



STATE OF MISSOURI  
SINGLE AUDIT  
YEAR ENDED JUNE 30, 2000

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

Report No. 2001-17  
March 7, 2001  
[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

March 2001

[www.auditor.state.mo.us](http://www.auditor.state.mo.us)

**The State Auditor's Office has completed an audit of the federal grant programs administered by the State of Missouri. The state is required by the federal Single Audit Act and U.S. Office of Management and Budget, Circular A-133 to have this audit conducted each year for the benefit of the federal agencies that provide grant funds to the state agencies. Federal grant funds expended by state agencies totaled \$5.5 billion during the year ended June 30, 2000. The Single Audit noted problems in several different areas related to federal grant funding. In total, the audit questioned the use of \$11,878,143 because the state did not comply with federal requirements.**

- The Department of Social Services (DSS) incorrectly charged \$134,278 of administrative costs to the federal Adoption Assistance program that should have been charged to the state Adoption Assistance program.
- The Department of Social Services disbursed \$11.8 million to other entities under the Caring Communities and Juvenile Justice programs. These other entities are subrecipients and should have been audited in accordance with Circular A-133. However, the Department of Social Services classified these other entities as vendors and did not require them to be audited under A-133.
- The audit noted various problems in the eligibility of recipients of the Independent Living, Food Stamps, Medicaid, and Child Care programs as follows:

Various coding errors made by Department of Social Services employees allowed some ineligible recipients to receive services under the federal Independent Living Program.

The audit did a computer match of recipients of Temporary Assistance for Needy Families, Food Stamps, and Medicaid with a record of individuals who received a settlement from the state's Second Injury Fund. The match noted some recipients who had not reported the income from the settlements. As a result, it appears they received Food Stamps and Medicaid benefits they were not eligible for.

The Department of Social Services does not require licensed child care providers to submit any attendance records to the state. As a result, the Department of Social Services has little assurance the state is billed for the correct amount for child care.

(over)

YELLOW SHEET

- The Department of Natural Resources (DNR) needs to make various improvements in its procedures for the State Revolving Fund program. Duties for recording receipts and for custody of receipts need to be adequately segregated. In addition, the Department of Natural Resources needs to minimize the time elapsing between the receipt of monies and their deposit. Unused construction funds should be used to reduce the debt from bond issues. The Department of Natural Resources needs to ensure that participating communities obtain audits as required under Circular A-133.
- The Department of Economic Development needs to reconcile its internal accounting system to the statewide accounting system.
- The audit also covered the state's financial statements. The state began using a new accounting system (SAM II) in fiscal year 2000. The audit noted various reportable conditions in internal controls over SAM II. Reports are inaccurate and unreliable, security access procedures are weak, some interagency transactions are not recorded properly, reconciliations are not performed timely, and supporting documentation for expenditures is not always properly filed.

STATE OF MISSOURI  
SINGLE AUDIT

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## INTRODUCTORY SECTION



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

LETTER OF TRANSMITTAL

Honorable Bob Holden, 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, 2000.

The United States Congress passed the Single Audit Act of 1996 to establish 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 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 \$5.55 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.

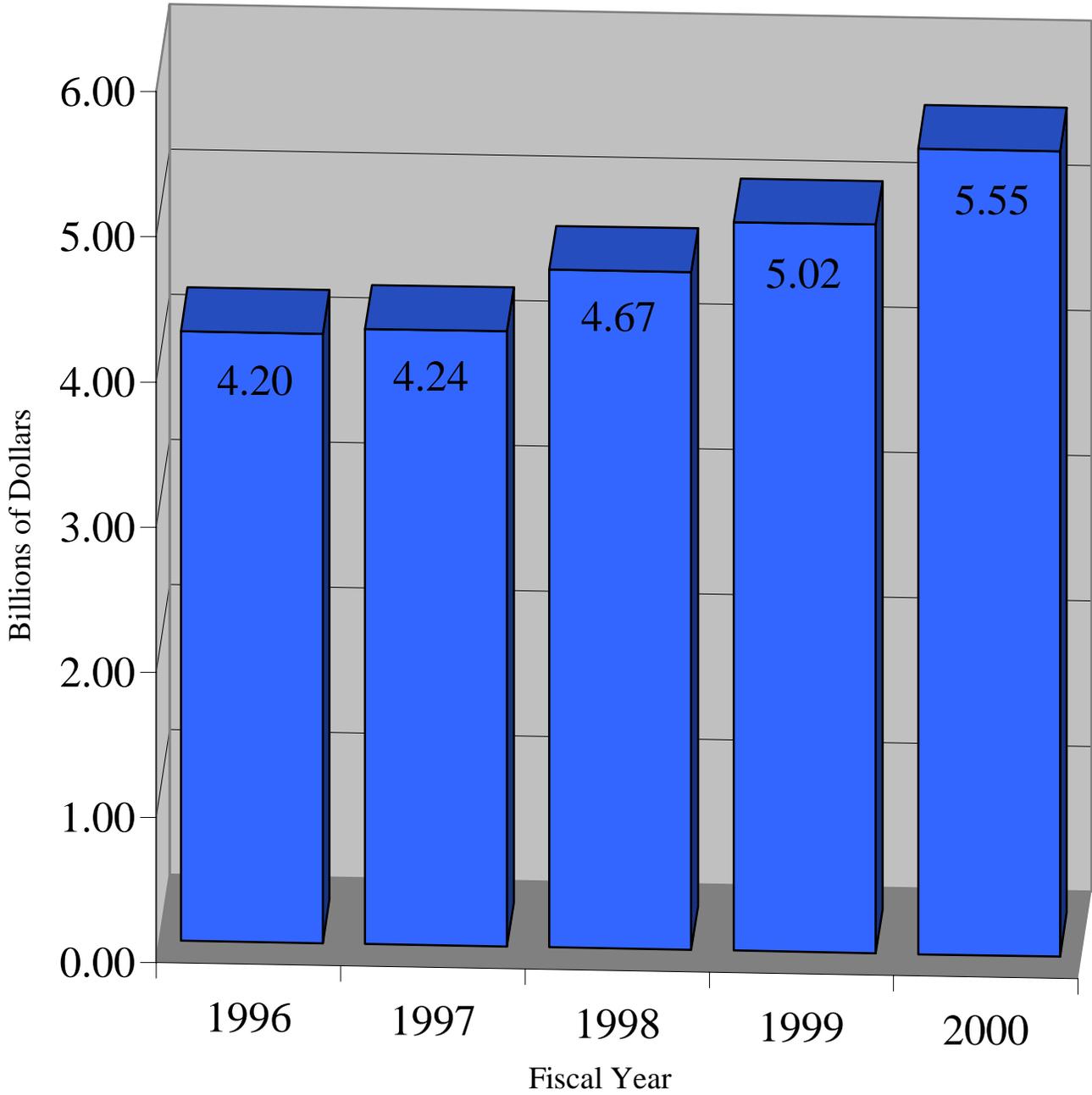
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Claire McCaskill  
State Auditor

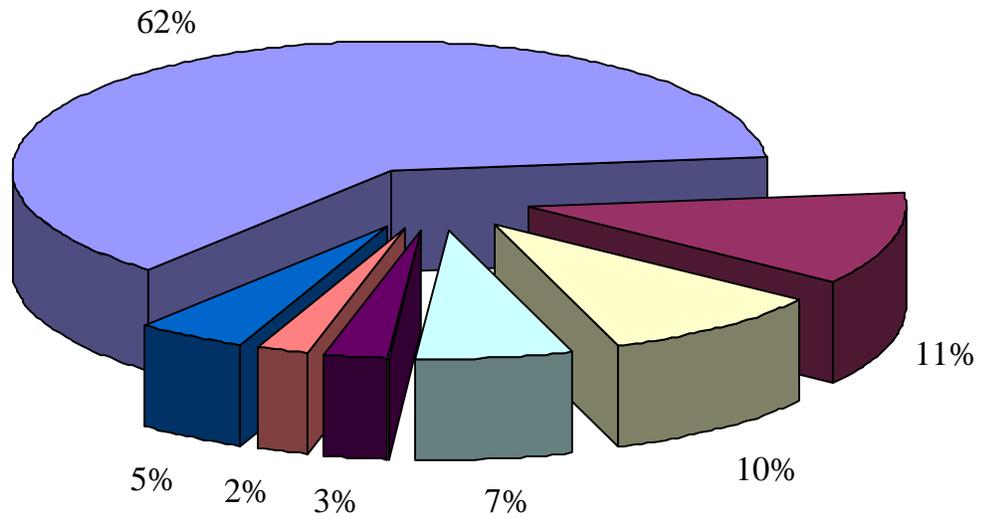
STATE OF MISSOURI  
SUMMARY OF TYPE A PROGRAMS AND TOTAL EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Program Name	Federal Grantor Agency	Federal Awards Expended
	Food Stamp Cluster:		
10.551	Food Stamps	Agriculture	\$ 357,665,583
10.561	State Administrative Matching Grants for Food Stamp Program	Agriculture	36,233,506
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	26,029,712
10.555	National School Lunch Program	Agriculture	95,216,680
10.556	Special Milk Program for Children	Agriculture	349,649
10.559	Summer Food Service Program for Children	Agriculture	9,535,345
10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Agriculture	60,363,205
10.558	Child and Adult Care Food Program	Agriculture	33,858,761
14.228	Community Development Block Grants/State's Program	Housing and Urban Development	39,702,237
	Employment Service Cluster:		
17.207	Employment Service	Labor	14,840,266
17.801	Disabled Veterans' Outreach Program	Labor	1,434,100
17.804	Local Veterans' Employment Representative Program	Labor	1,586,327
17.225	Unemployment Insurance	Labor	356,779,498
	Job Training Partnership Act Cluster:		
17.246	Employment and Training Assistance - Dislocated Workers	Labor	17,075,528
17.250	Job Training Partnership Act	Labor	27,231,195
20.205	Highway Planning and Construction	Transportation	613,666,719
66.458	Capitalization Grants for State Revolving Funds	Environmental Protection Agency	34,669,617
84.010	Title I Grants to Local Educational Agencies	Education	121,596,572
	Special Education Cluster:		
84.027	Special Education - Grants to States	Education	80,038,860
84.173	Special Education - Preschool Grants	Education	6,330,884
84.032	Federal Family Education Loans	Education	44,141,830
84.048	Vocational Education - Basic Grants to States	Education	25,781,896
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	57,956,081
	Aging Cluster:		
93.044	Special Programs For The Aging - Title III, Part B - Grants For Supportive Services and Senior Centers	Health and Human Services	6,730,792
93.045	Special Programs For The Aging - Title III, Part C - Nutrition Services	Health and Human Services	10,062,905
93.558	Temporary Assistance for Needy Families	Health and Human Services	201,994,120
93.563	Child Support Enforcement	Health and Human Services	51,069,599
93.568	Low-Income Home Energy Assistance	Health and Human Services	34,399,811
	Child Care Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	62,464,120
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	38,145,350
93.658	Foster Care - Title IV-E	Health and Human Services	71,299,113
93.667	Social Services Block Grant	Health and Human Services	36,380,816
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	676,183
93.777	State Survey and Certification of Health Care Providers and Suppliers	Health and Human Services	10,265,797
93.778	Medical Assistance Program	Health and Human Services	2,474,011,715
93.959	Block Grant for Prevention and Treatment of Substance Abuse	Health and Human Services	22,151,180
96.001	Social Security - Disability Insurance	Social Security Administration	32,937,329
	Total Type A Programs (expenditures greater than \$16.5 million)		5,114,672,881
	Total Type B Programs (expenditures less than \$16.5 million)		436,593,416
	Total Expenditures of Federal Awards		\$ 5,551,266,297

STATE OF MISSOURI  
TOTAL EXPENDITURES OF FEDERAL AWARDS  
FIVE YEAR COMPARISON



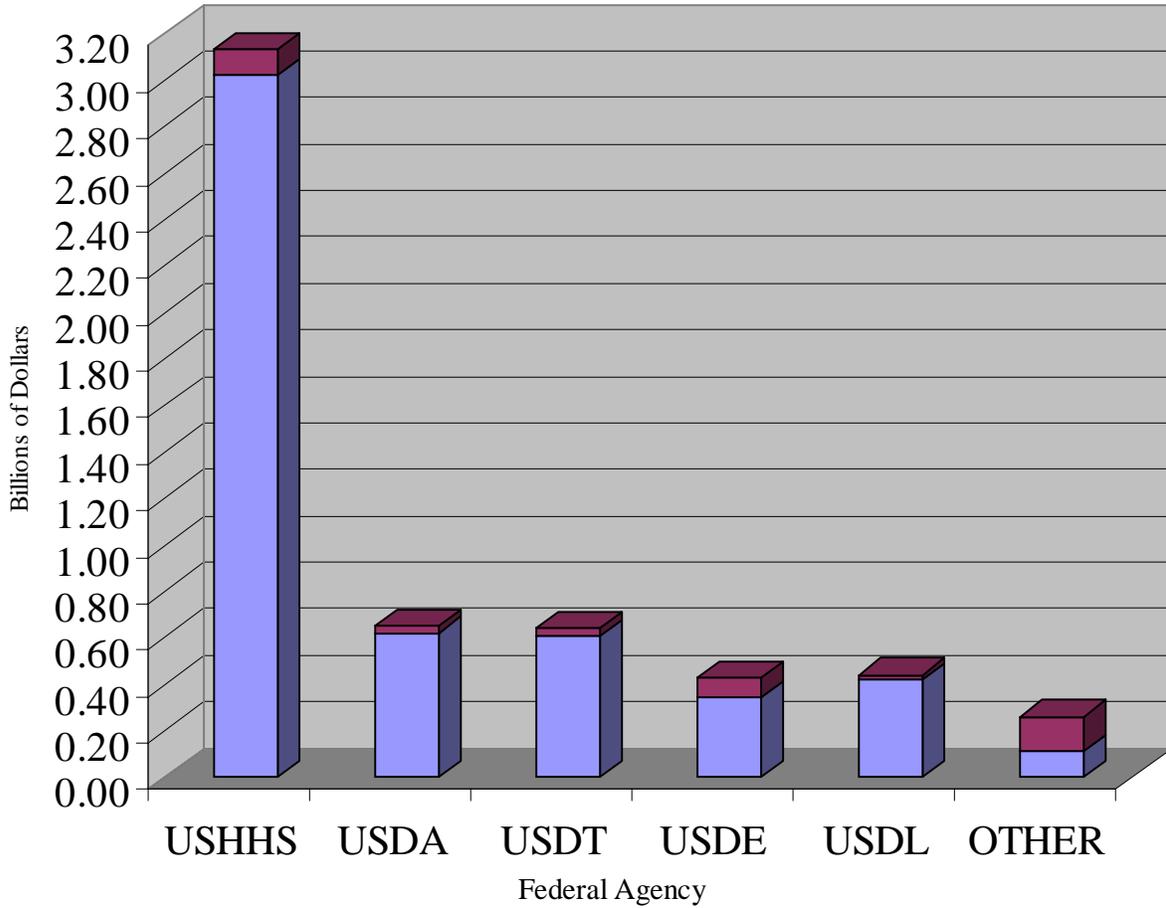
STATE OF MISSOURI  
EXPENDITURES OF FEDERAL AWARDS BY STATE DEPARTMENT  
YEAR ENDED JUNE 30, 2000



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

STATE OF MISSOURI

EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT  
YEAR ENDED JUNE 30, 2000



