits from Title IV-E after age eighteen; however, based on the child's birth date it appeared probable that the child

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could not graduate from high school by age nineteen. The following table provides greater detail on these twenty-three cases:

Case Number	Month No Longer IV-E Eligible	Reason Child No Longer Eligible	As of 9/98 # of		Total Amount Inappropriately Paid From IV-E Funds	Case Status As Of 09/30/98	Child Was Being Paid From IV-E Funds At 09/30/98	Case File Had Documentation of High School Graduation Status	Estimate of Amount Inappropriately Paid from IV-E Funds If Child Could Not Graduate By Age 19	Local Office
			Ineligible Months	Paid From IV-E Funds						
1	1/98	B	9	\$	2,628	active	yes	no	\$ 3,504	St. Louis City
2	7/98	C	1		198	closed 7/98	no	yes	0	St. Louis
3	10/97	A	7		2,044	active	no H	yes	0	St. Louis
4	11/96	C	12		3,334	closed 10/97	no	yes	0	St. Louis
5	3/98	B	3		876	closed 6/98	no	no	3,504	Mississippi
6	5/97	A	17		4,672	active	yes	yes	0	Adair
7	6/98	B	1		292	closed 6/98	no	yes	0	Adair
8	1/98	B	3		622	closed 3/98	no	no	3,504	Platte
9	1/97	A	17		5,108	active	no D	yes	0	Boone
10	10/97	B	3		744	closed 12/97	no	no	3,504	Greene
11	4/98	B	6		1,752	active	yes	no	3,504	St. Louis City
12	7/97	B	10		310	closed 5/98	no	F	372	Wayne
13	4/98	B	5		1,460	closed 9/98	yes	G	3,504	Jackson
14	4/98	B	3		876	active	no E	G	1,632	Jackson
15	4/98	B	3		279	active	no E	G	1,632	Jackson
16	5/98	B	2		584	closed 7/98	no	F	3,504	Jackson
17	10/97	B	1		292	closed 3/98	no	F	3,504	Pulaski
18	4/98	B	2		584	active	no H	F	3,504	Jasper
19	N/A	N/A	0		0	closed 7/98	no	F	3,504	Caldwell
20	N/A	N/A	0		0	closed 3/98	no	no	62,821	Jackson
21	N/A	N/A	0		0	closed 8/97	no	F	3,504	Boone
22	N/A	N/A	0		0	closed 12/97	no	F	3,504	Bates
23	N/A	N/A	0		0	closed 6/98	no	F	3,504	Jefferson
					<u>\$ 26,655</u>					<u>\$ 112,009</u>

- A Documentation in the case file indicates the child would not graduate from high school by age 19.
- B Child over age 19.
- C Child was over age 18 and had graduated from high school.
- D Effective June 1998 the child was no longer paid from IV-E funds.
- E Effective July 1998 the child was no longer paid from IV-E funds.
- F Case file was not reviewed.
- G Could not determine because the local office could not find the case file.
- H Case is active, but no benefits are being paid.

Based on the results documented in the above table, it appears eighteen of these foster children received at least \$26,655 in inappropriate Title IV-E benefits, with the resulting federal share being \$16,174, which we have questioned. For six of the cases noted above, we found no documentation in the case file supporting that the child was reasonably expected to graduate from high school before age nineteen. We were unable to evaluate the high school graduation status for three cases because the Jackson County local office could not locate the case files and we did not look at the case files for eight others. For the eighteen cases showing inappropriate Title IV-E payments, we included only amounts paid after the child turned nineteen or after the child turned eighteen and documentation in the case file supported that the child was not expected to graduate before the age of nineteen. However, for eleven of these children and the five other cases noted above, it did not appear that the child could have been reasonably expected to graduate from high school by age nineteen, based on the month of birth. If these children were ineligible for Title IV-E benefits starting at age eighteen, the additional amount of inappropriate benefit payments would total \$112,009 (federal share of \$67,967).

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The DFS uses allocation rates computed on a quarterly basis to compute certain categories of administrative costs for reimbursement under the Title IV-E program. The state included counts of these ineligible children in computing the allocation rates. As a result, Title IV-E administrative costs may have been overclaimed for the year ended June 30, 1998. Since we could not determine the exact period of ineligibility for each child, we did not compute the amount of administrative costs overclaimed.

Procedures should be improved to ensure the high school graduation status of all foster children turning age eighteen is obtained, documented in the case file and used to correct the benefit funding source if the expected graduation will be after age nineteen. The DFS should also consider computer system changes that would automatically switch the funding source to state only funding when foster children reach age nineteen.

- B. The foster children discussed above also received benefits under the Medicaid program. Once Title IV-E eligibility ends the DSS must reevaluate the child's Medicaid eligibility status. The child would no longer be eligible for benefits paid from Title IV-E related Medicaid eligibility (ME) codes which are partially federally funded, but could be eligible for benefits from a different ME code which may or may not be partially federally funded. Fifteen of the twenty-three children continued to receive Medicaid benefits from Title IV-E related ME codes after becoming ineligible for Title IV-E benefits. We could not determine which ME code a child's Medicaid benefits should have been paid from after he or she became ineligible for Title IV-E benefits. The children received at least \$8,935 in Medicaid benefits paid from an inappropriate ME code, with the resulting federal share being \$5,422 which we have questioned. If these children were ineligible for Title IV-E benefits at age eighteen, the additional amount of benefits paid from inappropriate ME codes would total \$8,787 (federal share of \$5,332).

**WE RECOMMEND** the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should improve procedures to ensure the high school graduation status for all foster children turning eighteen is obtained, documented in the case file and used to adjust the benefit funding source (including Medicaid benefits) if the child's expected graduation will be after age nineteen. The DFS should also consider computer system changes that would automatically switch to state funding when foster children reach the age of nineteen.

#### **AUDITEE'S RESPONSE**

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

<b>98-16.</b>	<b>Eligibility - Death Match</b>
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Case Number	Date of Death	Date Death Posted By the BVS	Next Redetermination Date	Number of Household Members	As of 9/98 Number of Months The Case Was Overpaid Or Underpaid After Death	As of 9/98 Case Status And Client Status On Case	Estimate of Benefits Overpaid Or (Underpaid)	Local Office the Case Is Handled At
1	11-25-95	12-12-95	8/99	2	34	active	\$ 3,468	St. Louis City
2	3-3-98	3-16-98	3/99	4	6	active	(294)	Wright County
3	3-29-98	4-13-98	2/99	3	6	active	(402)	St. Louis County
4	4-21-98	5-13-98	4/99	2	5	active	510	St. Louis City
5	4-19-96	6-13-96		4	26	expired 6/98	2,074	St. Louis County
6	9-11-97	10-8-97		2	10	closed 10/98	1,020	St. Louis City
7	9-13-97	10-14-97		5	10	expired 7/98	(2,010)	St. Louis County
8	7-28-97	8-19-97		2	10	expired 5/98	730	St. Louis City
9	12-15-97	12-29-97		2	9	expired 9/98	(477)	St. Francis County
10	12-30-97	2-11-98		2	5	closed 5/98	0	Jackson County
11	1-5-98	3-3-98		2	7	closed 8/98	(476)	St. Louis City
12	1-15-98	2-3-98		3	7	expired 9/98	266	Jackson County
13	1-23-98	3-4-98		2	5	expired 6/98	0	Jackson County
14	1-24-98	3-3-98		2	6	closed 7/98	0	St. Louis City
							<u>\$ 4,409</u>	

Based on the DFS benefit calculation guidelines and the earned income information in the case files, it appears the benefits were overpaid \$8,068 on six of the cases and benefits were underpaid \$3,659 on five cases.

Based on the results of our review, it appears caseworkers may not always receive or appropriately act on the death match reports sent to them. For example, in one case it appeared a benefit adjustment was appropriately made by the client's TANF caseworker, but not by the client's Food Stamp caseworker. In another instance, the case file indicated the death was only determined when the client's mail was returned to the DFS office and the death match report was not in the case file. In three instances, repeated case redetermination took place without the death being determined or reported by other clients on the case. For one of these cases, the caseworker identified the client's death ten months after its occurrence. The case file contained no indication of a computer match death notice.

DFS procedures need to be revised to ensure death match reports are received by caseworkers and reviewed on a timely basis. The revised procedures should ensure follow-up action if case changes or corrections are not made promptly.

**WE RECOMMEND** the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should establish procedures to follow-up on the status of death match reports submitted to local offices for review to ensure action is appropriately taken to reevaluate the benefits the case is receiving.

**AUDITEE'S RESPONSE**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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

<b>98-17.</b>	<b>Eligibility-Benefits to Felons</b>
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Federal Agency:	Department of Agriculture and Department of Health and Human Services	
		<u>Questioned Costs</u>
Federal Program:	10.551 Food Stamps	\$521
	93.558 Temporary Assistance for Needy Families	0
State Agency:	Department of Social Services - Division of Family Services (DFS)	

The Personal Responsibility and Work Reconciliation Act of 1996, that became effective August 22, 1996, forbids the use of TANF or Food Stamp funds to provide assistance to any individual who is fleeing to avoid prosecution, or custody or confinement after conviction, for a felony or attempt to commit a felony, or who is violating a condition of parole or probation imposed under federal or state law.

During the month of April 1998, the state had approximately 234,000 TANF and Food Stamp recipients over age nineteen. To determine if the DFS was in compliance with this new requirement, we selected a statistical sample of 386 clients and asked the Missouri State Highway Patrol to determine if any of them had outstanding felony warrants. This sample was calculated to provide a 95% confidence level.

We identified two persons with outstanding felony warrants who had active Food Stamp cases as of October 1998. The following table provides greater detail on the two individuals:

Case Number	Date Warrant Issued	Month No Longer Eligible	Estimated Total Amount Overpaid As of 10/31/98	Case Status at 10/31/98	County Office
1	11-4-97	3/98 (1)	\$ 385	active (2)	McDonald
2	8-12-98	9/98	136	active	St. Louis
			<u>\$ 521</u>		

- (1) Month client's inactive case was reopened
- (2) Case was sanctioned August 25, 1998 for an unrelated problem.

Our statistical sample indicates the estimated number of clients ineligible for benefits is approximately 1,200. For the year ended June 30, 1998, the average monthly food stamp

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

benefit paid per client was approximately \$70 and the 1,200 clients would receive up to \$84,000 in projected ineligible benefits monthly.

Based on these projections, it appears the DFS should establish a cost-effective procedure to determine if clients have outstanding felony warrants.

**WE RECOMMEND** the DFS resolve the questioned costs with the grantor agency. In addition, the DFS should establish a cost-effective procedure to determine whether clients have outstanding felony warrants or have committed other violations that would prevent their eligibility.

**AUDITEE'S RESPONSE**

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

<b>98-18.</b>	<b>Eligibility-Social Security Number</b>
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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  
State Agency: Department of Social Services - Division of Family Services (DFS)

All clients must apply for and be approved to receive benefits. During the application process, caseworkers are required to obtain social security numbers for each person included in the case. If the applicant cannot provide documentation of the social security number of all case members, program rules require the case to be opened and the necessary social security number documentation obtained at the client's next redetermination. If the documentation is not provided at redetermination, the client is to be removed from the case.

To test the effectiveness of DFS procedures to ensure social security numbers are obtained, we sorted a list of April 1998 TANF and Food Stamp recipients by social security number and noted 9,266 clients who did not have a social security number in the computer system database. We tested 48 of these clients and noted eleven of the forty-eight clients reviewed did not have a social security number entered into the database by November 1998. We reviewed the case files for five of these eleven clients and found that each file contained documentation of the client's social security number. Thus, it appears the caseworker obtained the social security number but did not enter it into the database.

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Considering social security numbers are required for all benefit recipients and these numbers must be used in the various computer match verifications the DFS performs, procedures should be improved to ensure all social security numbers are entered into the DFS database when obtained.

**WE RECOMMEND** the DFS improve procedures to ensure client social security numbers obtained after the initial application are entered into the DFS database.

**AUDITEE'S RESPONSE**

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

<b>98-19. Corrective Action on Prior Audit Findings</b>
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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  
State Agency: Department of Social Services - Division of Family Services (DFS)

- A. The DFS responded for audit finding 97-16A in the Summary Schedule of Prior Audit Findings that corrective action had been taken regarding ineligible receipt of TANF benefits by clients due to unreported workers' compensation benefits. While our review indicated that corrective action had been taken for the nine ineligible cases reported, a periodic match between the DFS computer records and workers' compensation computer records has not been established to identify workers' compensation benefits unreported by clients. The DFS response incorrectly implies that such a match is currently being done. The DFS has indicated it plans to implement such a match as part of the Family Assistance Management Information System (FAMIS) computer system, but that match has not yet been started.
- B. The DFS responded for audit finding 97-16C in the Summary Schedule of Prior Audit Findings that corrective action had been taken regarding clients with invalid social security numbers on the DFS computer system. Our review indicated that all errors noted in the last audit were corrected; however, an additional eight clients

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with invalid numbers were noted in the population of April 1998 TANF and Food Stamp benefit recipients. None of these invalid numbers had been corrected by November 1998. On a quarterly basis DFS local offices are to receive a report of social security numbers reported as incorrect or invalid by the Social Security Administration based on the verification procedures performed by the department. It appears procedures were not improved to correct invalid social security numbers being reported in the DFS computer system.

**WE RECOMMEND** the DFS:

- A. 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.
- B. Improve procedures to ensure caseworkers review the quarterly social security number exception report and correct any invalid social security numbers in the DFS computer system.

**AUDITEE'S RESPONSE**

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

<b>98-20.</b>	<b>Reporting Compliance</b>
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Federal Agency: Department of Health and Human Services  
Federal Program: 93.667 Social Services Block Grant (SSBG)  
State Agency: Department of Social Services (DSS)

The DSS uses SSBG monies to fund various programs within the Divisions of Aging, Family Services, and Youth Services. Department of Health and Human Services regulations 45 CFR 96.74 and 45 CFR 96, Appendices A and B, require the state to prepare an annual report of program results. The annual report can be submitted in any format of the state's choice except for certain specific data for which a standard form is provided by the federal agency. The DSS supplemented the standard form with a separate narrative summary. On the report submitted for the year ended September 30, 1997, the DSS failed to include some information necessary to comply with federal requirements. Examples of the errors or omissions included:

- 1. Failure to report the total social service expenditures of federal, state, and local funds for each service category. Some state and local expenditures were omitted.
- 2. Failure to identify for each expenditure or recipient service data line item whether the data was from actual sources, or based on estimated or sampled results. Recipient

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- data also failed to indicate whether the data was based upon an unduplicated or a duplicated count.
3. Failure to provide a description of the sampling and/or estimation methods used to derive any data reported which was not based on actual results.
  4. Failure to report whether each type of service was provided through public or private organizations or both.
  5. Reporting some children's treatment service expenditures under the "other services" line item rather than reporting the expenditures to one of the other more appropriate twenty-eight service category options. If the "other services" line item is used, the state's definition of these services is to appear in the report. Such a definition was not included.

The errors or omissions appeared to occur because the DSS had not established procedures to ensure the SSBG annual report was prepared in accordance with federal requirements.

**WE RECOMMEND** the DSS establish procedures to ensure the SSBG annual report is prepared 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 this finding.*

<b>98-21.</b>	<b>Suspension and Debarment Compliance</b>
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Federal Agency: Department of Education and Department of Health and Human Services

Federal Program: 84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States  
93.044 Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers  
93.045 Special Programs for the Aging - Title III, Part C - Nutrition Services  
93.563 Child Support Enforcement  
93.568 Low-Income Home Energy Assistance (LIHEAP)  
93.575 Child Care and Development Block Grant

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund  
93.658 Foster Care - Title IV-E  
93.667 Social Services Block Grant  
93.778 Medical Assistance Program  
State Agency: Department of Social Services (DSS)

The state is required to obtain a certification from all subrecipients and any contractors receiving individual awards of \$100,000 or more. The certification indicates that the organization and its principals are not suspended or debarred from doing business with the federal government. The DSS has not obtained such certifications from subrecipients and contractors.

The DSS reported for finding 97-18B in the Summary Schedule of Prior Audit Findings that corrective action had been taken for a similar suspension and debarment concern noted for the LIHEAP program. However, our review determined that corrective action was not taken because the most recent contracts and subrecipient agreements for this program failed to include the required certifications.

**WE RECOMMEND** the DSS obtain appropriate suspension and debarment certifications from subrecipients and applicable contractors.

**AUDITEE'S RESPONSE**

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

<b>98-22.</b>	<b>Schedule of Expenditures of Federal Awards</b>
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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  
93.658 Foster Care - Title IV-E  
State Agency: Department of Social Services (DSS)

The Schedule of Expenditures of Federal Awards (SEFA) prepared by the DSS misreported the expenditure amounts for the following programs:

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CFDA Number	Initial Expenditure Amount Reported On The SEFA	Actual Amount Which Should Have Been Reported On The SEFA	Amount Overstated
93.575	49,393,248	23,391,411	26,001,837
93.596	140,882,199	45,149,917	95,732,282
93.658	73,666,100	61,821,857	11,844,243
	<u>263,941,547</u>	<u>130,363,185</u>	<u>133,578,362</u>

OMB Circular A-133 requires the auditee to prepare a Schedule of Expenditures of Federal Awards and report the total federal awards expended for each individual federal program. The DSS has not established effective procedures to ensure amounts reported on the SEFA are correct. The errors noted were corrected when we reported them to the DSS management.