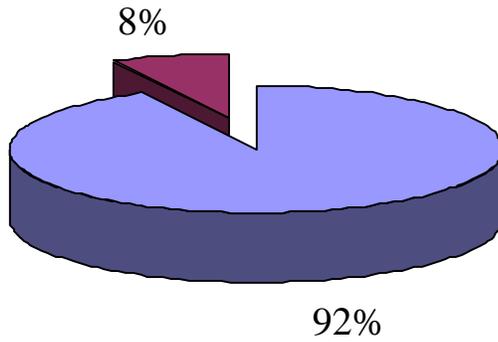
Total - \$ 5,551,266,297

■ Type A - \$ 5,114,672,881 ■ Type B - \$ 436,593,416

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

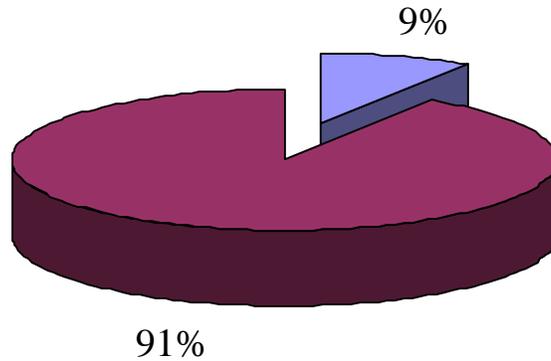
STATE OF MISSOURI

TYPE A vs TYPE B EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2000



TOTAL - \$ 5,551,266,297

■ Type A - \$ 5,114,672,881 ■ Type B - \$ 436,593,416



TOTAL NUMBER OF PROGRAMS - 276

■ Type A Programs - 25 ■ Type B Programs - 251

STATE AUDITOR'S REPORT



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

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

Honorable Bob Holden, Governor  
and  
Members of the General Assembly

Schedule of Expenditures of Federal Awards

We have audited the general-purpose financial statements of the state of Missouri, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 30, 2001. We did not audit the financial statements of the Missouri Department of Transportation, which statements constitute 2 percent and 24 percent, respectively, of the assets and revenues of the special revenue funds; 56 percent and 95 percent, respectively, of the assets and revenues of the capital projects funds; 17 percent of the general fixed assets account group; and 7 percent of the general long-term debt account group. We did not audit the financial statements of the Missouri State Lottery, which statements constitute 47 percent and 93 percent, respectively, of the assets and operating revenues of the enterprise funds. We did not audit the financial statements of the Missouri Consolidated Health Care Plan, Missouri State Employees' Insurance Plan, Highway and Transportation Employees' and Highway Patrol Insurance Plan, and the Missouri Department of Transportation Self Insurance Plan, which statements constitute 44 percent and 68 percent, respectively, of the assets and operating revenues of the internal service funds. We did not audit the financial statements of the Missouri State Public Employees' Deferred Compensation Plan, which statements constitute 53 percent and 32 percent, respectively, of the assets and revenues of the expendable trust funds. We did not audit the financial statements of the pension trust funds, which statements constitute 81 percent of the assets of the agency and trust funds. We did not audit the financial statements of the colleges and universities and the proprietary component units, which statements constitute 29 percent of the assets for all fund types and account groups. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to those amounts, is based on the reports of the other auditors. Our report expressed a qualified opinion on the general-purpose financial statements because we were not allowed access to tax returns and related source

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

### Compliance

As part of obtaining reasonable assurance about whether the general-purpose financial statements of the state of Missouri are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

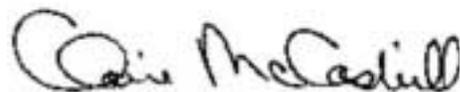
In planning and performing our audit of the general-purpose financial statements of the state of Missouri, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the state of Missouri's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 1 to 8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

The State Auditor's office regularly issues management reports on the various programs, agencies, divisions, and departments of the state of Missouri. The conditions mentioned in those management reports were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general-purpose financial statements. Our reports of these conditions do not modify our report dated January 30, 2001, on the general-purpose financial statements.

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

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

Claire McCaskill  
State Auditor

January 30, 2001 (fieldwork completion date)



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

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

Honorable Bob Holden, Governor  
and  
Members of the General Assembly

Compliance

We have audited the compliance of the state of Missouri with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The state's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the state's management. Our responsibility is to express an opinion on the state's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the state's compliance with those requirements.

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, 2000. However, the results of our auditing 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 2000-2 to 2000-12.

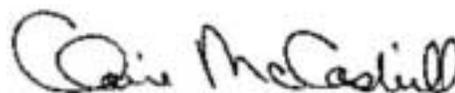
### Internal Control over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the state's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2000-2 to 2000-12.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2000-12 to be a material weakness.

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



Claire McCaskill  
State Auditor

January 30, 2001 (fieldwork completion date)

SUPPLEMENTARY SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2000

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	\$ 368,910	368,910
07.PMWP550	HIDTA-Lab Enhancement	216,058	897
07.PMWP551	HIDTA-Task Forces	576,246	576,246
07.PMWP552	HIDTA-SAUSA	482,594	482,594
Total U. S. Office of National Drug Control Policy		1,643,808	1,428,647
U. S. Department of Agriculture			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	77,641	0
10.064	Forestry Incentives Program	1,500	0
10.069	Conservation Reserve Program	11,677	0
10.250	Agricultural and Rural Economic Research	101,254	0
10.550	Food Distribution	13,459,489	13,283,145
10.551	Food Stamps	357,665,583	0
10.553	School Breakfast Program	26,029,712	25,595,753
10.555	National School Lunch Program	95,216,680	94,453,202
10.556	Special Milk Program for Children	349,649	349,649
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)	60,363,205	11,060,613
10.558	Child and Adult Care Food Program	33,858,761	30,943,287
10.559	Summer Food Service Program for Children	9,535,345	5,211,022
10.560	State Administrative Expenses for Child Nutrition	2,823,278	0
10.561	State Administrative Matching Grants for Food Stamp Program	36,233,506	355
10.568	Emergency Food Assistance Program (Administrative Costs)	789,070	716,136
10.569	Emergency Food Assistance Program (Food Commodities)	4,670,956	4,670,956
10.570	Nutrition Program for the Elderly	4,635,618	4,635,618
10.572	WIC Farmers' Market Nutrition Program	278,099	245,740
10.574	Team Nutrition Grants	58,643	1,250
10.664	Cooperative Forestry Assistance	1,008,775	0
10.665	Schools and Roads - Grants to States	2,226,883	2,226,883
10.902	Soil and Water Conservation	173,428	0
10.904	Watershed Protection and Flood Prevention	29,000	0
Total U. S. Department of Agriculture		649,597,752	193,393,609
U. S. Department of Defense			
12.106	Flood Control Projects	290,707	0
12.112	Payments to States in Lieu of Real Estate Taxes	869,148	869,148
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	577,954	0
12.401	National Guard Military Operations and Maintenance Projects	12,070,465	0
12.AAG	Drug Interdiction & Counter Drug Activities (Note 4)	198,681	198,681
12.DACW41-96-H-0C	Fire Suppression on Truman Reservoir	10,903	0
12	Other	43,622	0
Total U. S. Department of Defense		14,061,480	1,067,829
U. S. Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program	39,702,237	38,926,795
14.231	Emergency Shelter Grants Program	1,275,864	1,275,864
14.238	Shelter Plus Care	6,006,985	6,006,985
14.241	Housing Opportunities for Persons with AIDS	395,938	395,938
14.401	Fair Housing Assistance Program - State and Local	270,407	0
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	563,129	563,129
Total U. S. Department of Housing and Urban Development		48,214,560	47,168,711
U. S. Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	41,272	0
15.252	Abandoned Mine Land Reclamation Program	1,364,473	263,713
15.605	Sport Fish Restoration	7,724,066	0
15.611	Wildlife Restoration	4,485,410	0
15.615	Cooperative Endangered Species Conservation Fund	111,215	0
15.616	Clean Vessel Act	5,745	0
15.617	Wildlife Conservation and Appreciation	73,374	0
15.623	North American Wetlands Conservation Fund	990,000	0

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
15.807	Earthquake Hazards Reduction Program	14,900	0
15.904	Historic Preservation Fund Grants-In-Aid	573,157	56,065
15.978	Upper Mississippi River System Long Term Resource Monitoring Program	345,214	0
15.FFB	Webless Migratory Game Bird Research Program	7,500	0
15.FFC	North American Wetlands Conservation Act	186,164	0
15.MO9903000	Joint Geohydrologic Investigations	50,000	50,000
15	Federal Facilities Compliance Agreement	778	0
Total U. S. Department of the Interior		15,973,268	369,778
U. S. Department of Justice			
16	Safe Futures - City of St. Louis	67,313	0
16.523	Juvenile Accountability Incentive Block	1,798,199	1,798,199
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	1,340,417	1,340,417
16.541	Juvenile Justice and Delinquency Prevention - Special Emphasis	119,392	119,392
16.546	Delinquency and Youth Violence	506,276	506,276
16.554	National Criminal History Improvement Program	629,697	154,620
16.560	Justice Research, Development, and Evaluation Project Grants	213,228	38,159
16.572	State Criminal Alien Assistance Program	136,138	0
16.575	Crime Victim Assistance	4,144,258	4,144,258
16.576	Crime Victim Compensation	1,148,960	0
16.579	Byrne Formula Grant Program	7,319,809	7,319,809
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	242,294	0
16.585	Drug Court Discretionary Grant Program	33,946	0
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	6,496,020	0
16.588	Violence Against Women Formula Grants	2,746,498	2,746,498
16.592	Local Law Enforcement Block Grants Program	562,785	562,785
16.593	Residential Substance Abuse Treatment for State Prisoners	543,020	543,020
16.598	State Identification Systems Grant Program	27,159	0
16.607	Bulletproof Vest Partnership Program	378	0
16.610	Mid-States Organized Crime Information Center - Technology Grant	2,804,050	2,804,050
16.710	Public Safety Partnership and Community Policing Grants	105,446	0
16.727	Enforcing Underage Drinking Laws Program	6,396	6,396
16.99CK-WX-0014	COPS Technolgy Program	2,655,904	0
16.SCMOE121	Organized Crime Drug Enforcement Task Force	40,708	0
16	Marijuana Eradication Program	482,405	0
Total U. S. Department of Justice		34,170,696	22,083,879
U. S. Department of Labor			
17.002	Labor Force Statistics	934,497	0
17.005	Compensation and Working Conditions Data	177,508	0
17.203	Labor Certification for Alien Workers	91,455	0
17.207	Employment Service	14,840,266	157,220
17.225	Unemployment Insurance (Note 3)	356,779,498	0
17.235	Senior Community Service Employment Program	2,123,932	2,092,073
17.245	Trade Adjustment Assistance - Workers	9,554,890	0
17.246	Employment and Training Assistance - Dislocated Workers	17,075,528	20,649,543
17.249	Employment Services and Job Training - Pilot and Demonstration Programs	296,864	186,972
17.250	Job Training Partnership Act - Title II	27,231,195	28,792,112
17.253	Welfare-to-Work Grants to States and Localities	9,138,869	9,548,257
17.504	Consultation Agreements	840,468	0
17.600	Mine Health and Safety Grants	276,900	0
17.801	Disabled Veterans Outreach Program	1,434,100	0
17.804	Local Veterans Employment Representative	1,586,327	0
17.E9483928	State Occupational Information Coordinating Committee	113,570	0
Total U. S. Department of Labor		442,495,867	61,426,177
U. S. Department of Transportation			
20.005	Boating Safety Financial Assistance	1,346,076	0
20.000-01-MO-1	Airport Master Record Program	12,373	0
20.106	Airport Improvement Program	8,607,951	8,519,734
20.205	Highway Planning and Construction	613,666,719	65,130,831
20.218	Motor Carrier Safety Assistance Program	1,030,437	88,068

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
20.308	Local Rail Freight Assistance	48,870	48,870
20.500	Federal Transit Capital Improvement Grants	7,915,411	7,915,411
20.505	Federal Transit Technical Studies Grant	741,948	652,898
20.507	Federal Transit Capital and Operating Assistance Formula Grants	3,648,767	3,648,767
20.509	Public Transportation for Nonurbanized Areas	4,104,404	3,814,493
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	1,033,130	973,888
20.516	Job Access Reverse Commute	92,142	92,142
20.600	State and Community Highway Safety	3,715,093	3,715,093
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	364,668	364,668
20.700	Pipeline Safety	260,583	0
20.NRTP-96(001)	National Recreational Trails Fund	566	0
	Total U. S. Department of Transportation	646,589,138	94,964,863
	U. S. Equal Employment Opportunity Commission		
30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	341,915	0
	Total U. S. Equal Employment Opportunity Commission	341,915	0
	U. S. General Services Administration		
39.003	Donation of Federal Surplus Personal Property (Note 4)	2,577,008	2,577,008
	Total U. S. General Services Administration	2,577,008	2,577,008
	U. S. National Foundation on the Arts and the Humanities		
45.025	Promotion of the Arts - Partnership Agreements	497,165	154,863
45.310	State Library Program	3,186,887	2,707,799
	Total U. S. National Foundation on the Arts and the Humanities	3,684,052	2,862,662
	U. S. Veterans Administration		
64.005	Grants to States for Construction of State Home Facilities	11,131,521	0
64.015	Veterans State Nursing Home Care	12,305,726	0
64.203	State Cemetery Grants	2,064,405	0
64.V101223B	Veterans Educational Assistance	399,863	0
	Total U. S. Veterans Administration	25,901,515	0
	U. S. Environmental Protection Agency		
66.001	Air Pollution Control Support	49,508	0
66.433	State Underground Water Source Protection	38,214	0
66.438	WPC Construction Mgt. Asst.	17,357	0
66.454	Water Quality Management Planning	503,611	0
66.458	Capitalization Grants for State Revolving Funds	34,669,617	33,679,644
66.460	Nonpoint Source Implementation Grants	1,757,740	1,026,671
66.461	Wetlands Protection - Development Grants	316,421	56,401
66.463	National Pollutant Discharge Elimination Systems Related State Program Grants	64,131	0
66.468	Capitalization Grants for Drinking Water SRF	3,950,942	2,421,918
66.470	WPC-SRF Hardship Grants	393,195	0
66.600	Environmental Protection Consolidated Grants - Program Support	128,112	0
66.605	Performance Partnership Grants	9,657,868	312,941
66.606	Surveys, Studies, Investigations and Special Purpose Grants	583,271	18,318
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	454,272	0
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	225,099	0
66.707	TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	126,001	17,197
66.708	Pollution Prevention Grants Program	83,087	0
66.802	Superfund State Site - Specific Cooperative Agreements	2,433,937	16,177
66.804	State Underground Storage Tanks Program	154	0
66.805	Leaking Underground Storage Tank Trust Fund Program	1,020,172	0
66.810	CEPP Technical Assistance Grants Program	60,702	0
66.SPX	Stormwater/Sludge Project	8,290	6,650
	Total U. S. Environmental Protection Agency	56,541,701	37,555,917
	U. S. Department of Energy		
81.041	State Energy Conservation	283,221	28,815
81.042	Weatherization Assistance for Low-Income Persons	2,710,784	2,629,845
81.090	DE EIA SHOPP 97	3,759	0
81.092	Weldon Springs Site Remedial Action Project	339,422	0