**WE RECOMMEND** the DSS improve procedures to ensure the correct expenditure amounts are reported on the SEFA.

**AUDITEE'S RESPONSE**

*We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding. However, because the auditor acknowledges that errors were corrected when discovered, we disagree that this is a reportable item.*

<b>98-23.</b>	<b>Cash Management</b>
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Federal Agency: Department of Health and Human Services and Department of the Treasury

Federal Program: 93.575 Child Care and Development Block Grant (CCDBG)  
 State Agency: Department of Social Services (DSS)

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Questioned Costs: \$57,090

The Cash Management Improvement Act (CMIA) and 31 CFR 205 require each state to enter into an agreement with the U.S. Department of the Treasury (DOT) covering the rules and procedures for the transfer of federal funds to the state for specific federal programs covered in the agreement. Each 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. In Missouri, the interest liability or the interest receivable for each applicable grant is submitted to the DOT by the state's Office of Administration in an annual report based on documentation submitted by the various state agencies that manage the federal programs which are included in the annual CMIA agreement.

For the year ended June 30, 1998, the CCDBG program was included in the state's CMIA agreement. As the lead agency for this grant, the DSS draws down all CCDBG funding, subsequently passing part of the funding to the Department of Health (DOH) under an interagency agreement. The DOH requests most of its CCDBG funding on a reimbursement basis as the funds are needed for its programs. However, under a separate interagency agreement between the DOH and the Department of Elementary and Secondary Education (DESE), CCDBG funding is also provided to the DESE. All the DESE funding is requested by the DOH on an advanced basis and is then transmitted to the DESE immediately upon receipt.

For the year ended June 30, 1998, the DESE held an average month end balance of \$1.1 million in CCDBG funding. However, the state did not report the interest liability for this program on the CMIA Annual Report. As the lead agency for this grant, the DSS is responsible for ensuring compliance with cash management requirements. The interest liability for this grant could be as much as \$57,090 based on the average balance held and the 5.19 percent interest rate required by the CMIA for fiscal year 1998.

The DSS should work with the DOH and the DESE to ensure future funding provided to these agencies is requested on a reimbursement basis or reflect monies being held at the DESE in future CMIA interest calculations.

**WE RECOMMEND** the DSS resolve the questioned costs. In addition, the DSS should work with the DOH and the DESE to ensure future funding provided to these agencies is requested on a reimbursement basis or reflect monies being held at the DESE in future CMIA interest calculations.

#### **AUDITEE'S RESPONSE**

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

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### DEPARTMENT OF SOCIAL SERVICES - DIVISION OF MEDICAL SERVICES

**98-24.**

#### **Ineligible Payments**

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)  
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 (BVS). The match agreed 609 Medicaid recipients by social security number with BVS records of a deceased individual. Many of the matched records were errors due to incorrect social security numbers in the BVS records or other reasons. We noted 309 recipients for whom the DMS properly either recouped money that had been paid out after the date of death, or did not pay a claim after the date of death. However, we also 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. 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.

DMS procedures need to be revised to ensure the MMIS is properly updated upon a recipient's death so that future claims are not paid inappropriately. Based on work performed, the DMS appears to have overpaid \$108,221 for inpatient, nursing home, and managed care claims and we question the federal share of this amount, \$65,669.

**WE RECOMMEND** 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.

#### **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 this finding.*

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**98-25. Nursing Home and Hospice Claim Overpayments**

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)  
Questioned Costs: \$94,473

The DMS will pay hospice providers for hospice care furnished to nursing home recipients. These payments to the hospice provider include 95 percent of the nursing home per diem. The hospice is then responsible for reimbursing the nursing home based on a separate agreement between the hospice provider and the nursing home.

During our review of nursing home and hospice claims paid during the year ended June 30, 1998, we noted numerous instances in which both the nursing home and the hospice provider were paid by the DMS for the same dates of service. All of these errors occurred during the initial month the nursing home recipient elected to receive hospice care. In total, the DMS paid nursing homes for 1,809 patient days for which the hospice provider was also paid, resulting in overpayments of \$159,380. We question the federal share of this amount, \$94,473. Although we did not quantify the overpayment for prior years, this problem appears to have existed since hospice providers began receiving the nursing home per diem in May 1989.

**WE RECOMMEND** the DMS resolve the questioned costs with the grantor agency. The DMS should also investigate and resolve similar questioned costs from prior years. In addition, the DMS should establish procedures to ensure nursing home and hospice claims are properly processed and paid.

**AUDITEE'S RESPONSE**

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

**98-26. Drug Rebate 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)  
Questioned Costs: \$257,083

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

The national drug rebate program requires all drug manufacturers to enter into a rebate agreement with the U.S. Department of Health and Human Services (HHS) before their products can be reimbursed by Medicaid. The manufacturer is required to remit a rebate for each reimbursed unit of a drug at the end of each calendar quarter. The Omnibus Reconciliation Act of 1990 (OBRA 90) established program guidelines applicable to both the state agencies who administer the rebate programs and the drug manufacturers. During the drug rebate dispute resolution process, the DMS identifies units over billed on drug claims. As a result, the DMS will reduce rebates from the manufacturers. Also, when a claim overpayment is determined, the DMS will initiate a recoupment from the pharmacy provider if the date of service on the claim is less than five years old. However, if the date of service is more than five years old, the DMS does not attempt to recover the overpaid claims from the pharmacy providers. The explanation given for this policy is that providers are not required to maintain documentation beyond five years from the date of service and, as a result, claim documentation may not be available for review.

As of December 1998, the Drug Rebate Unit has identified 9,193 claims with estimated overpayments totaling \$423,670, for which recoupments from the pharmacies have not been initiated because the date of service for these claims is more than five years old. Federal regulations in 42 CFR Section 433.300 through 433.320 require all identified overpayments be returned to the grantor agency. We question the federal share of this amount, \$257,083.

**WE RECOMMEND** the DMS resolve the questioned costs with the grantor agency. In addition, the DMS should ensure the grantor agency is credited for its share of overpayments when identified, attempt to recover the overpayments, and establish procedures to ensure future recoupments of overpayments are performed in a timely manner.

**AUDITEE'S RESPONSE**

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

<b>98-27.</b>	<b>Third Party Liability</b>
---------------	------------------------------

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 Third-Party Liability (TPL) Unit's responsibilities include identifying, investigating, and monitoring Medicaid recipients' third-party resources. Third-party resources are responsible for paying the medical costs prior to those costs being submitted to the Medicaid Program for payment. By identifying third-party resources, the costs of the Medicaid Program can be reduced. During audit work of the TPL unit, the following concerns were noted:

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

- A. The DMS has not maintained an up-to-date TPL action plan and has not submitted any updates to the Health Care Financing Administration (HCFA) since March 1991. Changes that have occurred since then include an increase in the cost effectiveness threshold amount for recovery of TPL claims from \$75 to \$500; a new contingency fee contractor and change in the scope of the contract; and some data matches no longer being performed. In addition, the DMS has been operating under a pharmacy cost avoidance waiver which expired in December 1993.

42 CFR Section 433.138 (k) and Section 3902.2 of the State Medicaid Manual require states to have an action plan for pursuing third party liability claims. The Medicaid manual requires all changes to the TPL action plan to be submitted to the HCFA Regional Office on an ongoing basis, but no later than 90 days from the date of the implementing change.

- B. When the TPL Unit identifies trauma cases involving Medicaid recipients, the cases are recorded on a personal injury log. During the year ended June 30, 1998, 11,344 entries were recorded on this log. We selected 40 TPL claims from the personal injury log and for seven of 27 applicable items, the DMS failed to pursue collection from the third party within 60 days of the end of the month as required by 42 CFR Section 433.139 (d)(2). In addition, two of the seven cases, with liens of \$726 and \$1,190 respectively, were incorrectly closed. These cases were reopened as a result of our review.

#### **WE RECOMMEND** the DMS:

- A. Ensure that the TPL action plan is maintained on a current basis and updates are submitted to HCFA in accordance with federal regulations.
- B. Establish procedures to ensure collections from third parties are pursued within 60 days of the end of the month in which the potential TPL is identified.

#### **AUDITEE'S RESPONSE**

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

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**98-28.**

#### **Hospital Overpayments**

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)  
Questioned Costs: \$183,196

Section 1923 (g)(1)(A) of the Social Security Act and the Omnibus Reconciliation Act of 1993 (OBRA 93) require that payments not exceed the hospital's costs of treating Medicaid patients and the costs of uninsured patients. During our review of hospital payments, we noted the following concerns:

A.1. In March 1998, the DMS identified payments totaling \$4,794,643 made to twenty hospitals which exceeded these hospitals' cost of providing care to Medicaid and uninsured patients. These overpayments sometimes unavoidably occur due to changes in estimates used to calculate provider incentive payments. Due to accounting errors in recording the related accounts receivable, the DMS only reduced the total Medicaid expenditures by \$1,568,845, leaving \$3,225,798 which were not initially netted against Medicaid expenditures. A similar accounting error, totaling \$612,295, occurred during the previous fiscal year ended June 30, 1997. After we brought these matters to their attention, the DMS made the necessary corrections to the report to HCFA for the quarter ending September 30, 1998.

42 CFR Section 433.300 through Section 433.320, requires the DMS to return overpayments to the grantor agency within 60 days.

2. At the time of our review in January 1999, nineteen of the twenty hospitals had either repaid the overpayment, or were having amounts withheld from subsequent Medicaid payments. However, one of the twenty hospitals noted above still owed the DMS the entire amount of a \$815,972 overpayment. As of January 1999, this hospital had received approximately \$11.2 million in Medicaid payments since the receivable was established in March 1998. However, the DMS had not recouped any of the overpayment from this hospital. The DMS indicated recoupment had not begun in this case due to legal issues regarding a merger of this hospital. The DMS should recoup all overpayments in a timely manner.

B. The DMS established new inpatient per diem rates for all 147 hospital providers effective April 1, 1998. These new per diem rates were based on the providers' 1995 cost reports. We reviewed the per diem rate for 20 hospital providers and noted one provider's per diem rate which was apparently inappropriately increased by \$155 in December 1998. This hospital had been paid a \$155 incentive payment (as allowed by state regulation) since June 1993, to compensate it for additional costs related to

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

providing acute treatment services to former residents of a state mental hospital. When new rates were established in 1998, the additional costs associated with providing the acute treatment were included in the 1995 cost report, and therefore considered when establishing the \$824 per diem. However, the DMS failed to rescind the state regulation which provided for the initial incentive payment. On December 18, 1998, the DMS notified the hospital by letter of a \$155 rate increase from \$824 to \$979. The DMS then retroactively adjusted claims with dates of service between April 1, 1998 and December 18, 1998 to pay at the new rate of \$979, resulting in an additional payment of \$301,906. The letter indicated that the increase was to allow an incentive payment to be added to the hospital's per diem for inpatient acute care services as provided by the state regulation. We question the federal share of the retroactive payment, \$183,196.

It should also be noted the retroactive payment to this provider appears to exceed the limitations of the Social Security Act and OBRA 93 for state fiscal year 1998 because payments to this provider exceeded the hospital's costs of treating Medicaid and uninsured patients. The DMS asserts that additional capital and education costs were allowed this hospital to ensure these limitations were not exceeded. However, these costs were not allowed to other hospital providers during state fiscal year 1998. If other hospitals had been allowed these costs, the amount of overpayments identified in A.1. above would have been reduced.

#### **WE RECOMMEND** the DMS:

- A.1. Establish procedures to ensure the federal share of overpayments is credited to the grantor agency within 60 days.
2. Ensure overpayments are recouped from providers in a timely manner.
- B. Resolve the questioned costs with the grantor agency. In addition, the DMS should recoup overpayments made to this provider and establish procedures to ensure reimbursement rates comply with state and federal regulations.

#### **AUDITEE'S RESPONSE**

- A.1. *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 this finding.*
2. *We agree with the auditor's finding. Our Corrective Action Plan includes our planned actions to address this finding.*
- B. *We disagree with the auditor's finding. Our Corrective Action Plan includes an explanation and specific reasons for our disagreement.*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

STATE OF MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Office of Management and Budget (OMB) 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, 1997, and the findings from the prior audits for the years ended June 30, 1996 and 1995, 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.

OMB 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, 1996 is as follows:

Findings numbered 1, 3A, 4, 6B, 7, 8, 10, 11, and 15B were corrected.

Findings numbered 2, 3B, 5, 6A, 9, 12, 13, 14, 15A, and 16 are included in the Summary Schedule of Prior Audit Findings.

The disposition of the findings from the year ended June 30, 1995 is as follows:

Findings numbered 1, 2, 5, 7, 9, 12, 13, 14, 15, 17B, 19, 21B, 22, and 23 were corrected.

Findings numbered 6, 8, 11, 16, and 24B did not warrant further action.

Findings numbered 3, 4, 10, 17A, 18, and 24A had similar findings in the report for the year ended June 30, 1996 and, as a result, are not included in this report as findings for 1995.

Findings numbered 17C, 20, and 21A are included in the Summary Schedule of Prior Audit Findings.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1997**

97-1.B. Expenditures

Federal Agency: Department of Labor  
State Agency: Department of Economic Development – Division of Job  
Development and Training (DJDT)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
17.246	Employment and Training Assistance - Dislocated Workers	\$1,909
17.250	Job Training Partnership Act	5,227

Some on-the-job training (OJT) salary reimbursement claim forms paid by administrative entities were not signed by program participants resulting in questioned costs of \$7,136.

**Recommendation**

The DJDT resolve the questioned costs with the grantor agency and ensure the administrative entities comply with OJT documentation requirements.

**Status of Finding:**

The administrative entities provide some of the required documentation or participant signatures to support some of the questioned costs. OJT documentation requirements will be reviewed during future monitoring visits to the administrative entities. The grantor agency has not yet requested the Governor's resolution of this finding. Once payment has been received from the administrative entity, DJDT will consider this finding fully corrected.

**Status of Questioned Costs:**

DJDT has determined \$2,133 of the questioned cost to be disallowed. The administrative entity has been notified this amount must be returned to DJDT from non-federal funds. The disallowed costs are a debt and if not paid will be turned over to the State Attorney General's Office for debt collection.

Preparer's Signature: *Harry Struempfer*

Phone Number: 751-4750

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1997**

97-2.A. Fixed Asset Records and Procedures

Federal Agency: Department of Labor  
State Agency: Department of Economic Development – Division of Job  
Development and Training (DJDT)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Cost</u>
17.246	Employment and Training Assistance – Dislocated Workers	\$0
7.250	Job Training Partnership Act	0

Some Service Delivery Areas (SDAs) did not report physical inventory results to the DJDT on a timely basis.

Recommendation

The DJDT enforce deadlines for receipt of physical inventory results from SDAs.

Status of Finding:

Not corrected. DJDT did not receive all of the required physical inventory results for the year ending June 30, 1998. DJDT will make every effort possible to ensure the reporting requirements for physical inventories are received from the SDAs in a timely manner.

Preparer's Signature: *Harry Struempfer*

Phone Number: 751-4750

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1997**

97-2.B. Fixed Asset Records and Procedures

Federal Agency: Department of Labor  
State Agency: Department of Economic Development – Division of Job  
Development and Training (DJDT)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
17.246	Employment and Training Assistance - Dislocated Workers	\$0
17.250	Job Training Partnership Act	0

The DJDT did not conduct physical inventories at its headquarters or at the Service Delivery Areas (SDAs) during the year ended June 30, 1997.

Recommendation

The DJDT conduct annual physical inventories in accordance with state regulations.

Status of Finding:

DJDT conducted the physical inventory and will in the future comply with state inventory regulations. DJDT considers this finding fully corrected.

Preparer's Signature: Harry Stinson Phone Number: 751-4750

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1997**

97-2.C. Fixed Asset Records and Procedures

Federal Agency: Department of Labor  
State Agency: Department of Economic Development – Division of Job  
Development and Training (DJDT)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
17.246	Employment and Training Assistance - Dislocated Workers	\$0
17.250	Job Training Partnership Act	0

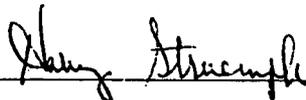
Fixed asset location information on the DJDT's fixed asset records for the four Service Delivery areas (SDAs) tested was inaccurate for fourteen of fifty-eight items tested. It appears the SDAs did not report equipment transfers to the DJDT within 30 days as required.

**Recommendation**

The DJDT enforce the requirement that SDAs report equipment transfers to the DJDT within 30 days.

**Status of Finding:**

Fully corrected. DJDT will make every effort possible to enforce SDA compliance with equipment memorandum reporting requirements.