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
81.502	Demonstration of Light and Heavy Duty Alternative Fuel	9,790	0
81.997	Petroleum Violation Escrow Funds - Oil Overcharge	704,064	656,705
81	DE-SEP-CLN Cities Lambert	2,719	0
Total U. S. Department of Energy		4,053,759	3,315,365
U. S. Federal Emergency Management Agency			
83.011	Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1986	78,521	0
83.105	Community Assistance Program - State Support Services Element	69,416	0
83.505	State Disaster Preparedness Grants	44,595	44,595
83.534	Emergency Management - State and Local Assistance	784,142	650,999
83.535	Mitigation Assistance	101,116	101,116
83.536	Flood Mitigation Assistance	13,227	0
83.539	Crisis Counseling	25,966	25,966
83.541	Disaster Unemployment Assistance	29,731	0
83.544	Public Assistance Grants	4,803,787	4,725,459
83.548	Hazard Mitigation Grant	2,156,843	1,903,006
83.551	Disaster Resistance Community Grant	64,824	0
83.552	Emergency Management Performance Grants	1,705,144	1,170,150
Total U. S. Federal Emergency Management Agency		9,877,312	8,621,291
U. S. Department of Education			
84.002	Adult Education - State Grant Program	6,692,341	6,309,881
84.010	Title I Grants to Local Educational Agencies	121,596,572	120,392,661
84.011	Migrant Education - Basic State Grant Program	1,641,646	1,641,646
84.013	Title I Program for Neglected and Delinquent Children	726,279	718,396
84.027	Special Education - Grants to States	80,038,860	77,209,829
84.029	Special Education - Personnel Development and Parent Training	1,969	1,963
84.032	Federal Family Education Loans	44,141,830	0
84.035	Interlibrary Cooperation and Resource Sharing	20,000	20,000
84.041	Impact Aid	3,804	0
84.048	Vocational Education - Basic Grants to States	25,781,896	24,711,325
84.069	State Student Incentive Grants	502,069	0
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	57,956,081	473,965
84.158	Secondary Education and Transitional Services for Youth with Disabilities	287,025	234,379
84.162	Immigrant Education	432,836	428,317
84.169	Independent Living - State Grants	309,898	309,898
84.173	Special Education - Preschool Grants	6,330,884	6,306,262
84.177	Rehabilitation Services - Independent Living Services for Older Individuals who are Blind	404,847	0
84.181	Special Education - Grants for Infants and Families with Disabilities	8,555,413	1,685,647
84.185	Byrd Honors Scholarships	699,666	0
84.186	Safe and Drug-Free Schools and Communities - State Grants	7,357,228	6,404,347
84.187	Supported Employment Services for Individuals with Severe Disabilities	619,368	0
84.194	Bilingual Education Support Services	111,093	83,379
84.196	Education for Homeless Children and Youth	486,092	445,395
84.213	Even Start - State Educational Agencies	2,140,930	2,106,227
84.215	Fund for the Improvement of Education	1,358,615	1,197,013
84.216	Capital Expenses	46,496	46,496
84.224	Assistive Technology	463,519	0
84.243	Tech-Prep Education	2,647,917	2,623,764
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	138,147	0
84.276	Goals 2000 - State and Local Education Systemic Improvement Grants	7,687,758	4,718,191
84.278	School To Work State Implementation Grants	11,317,594	11,123,302
84.281	Eisenhower Professional Development State Grants	5,454,358	4,282,900
84.282	Charter Schools	675,815	647,991
84.298	Innovative Education Program Strategies	5,881,471	5,063,043
84.314	Even Start-Statewide Family Literacy Program	14,610	0
84.318	Technology Literacy Challenge Fund Grants	5,412,430	5,106,999
84.323	Special Education-State Program Improvement Grants for Children with Disabilities	780,639	780,639

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
84.326	Special Education-Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	74,162	74,162
84.330	Advanced Placement Incentive Program	5,500	5,500
84.331	Workplace and Community Transition Training for Incarcerated Youth Offenders Program	362,955	0
84.332	Comprehensive School Reform Demonstration	2,581,868	2,510,079
84.340	Class Size Reduction	16,428,992	16,428,992
84.RN94-13-6026	National Cooperative System Program	76,194	0
Total U. S. Department of Education		428,247,667	304,092,588
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	108,743	103,306
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	172,140	163,533
93.043	Special Programs for the Aging - Title III, Part F - Disease Prevention and Health Promotion Services	339,765	322,777
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	6,730,792	6,394,252
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	10,062,905	9,559,759
93.046	Special Programs for the Aging - Title III, Part D - In-Home Services for Frail Older Individuals	16,008	15,208
93.048	Special Programs for the Aging - Title IV - Training, Research and Discretionary Projects and Programs	14,796	0
93.05-9905-MO	Operation Restore Trust	39,939	0
93.110	Maternal and Child Health Federal Consolidated Programs	156,924	80
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	609,457	86,596
93.119	Grants for Technical Assistance Activities Related to the Block Grant for Community Mental Health Services - Technical Assistance Centers for Evaluation	64,041	0
93.125	Mental Health Planning and Demonstration Projects	641,035	635,117
93.130	Primary Care Services - Resource Coordination and Development Primary Care Offices	195,086	60,000
93.135	Centers for Research and Demonstration for Health Promotion and Disease Prevention	233,290	1,950
93.136	Injury Prevention and Control Research and State and Community Based Programs	83,145	0
93.150	Projects for Assistance in Transition from Homelessness	249,170	230,234
93.161	Health Program for Toxic Substances and Disease Registry	347,579	40
93.165	Grants for State Loan Repayment	27,500	27,500
93.194	Community Prevention Coalitions Demonstration Grant	1,222	0
93.196	Cooperative Agreements for Drug Abuse Treatment Improvement Projects in Target Cities	756,531	721,231
93.197	Childhood Lead Poisoning Prevention Program	589,937	177,247
93.223-98-4424	Mammography Inspections	173,666	0
93.223-98-4828	Tobacco Investigations	285,591	22,500
93.230	Consolidated Knowledge Development and Application Program	436,665	375,419
93.234	Traumatic Brain Injury	192,212	49,413
93.235	Abstinence Education	656,702	82,952
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	411,957	75,763
93.239	Policy Research & Evaluation Grants	126,144	0
93.268	Immunization Grants (Note 4)	13,165,302	759,009
93.270-95-0031	State Demand and Needs Assessment Studies: Alcohol and Drugs	57,512	56,642
93.270-96-0009	Outcome Pilot Studies	39,920	21,401
93.277-98-6020	Prevention Needs Assessment	215,752	215,752
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	2,298,906	134,266
93.283-95-0026	Uniform Alcohol and Drug Abuse Grant	68,496	68,496
93.393	Cancer Cause and Prevention Research	619,061	122,628
93.556	Family Preservation and Support Services	7,100,902	0
93.558	Temporary Assistance for Needy Families	201,994,120	0
93.563	Child Support Enforcement	51,069,599	6,932,364

STATE OF MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
93.566	Refugee and Entrant Assistance - State Administered Programs	3,897,386	23,148
93.568	Low-Income Home Energy Assistance	34,399,811	15,851,278
93.569	Community Services Block Grant	12,805,166	12,626,981
93.571	Community Services Block Grant Discretionary Awards - Community Food and Nutrition	57,573	0
93.575	Child Care and Development Block Grant	62,464,120	0
93.576	Refugee and Entrant Assistance-Discretionary Grants	375,606	373,613
93.584	Refugee and Entrant Assistance - Targeted Assistance	821,396	0
93.585	Empowerment Zones Program	873,626	873,626
93.586	State Court Improvement Program	193,271	0
93.590	Community-bases Family Resource and Support Grants	436,667	436,667
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	38,145,350	0
93.597	Grants to States for Access and Visitation Programs	283,831	0
93.600	Headstart	250,000	0
93.603	Adoption Incentive Payments	29,272	0
93.630	Developmental Disabilities Basic Support and Advocacy Grant	1,431,714	926,751
93.631	Developmental Disabilities Projects of National Significance	44,571	43,993
93.643	Children's Justice Grants to States	292,523	0
93.645	Child Welfare Services - State Grants	6,067,967	0
93.658	Foster Care - Title IV-E	71,299,113	0
93.659	Adoption Assistance	12,839,495	0
93.667	Social Services Block Grant	36,380,816	0
93.669	Child Abuse and Neglect State Grants	353,149	0
93.671	Family Violence Prevention and Services/Grants for Battered Shelters - Grants to states and Indian Tribes	1,070,048	0
93.674	Independent Living	1,435,654	0
93.775	State Medicaid Fraud Control Units	676,183	0
93.777	State Survey and Certification of Health Care Providers and Suppliers	10,265,797	160
93.778	Medical Assistance Program	2,474,011,715	0
93.779	Health Care Financing Research, Demonstrations and Evaluations	166,306	0
93.865	Center for Research for Mothers and Children	294,660	127,693
93.913	Grants to States for Operation of Offices of Rural Health	48,974	37,603
93.917	HIV Care Formula Grants	6,903,834	6,824,868
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	2,941,771	1,446,452
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	168,086	57,500
93.940	HIV Prevention Activities - Health Department Based	2,972,536	1,744,486
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) Surveillance	530,678	178,683
93.945	Assistance Program for Chronic Disease Prevention and Control	389,760	4,676
93.958	Block Grant for Community Mental Health Services	4,912,749	4,383,142
93.959	Block Grant for Prevention and Treatment of Substance Abuse	22,151,180	19,077,724
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	1,684,077	580,502
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	227,779	20,320
93.991	Preventive Health and Health Services Block Grant	4,352,104	837,061
93.994	Maternal and Child Health Services Block Grant to the States	11,781,452	4,758,423
Total U. S. Department of Health and Human Services		<u>3,131,080,278</u>	<u>98,650,785</u>
U. S. Corporation for National and Community Service			
94.003	State Commissions	113,458	0
94.004	Learn and Serve America - School and Community Based Programs	509,451	349,528
94.006	AmeriCorps	2,369,127	2,369,127
94.007	Planning and Program Development Grants	169,575	169,575
94.009	Training and Technical Assistance	100,991	0
Total U. S. Corporation for National and Community Service		<u>3,262,602</u>	<u>2,888,230</u>
U. S. Social Security Administration			
96.001	Social Security - Disability Insurance	32,937,329	0
Total U. S. Social Security Administration		<u>32,937,329</u>	<u>0</u>
U. S. State Justice Institute			

STATE OF MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2000

CFDA Number	Federal Grantor Agency - Program	Federal Awards Expended	Amount Provided to Subrecipients
SJI-98-N-216	Juvenile Office Lotus Notes Communication	10,091	0
SJI-99-N-005	Stenomask Voice Recognition	4,499	0
Total U. S. State Justice Institute		14,590	0
Total Expenditures of Federal Awards		\$ 5,551,266,297	882,467,339

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

1. Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

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

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

B. Basis of Presentation

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

The schedule presents both Type A and B federal assistance programs administered by the state of Missouri. OMB Circular A-133 establishes the formula for determining the level of expenditures or disbursements to be used in defining Type A and B federal financial assistance programs. For the state of Missouri, Type A programs are those which exceed \$16.5 million in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in OMB Circular A-133.

C. Basis of Accounting

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

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

17.207	Employment Service
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act
17.253	Welfare to Work Grants to States and Localities
17.801	Disabled Veterans Outreach Program
17.804	Local Veterans Employment Representative
20.205	Highway Planning and Construction
84.032	Federal Family Education Loans

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

The state received cash rebates from an infant formula manufacturer, totaling \$27,402,229, 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 \$299,819,949. Reimbursements to other states from the State Unemployment Compensation Fund for benefits paid by those states totaling \$14,438,242 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 \$4,861,917 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 Immunization Grants program (CFDA No. 93.268). Distributions were valued at the cost of the vaccines paid by the federal government and totaled \$9,384,683.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program. Property distributions totaled \$11,060,121 valued at the historical cost as assigned by the federal government, which is substantially in excess of the property's fair market value. The amount of expenditures presented on the Schedule of Expenditures of Federal Awards is 23.3 percent of the historical cost, which approximates the fair market value of the property at the time of distribution as determined by the General Services Administration.

The Department of Public Safety distributes excess Department of Defense equipment to state and local law enforcement agencies under the Department of Defense Surplus Property program. Property distributions totaled \$852,706 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, 2000

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

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified? \_\_\_\_\_ yes     X  no

Reportable conditions identified that are not considered to be material weaknesses?  X  yes    \_\_\_\_\_ none reported

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

Federal Awards

Internal control over major programs:

Material weaknesses identified?  X  yes    \_\_\_\_\_ no

Reportable conditions identified that are not considered to be material weaknesses?  X  yes    \_\_\_\_\_ none reported

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

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

Identification of major programs:

<u>CFDA</u> <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
10.558	Child and Adult Care Food Program

	Emergency Food Assistance Cluster:
10.568	Emergency Food Assistance Program (Administrative Costs)
10.569	Emergency Food Assistance Program (Food Commodities)
	Employment Service Cluster:
17.207	Employment Service
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative Program
	Job Training Partnership Act Cluster:
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act
17.253	Welfare-to-Work Grants to States and Localities
20.205	Highway Planning and Construction
	Federal Transit Cluster:
20.500	Federal Transit Capital Improvement Grants
20.507	Federal Transit Capital and Operating Assistance Formula Grants
66.458	Capitalization Grants for State Revolving Funds
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
84.181	Special Education - Grants for Infants and Families with Disabilities
84.186	Safe and Drug-Free Schools and Communities - State Grants
84.213	Even Start - State Educational Agencies
	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 Services
93.268	Immunization Grants
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
	Child Care Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant
93.674	Independent Living
	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

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

\$16,500,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes      X   no

## Section II - Financial Statement Findings

The state began using a new accounting system (SAM II) in fiscal year 2000. We audited the new accounting system to determine if controls were adequate and effective. We noted certain matters involving internal controls over SAM II that we consider to be reportable conditions as described below as items 1 to 8.

<b>1.</b>	<b>Reporting</b>
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- A. Our surveys of state agencies indicated the reporting needs of various state agencies have not been met by the SAM II system. Some agencies indicated the standard reports generated by the SAM II system do not provide the detailed information needed for review of their transactions and for tracking their appropriations. In addition, some agencies indicated the information provided by the standard reports is organized in a format which is complex and confusing. SAM II is a fund based accounting system while SAM was an appropriation based system.

Many users indicated that reports are needed which include detailed information at the organization level and at the appropriation level. Many state agencies are unable to determine the current status of their appropriations. One agency indicated, "...We are three-fourths of the way through the fiscal year and have no real way to see where we are." The inability for agencies to evaluate their appropriation levels is a critical concern of many users. In addition, users indicated the formatting for standard reports is complex and not meaningful. As a result of inadequate reports, users are having difficulties reviewing reports for individual transactions. Some users indicated that although the SAM II standard reports provide adequate summary information, the information is difficult to analyze and understand what is included in these summary reports. Standard reports that provide significant detailed information regarding specific transactions are still needed. Many users also indicated the reports generated by the SAM II system are not similar to the previous reports produced by the SAM system. As one agency indicated, "...We were led to believe from the project that we would receive reports similar to what we were used to receiving. That turned out to be fiction..." Some agencies hired consultants to develop usable reports. The hiring of consultants was an additional expense incurred by these agencies.

In addition to the standard reports generated by the SAM II system, state agencies can generate reports from the data warehouse. The data warehouse enables agencies to query detailed information and to organize the information into the desired format. However, many users indicated that even though the data warehouse has the desired information, it is extremely difficult to obtain, download, and organize this information into a usable report.