Preparer's Signature: 

Phone Number: 751-4750

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-3. Vocational Rehabilitation Refunds

Federal Agency: Department of Education and Social Security Administration  
State Agency: Department of Elementary and Secondary Education (DESE)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	\$0
96.001	Social Security - Disability Insurance	0

The Division of Vocational Rehabilitation did not transmit refunds received to the Department of Revenue for deposit on a timely basis, in accordance with department policy.

Recommendation:

The DESE, Division of Vocational Rehabilitation transmit receipts in accordance with its policy.

Status of Finding:

The Department of Elementary and Secondary Education - Vocational Rehabilitation is attempting to timely transmit receipts in accordance with our policy.

Preparer's Signature: Quaden Beck Phone number: 751-41041  
- 10/30/98

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-4. Special Education Consulting Services

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
84.027	Special Education - Grants to States	\$26,363
84.181	Special Education - Grants for Infants and Families with Disabilities	9,637

Department-wide consulting service expenditures were directly charged to the Special Education program grants resulting in questioned costs of \$36,000.

**Recommendation:**

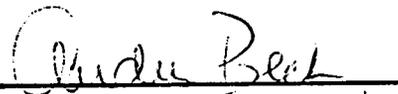
The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should ensure only expenditures specifically related to the Special Education program are charged directly to Special Education grants.

**Status of Finding:**

The Department has contacted the U.S. Department of Education regarding this finding. They indicated that the finding will be forwarded to the appropriate federal agency and a final judgment would be made at that time.

**Status of Questioned Costs:**

Unresolved.

Preparer's Signature:  Phone number: 751-4681  
11/9/98

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-5.A. Salaries

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.560	State Administrative Expenses for Child Nutrition	\$0
84.010	Title I Grants to Local Educational Agencies	0

The department did not prepare semi-annual certifications or personnel activity reports to support the salaries paid from applicable federal programs.

Recommendation:

The DESE maintain semi-annual certifications or personnel activity reports for all employees working on federal programs as required by OMB Circular A-87.

Status of Finding:

Semi-annual certifications or personnel activity reports are being maintained for all employees working on federal programs as required by OMB Circular A-87.

Preparer's Signature:

Audrey Beck

Phone number:

257-4681

10/30/98

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-5.B.

Salaries

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	\$6,044

Documentation was not maintained to support the method used to allocate an employee's salary resulting in questioned costs of \$6,044. The employee did not maintain time sheets or personnel activity reports nor was the allocation method used for this salary approved by the cognizant federal agency.

Recommendation:

The DESE resolve the questioned costs with the grantor agency. In addition, the DESE should obtain cognizant federal agency approval of its allocation method for this salary or require the individual to maintain time sheets, personnel activity reports or other documentation as required by OMB Circular A-87.

Status of Finding:

The U.S. Department of Education was contacted via written request for a determination on this issue. They indicated that "it is not unusual for someone to work under and be paid from both indirect and direct cost objectives. The provision at OMB Circular A-87 - Attachment B, Item 11.(h)(4)(c) addresses this particular work environment. You must, however, account for 100% of the worker's effort. Failure to do so could result in duplication or shifting of costs only to those programs or activities for which time is accounted." This documentation is currently being maintained for this employee.

Status of Questioned Costs:

Unresolved.

Preparer's Signature: *Audrey Beall*

Phone number: 757-4681

*11/9/98*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-6. Time Accounting Variance Reports

Federal Agency: Department of Agriculture and Department of Health and Human Services  
State Agency: Department of Health (DOH)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	\$0
93.268	Childhood Immunization Grants	0
93.575	Child Care and Development Block Grant	0

Some divisions had not reviewed the June 1997 time accounting system variance reports and submitted changes to the DOH-Bureau of Financial Services (BFS) in a timely manner.

Recommendation:

The DOH establish procedures to ensure the monthly time accounting variance reports are reviewed by appropriate division personnel and corrections reported to the BFS in a timely manner.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: Peggy Horne

Phone number: 573-751-6014

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-7. Federal Reporting

Federal Agency: Department of Education  
State Agency: Department of Higher Education (DHE)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
84.032	Federal Family Education Loans (FFEL)	\$0

The department did not include approximately 950 supplemental preclaims assistance (SPA) loan accounts on monthly reports to the federal agency.

Recommendation:

The DHE ensure that all SPA accounts are reported to the federal agency for reimbursement.

Status of Finding:

*Corrective action was taken.*

Preparer's Signature: Randy Ann Leure Phone number: (573) 751-1786

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-8. Funds Held Outside the State Treasury

Federal Agency: Department of Education  
State Agency: Department of Higher Education (DHE)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
84.032	Federal Family Education Loans	\$0

The DHE maintains a bank account for the Automatic Transfer of Money (ATOM) Program. The department does not have statutory authority on the state level to maintain funds outside the State Treasurer's office.

Recommendation:

The DHE move this account to the state treasury or pursue specific authority to establish the ATOM account outside the state treasury.

Status of Finding:

*Not corrected. However, the DHE is planning to introduce legislation in the next legislative session to obtain specific authority for the ATOM bank account.*

Preparer's Signature: Raye Ann Leune Phone number: (573) 751-1786

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-9.                    Davis-Bacon Act Compliance

Federal Agency:     Department of Transportation  
State Agency:        Department of Transportation (MoDOT)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
20.205	Highway Planning and Construction	\$0

The department uses wage interviews of construction project employees to evaluate contractor and subcontractor compliance with the Davis-Bacon Act. For three of five projects reviewed, the department did not perform the number of wage interviews required by department policies.

Recommendation:

The MoDOT implement procedures to ensure the required number of wage interviews are performed to document compliance with the Davis-Bacon Act.

Status of Finding:

Procedures have been implemented to provide reasonable assurance of and document compliance with the Davis-Bacon Act.

Preparer's Signature:



Phone number: 522 - 4350

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-10. Real Property Dispositions

Federal Agency: Department of Transportation  
State Agency: Department of Transportation (MoDOT)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
20.205	Highway Planning and Construction	\$0

We reviewed ten of seventeen dispositions of excess right-of-way land and noted two instances in which the MoDOT did not contact the awarding agency prior to disposing of the property.

Recommendation:

The MoDOT obtain disposition instructions prior to disposing of real property acquired with federal funds.

Status of Finding:

MoDOT has revised procedures to give reasonable assurance that disposition instructions are obtained from FHWA prior to the disposal of real property acquired with federal funds.

Preparer's Signature: 

Phone number: 522-4350

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-11. Questionable Payments to Service Providers

Federal Agency: Department of Health and Human Services  
State Agency: Department of Mental Health (DMH)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.959	Block Grant for Prevention and Treatment of Substance Abuse	\$936,811

The DMH provided \$936,811 of program funding to three for-profit providers, who are ineligible to receive these block grant funds.

Recommendation:

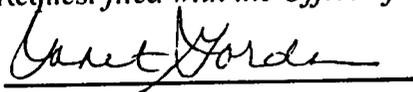
The DMH resolve the questioned costs with the grantor agency. In addition, the DMH should discontinue providing block grant funds to for-profit providers.

Status of Finding:

*Corrected. The funding process ensures payments from the Block Grant will be disbursed to nonprofit entities only.*

Status of Questioned Costs:

*Payment Correction Request filed with the Office of Administration.*

Preparer's Signature:  Phone number: 751-8050

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-12.A. Subrecipient Audits and Monitoring of Findings

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
83.516	Disaster Assistance	\$0

The SEMA did not have effective procedures to ensure audit reports received from Public Assistance Program subrecipients were reviewed and necessary follow-up action was taken in a timely manner.

Recommendation:

The SEMA review all subrecipient audit reports in a timely manner and ensure appropriate corrective action is taken within six months after receipt of the audit report as required by federal regulation.

Status of Finding:

Procedures to ensure required audits of sub-recipients receiving Public Assistance funds are as follows:

1. Applicants are informed of audit requirements at Applicant Briefing conducted by SEMA/FEMA immediately following the disaster declaration.
2. Audit requirements are continually provided to sub-recipients as funds are advanced and close-out procedures are accomplished.
3. The receipt of audit reports are logged and entered into a computer data base by PA staff which is shared by the PA and Hazard Mitigation staff.
4. Where audits indicate or identify questionable costs, appropriate actions are taken with the sub-recipient contacted by SEMA and the matter rectified.
5. As recommended, SEMA staff will ensure that all audits will be reviewed and corrective action initiated within six months.

Preparer's Signature: Craig Rodick

Phone number: 520-9106

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97.12.B. Subrecipient Audits and Monitoring of Findings

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
83.516	Disaster Assistance	\$0

The SEMA did not have an effective tracking system to ensure audit reports were submitted from Buyout Program subrecipients. In addition, no documentation was maintained supporting the review of audit reports received. Most subrecipients of the Buyout Program are also subrecipients of the Public Assistance (PA) Program.

### Recommendation:

The SEMA establish a combined subrecipient tracking and review system for the PA and Buyout Programs to adequately monitor which subrecipients are required to submit an audit report, the date the report is received and the date reviewed.

### Status of Finding:

Procedures to track and ensure required audit reports are requested, received, and reviewed for significant findings are as follows:

1. Upon completion of a project, a letter accompanying the final performance report (a closeout report completed by the State Emergency Management Agency) is sent to the community receiving federal funds. This letter states the community must submit the required audit reports per the Single Audit Act. (This policy was established prior to review by the State Auditor's Office.)
2. Since receipt of the State Auditor's Office's report for year ended June 30, 1997, a database has been created which will track each project's required, requested, received, and reviewed audit reports. It will also note significant findings (if any exist) and the corrective actions that are taken.
3. Upon receipt of an audit report, it is reviewed with comments in the database. A report is generated from the information in the database which summarizes the review of the audit report. If a significant finding is noted, a letter will be sent to the community requesting a written response regarding the finding and any corrective actions taken.
4. In addition, every quarter (starting the quarter ended March 31, 1998) a review of the funds disbursed will be completed verifying whether the community has reached the annual threshold as stated in the Single Audit Act of 1984, the Single Audit Act of 1984, as amended 1996, and the Office of Management and Budget (OMB) Circular A-133.

If the community has reached the annual threshold based on its fiscal year, the community will be notified in writing that an audit report for that fiscal year is required.

If the community has not reached the annual threshold and has completed a fiscal year in which it received federal funds, the community will receive a written notice requesting:

- (1) a concurrence stating that the community has not received aggregate federal funds of more than the established threshold for the specified fiscal year
- or
- (2) the audit report for the specified fiscal year if the community determines that it has received aggregate federal funds of more than the established threshold for that fiscal year.

Note: Prior to contacting the community for the required audit reports, we will check if the specific fiscal year audit report has already been submitted to another section of our agency, specifically fiscal and public assistance. If it has, we will review that copy and contact the community only if a significant finding has been noted.

Preparer's Signature: 

Phone number: 7512458

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-13 Automated Child Support Enforcement System

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.563	Child Support Enforcement	\$0

Given the current status of the automated child support enforcement system, it is unclear whether the system will be certified during the federal certification review. Additional system enhancements with various deadlines are required to be in place by the year 2001.

Recommendation:

The DCSE ensure federal deadlines for the automated child support enforcement system are met.

Status of Finding:

The Division of Child Support Enforcement through its memorandum dated October 5, 1998 has affirmed that the DCSE has successfully addressed the audit finding 97-13, Automated Child Support Enforcement System. It states "During the week of September 21 - September 25, 1998, the Missouri Automated Child Support System (MACSS) was inspected by representatives of the Department of Health and Human Services. Based on the exit comments of those representatives, it appears Missouri has achieved certification of the federally mandated automated child support enforcement system and financial penalty has been avoided."

Preparer's Signature: 

Phone number: 751-4927



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-15. FAMIS Contract Change Request

Federal Agency: Department of Agriculture and Department of Health and Human Services  
State Agency: Department of Social Services (DSS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.561	State Administrative Matching Grants for Food Stamp Program	\$133,624
93.558	Temporary Assistance for Needy Families	386,988
93.566	Refugee and Entrant Assistance - State Administered Programs	413
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	11,652
93.778	Medical Assistance Program	66,234

The contractor for the Family Assistance Management Information System (FAMIS) project was overpaid \$826,368 of which the federal share was \$598,911.

**Recommendation:**

The DSS resolve the questioned costs with the federal grantor agencies.

**Status of Finding:**

The overpayment of \$5,985 was recouped by a reduction of the final invoice to BDM.

**Status of Questioned Costs:**

DSS continues to disagree that the payment was inappropriate. DSS initiated conversations with representatives of the federal grantor agencies. During the conversations, it was indicated by the representatives of the federal agencies that the amount paid to BDM was not inappropriate. DSS received approval for amounts requested through the APD process, which included but did not specifically identify this particular payment. There is no correspondence that directly addressed this payment, but DSS posits the issue of the costs questioned in the prior audit have been resolved.

Preparer's Signature: James P Burns

Phone number: 751-2170

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-16.A.                      Benefit Eligibility

Federal Agency:            Department of Agriculture and Department of Health and Human Services  
 State Agency:              Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$0
93.560	Family Support Payments to States - Assistance Payments	0
93.568	Temporary Assistance for Needy Families (TANF)	0
93.778	Medical Assistance Program	0

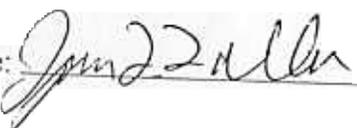
The DFS does not perform a routine match of workers' compensation benefit payments to clients receiving assistance benefits such as Food Stamps, TANF, and Medicaid. We performed a computer match of persons receiving workers' compensation payments as of June 1997, which identified 225 cases that required further research to determine if the clients received ineligible assistance. We tested fourteen of the cases and noted nine clients who were ineligible to receive \$11,502 in TANF benefits and \$3,906 in Medicaid benefits. In addition, if the benefits being paid these clients did not stop for the remaining period of ineligibility an additional \$8,109 in benefits would be paid. The DFS plans to include a computer match between DFS files and workers' compensation benefit payment records as part of the Family Assistance Management Information System (FAMIS) being developed; however, the date of completion of this system and performance of this match is not expected for some time.

**Recommendation:**

The DFS review the nine cases noted and recoup any inappropriate assistance benefits that were disbursed to ineligible clients. The DFS should also consider establishing an interim periodic 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. In addition, DFS should ensure all workers' compensation payments reported or determined through future match procedures are clearly documented in the client's case file along with an evaluation of the payment on the client's eligibility and monthly benefit amount.

**Status of Finding:**

Corrective action has been taken.

Preparer's Signature: 

Phone number: 573-751-4206

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-16.B. Benefit Eligibility

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.560	Family Support Payments to States - Assistance Payments	\$0
93.568	Temporary Assistance for Needy Families (TANF)	0
93.778	Medical Assistance Program	0

We matched computer records of TANF and Food Stamp recipients to state employees as of August 1997 and reviewed eligibility criteria for fifty employees receiving assistance. Of the fifty cases we reviewed, we noted that two employees of the Department of Social Services received at least \$6,600 in TANF benefits and \$2,560 in Medicaid benefits for which they appeared to be ineligible based on their salary level. It appears these clients failed to report earned income or employment status changes. Eligibility redeterminations on these clients were not done timely or effectively in identifying the changes.

Recommendation:

The DFS review the two cases noted and recoup any inappropriate assistance benefits that were disbursed to ineligible clients. In addition, the DFS should strengthen procedures used to identify unreported changes in a client's earned income or employment status and ensure case redeterminations are performed timely.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: 

Phone number: 573-751-4206

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-16.C.                      Benefit Eligibility

Federal Agency            Department of Agriculture and Department of Health and Human Services  
State Agency:            Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$0
93.560	Family Support Payments to States - Assistance Payments	0
93.568	Temporary Assistance for Needy Families (TANF)	0
93.778	Medical Assistance Program	0

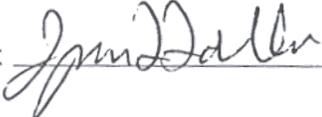
We performed a computer match of August 1997 TANF and Food Stamp clients to a list of invalid social security numbers and noted fourteen clients with invalid social security numbers on the DFS computer system. Seven of these clients still had invalid social security numbers reported on the computer system in January 1998.

**Recommendation:**

The DFS review the remaining seven invalid social security numbers for correctness and make any appropriate changes to the case files and computer records. In addition, DFS should strengthen procedures used to determine the validity of social security numbers provided by clients.

**Status of Finding:**

Corrective action has been taken

Preparer's Signature: 

Phone number: 577-4206

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-17. Salary Certifications

Federal Agency: Department of Agriculture and Department of Health and Human Services  
State Agency: Department of Social Services (DSS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.561	State Administrative Matching Grants for Food Stamp Program	\$0
93.563	Child Support Enforcement	0
93.568	Low-Income Home Energy Assistance	0
93.778	Medical Assistance Program	0

The DSS, Division of Budget and Finance (DBF) did not have effective procedures to ensure employees who worked solely on a single federal program or cost objective submitted required payroll certifications.

Recommendation:

The DBF strengthen procedures to ensure certifications are obtained at least semi-annually for employees who work on one federal program or cost objective.