As a result of complaints from the state agencies for more detailed and user friendly reports, a SAM II Data Warehouse/Reporting Information Technology Advisory Board (ITAB) Committee was formed. This committee was created to assist state agencies in obtaining the information necessary for reporting purposes. The committee considered various agency needs and coordinated the development of three additional standard reports. Some agencies have indicated these three reports will be beneficial and will satisfy many reporting needs. The committee also encourages users to communicate with other users to determine successful data warehouse queries and the methods used in developing usable report information.

However, many survey responses received indicated the lack of adequate reports is the most important concern of users. The SAM II Data Warehouse/Reporting ITAB Committee has partially addressed this issue with the development of the three reports mentioned above. At the time of the survey, these three reports were still in the early implementation phase and agencies had not received or become familiar with these reports. Thus, survey responses indicated that many users were unable to obtain the necessary detailed information required for reporting purposes. One user indicated, "If the reports are not available, the system is useless. This needs top priority."

B. We reviewed the Comparative Balance Sheet By Fund report (F205) as of June 30, 2000, and the Statement of Revenue and Expense report (F140) for Fiscal Year 2000. Our review noted the following concerns:

1. The balance sheet for the General Revenue and the State Road funds did not balance as total assets did not equal total liabilities and fund equity.

For financial reporting purposes, total assets must equal total liabilities and fund equity. When this does not occur it is an indication of improperly recorded transactions.

2. An accurate statement of changes in fund balance could not be prepared for 19 of the 356 (5.3 percent) funds. The difference between calculated fund balance and the reported fund balance was \$92,290,033. The differences in these 19 funds ranged from \$(7,766,261) to \$84,614,374. An accurate statement of changes in fund balance is needed for financial reporting purposes. When this does not occur it is an indication of improperly recorded transactions.

3. An accurate statement of cash flows could not be prepared for 18 of the 356 (5.1 percent) funds. The difference between calculated cash balance and the reported cash balance was \$(13,302,986). The differences in these 18 funds ranged from \$(20,314,124) to \$11,587,147. Many of the differences were for the same funds indicated in 2 above. An accurate statement of cash flows is needed for financial reporting purposes. When this does not occur it is an indication of improperly recorded transactions.
4. We noted that accumulated depreciation was reported for six funds. However, four of these funds did not report a fixed asset amount and the other two funds reported a negative fixed asset amount. Accumulated depreciation is recorded as a reduction in the fixed asset amount and should only be reported when there are fixed assets. In addition, fixed assets should never be a negative number. These discrepancies indicate there are errors in the recording of fixed assets and accumulated depreciation.

From the errors indicated above, the Comparative Balance Sheet By Fund report as of June 30, 2000, and the Statement of Revenue and Expense report for Fiscal Year 2000 are not accurate and reliable.

**WE RECOMMEND** the Office of Administration:

- A. Continue to coordinate the development of reports to meet the reporting needs of the various state agencies.
- B. Determine the reasons for the inaccuracies in the SAM II reports and develop procedures to ensure the accuracy of reports.

**AUDITEE'S RESPONSE**

- A. *We concur. We did work with the ITAB Datawarehouse/Reporting Committee to develop and implement the three standardized reports identified in this finding. In addition, the ITAB Committee and the SAM II Steering Committee confirmed that these reports met the identified needs of systems users.*

*While the system has 170 standard reports available, we are encouraging agencies to make use of the adhoc reporting capabilities of the system. We envision that in the future more information will be used and analyzed by adhoc reports than by standardized reports.*

*To move from a batch, paper document, cash basis accounting system to an on-line real-time accrual based accounting system has been a major undertaking and we expect we will continue to experience a considerable learning curve.*

- B.1. *This error was caused by a human error when entering a transaction. This was corrected and these reports now balance.*

- 2&3. *These errors were the result of conversion errors in moving data from SAM I to SAM II. Cash balance amounts were loaded into the fund balance account. This was corrected and these reports now reflect correct totals.*
4. *These errors were caused when the payment voucher transactions to purchase the assets were entered incorrectly. The payment indicated that no asset record should be created. However, correct entries were made in the fixed asset subsystem. These errors were caught and corrected as part of preparation of the Comprehensive Annual Financial Report.*

<b>2. Workflow and Document Listing</b>
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The SAM II workflow system routes documents from one user to another user to facilitate the processing and approval of various on-line documents. Included in the workflow system is a worklist which is a listing of all documents routed to a specified user. Each user has a unique worklist which identifies documents ready to be processed and approved.

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

The compliance auditors are not using the worklist in the workflow system to approve payment voucher documents. A large number of payment voucher documents from different state agencies are routed through the workflow system to the compliance auditors for the compliance auditors to approve the payment voucher document. However, the work list cannot locate payment voucher documents by using a specific document number. In addition, the worklist cannot be sorted to allow the compliance auditors to locate specific documents. To locate a document on the worklist, the compliance auditors must scroll through the listing of documents until the specific document is located. As a result, it takes a lot of time to search the worklist for specific documents needing approval. In order to locate documents quicker, the compliance auditors are using the document listing table which is also known as the suspense file (SUSF). However, the SUSF allows the compliance auditor access to documents before the documents have been processed and approved at the agency level.

The SUSF does not operate within the workflow system. The SUSF operates as a holding file storing documents from all workstations connected to the system. The SUSF stores documents until the documents are approved, completed or corrected. Compliance auditors are allowed access to the SUSF and use it to locate documents needing approval. The SUSF allows the compliance auditors to search by document number, document type, agency

number, or fund number. However, by using the SUSF, compliance auditors have access to all documents, not just those documents pending approval from the compliance auditors. By not using the workflow system, which restricts the flow of documents to only the designated workstation, the OA compliance auditors could approve documents, which would generate a check to the vendor, before the documents have been reviewed and approved at the agency level. In addition, by using the SUSF the compliance auditors are circumventing the controls established with workflow in the SAM II system.

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

**AUDITEE'S RESPONSE**

*The ability of the worklist to be sorted to locate a specific document has been identified as a significant shortcoming to AMS and they are currently working on an enhancement to the baseline software. In the meantime, we have strengthened our procedures to reduce the chance of error when using SUSF.*

**3.**

**Filing Supporting Documentation**

The OA does not ensure the original supporting documentation is received from state agencies for Automated Payment Voucher (PVA) and Vendor Payment Voucher (P1) transactions. During our review of expenditures, the OA was unable to locate supporting documentation for 21 of 30 PVA expenditures reviewed (70 percent) and supporting documentation for 8 of 23 P1 expenditures reviewed (35 percent). In addition, one agency indicated it had not submitted supporting documentation for any PVA expenditures to the OA since the SAM II system was implemented.

Vendor invoices are processed using different types of payment voucher documents. The PVA documents are generated by the SAM II system as a result of the three-way match feature. According to SAM II policies and procedures, this feature provides the capability of generating payment vouchers automatically, provided the system has accepted the correct combination of the corresponding purchase order, receiving, and vendor invoice documents. When the required criteria has been matched on these three documents, a payment voucher is automatically generated. The P1 documents are payment vouchers which are prepared at the agency level. The P1 documents also reference a purchase order and vendor invoice, but is not an automatically generated payment voucher. Once the P1 document has been completed, the P1 will be approved and processed by designated personnel at the agency level and does not have to be approved by compliance auditors. Supporting documentation of expenditures is filed with the OA after the payment voucher documents have been processed and approved.

The OA is responsible for receiving all supporting documentation relating to PVA and P1

transactions. The OA will use a Data Warehouse query (payment document submission) to ensure supporting documentation for all PVA and P1 transactions has been submitted to the OA for filing. SAM II policies and procedures indicate the payment document submission query will be used by the agency and the OA to ensure all original supporting payment documents forwarded by the agency are physically present. In addition, SAM II policies and procedures indicate the OA will do a comprehensive verification of all submitted documents within three business days. If there are any discrepancies the agency will be contacted.

The OA indicated a monthly spot check is performed to verify that supporting documentation has been submitted for several expenditures before the documents are filed. However, not all expenditures are verified. In addition, as of May 2000, the payment document submission query had only been generated through December 1999 for the PVA documents and no review had been performed to ensure agencies submitted P1 documents to the OA. As of August 17, 2000, the payment document submission query had been generated through July 2000. However, the OA was still receiving documents dating back to July 1999. Therefore, it does not appear that a comprehensive verification of all documents is performed by the OA to ensure that all supporting documentation has been received.

SAM II policies and procedures indicate the OA has the primary responsibility of filing and archiving supporting documentation for most financial transactions. In addition, Section 33.060, RSMo 1994, indicates the Commissioner of Administration shall keep all vouchers, documents, and all papers relating to the accounts of the state, and Section 33.150, RSMo 1994, indicates the original of all accounts, vouchers, and documents approved or to be approved be kept by the Commissioner of Administration. Therefore, it is imperative for the OA to develop and follow procedures which will ensure supporting documentation for all expenditures has been submitted to the OA for filing.

**WE RECOMMEND** the Office of Administration develop and follow procedures to ensure supporting documentation for expenditures is received from the agencies and filed accordingly.

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

*We concur.*

**4.**

#### **Internal Control Plans**

Following the implementation of the SAM II system, state agencies were requested to submit an internal control plan to the OA. However, only three state agencies had submitted completed internal control plans as of August 17, 2000.

The instructions for the preparation of an agency internal control plan were distributed to state agencies in April 1999. Originally, internal control plans were to be submitted to the OA by October 1999. However, due to complications and increased workload associated

with the implementation of the SAM II system, an extension was granted to January 2000. The OA had not received any internal control plans by January 2000 and extended the deadline to the spring of 2000 without setting an actual date for the submission of the internal control plans.

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

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

### **AUDITEE'S RESPONSE**

*We concur. We will meet with agency representatives and establish a workable deadline.*

<b>5. Receivable Document Processing</b>
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The receivable (RE) document is used to record accounts receivable and interagency billings. In general, receivables are to be recorded in SAM II when the state has the right to an asset (cash) that has not been received.

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

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

Our review noted the following areas of concern:

- A. Users are not following SAM II policies and procedures for processing interagency RE documents. Since the RE document is used to code both interagency and non-

interagency transactions, the SAM II system is unable to ensure the IAB prefix is indicated on the RE document for interagency transactions. It is the users responsibility to know when to manually add the IAB prefix and when to use the specified interagency revenue source code. The SAM II system does not provide an edit check to ensure IAB is coded in the first three characters of the document number when an interagency revenue source code is used or ensure an interagency revenue source code is used when IAB is coded in the first three characters of the document number. Without the IAB coding in the first three characters of the document number, the SAM II system will not recognize the transaction as an interagency transaction and will not record the transaction correctly.

- B. For interagency transactions, the purchasing agency must manually cancel the purchase order generated by the SAM II system instead of being automatically liquidated, as the RE document does not include the purchase order document number. Without manually canceling the purchase order, the purchase order will remain on the SAM II system which causes reporting errors and understates the balance of remaining appropriations.

**WE RECOMMEND** the Office of Administration:

- A. Implement edit checks to ensure that agencies properly code the RE documents when processing interagency transactions by using IAB in the first three characters of the document number and to ensure that agencies use the interagency revenue source code.
- B. Change procedures for interagency transactions so that purchase orders will be liquidated automatically by the SAM II system.

### **AUDITEE'S RESPONSE**

*We have identified a number of problems associated with the interagency billing transactions and are considering elimination of the Cash Receipt Payment (CRP) transaction. We are exploring the possibility of using standard payment voucher transactions for the payment of interagency bills. Such an approach would use vendor information to identify transactions between agencies for financial reporting purposes.*

<b>6. Cash Receipt Payment Document Processing</b>
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The cash receipt payment (CRP) document was a modification to the SAM II system and is used strictly to record payments for interagency billings. The CRP document is a clone of the SAM II cash receipt (CR) document consisting of the same fields. The CRP document is used to record both revenue and expense information. The CRP document references the interagency billing/invoice (RE) document and also records the expenditure accounting information for the billed/paying agency.

Our review noted the following areas of concern:

- A. Users are not following SAM II policies and procedures for the processing of CRP documents as users are not indicating IAB in the document prefix or entering the interagency bank account code. These two fields distinguish CRP documents from CR documents. Neither the IAB prefix nor the interagency bank account code populate the fields automatically for a CRP document. In addition, the CRP document will accept any valid object or revenue source code in the SAM II system versus only accepting revenue source codes specific to interagency transactions. The CRP document does not have edit checks to ensure the above information has been entered correctly. Thus, interagency transactions are not being recorded correctly resulting in errors in the accounting records.
- B. In addition, the CRP document will process without referencing a valid RE document. When the CRP document is processed without referencing a valid RE document, the transaction will credit revenues instead of accounts receivables, overstating both revenues and accounts receivables. An edit check should be included on the CRP document to ensure a valid RE document is referenced.

**WE RECOMMEND** the Office of Administration:

- A. Modify the CRP document to populate the prefix IAB and the interagency bank account code automatically to ensure the proper processing of interagency billing transactions. In addition, the modification should ensure only interagency revenue source codes are used on a CRP document.
- B. Design an edit check to ensure a valid RE document is referenced on CRP documents.

**AUDITEE'S RESPONSE**

*We have identified a number of problems associated with the interagency billing transactions and are considering elimination of the CRP transaction. We are exploring the possibility of using standard payment voucher transactions for the payment of interagency bills. Such an approach would use vendor information to identify transactions between agencies for financial reporting purposes.*

<b>7. SAM II Access Procedures</b>
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The Office of Administration (OA) controls access to the SAM II system. The OA grants access to the system based on security request forms completed by agency personnel. We noted the following concerns in the state's system security access procedures:

- A. The OA did not instruct the agencies and/or give the agencies any guidance on proper controls and procedures to establish access to the system. As a result, each agency had to establish their own procedures to control access. In addition, the OA did not require agencies to report their procedures to the OA; therefore, the OA does not know if agency procedures are proper and adequate.
- B. The OA did not coordinate the designation by each agency of which employees would serve as the agency's security liaison. For proper control and to be able to manage security more effectively, each agency should use a designated security liaison. This would help ensure that agency access requests are authorized by a person who is familiar with the various SAM II security profiles. It would also give the OA a list of agency employees to contact to discuss security concerns.
- C. The OA did not require agencies to submit a list of personnel who can authorize security request forms. The OA left it up to each agency to decide who could make these authorizations. In addition, the OA does not have a listing of the individuals designated as authorized signatures. As a result, the OA cannot ensure the access that is being granted by the form was appropriately approved. The OA should review the forms to determine if they are signed by an authorized person.
- D. Although the OA maintains a system that documents security access levels at various times on a historical basis, the OA does not produce any security reports. Without reports, the OA and the agencies cannot effectively manage security profiles assigned to individual users. Each agency, as well as the OA, should review security profiles on a continuing basis. Instead of each agency implementing their own system to track security access levels, it appears it would be more efficient and effective if the OA used the system to generate security access information.
- E. The OA does not review security request forms for reasonableness or to identify incompatible profiles where too much access is granted to an individual. Although each agency may be ultimately responsible for security access, we believe the OA or the SAM II system should have certain controls and procedures at a centralized level to reduce the risk of inappropriate financial activity.

**WE RECOMMEND** the Office of Administration:

- A. Provide appropriate guidance to agencies about system security access.
- B. Require each agency to designate a security liaison.
- C. Help agencies identify appropriate personnel to authorize security request forms, maintain a list of authorized personnel and review the security request forms to ensure they are signed by an authorized person.
- D. Produce security access information for review by the OA and agency personnel.

E. Review security request forms for inappropriate access.

**AUDITEE'S RESPONSE**

A. *While we are sure additional instruction would be beneficial, limited resources prevent us from doing more in this area.*

B,C,  
&E. *We concur.*

D. *Reports on security are available on a weekly basis now.*

<b>8. Reconciliations</b>
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The OA did not prepare their monthly financial summary on a timely basis. As of July 2000, the last monthly financial summary completed was October 1999, indicating the OA was eight months behind in preparing the monthly financial summary. As of August 17, 2000, the OA had completed the monthly financial summary through May 2000 demonstrating that the OA has been able to improve on the timeliness of the monthly financial summary in the last few months.

To prepare the monthly financial summary, the OA reconciles SAM II data from the data warehouse to the State Treasurer's Office monthly cash balance report and the SAM II Monthly Fund Cash Activity Report. The OA reconciles the cash balance but also reviews transactions for possible coding errors to ensure transactions were processed properly. The OA has indicated that most problems encountered when reconciling are due to interagency transactions which have been discussed earlier in this report.

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

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

**AUDITEE'S RESPONSE**

*We concur.*

**Section III – Federal Award Findings and Questioned Costs**

<b>2000-1</b>	<b>Cost Allocation Errors</b>
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Federal Agency: Department of Health and Human Services  
 Federal Program: 93.659 Adoption Assistance  
 State Agency: Department of Social Services

The department’s Division of Budget and Finance (DBF) incorrectly allocated \$67,139 in administrative costs to the federal Adoption Assistance program. These costs should have been allocated to the state adoption program. The costs were incorrectly allocated for the Children’s Services time studies prepared for the first three quarters of the year ending June 30, 2000. The DBF made correcting adjustments to the cost allocation for the fourth quarter to correct the previous errors after we informed them of the problem.

The Children’s Services time study is used to allocate various costs among all Children’s Services programs. Costs are allocated based upon the percentage of time a sample group of employees work on each program. The time study is conducted quarterly by the department’s Research and Evaluation Section and the results are given to the DBF to be used to allocate the costs among the various programs. The U.S. Department of Health and Human Services approves the allocation method every two years.

The DBF did not update the spreadsheet used to calculate the percentage of costs to be allocated to Title IV-E (federal costs) and non-Title IV-E (state costs) for the quarterly cost allocation. These percentages dictate how costs are allocated to the Adoption Assistance program. Total costs incorrectly allocated were \$134,278 and the federal share of those costs was \$67,139.

**WE RECOMMEND** the DBF ensure future cost allocations are correct.

**AUDITEE’S RESPONSE**

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

<b>2000-2</b>	<b>Schedule of Expenditures of Federal Awards</b>
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Federal Agency:	Department of Health and Human Services	
Federal Programs:	93. Combined	<u>Questioned Costs</u>
	93.556 Family Preservation and Support Services	\$ 11,832,573
	93.563 Child Support Enforcement	
	93.658 Foster Care - Title IV-E	

93.667 Social Services Block Grant

State Agency: Department of Social Services

- A. Amounts were incorrectly stated on the Schedule of Expenditures of Federal Awards (SEFA) for some programs. The Department of Social Services (DSS) needs to place a higher priority on the accuracy of the SEFA and establish effective procedures to ensure amounts are correct. The original SEFA prepared by the DSS misreported expenditure amounts for the following programs:

<b>CFDA #</b>	<b>Program</b>	<b>(Understated) Overstated Amount</b>
93.658	Foster Care - Administration	\$830,439
93.658	Foster Care - Training	(\$317,305)
93.658	Foster Care - Assistance	(\$73,710)
93.667	Social Services Block Grant	(\$2,588,500)

In addition, the amount provided to subrecipients was understated by \$620,670 for the Child Support Enforcement program (CFDA # 93.563).

The errors noted above were corrected when we brought them to the attention of DSS management.

- B. The SEFA prepared by the DSS did not report any amounts provided to subrecipients for the Social Services Block Grant or Family Preservation and Support Services programs. The DSS provides funding to local community partnerships through various programs (including the Family Preservation and Support Services program) in coordination with several other state agencies and to local juvenile courts through the Social Services Block Grant. We estimate these two programs provide approximately \$11,832,573 to community partnerships for the state’s Caring Communities Program and the Social Services Block Grant payments to local juvenile courts as part of the state’s Juvenile Court Diversion Program. The related contracts do not require the subrecipients to obtain audits in compliance with OMB Circular A-133.

The DSS indicated they did not report these amounts as payments to subrecipients because these entities were vendors instead of subrecipients within the definition of OMB Circular A-133. However, we believe these entities are subrecipients. It should be noted the DSS treated and reported the funds provided to these partnerships and juvenile courts as subrecipients in prior years.

The DSS indicated another reason they classified the community partnerships as vendors is they are unable to determine the specific grant fund source for the funding provided the partnerships. OMB Circular A-133 Section 400 (d) requires the DSS to disclose the source of funding and all regulations that must be followed to each grant

subrecipient. When some of the required information is not available, the state is required to provide the best information available to describe the federal award. The DSS stated its accounting system does not provide the needed information. To comply with OMB Circular A-133 Section 400 (d), the DSS should provide all possible required information to subrecipients.

In addition, the above problems result in additional concerns, including failure of appropriate subrecipients to obtain required audits of the use of their federal funds in compliance with OMB Circular A-133.

Based on the lack of appropriate DSS SEFA subrecipient reporting, the accounting system's failure to provide the needed grant expenditures information, the failure to provide subrecipients adequate disclosure of the funding source or regulations to be followed in discharging their responsibilities, and the failure to require audits in compliance with OMB Circular A-133, we question the federal funds provided to the local juvenile courts and the Caring Communities Program totaling an estimated \$11,832,573.

In addition, we are currently performing a separate audit of the Caring Communities Program. That audit may result in the reporting of additional concerns at a later time.

**WE RECOMMEND** the DSS resolve the questioned costs with the grantor agency. In addition the DSS should:

- A. Ensure amounts are accurately reported on the SEFA.
- B. Treat the community partnerships and local juvenile courts as subrecipients and report funds provided to subrecipients correctly on the SEFA. The subrecipients should be appropriately notified of grant funding sources and regulations and should be required to obtain audits in compliance with OMB Circular A-133 when appropriate.

**AUDITEE'S RESPONSE**

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

**2000-3**

**Inadequate Monitoring of Immigrant Mutual Aid Association**

Federal Agency: Department of Health and Human Services  
Federal Program: 93.566 Refugee & Entrant Assistance – State Administered Programs  
State Agency: Department of Social Services - Division of Family Services  
Questioned Costs: \$36,000

The Lao Mutual Aid Association (Association) receives reimbursements from the Division of Family Services (DFS) for expenditures incurred in accordance with a contract to provide refugee resettlement services to persons immigrating to Missouri from Laos. These services could include counseling and other guidance, job skills, and English as a second language classes. This program is funded entirely by federal funds provided through the DFS.

The Association was unable to provide supporting documentation for most of the expenditures claimed for reimbursement. The Association indicated that supporting documentation is discarded upon payment. The DFS contract with the Association does not cover the retention period for financial records. The DFS monitored program services to ensure the intended services were provided by the Association but did not monitor expenditure records. The DFS contract with the Association requires an annual audit to help provide assurance that adequate financial records are maintained by the Association. However, an audit has not been obtained and DFS has only limited assurance monies provided to the Association were used in accordance with the budget specified in the contract.

As a result of the lack of documentation to support expenditures and noncompliance with contract audit provisions, we question the entire \$36,000 paid to the Association during the year ended June 30, 2000.

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

**AUDITEE'S RESPONSE**

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

**2000-4**

**Independent Living Program Payments**

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

The DFS uses federal Title IV-E Independent Living Program (ILP) monies to assist foster youth in becoming independent. Under USC Section 677 (a), youth ages 16 to 21 who are in foster care or were in foster care after age 16 are eligible to receive ILP services to prepare them to live independently. The state may use federal ILP monies to provide training in daily living skills, provide educational or vocational counseling, enable youth to seek a high school diploma or college degree, etc.

We obtained a listing of all youth who received federal ILP services during the year ended June 30, 2000. The listing identified a total of 1,041 clients and we selected 40 for our test of eligibility. We identified six individuals out of the forty tested (15 percent) that were not eligible because they were under sixteen years of age. The following table provides greater detail on these six cases:

Case No.	Month Youth is Eligible for Independent Living Services	Reason Youth Not Eligible During 2000	Inappropriate Payments From Independent Living Program
1	March, 2001	A	\$ 29
2	February, 2001	A	18
3	February, 2001	A	20
4	June, 2012	A	500
5	August, 1999	B	31
6	May, 2000	B	127
			<u>\$ 725</u>

A Will not turn 16 until after FY 2000.

B Turned age 16 during FY 2000; therefore was eligible only part of FY 2000.

If the above error rate remains constant throughout the population of 1,041 clients, the estimated number of clients ineligible for benefits is approximately 156. The average ILP benefit paid per ineligible client was approximately \$120; and therefore, 156 clients would have received about \$18,720.

In addition to the federal ILP services, the state provides independent living services to youth ages thirteen through fifteen at state expense. DFS employees are required to code state program costs to the appropriate state fund as they are incurred. In five of the six cases above, the DFS employee incorrectly coded the payment to the federal program instead of the state program. The remaining error was Case No. 4 in the table above for a three year old child who inappropriately received federal ILP benefits. It appears this payment should have come out of the state Adoption Subsidy Fund.

Based on the results documented in the above table, the six clients in question received \$725 during the year ended June 30, 2000, in federal ILP benefits they were not eligible to receive,

and we question the federal share of \$537 (74 percent).

We reported a similar condition in our previous report and the DFS indicated an automated system edit to prevent similar future errors was activated on August 23, 2000.

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

**AUDITEE’S RESPONSE**

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

<b>2000-5</b>	<b>Eligibility – Unreported Income</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	\$ 8,399
	93.778 Medical Assistance	269
State Agency:	Department of Social Services–Division of Family Services (DFS), Division of Medical Services (DMS)	

The DFS requires individuals to report all unearned income on their benefit application and sign a “Notification of Fraud Provisions” statement that all changes in unearned income of more than \$25 must be reported by the client within ten days of the change.

To test the effectiveness of these procedures relative to payments from the state’s Second Injury Fund, we performed a match of computer records of Temporary Assistance for Needy Families and Food Stamp clients as of September 2000 against records of individuals who received a settlement from the Second Injury Fund between January 1999 and June 2000. The match identified 235 clients that received benefits and also received a settlement from the Second Injury Fund. We selected six cases for further review to determine if the client had properly reported this unearned income to the DFS. We determined that four of the six (67%) had not properly reported the unearned income.

Unearned income can have a direct effect on the clients’ eligibility and benefit amount. The following table provides greater detail on the unearned income not properly reported and questionable benefits paid through early January 2001.

Case No.	Settlement from the Second Injury Fund	Date Received	Total Questionable Food Stamp Benefits	Total Questionable Medical Assistance Benefits
1	\$ 14,446	09/03/1999	\$ 2,038	\$ 220
2	675	09/10/1999	1,937	na
3	696	08/16/1999	2,936	113
4	1,921	09/23/1999	1,488	113
			<u>\$ 8,399</u>	<u>\$ 446</u>

It appears \$8,399 in Food Stamp benefits and \$446 in Medical Assistance claims were paid to recipients whose unearned income could exceed eligibility requirements. We question the federal portion of these amounts which are \$8,399 for Food Stamps and \$269 for Medical Assistance.

The DFS should review the above active cases to determine if the assistance benefits need to be terminated and consider what policy and procedure changes are needed to reduce the problems caused by clients who do not report Second Injury Fund or other types of unearned income.

In previous years, we have performed several similar eligibility tests seeking and finding unreported client income from various other state payment sources and have reported problems similar to those shown above. We believe the DSS should be more proactive in seeking new ways to prevent similar problems from occurring in the future and to identify and correct like problems where preventive efforts have failed.

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

**AUDITEE'S RESPONSE**

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

**2000-6**

**Child Care Attendance Records**

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

The above programs provide monies to child care providers who serve clients participating in the program. Eligible clients include children of parents meeting certain income guidelines who are working or attending a job training or education program. Parents apply to DFS to participate in the program. Once approved by DFS, parents select a child care provider and the state enters into an agreement with the provider to provide child care services. Child care providers can be either licensed by the state or unlicensed, depending on the number of children cared for. Providers bill DFS monthly for services.

Unlicensed providers are required to submit an attendance sheet that is signed by the parents to verify the child received the services. However, since state regulations require licensed providers to keep attendance records, DFS does not require licensed providers to submit any attendance records to DFS.

Without reviewing the attendance records of the licensed providers, the DFS has little assurance it is being billed for the correct amount or that its policies regarding allowable absences are being followed. While it may not be feasible to require all the licensed providers to submit all their attendance records, the DFS should consider ways to improve the review process of the billings from licensed providers. These could include requiring various levels of detail to be submitted, periodic monitoring visits, or some combination of these depending on the size of the provider, how long they have been participating in the program, and the expected level of compliance with DFS policies.

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

**AUDITEE'S RESPONSE**

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

**2000-7**

**Cash Management**

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

- A. The DNR has not established adequate cash management procedures to ensure the minimum time elapses between receipt of federal monies and the disbursement of such monies. The lack of adequate internal controls led to several payments totaling \$804,797 being held eight to ten days in the state's Water and Wastewater Loan Fund before disbursement.

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 shall be requested such that they are received not more than two days prior to disbursement of a payment.

- B. The DNR has not established adequate cash management procedures to ensure a timely state match on all federal draws deposited in the State Revolving Fund (SRF). The lack of adequate internal controls led to several payments totaling \$2,602,298, which received the state match one to fifteen days late.

Section 602 (b) (2) of the Title VI Clean Water Act requires the state match to be deposited in the SRF on or before federal monies are received.

- C. The DNR is not processing the repayments of loan guarantees in a timely manner. Our test of twenty-five repayments noted that all repayments were deposited in the Water and Wastewater Loan Revolving Fund approximately one month after receiving the checks from the trustee banks. We estimate the DNR lost interest revenue of approximately \$51,000 by not processing repayments totaling \$11,053,922 in a timely manner.

The SRF program uses federal and state monies to guarantee bond issues for clean water projects. The bond monies and the loan guarantees are held by a trustee bank. The bank will proportionally release these monies back to the program as the community makes principal payment on the bond issue. The program will then use the released loan guarantees to fund direct loans for other clean water projects.

Adequate cash management policies and procedures are necessary to ensure that all repayments are processed in a timely manner to prevent the loss of interest revenue. In addition, the timely processing of repayments increases the amount of money that is available for new loans.

**WE RECOMMEND** the DNR:

- A. Ensure federal monies are requested in accordance with the Cash Management Improvement Act.
- B. Ensure that the state match is made on or before federal monies are received.
- C. Ensure all repayments of loan guarantees are deposited in a timely manner.

**AUDITEE’S RESPONSE**

*The department agrees with these findings. We have implemented procedures to ensure minimum time elapses between receipt and disbursement and a timely state match. These processes will be monitored and necessary adjustments will be employed. Details of these procedures will be outlined in the Corrective Action Plan.*

<b>2000-8</b>	<b>Reporting</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)

The original Schedule of Expenditures of Federal Awards (SEFA) prepared by DNR was overstated by approximately \$48 million. The DNR revised the schedule after we questioned the accuracy of the schedule. The errors resulted from inadequately trained staff, a lack of formal written procedures, and a lack of appropriate supervisory reviews.