Status of Finding:

Corrective action has been taken

Preparer's Signature: James P. Burns

Phone number: 751-2170

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-18.A.                      Subrecipient Compliance

Federal Agency:            Department of Health and Human Services

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.556	Family Preservation and Support Services	\$0

Procedures had not been established to ensure all applicable subrecipients for the Family Preservation and Support Services program submit audits performed under Circular A-133 requirements and that management decisions were issued within six months of receipt of these reports.

**Recommendation:**

The DFS establish procedures to ensure applicable subrecipients of the Family Preservation and Support Services program submit audit reports in accordance with Circular A-133 requirements and the department issues management decisions on audit findings within six months of receipt of these reports.

**Status of Finding:**

Corrective action has been taken.

Preparer's Signature: 

Phone number: 573-751-4206

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-18.B. Subrecipient Compliance

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.556	Family Preservation and Support Services	\$0
93.568	Low-Income Home Energy Assistance (LIHEAP)	0

The DFS did not obtain suspension and debarment certifications from subrecipients.

Recommendation:

The DFS ensure appropriate suspension and debarment certifications are obtained from subrecipients for the LIHEAP and Family Preservation and Support Services programs.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: 

Phone number: 573-751-4206

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-19. Fixed Asset Records

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.561	State Administrative Matching Grants for Food Stamp Program	\$0

The DFS fixed asset records were inadequate to ensure compliance with 7 CFR 277.13 regarding transfer or disposal of equipment purchased for the administration of the Food Stamp program.

Recommendation:

The DFS establish procedures to ensure compliance with 7 CFR 277.13.

Status of Finding:

Not corrected. DSS anticipates using the Sam-II system to record fixed assets. It is anticipated that the system will be implemented July 1, 1999.

Preparer's Signature: 

Phone number: 573-751-4206

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997**

97-20. Claims Accounting Restitution System Units

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$0

The Claims Accounting Restitution System (CARS) Units in the St. Louis County and City of St. Louis DFS offices were not entering claims in the CARS on a timely basis.

Recommendation

The DFS ensure the local office CARS Units enter claims in the CARS on a timely basis.

Status of Finding

Partially corrected. A collaborative effort has been initiated between Quality Assurance staff, local County staff and Program and Policy staff to look at ways to deal with the backlog of claims, as well as streamlining the current claims process.

Preparer's Signature: 

Phone number: 573-751-4226

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-21.A&B                      Surveillance, Utilization Review Subsystem

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$0

The Surveillance, Utilization, Review Subsystem unit did not review all suspect or potential recipient cases for placement in the lock-in program. Provider case reviews performed by the unit were not done on a timely basis.

Recommendation:

The DMS establish a summary report to periodically review the status of all open provider and recipient cases to ensure case reviews are conducted in a timely manner. In addition, the DMS should increase efforts to identify and correct Medicaid program abuse.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: Sherry Semion

Phone number: 751-3399

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-21.C                      Surveillance, Utilization Review Subsystem

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$0

Coding errors regarding eligibility and level of care resulted in certain recipients being identified as Long-Term Care Facilities (LTCF) recipients by the Medicaid Management Information System (MMIS), when in fact these recipients did not reside in LTCFs.

Recommendation:

The DMS correct the coding errors for identifying recipients who should be included in the population reporting for recipient exception processing.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: Sherry Simon

Phone number: MSI-3399

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-22.A. ADP Risk Analysis and Security Review

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$0

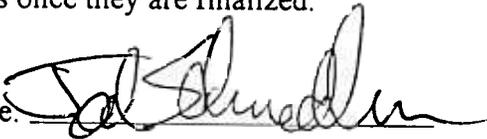
The DMS had not established a security plan for automated data processing (ADP) systems.

Recommendation:

The DMS establish a security plan for the ADP systems in accordance with federal requirements.

Status of Finding:

Not yet corrected. Federal regulations regarding ADP system security have been proposed, but are not yet final. Because proposed regulations are subject to change, DMS will take action to comply with the regulations once they are finalized.

Preparer's Signature:  Phone number: 751-7996

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-22.B. ADP Risk Analysis and Security Review

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$0

The DMS had not conducted biennial ADP system security reviews.

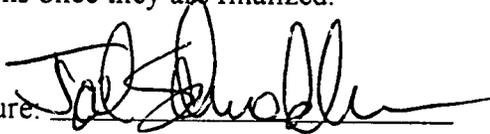
Recommendation:

The DMS perform biennial ADP system security reviews as required by federal regulations.

Status of Finding:

Not yet corrected. Federal regulations regarding ADP system security have been proposed, but are not yet final. Because proposed regulations are subject to change, DMS will take action to comply with the regulations once they are finalized.

Preparer's Signature: \_\_\_\_\_



Phone number: \_\_\_\_\_

751-7996

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-23.A. Drug Rebate Program

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

<u>CEDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$0

The DMS did not bill drug manufacturers under the national drug rebate program within established federal time limits. In addition, the DMS had not established procedures to monitor the dispute resolution process and ensure disputes were resolved in a timely manner.

Recommendation:

The DMS establish procedures to ensure compliance with federal regulations relating to billing and dispute resolution on the drug rebate program.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: *J. M. ...* Phone number: 5726-5777

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-23.B Drug Rebate Program

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$0

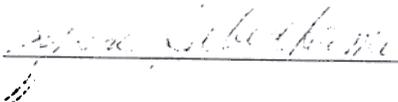
The DMS had not established adequate procedures for calculating, recording, billing, and collecting interest due from drug manufacturers for drug rebate program payments not remitted within thirty days of the invoice date.

Recommendation:

The DMS implement procedures to calculate, record, bill, and collect interest monies due from drug manufacturers.

Status of Finding

Partially corrected. The programmers are actively working to develop the system. Anticipated completion date is late 1998 or early 1999.

Preparer's Signature: 

Phone number: 526-5778

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1997

97-24. Managed Care Plus (MC+)

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$0

The DMS had not established procedures to ensure the health plans enrolled in the MC+ program submit encounter claims or ensure encounter claims are accurate and complete.

Recommendation:

The DMS establish procedures to ensure that health plans enrolled in the MC+ program are submitting complete and accurate encounter claims data.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: 

Phone number: 751-6922



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996**

96-3.B. Subrecipient Audits and Monitoring of Findings

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.550	Food Distribution	\$0
10.553	School Breakfast Program	0
10.555	National School Lunch Program	0
84.010	Title I Grant to Local Educational Agencies	0
84.027	Special Education - Grants to States	0
84.048	Vocational Education - Basic Grants to States	0
93.575	Child Care and Development Block Grant	0

Thirty-one public school district audit reports were not reviewed by the Elementary and Secondary Education Act (ESEA), Title I program section, on a timely basis. Ten public school district audit reports were not reviewed by the Vocational Education program section on a timely basis.

Recommendation:

In the absence of an effective review by the School Finance Section, the Title I and Vocational Education program sections should review the public school district audit reports and resolve audit findings and questioned costs within six months after receipt of the audit reports as required by federal regulation.

Status of Finding:

The Department is attempting to timely review audit reports and resolve audit findings and questioned costs within six months after receipt of the audit reports as required by federal regulation.

Preparer's Signature: *Audrey Beah* Phone number: 751-4681  
*10/30/98*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-5. Cost Allocation Procedures

Federal Agency: Department of Education  
State Agency: Department of Higher Education (DHE)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
84.032	Federal Family Education Loans (FFEL)	\$9,962

Two expenditures totaling \$19,131 were charged entirely to the Federal Family Education Loans (FFEL) program. It appears these expenditures were joint costs and \$9,565 should not have been charged to the FFEL program. Additionally, one expenditure was not allocated to the FFEL program according to the established allocation percentages and no documentation was retained for the deviation. As a result, \$397 was overcharged to the FFEL program.

Recommendation:

The DHE resolve the questioned costs with the grantor agency. In addition, the DHE should ensure that all expenditures are properly allocated to the correct program and document the basis for any deviations from the established allocation percentages.

Status of Finding:

On August 17, 1998 the DHE received a letter from the U. S. Department of Education instructing the DHE to repay the \$9,962 or appeal the finding and questioned costs within forty-five days. On September 29, 1998 the DHE appealed the finding and the related questioned costs. At the present time, the status of the appeal is unknown.

Status of Questioned Costs:

*See above.*

Preparer's Signature: Ray Ann Leure Phone number: (573) 751-1786

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996**

96-6.A.                    Loan Servicer Contract

Federal Agency:        Department of Education  
State Agency:         Department of Higher Education (DHE)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
84.032	Federal Family Education Loans	\$0

The loan servicer's deposit (lockbox) account contained an unidentified balance of approximately \$53,000.

Recommendation:

The DHE resolve the unidentified monies in the lockbox account and ensure the balance in this account is kept to a minimum.