OMB Circular A-133 requires the DNR to prepare the SEFA showing the financial activity for each federal program. Without adequately trained staff, formal written procedures, and supervisory reviews, the DNR has little assurance the schedule is complete and accurate.

**WE RECOMMEND** the DNR prepare a complete and accurate SEFA.

**AUDITEE’S RESPONSE**

*The department agrees with the finding in that the SEFA as originally presented was overstated. The department has reviewed the SEFA preparation and will address formal written procedures and supervisory review in the Corrective Action Plan.*

<b>2000-9</b>	<b>Accounting Procedures</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)

The recording and custodial duties regarding receipts are not adequately segregated within the State Revolving Fund (SRF) Program. The program’s primary accountant is responsible for recording and has access to the receipts.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are properly

safeguarded. Internal control could be improved by segregating the recording function from the custody of assets.

**WE RECOMMEND** the DNR adequately segregate the recording and custody of assets functions over receipts.

**AUDITEE'S RESPONSE**

*The department agrees with this finding. We have previously implemented internal controls to segregate duties; the Corrective Action Plan will outline our formal proposal.*

<b>2000-10</b>	<b>Administration Fees</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)

A. The DNR is not processing Construction Loan Fund administration fees in a timely manner. The DNR receives an administration fee paid by the community through the trustee bank of approximately one percent of the construction loan fund balance. When these fees are paid to the trustee bank by the community, a check is issued to DNR for the amount of these fees. The lack of adequate procedures led to several of these checks being held by DNR thirty-four to one hundred and thirty-four days before being deposited.

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

B. Administration fees are unnecessarily being held by the trustee banks. According to the agreement between the DNR and the trustee banks, the banks will hold all fees paid until each community within a bond series has made payment. Our review noted that the trustee banks held some checks thirty-three to sixty-five days after receiving payment from individual communities.

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

**WE RECOMMEND** the DNR:

A. Establish procedures to ensure all administration fees are processed in a timely manner.

- B. Require the trustee bank to remit the administration fees to the DNR when received from each community.

**AUDITEE'S RESPONSE**

*The department agrees with these findings. The department will establish procedures that ensure administration fees are received and processed timely. We have previously negotiated an informal agreement with the trustees to submit fees on a timelier basis. Future trust documents will formalize the accelerated process.*

<b>2000-11</b>	<b>Compliance Issues</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)

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

Currently, the bonding agreement does not require the community to apply all unused monies to the reduction of bond principal after the project is completed. Not applying unused CLF monies to reduce the bond principal could result in more monies being on deposit in the SRF in the trustee banks than necessary. As bond principal is reduced, funds are released from the SRF trustee banks and deposited in the state's Water and Wastewater Loan Fund.

- B. The DNR does not adequately monitor subrecipients to ensure that an A-133 audit has been performed when applicable and a comprehensive annual financial report (CAFR) is submitted. Our review noted that DNR did not have an A-133 audit or a CAFR on file for several communities.

OMB Circular A-133 requires grant recipients to ensure that subrecipients receive a single audit when grant expenditures exceed \$300,000 in a fiscal year. In addition, 40CFR Section 35.3135 requires the program to ensure that each community maintains project accounts in accordance with generally accepted government accounting standards which includes a CAFR. Without the audit reports and the CAFR, the DNR has little assurance these monies are expended and accounted for properly.

**WE RECOMMEND** the DNR:

- A. Revise the bond covenant to require unused CLF monies to be applied to the reduction of bond principal.

B. Ensure applicable communities submit an A-133 audit and a CAFR.

**AUDITEE'S RESPONSE**

*The department agrees in part. The DNR will review all viable options to encourage communities to spend these funds. The DNR will continue to review with the federal agency whether or not A-133 audits are required for leveraged loan recipients.*

<b>2000-12</b>	<b>Reconciliation of Accounting Systems</b>
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Federal Agency:	Department of Labor
Federal Program:	17.207 Employment Service
	17.801 Disabled Veterans Outreach Program
	17.804 Local Veterans Employment Representative
	17.246 Employment and Training Assistance - Dislocated Workers
	17.250 Job Training Partnership Act - JTPA Title II
	17.253 Welfare-to-Work Grants to States and Localities
State Agency:	Department of Economic Development (DED) - Division of Workforce Development (DWD)

The DWD did not reconcile its internal accounting systems to the statewide accounting system (SAM II) during fiscal year 2000. The DWD uses two internal accounting systems to track expenditures of its federal programs and to prepare the required reports of federal expenditures to the U.S. Department of Labor (USDOL). These program expenditures are processed through SAM II. We noted several expenditures that had been processed through the SAM II system that had not been recorded in the internal accounting systems. As a result, these expenditures of federal funds were not included in the reports filed with the USDOL as required. For fiscal year 2000, DWD expenditures per SAM II exceeded total expenditures per the internal accounting systems by \$2,121,563. The DWD has not made any attempt to reconcile this difference or to identify potential unrecorded items. Periodic reconciliation of the internal accounting systems would have identified any unrecorded expenditures and would have ensured the accuracy of the required federal reports. These unrecorded expenditures represent expenses incurred by the state agency for which federal funds have not been drawn down.

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

**AUDITEE'S RESPONSE**

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

STATE OF MISSOURI  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings in the prior audit for the year ended June 30, 1999, and the findings from the prior audits for the years ended June 30, 1998 and 1997, except those that were listed as corrected, no longer valid, or not warranting further action. This section includes the Summary Schedule of Prior Audit Findings, which is prepared by the state's management.

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

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

Findings numbered 1, 2, 3A, 4, 6, 7, 8, 10, 11, 12, 13, 14, 20, 21, 22, 23, 27B, and 28A were corrected.

Findings numbered 3B, 5, 9, 15, 16, 17, 18, 19, 24, 25, 26, 27A, and 28B are included in the Summary Schedule of Prior Audit Findings.

The disposition of the findings from the year ended June 30, 1997 is as follows:

Findings numbered 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 21 and 23A were corrected.

Findings numbered 4, 19, 20, 22, and 23B, are included in the Summary Schedule of Prior Audit Findings.

**SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-1.A. Default Aversion Assistance

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

CFDA Number      Program Name  
84.032              Federal Family Education Loans

The DHE experienced difficulties implementing a revision to its default aversion billing process, which caused some loans to be billed more than once.

Recommendation:

The DHE consult with the USDE and establish procedures to ensure default aversion billings are accurate and complete. In addition, adjustments should be made to correct the duplicate billings.

Status of Finding:

The DHE contracts with a loan servicer to provide default aversion billing information. At the DHE's request, the loan servicer recently completed a systematic review of the default aversion billing process to identify and correct duplicate billings that occurred in previous months. The current monthly billing program has been revised to search for duplicate loans to prevent the problem from occurring in the future. A manual adjustment for amounts overbilled during the previous audit period was made on the February 2000 default aversion billing statement.

Preparer's Signature: Raye Ann Leune Phone number: (573) 751-2361

**SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-1.B.                      Default Aversion Assistance

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

CFDA Number         Program Name  
84.032                    Federal Family Education Loans

Although the DHE entered into a contract with an entity other than its loan servicing contractor to perform default aversion activities, as of December 22, 1999, the DHE had not assigned accounts to the new contractor. The DHE's loan servicer provided preclaims assistance until the new contract was implemented, which may have violated regulations prohibiting conflicts.

Recommendation:

The DHE resolve the issue concerning the prohibition against conflicts with the USDE.

Status of Finding:

The DHE began assigning loans to its new default aversion contractor in February, 2000. The prohibition against conflicts was discussed with the U. S. Department of Education auditors during their technical assistance visit in April, 2000. The auditors verbally indicated during their visit that they did not believe any corrective action was necessary but they would follow up with written confirmation. In September, 2000 the DHE received a letter from the U. S. Department of Education stating that corrective action must indeed be taken.

Although the DHE does not agree with the U. S. Department of Education that there was any violation of the regulation prohibiting conflicts, we will begin the process of reviewing defaulted loans that are currently assigned to the loan servicer for collection to identify any loans that were included on a default aversion bill during the period the loan servicer also performed preclaims activities. Any loans meeting this criteria will be reassigned to other collection contractors. The DHE will also revise its criteria for assigning newly defaulted loans to collection contractors to ensure the requirement is met.

Preparer's Signature: Roy Ann Leune      Phone number: (573) 751-2361

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-2                    In-Home Service Vendors Employing Disqualified Workers

Federal Agency:        Department of Health and Human Services  
State Agency:         Department of Social Services (DSS), Division of Aging (DA)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
93.778	Medical Assistance Program	\$17,286

The DA maintains an Employee Disqualification Listing (EDL). Persons listed in the EDL have been determined to have abused or neglected DA clients, misappropriated funds of those clients, or defrauded the program by billing for undelivered services. We matched persons on the DA EDL to 1998 employment information records and noted nine instances in which a person listed in the DA EDL worked for an in-home health provider under contract with the DSS. The DSS in-home vendor contracts, as well as state law, prohibit vendors from employing persons listed on the DA EDL. The DA obtained vendor service records related to services performed by these nine persons, and identified estimated total recoverable costs of \$28,695. We questioned the federal share of the costs of services provided by these nine persons, which was \$17,286.

**Recommendation:**

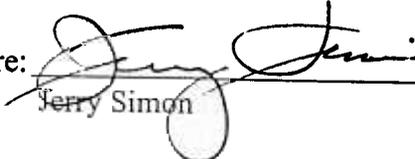
The DSS resolve the questioned costs with the grantor agency. In addition, the DSS should develop an automated system to identify all disqualified persons working for in-home service vendors and continue to seek recoupment for any services performed by disqualified persons.

**Status of Finding:**

Corrective action was taken.

**Status of Questioned Costs:**

Funds were recouped from vendors.

Preparer's Signature:  Phone number: 526-0722

Jerry Simon

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1999

99-3	PFS Expenditures	
Federal Agency	Department of Health and Human Services	
State Agency	Department of Social Services – Division of Child Support Enforcement (DCSE)	
	Program Name	Questioned Costs
	Parents Fair Share Program	\$734,340

We found that some of the staff within the IV-D agency was performing functions that did not specifically relate to IV-D, and therefore charges for these activities were not allowable under the IV-D program.

Recommendation:

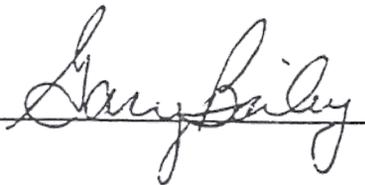
The Federal share (\$734,340) of the \$1,112,636 in PFS cost incorrectly charged to IV-D for the period of January 1998 through March 1999 be reimbursed to the Federal government.

Status of Finding:

DCSE agrees with the auditor's finding. DCSE identified \$734,340 in costs incurred between May 1, 1998 and March 31, 1999.

The Department of Social Services has requested the required decreasing adjustments when it submitted its OCSE-396 Part 1 and 2 for the period ending March 31, 2000, to the Administration for children and Families (ACF). Due to the lengthy approval process, the Division of Child Support Enforcement has not yet received the ACF's approval of the adjustments in writing.

Preparer's Signature



Phone number: 751-4927

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1999

99-3	DOH Expenditures	
Federal Agency	Department of Health and Human Services	
State Agency	Department of Social Services – Division of Child Support Enforcement (DCSE)	
	Program Name	Questioned Costs
	Department of Health	\$21,571

We found that some of the staff within the IV-D agency was performing functions that did not specifically relate to IV-D, and therefore charges for these activities were not allowable under the IV-D program.

Recommendation:

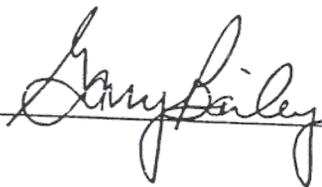
Reimburse the Federal government \$21,571 for its share of the \$32,684 that represents general costs of government charges claimed for reimbursement under the contract with DOH.

Status of Finding:

DCSE agrees with the auditor's finding. DCSE identified \$21,571 in costs incurred between January 1, 1998 and March 31, 1999.

The Department of Social Services has requested the required decreasing adjustments when it submitted its OCSE-396 Part 1 and 2 for the period ending March 31, 2000, to the Administration for children and Families (ACF). Due to the lengthy approval process, the Division of Child Support Enforcement has not yet received the ACF's approval of the adjustments in writing.

Preparer's Signature



Phone number: 751-4927

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-4.A. Eligibility-Unreported Income

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	\$48,606
93.558	Temporary Assistance for Needy Families (TANF)	16,682

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

Recommendation:

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

Status of Finding:

Recoupment claims have been effected on 22 of the 26 cases. It was established that claims were not in order for the others.

Staff has been trained in the FAMIS child care vendor system and can access vendor screens to determine if an assistance applicant is a state paid child day care provider. Also, the DFS anticipates that a match against Food Stamp PA applicants/recipients and Child Care vendors will begin in FAMIS sometime in the spring of 2001. We are looking at the viability of setting up a similar match through our Research and Evaluation section for cash programs (i.e. Temporary Assistance, General Relief and so forth).

Status of Questioned Costs:

The DFS has not yet received notification that the above referenced questioned costs have been resolved with the grantor agencies.

Preparer's Signature: 

Phone number: 1-605-7

Date 10-6-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-4.B. Eligibility-Unreported Income

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	\$126,093
93.558	Temporary Assistance for Needy Families (TANF)	40,406

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

Recommendation:

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

Status of Finding:

As to the (49) above referenced cases, it was determined that claims were not necessary for 14 of them --- those 14 cases constitute almost 29% of the exception cases. Claims have been effected for 12 of the remaining cases. MOSERS verified two of the individuals are deceased. The DFS is following up on the balance of the cases, having recently gotten income verifications from MOSERS.

An arrangement has been entered into for verifying MOSERS benefits when staff is unable to get such verification from clients themselves. The DFS is also still exploring the viability of conducting a (quarterly) match with MOSERS against its client database.

Status of Questioned Costs:

The DFS has not yet received notification that questioned costs have been resolved with granting agencies.

Preparer's Signature: James R. Luck

Phone number: 6-0967

Date: 10-26-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-4.C. Eligibility-Unreported Income

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>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families

We noted various errors made by caseworkers including apparent failure to perform adequate verification of the clients income. In addition, it appeared the DFS did not have adequate procedures in place to properly identify and respond to clients' changing income. As a result, the DFS appeared to have made numerous overpayments to clients.

Recommendation:

The DFS ensure caseworkers verify earned and unearned income and properly consider gross income in determining client eligibility and in setting assistance payment amounts.

Status of Finding:

Issues of exploring sources of income with assistance applicants/recipients and correctly considering said income for eligibility were focal points at the recent Food Stamp Payment Accuracy Conference here in Missouri. Some 300+ staff attended the conference. Routinely, too, this is reviewed with staff who has occasion to visit Central Office for monthly information meetings.

The DFS IM Deputy Director recently sent a memorandum to all Area and County offices instructing management staff to impress upon eligibility and case-maintaining staff the importance of being as thorough as possible in discussing income sources with clients. Staff is specifically instructed to ask if an applicant (or active assistance recipient at the time of a due case reinvestigation) has income from pensions, and/or earnings from sources (such as child care) that may not necessarily be considered to be "bona fide" employment.

Preparer's Signature: *Paul R. Jack*

Phone number: 67917

Date: 11-8-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-5.A.                      Independent Living Expenditures and 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>
93.674	Independent Living	\$85,407

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

Recommendation:

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

Status of Finding:

This audit finding indicated that room and board expenses had been inappropriately charged to the Title IV-E Independent Living Program. It was discovered that the Division of Budget and Finance had some cost centers/function codes being charged to the wrong reporting category. Steps were taken when we were initially notified of this finding to prevent any further expenditures of this type to be claimed.

Status of Questioned Costs:

The Independent Living claim is being adjusted for the period ending September 2000 to remove these costs

Preparer's Signature: *Spencer J. Jernhill* Phone number: 751-8962

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-5.B. Independent Living Expenditures and 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>
93.674	Independent Living	\$1,148

We selected a sample of 40 of the state's 976 clients who received Independent Living Program (ILP) services. Of the 40 cases, we found 8 (20 percent) were not eligible for ILP services. These 8 clients received at least \$1,551 in federal ILP benefits they were not eligible for and we questioned the federal share of \$1,148 (74 percent).

Recommendation:

The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should ensure it uses effective procedures to determine whether clients have reached the age eligibility limit that would allow them to receive federal ILP services. In addition, the DFS should also consider computer system changes that would help improve coding accuracy.

Status of Finding:

This audit finding discovered that youth who were ineligible for Independent Living funds had been charged to the grant. These were children who were under the age of 16. On August 23, 2000 an automated system edit was placed in the Children's Services Payment System that prevents children under the age of 16 from receiving payments from this funding source.

Status of Questioned Costs:

DFS ensures that corrective actions have been taken to reconcile the inaccurate payments with the federal agency through the use of fund recoupments in the Children's Services Integrated Payment System.

Preparer's Signature: *Janice J. Smith* Phone number: 526-5553

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-6.A. Eligibility – Child Care Services

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>
93.575	Child Care and Development Block Grant	\$2,019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	2,019

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

Recommendation:

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

Status of Finding:

As noted in the corrective action plan, the DFS has ensured that safeguards have been built into the FAMIS Child Care System. One of these safeguards include an edit that will not allow for care payment authorization for children over the age limit unless a special needs indicator has been entered. Moreover, the system will not allow for a care authorization to be entered for children over age 13 unless the special needs indicator is there. Children over age 19 can not even be authorized with the special needs indicator in place. Staff statewide has been trained on the Child Care System in FAMIS. It is expected that conversion of all Child Care cases into the FAMIS system will be completed by April 2001.

The DFS followed up on the exception cases in question. Responses from staff are that claims have been implemented, as appropriate, against either the case household head or the Day Care provider.

Status of Questioned Costs:

The DFS has not yet been notified that questionable costs have

been reconciled with the grantor agency.

Preparer's Signature: James C. R. Luck

Phone number: 6-1917

Date: 10-26-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-6.B. Eligibility – Child Care Services

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>
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

We determined that 8 of 32 cases (25 percent) reviewed were incorrectly entered into the database by the caseworker.

Recommendation:

The DFS improve procedures to ensure client information is correctly entered into the database.

Status of Finding:

The DFS noted, in the "Status" response to 99-6A, that the automated FAMIS system is now taking over the aspect of correctly setting up child care authorizations and vendor payments. It is expected full implementation will be accomplished by late spring of 2001. Staff has been trained on the navigation of the new system.

Preparer's Signature: 

Phone number: 6-091.7

Date: 10-26-00

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-7.A. Eligibility – Kansas Match

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	\$ 9,229
93.558	Temporary Assistance for Needy Families	9,638

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

### Recommendation:

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

### Status of Finding:

36 exception cases/households were identified and made known to the DFS by the SAO as possibly having received dual assistance issuances while being active in both Kansas and Missouri simultaneously. The DFS investigated those cases and concluded the following:

Individuals in 5 of the cases were identified as not having Social Security numbers that matched in both States – the numbers were verified here in Missouri and that information was forwarded on to the Kansas liaison. The auditors did not note any possible case errors.

Six of the cases were determined, in Missouri, to have been correctly screened as "second month" cases (i.e. client received in Kansas for the month, moves to Missouri, and makes application for assistance in Missouri which is approved for subsequent month of residence). No claims were in order.

Six additional cases were determined not to be claim-worthy (due to death, benefits aging out of the EBT system instead of being accessed, Missouri's '10-10-10' eligibility rule, etc.).

Twelve households have had claims effected against them here in Missouri.

The state of Kansas assumed responsibility for establishing claims on five of the households.

The one-month issuance in question for one case was cancelled, and subsequently no over payment exists.

The 36<sup>th</sup> case on the list is being reviewed again, after having been referred for a claim when the DFS was initially made aware of the possible errors.

Status of Questioned Costs:

The DFS has not yet been notified as to whether questioned costs have been reconciled with grantor agencies. Even though claims have been effected on one-third of the originally questioned cases (as established to have been in error), few recoveries have been made to date.

Preparer's Signature: 

Phone number: 6-0167

Date: 11-8-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-7.B. Eligibility – Kansas Match

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>
93.778	Medical Assistance Program	\$30,008

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

**Recommendation:**

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

**Status of Finding:**

The DFS is coordinating with the Division of Medical Services (DMS) in an endeavor to recover premium payments made to contract managed care providers for ineligible clients.

**Status of Questioned Costs:**

Although the DFS determines eligibility for medical coverage, the DMS makes capitation (health care premium) payments in managed-care areas. The DFS will assist the DMS in whatever manner it can to recoup premiums incorrectly paid.

Preparer's Signature: *James D. Guck*

Phone number: 6-04167

Date: 7-8-00

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999

99-7.C. Eligibility – Kansas Match

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>
10.551	Food Stamps
93.778	Medical Assistance Program
93.558	Temporary Assistance for Needy Families

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

### Recommendation:

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

### Status of Finding:

The DFS has done a number of things to help ensure fewer incidences of dual assistance participation by Missouri clients from more than one state.

Recently, a memorandum was sent to all of the areas and counties instructing directors to remind staff of the importance of impressing upon assistance applicants/recipients that they should be diligent in notifying the agency of address changes, and especially when relocating to another state. Staff was also reminded that a focus should be placed on getting address changes into the system promptly.

In early spring 1999 the DFS implemented the run of a report entitled "Out-of-State Food Stamp and Temporary Assistance EBT Activity Report". Because now almost half of the states in the union are QUEST states, interstate EBT transactions are possible. Two of the intended objectives of the EBT activity report are identification of recipients who may have moved, or who may be working in another state. This report runs on an every-two-month cycle. For a Missouri Food Stamp recipient, the report discloses electronic benefit account activity occurring outside of Missouri if there are more than three client transactions in a month or if there are transactions for two or more consecutive months. For

Missouri cash programs, the report reveals EBT activity on transactions that occur in another state more than once a month or transactions that occur at least once in two or more consecutive months. Staff is instructed to immediately attempt contact with the client who shows up on the list in the course of exploring circumstances for continued benefit eligibility.

Staff is reminded to access the PADX system, hosted through the state of Iowa, to check for dual benefit receipt by Missouri assistance recipients/applicants in Kansas and Iowa. Those are the only two states, besides Missouri, participating in this cross-matching system currently, thusly limiting the networking range. It is, though, another resource for helping to prevent client public assistance participation in more than one state.

The DFS is still working on participation in the PARIS (Public Assistance Information Systems) match sponsored by the ACF. The designated DFS liaison is coordinating Missouri's involvement with the Department of Social Services Data Processing Division and with the national PARIS Users Group. The target date for Missouri's first data run is February 2001.

Preparer's Signature: *Paul R. Cook* Phone number: 1-671-7  
Date: 11-8-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-8. Eligibility – Benefits Provided to Inmates

Federal Agency: Department of Agriculture and Department of Health and Human Services  
State Agency: Department of Social Services – Division of Family Services (DFS),  
Division of Medical Services (DMS)

<u>CFDA Number</u>	<u>Program Name</u>	<u>Questioned Costs</u>
10.551	Food Stamps	\$11,251
93.558	Temporary Assistance for Needy Families	4,976
93.778	Medical Assistance Program	913

State law prohibits public assistance benefit payments to any inmate of a public institution. Similarly, federal law states that residents of an institution which provides them with a majority of their meals are not eligible for participation in the Food Stamp program. In addition, a 1997 amendment to the Food Stamp Act required states to establish a system to ensure no one detained in a federal, state, or local penal, correctional, or other detention facility is participating in the Food Stamp program. To comply with these requirements, the DFS performs a monthly match between its clients and inmates held by the Missouri Department of Corrections (DOC). Each local DFS office is also required by DFS policy to perform a match with the local jail or law enforcement agency once each month. Our match of computer records of TANF and Food Stamp clients for April 1999 against computer records of inmates in the custody of the DOC as of the same date identified 189 current TANF and/or Food Stamp clients who were also incarcerated in the DOC. We selected 60 of those clients and determined that 24 (40 percent) had received two or more months of assistance payments while incarcerated. Therefore, we questioned \$11,251 in Food Stamp benefits, \$4,976 as the federal share (61 percent) of \$8,158 in TANF benefits, and \$913 as the federal share (60.24 percent) in Medicaid benefits received through September 30, 1999. We also contacted 40 of the 114 county jails in Missouri and found that 14 (35 percent) were not providing the local DFS office with inmate information. Personnel in those 14 DFS offices confirmed that inmate information is not requested and that they only worked with the information provided from the state level DOC matches.

**Recommendation:**

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

**Status of Finding:**

Claims have been effected for 12 of the 24 exception cases referred to above. Eight of the exception cases were determined to not have been in error for claims establishment and the five remaining cases are still in review status.

The DFS responded, in the single-audit corrective action plan, that it had addressed the issue of local jails not working with DFS offices in a joint endeavor to minimize the possibility of inmates receiving public assistance. The IM Deputy Director instructed the 14 offices identified as having an inadequate working relationship with their local jails to develop and implement a plan to routinely get needed information from the jails. All 14 responded accordingly. The IM Deputy Director then sent a memorandum to all the counties informing that this was an audit issue, and noting that should other counties not have in place an information sharing arrangement with their local jails, then they should immediately endeavor to do so.

Insofar as matching with the Department of Corrections to identify state-imprisoned individuals possibly receiving assistance, the IM section has a designated individual in Central Office to track those. Lists of names of incarcerated individuals who might be active public assistance recipients are generated monthly to each Area. The Areas, in turn, disperse copies to both supervisors and to workers. Instructions on the lists direct how to investigate the cases and as to what action(s) should be taken. Results are reported back to Central Office when the case has been acted on. The returned data is compiled into chart format. Routinely, reports are generated with these compiled results to Area Directors and higher level administrative management. If an Area is deficient in addressing the lists, then they are duly notified. Recently, a memo was sent to the Areas with unsatisfactory response rates directing them to present plans to Central Office to improve the number of case investigations from the monthly reports.

*The DFS IM section has, for some time now, in place a monitoring system for tracking incarcerated persons*

Status of Questioned Costs:

The DFS has not received notification that questioned costs have been reconciled with grantor agencies.

Preparer's Signature: *Janet K. Luck*

Phone number: 6-0917

Date: 10-26-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-9. Eligibility – Personal Property Match

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	\$29,477
93.558	Temporary Assistance for Needy Families	15,124

There are various state and federal rules that establish limitations on the value of assets a Missouri resident is allowed to own and still be eligible for benefits under the Food Stamp and TANF programs. To comply with these resource limitations, the DFS requires individuals to report all assets on their benefit application and sign a "Notification of Fraud Provisions" statement that states all changes in assets will be reported by the client within ten days. We performed a match of computer records of TANF and Food Stamp clients as of April 1999 against records of registered vehicles as of April 1999 obtained from the Missouri Department of Revenue (DOR). We selected 33 cases, representing 63 of the 1,935 vehicles identified in the match, and determined that 13 of the 33 (39%) had not properly reported their vehicles and similar personal property. Further review of these cases revealed that \$29,477 in Food Stamp benefits and \$24,794 in TANF benefits were paid to recipients whose assets exceeded the eligibility limitations. We questioned the federal portion of these amounts which was \$29,477 for Food Stamps and \$15,124 for TANF.

**Recommendation:**

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

**Status of Finding:**

Claims were effected on four of the 13 questioned cases, but nothing has been recouped to date due to them not being active in Missouri currently. It was established that six of the cases were not 'claim worthy'. The remaining three have had no further action taken on them as ownership of the vehicles by the households could not verified, thereby supporting potential claims. These three cases are again being reviewed.

In the course of addressing the issue of clients disclosing ownership of vehicles, the DFS IM Deputy Director recently sent a memo out to areas and counties instructing managers to remind staff to clarify the scope of property ownership (and more specifically vehicles) when exploring circumstances for eligibility purposes.

The DFS had replied in the single audit corrective action plan (for the year ended June 1999) that it had previously been established it would not be cost effective to implement a vehicle match with the Department of Revenue's Division of Motor Vehicles (DMV) - an explanation accompanied. To lend even more support to that position, the Deputy Director's designee obtained access to vehicle registration screens. The DMV supplied two personnel to instruct the designee on navigating the DMV's information system. It was concluded that for IM staff to regularly access the DMV screens in an attempt to ascertain ownership of motor vehicles (including boats) by an assistance applicant/recipient household, the process would not only be highly inefficient time-wise, but it is a "hit-and-miss" search, as well. Some of the problems, besides considerable scrolling through pages, are 1) Vehicles can be (and are) registered under many variant spellings of a name. 2) There are many of the same names (i.e. Joe Smith) on the registry, lending to confusion. 3) If a vehicle is sold out of state, the Missouri DMV would not be aware of that and records would continue to show it as in state.

It is important to note, incidentally, that Food Stamp policy (IM Memo #120 dated August 15, 2000) has been changed to introduce more flexible considerations regarding vehicle ownership, and availability as a resource. To add to this, in early October, the (Federal) House approved a new value consideration for vehicles which excludes the entire value of the primary household vehicle (regardless of equity), and up to \$1500 equity on a second vehicle. These limits are the same as those used in consideration for Temporary Assistance eligibility. The Senate, at the time, was expected to approve the measure, and may well have already done so.

Status of Questioned Costs:

The DFS has not yet been notified that questioned costs have been reconciled with grantor agencies.

Preparer's Signature: *James L. Beck*

Phone number: 6-0967

Date: 11-8-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-10. Reporting Compliance

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

CFDA Number      Program Name  
93.558              Temporary Assistance for Needy Families

We could not perform audit procedures to ensure quarterly reports of Temporary Assistance for Needy Families (TANF) data (ACF-198) were prepared in accordance with federal requirements because supporting documentation and the quarterly reports were not retained by the DFS.

Recommendation

The DFS retain copies of all reports submitted to the federal awarding agencies and all related supporting documentation necessary to allow adequate audit review of the procedures and the accuracy of the ACF-198 quarterly report, in compliance with federal requirements.

Status of Finding:

All copies of reports and survey forms are being saved for a period of five years.

Preparer's Signature: Richard P. Keon      Phone number: 751-3060  
10-2-2000

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-11. Unlocated Case Files

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>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

The DFS local offices reported they could not locate 23 of 383 (over 6%) case files that we requested for detailed case review.

Recommendation:

The DFS review case file keeping procedures in the local DFS offices to ensure all case files are appropriately retained and available for DFS case action or audit review.

Status of Finding:

The DFS has proposed a plan to assist the State Auditor's Office in obtaining the case files they request for review in the course of their work. The plan had been discussed with Audit Manager Jim Helton and a formal letter was directed to him reiterating the agreement. The DFS IM Deputy Director issued a memorandum to all Area and County Offices notifying of this arrangement and enlisting the cooperation of the counties to help ensure that this endeavor is a success. The counties are to designate individuals to ensure that requested files be produced. A person from DFS Central Office has been designated to act in a liaison capacity to help coordinate the efforts between the SAO and the counties.