Status of Finding:

*Corrective action was taken.*

Preparer's Signature: Raye Ann Leune Phone number: (573) 751-1786

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-9. Cooperative Agreement Compliance

Federal Agency: Department of Defense  
State Agency: Department of Public Safety - Adjutant General

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
12.401	National Guard Military Operations and Maintenance Projects	\$17,351

Refunds were not determined and remitted to the U.S. Treasury on a timely basis for unspent cooperative agreement advance payments.

Recommendation:

The Department of Public Safety - Adjutant General resolve the questioned costs with the grantor agency. In addition, the Department of Public Safety - Adjutant General should establish procedures to ensure the appropriate refund is determined for each cooperative agreement and remitted to the U.S. Treasury in a timely manner.

Status of Finding: Refund of FY's 95 and 96 appendices. The Director of Facilities manages three of the four appendices to the MCA that remain open. Our office (State Resources) in conjunction with the Facilities Division and the United State Property and Fiscal office are presently working to verify expenditures which occurred in federal FY 95 through these agreements. Revenues deposited to these agreements have been verified. However, because most of the records have been sent to the warehouse, this process is going to take longer than anticipated. The method of accounting for expenditures through the state system in FY's 95 and 96 did not accurately depict what had occurred during the federal fiscal year. Methods of accounting for expenditures and revenues have been revised to accommodate a federal as well as a state fiscal year. All other appendices have been closed for FY95.

All of the appendices to the master cooperative agreement concerning FY96 have been refunded/closed except for Telecommunications and ANG Security-St. Joseph. Sufficient information has not been received from the program managers to close these appendices.

Status of Questioned Costs:

The unpaid refund amounts for the cooperative agreements for which refunds were determined have been paid.

Preparer's Signature: Paul Calvert Phone number: 526-9609

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996**

96-12.A.                      Questionable Assistance Payments

Federal Agency:            Department of Health and Human Services  
State Agency:              Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.560	Family Support Payments to States - Assistance Payments	\$ 9,197

Five non-resident clients received \$15,328 in benefits resulting in questioned costs totaling \$9,197.

**Recommendation:**

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should investigate the five cases noted and determine if recoupment claims for inappropriate benefits should be initiated. The DFS should also consider possible enhancements in its fraud prevention and detection efforts.

**Status of Finding:**

Partially corrected. Claims have been established but no recovery of overpayments has occurred.

**Status of Questioned Costs:**

Since no recovery of overpayments has occurred, the questioned costs have not been returned to the grantor agency.

Preparer's Signature: *Jm J. Fuller*

Phone number: 573-751-4206

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996**

96-12.B. Questionable Assistance Payments

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.560	Family Support Payments to States - Assistance Payments	\$ 5,929

Nine clients who were ineligible as a result of receiving lottery prize or worker's compensation payments received \$9,882 in benefits resulting in questioned costs totaling \$5,929.

**Recommendation:**

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should review the cases noted above and recoup inappropriate assistance payments that were disbursed to ineligible clients. In addition, the DFS should establish adequate procedures to appropriately identify and respond to clients receiving lump sum income.

**Status of Finding:**

Partially corrected. Claims have been established on all cases which had overpayments, and \$1,340 has been recovered through recoupment and other credits.

**Status of Questioned Costs:**

When the CARS system recovers overpayments, the amount recovered is netted against the current quarter's expenditures, thereby reducing the amount of questioned costs that remain outstanding.

Preparer's Signature: *J. J. Allen*

Phone number: 573-751-4206



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996**

96-14.A. Funds Held Outside the State Treasury

Federal Agency: Department of Health and Human Services  
State Agency: Department of Social Services - Division of Family Services (DFS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
Various	Various	\$0

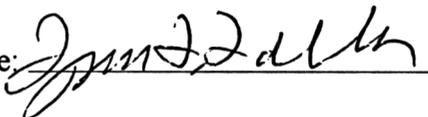
State and federal funds were held outside the state treasury by local fiscal agents for two emergency family need programs.

Recommendation:

The DFS discontinue the unauthorized placement of state funds outside the state treasury and withdraw any funds the fiscal agents have on hand. The DFS should consider establishing alternative procedures, such as using local purchase orders, to meet these emergency family needs.

Status of Finding:

Corrective action has been taken

Preparer's Signature: 

Phone number: 573-751-4206

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996**

96-14.B. Funds Held Outside the State Treasury

Federal Agency: Department of Health and Human Services

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
Various	Various	\$0

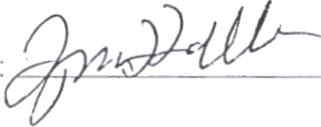
Required documentation was not provided to fiscal agents and was not used to support the reimbursement requests submitted to the DFS.

Recommendation

The DFS ensure all expenditures and expenditure reimbursement requests are adequately documented and supported by appropriate documentation.

Status of Finding:

Corrective action has been taken

Preparer's Signature:  \_\_\_\_\_

Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-15.A.                      Overpayments to Pharmacies

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$19,921

The DMS overpaid two drug claims to pharmacies totaling \$33,169. The federal share of the overpayments, or \$19,921, was questioned.

Recommendation:

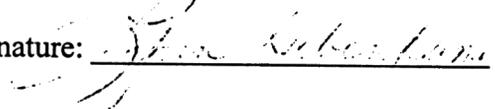
The DMS resolved the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from pharmacies for overpayments. In addition, we recommend the DMS review claims paid prior to December 1, 1996, to determine if additional significant overpayments exist. The DMS should also verify that recently implemented controls to prevent these types of overpayments are operating properly.

Status of Finding:

Corrective action has been taken to return the appropriate questioned costs to the grantor agency for one claim, of two identified, determined to be overpaid. DMS continues to manually review and recover overpaid claims prior to 12/1/96 until automated controls are finalized.

Status of Questioned Costs:

The questioned costs have been resolved with the Federal grantor agency.

Preparer's Signature:  Phone number: 572 1771

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1996

96-16. Third-Party Liability

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$0

The Third-Party Liability (TPL) Unit did not follow up on data matches of potential third-party resources in a timely manner. In addition, the TPL Unit did not follow up within a timely manner after the initial request for payment was made.

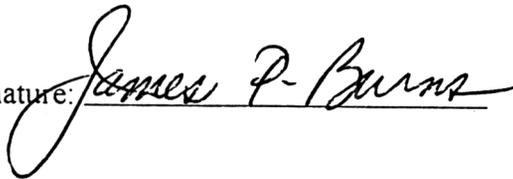
Recommendation:

The DMS follow up on information obtained from data matches in a timely manner. In addition, the DMS should ensure a timely follow up is performed after the initial request for payment from a third party is made.

Status of Finding:

Corrective action has been taken.

Preparer's Signature:



Phone number: 751-2170

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1995**

95-17.C. Cost Allocations and Expenditure Controls

Federal Agency: Department of Agriculture and Department of Health and Human Services  
State Agency: Department of Social Services - Division of Budget and Finance (DBF)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
Various	Various	\$0

Adequate supporting documentation was not in the vendor files for five postage purchases.

**Recommendation:**

The DBF ensure that all expenditures have adequate supporting documentation.

**Status of Finding**

Corrective action has been taken.

Preparer's Signature: James P. Burns

Phone number: 751-2170

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1995**

95-20.                      Job Search Program

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$26,247

The state's job search program is operated by the Division of Employment Security under a contract with the DFS. Food stamp benefits were not reduced or terminated by DFS for twenty-three of forty-two (55 percent) cases tested for which the recipient did not comply with the requirements of the job search program to remain eligible to receive these benefits.

**Recommendation:**

The DFS resolve the questioned costs with the grantor agency. In addition the DFS should ensure caseworkers reduce or discontinue food stamp benefits and perform other follow-up procedures as necessary on noncompliance notices.

**Status of Finding:**

Corrective action has been taken

**Status of Questioned Costs:**

This finding has been discussed with the grantor agency and the grantor agency has expressed satisfaction with the corrective action taken and has made no further inquiry regarding these cases.

Preparer's Signature: 

Phone number: 573-751-4206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1995

95-21.A. Assistance Benefits Provided to Inmates

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

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$0

Medicaid assistance benefits were improperly issued for inmates in the custody of the Department of Corrections (DOC).

Recommendation:

The DMS work with DFS to investigate Medicaid assistance benefits improperly issued for inmates in the custody of the DOC and take appropriate corrective action. In addition, the DFS and DMS should investigate the remaining cases identified during the review, as well as, reviewing other time periods for additional inappropriately paid benefits.

Status of Finding:

Corrective action has been taken.

Preparer's Signature: 

Phone number: 751-6922