Preparer's Signature: 

Phone number: 6-0917

Date: 10-26-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

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

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	\$3,577

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

Recommendation:

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

Status of Finding:

The FY 1999 sample, overpayment letters were sent to providers for the claims that DMS determined needed to be recouped which totaled \$3,062. The letters were sent in August and September 2000.

Status of Questioned Costs:

The FY 2000 sample claims were selected to meet the federal requirement for a review of medical necessity, timeliness of service and quality. This process started on May 1, 2000. SURS review is continuing with a few requests for additional documentation, conclusion of the medical record reviews and determinations if any further action is needed.

Preparer's Signature: Sherry Simon Phone number: 751-3399

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-13. Ineligible Payments

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	\$8,377

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

Recommendation:

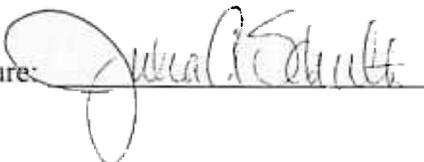
The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should seek reimbursement from providers for the overpayments and improve procedures to ensure recoupments are made and eligibility codes are updated when a deceased recipient is identified.

Status of Finding:

No changes have been made to the corrective action plan other than the due date for the enhancement which is the long term corrective action. The due date will be May, 2001, instead of March.

Status of Questioned Costs:

We have recently initiated a mass adjustment (M\_1799) which had a net result of \$171,844.25 that has been recouped from providers. Another mass adjustment will be scheduled in the next calendar quarter.

Preparer's Signature:  Phone number: 751-7998

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-14.A Private Duty Nursing Program

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

CFDA Number      Program Name  
93.778                Medical Assistance Program

Under the Healthy Children and Youth program (HCY) and Physical Disability Waiver (PDW) programs, the Department of Health (DOH), under interagency agreements with the DMS, is responsible for providing case management, which includes prior authorization for medical necessity. However, the agreements did not specifically assign responsibility for reviewing recipient records at the home health agency for compliance with program guidelines. Thus, there was little assurance that private duty nursing services provided to HCY and PDW recipients and paid for by the Medicaid program were delivered in accordance with the care plan.

Recommendation:

The DMS establish procedures to ensure private duty nursing claims under the HCY and PDW programs are adequately supported and the services delivered.

Status of Finding:

The Private Duty Nursing Assessment Tool has been implemented effective August 1, 2000. In preparation for this implementation, staff from the division of Medical Services and Bureau of Special Health Care Needs conducted informational meetings in Kansas City, St. Louis, Columbia and Springfield. Invitations to attend were sent to all enrolled private duty nursing provider agencies. In addition to information regarding the implementation of the Private Duty Nursing Assessment Tool, providers were advised of the necessity and requirements of the plan of care, the importance of documentation and the post payment review process. A Missouri Medicaid Bulletin conveying the above information was sent to all enrolled private duty nursing providers.

The SURS Unit has been provided with a listing of all individuals who were on the PDW last year. They are in the process of scheduling a review with the waiver service providers for these recipients.

Preparer's Signature:  Phone number: 751-3277

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-14.B. Private Duty Nursing Program

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

CFDA Number            Program Name  
93.778                      Medical Assistance Program

For the period July 1, 1998 to February 28, 1999, the DMS and the Department of Health (DOH) conducted a joint test covering records for 24 of the 71 AIDS Waiver program recipients. The test focused on case management records and noted significant deficiencies.

Recommendation:

The DMS further review the deficiencies noted in the AIDS Waiver program test performed and recoup the payments for services which were not supported by adequate documentation or for which the recipient was ineligible.

Status of Finding:

Discussion regarding the process for a joint review of provider and case management records are proceeding. A review is scheduled for January of 2001.

Preparer's Signature: Glenda Kremen by Phone number: 751-3277  
*M. F. Schlegel*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1999**

99-15. Institutional Reimbursement Unit

Federal Agency: Department of Health and Human Services

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

CFDA Number            Program Name  
93.778                      Medical Assistance Program

The Institutional Reimbursement (IR) unit is responsible for determining if the payments to institutional providers are in accordance with state regulations and the state Medicaid plan. The IR unit has not completed reviews of hospital cost reports in a timely manner. During the year ended June 30, 1999, the IR unit completed only 18 final cost settlements.

Recommendation:

The DMS complete hospital cost report reviews and final settlements in a timely manner.

Status of Finding:

Division staff is currently working overtime to complete cost report desk reviews. The Department of Social Services-Division of Budget and Finance/Audit Services staff assisted with the final outpatient settlements. DMS IRU staff are in the final stages of reviewing the settlements and will be issuing settlement letters by 12/31/2000.

Preparer's Signature:  <sup>10/27/00</sup> Phone number: 751-5663

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-3B. 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>
17.246	Employment and Training Assistance - Dislocated Workers
17.250	Job Training Partnership Act

The DJDT did not follow up on each of its fifteen Service Delivery Areas (SDAs) physical inventory results on a timely basis. The DJDT Financial Manual indicates that each SDA is responsible for replacing missing items or paying the fair market value of the missing item. Over the two years ended June 30, 1998, SDAs 11 and 13 reported missing items totaling \$4,303 and \$26,258, respectively, which had not been located. Neither SDA was required to replace the missing items or repay the DJDT for the fair market value of the items.

**Recommendation:**

The DJDT establish procedures to enforce the requirement that SDAs replace missing items or pay DJDT the fair market value of the items.

**Status of Finding:**

Fully Resolved: The U.S. Department of Labor accepted DWD's resolution of this finding on May 22, 2000.

Preparer's Signature: Harry Struempf Phone number: 526-8210  
Harry Struempf, Manager

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-5. Period of Availability of Funds

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	\$261,149

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

Recommendation:

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

Status of Finding:

*Partially Resolved. In March 2000, the Department of Education contacted DESE concerning the status of this finding. DESE wrote a letter indicating that internal procedures had been established to ensure that funds are obligated within the period of availability and that obligations are liquidated not later than 90 days after the end of the funding period. No follow-up from the Department of Education was received.*

Status of Questioned Costs:

Unknown.

Preparer's Signature: Candis Beebe

Phone number: 751-4681

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-9. Cost Allocation System

Federal Agency: Department of Labor

State Agency: Department of Labor and Industrial Relations (DLIR)

<u>CFDA Number</u>	<u>Program Name</u>
17.207	Employment Service
17.225	Unemployment Insurance
17.801	Disabled Veterans' Outreach Program
17.804	Local Veterans' Employment Representative Program

The DLIR allocates monthly costs to various grant programs through the use of a computerized Cost Allocation System (CAS). The DLIR did not reconcile monthly reports of costs to be allocated by the CAS to actual allocated expenditures. In addition, the DLIR did not perform periodic tests of the monthly allocations performed by the CAS to ensure expenditures are properly allocated at the project code level.

Recommendation:

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.

Status of Finding:

Financial Management employees have performed monthly reconciliations of the Cost Accounting System through the month of April 2000. These reconciliations indicate that costs have been correctly allocated. In addition, the Department's Audit Resolution officer accepted the Department's plan to manually reconcile the allocation reports until automated edit checks are developed.

Preparer's Signature: *Beverly A. Willis* Phone number: (573) 751-1135

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-15.

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>
93.658	Foster Care - Title IV-E	\$16,174
93.778	Medical Assistance Program	5,422

Foster care children over the age of nineteen or over the age of eighteen and not expected to graduate before age nineteen are no longer eligible for assistance under the Title IV-E program. Once a foster child reaches either of these two limitations, the state may continue benefits with state funds. At April 30, 1998, there were 111 open foster care cases for which the child was age eighteen or older and still receiving benefits under the Title IV-E program. We tested twenty-eight of these cases and noted eighteen for which the child was ineligible for \$26,655 (\$16,174 federal share) in Title IV-E benefits and at least \$8,935 (\$5,422 federal share) in Medicaid benefits received based on his or her age or anticipated graduation status. For eleven of those cases and five additional cases, the child was not provided assistance from Title IV-E funds after age nineteen; however, it did not appear reasonable the child could have reasonably been expected to graduate by his or her nineteenth birthday based on the child's birth date. If these children were ineligible for Title IV-E benefits at the age of eighteen, the additional amount of ineligible payments would have been \$112,009 (\$67,967 federal share) for the Title IV-E program and \$8,787 (\$5,332 federal share) for the Medicaid program.

Recommendation:

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.

Status of Finding:

At the time that this particular finding was brought to the attention of the Division of Family Services, we already had an automated report that was being generated to notify staff that children were turning age 19 and that their Title IV-E eligibility status needed to be reviewed. This report was being sent to the 32 eligibility specialists located across the state. Beginning in September of 1999, this report has been sent to one central person in State Office for resolution.

Status of Questioned Costs:

Fund recoupments were processed for the questioned costs to repay the Title IV-E funds that had been inappropriately claimed.

Preparer's Signature: Shelia Jarnell Phone number: 751-8962

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-16. Eligibility - Death Match

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	\$8,068
93.558	Temporary Assistance for Needy Families	0

The DFS performs a monthly computer match between current benefit recipient and death records provided by the Department of Health - Bureau of Vital Statistics. Local office caseworkers are provided any match results for clients who are active members of a case with other participants to reevaluate the benefit status of that case. We identified at least fourteen clients whose case benefit status had not been reevaluated at least five months after the client's death. Based on the DFS benefit calculation guidelines and the earned income information in the case files, it appears benefits were overpaid \$8,068 on six cases and benefits were underpaid \$3,659 on five cases.

Recommendation:

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.

Status of Finding:

To get information to eligibility staff informing that a death had occurred in a household in their caseload, the DFS had been generating a notice directly to them. This information results from matching (DFS) client data against Bureau of Vital Statistics files.

Only the worker got this notice. Follow-up monitoring/review seemed to be lacking to ensure that the information was acted on insofar as necessary case closing, household benefit adjustments, and so forth due to supervisors not receiving notice that their staff had gotten such an alert. The forms were difficult to read, and the information was cramped - these factors may have served to hinder prompt and correct follow-through by staff in many instances.

The DFS Central Office looked at these considerations and responded by revising the alert generated to eligibility staff notifying of an individual case death (form FIM31420-01) and the alert notifying of the need to investigate a multi-person household where an individual assistance recipient has died. The changes include larger print and better organization of information on the alert page itself. Instructions for worker

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – 1998 (cont.)**

98-16. Eligibility - Death Match

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	\$8,068
93.558	Temporary Assistance for Needy Families	0

action was also changed to be more thorough and clear in explaining the procedure for staff to follow in acting on the information. Staff is instructed to document action(s) taken and then to remit that to their supervisor.

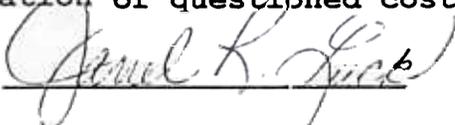
The DFS devised a supervisor copy of the matches, which includes identical information to that which is on the worker's copy. The supervisor copy alerts that a match has been sent to the individual worker and it contains specific instructions as to getting the case action information back from the worker, and how to process that information accordingly.

The new matches were effected about November 1999, as were the guidelines for addressing them.

Insofar as the exceptions that accompanied the initial finding, the DFS noted in the summary finding response (December 1999) that they had been addressed.

Status of Questioned Costs:

The DFS responded to the USDA, concerning an inquiry about the single audit finding 98-16 (Federal Audit No. 90099-002-Missouri), with a report that included the DFS' proposed corrective action and detailing claims that were implemented against exception households. The DFS has not yet been notified that reconciliation of questioned costs has been effected.

Preparer's Signature:  Phone number: 6-6967

Date: 10-25-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-17. Eligibility - Benefits to Felons

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	\$521
93.558	Temporary Assistance for Needy Families	0

We selected a sample of 386 of the state's approximately 234,000 TANF and Food Stamp recipients over age nineteen at April 1998 and asked the Missouri State Highway Patrol to determine if any of them had outstanding felony warrants. We identified two persons with outstanding felony warrants with active Food Stamp cases who had received at least \$521 in ineligible benefits as of October 1998.

Recommendation:

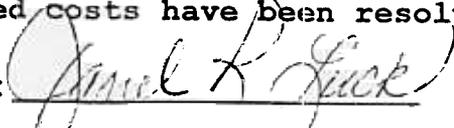
The DFS resolve the questioned costs with the grantor agency. In addition, the DFS should establish a cost-effective procedure to determine whether clients have outstanding felony warrants or have committed other violations that would prevent their eligibility.

Status of Finding:

The Missouri State Highway Patrol has assigned personnel to work on the project to match for receipt of public assistance benefits by fleeing felons. A test file has been forwarded from the DFS to the Highway Patrol to begin working with. It is hoped a trial match can be run by the end of the year.

Status of Questioned Costs:

The DFS responded in the 1999 summary reply that claims had been implemented on the exception households identified by the SAO. Recoupments have been made. The DFS has not yet been notified that questioned costs have been resolved with the grantor agency.

Preparer's Signature: 

Phone number: 6-0967

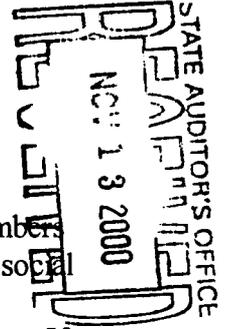
Date: 10-25-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-18. Eligibility - Social Security Number

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>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families



During the client 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 re-determination. If the documentation is not provided at re-determination, the client is to be removed from the case. At April 30, 1998, we determined that the DFS client database had 9,266 Food Stamp and TANF clients that had no social security number reported. 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.

Recommendation:

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

Status of Finding:

The DFS intends to monitor staff entry of verified Social Security numbers (SSNs) into the client database. A Central Office designee will be getting a copy of the quarterly report for unverified numbers (as received back from the Social Security Administration in Baltimore) and will routinely check to see that appropriate changes are effected.

The DFS is currently working with the Division of Data Processing to resume the run of a report that alerts of active assistance recipients without Social Security numbers in the client database. The Central Office designee will also get copies of that to use as a tracking tool.

Recent memos to staff have served to reinforce the importance of securing, verifying and entering Social Security numbers into the system.

A policy memo has recently been issued instructing staff to set time limits for clients to supply verified Social Security numbers that they may not have been able to provide at the point

of application. Previously, there had been no time frame for clients to get back to staff with numbers and this certainly helped lend to the problem of staff not following up for return of the information. With the 15-day time frame, staff will need to implement better tracking measures for ensuring timely client compliance in accord with the new policy edict.

Preparer's Signature: *James K. Lane* Phone number: 6-0967

Date: 11-8-00

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998

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

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>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families

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. Our review indicated that corrective action had been taken for the nine ineligible cases reported; however, a periodic match between the DFS computer records and workers' compensation computer records had not been established to identify workers' compensation benefits unreported by clients.

### Recommendation:

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

### Status of Finding:

The DFS and the DOLIR (Department of Labor and Industrial Relations) have determined a way to compare in-common information and are in the process of conducting a test match utilizing a sampling of DFS clients. The results of the trial run are expected to be known shortly. Whether or not the decided upon test program produces the results necessary for the DFS to suitably screen assistance applicants/participants for receipt of Workman's Compensation benefits will determine if the DFS can pursue effecting it.

If so, the DFS then will need to look at the costs of implementing and maintaining the match program after the mode of data conveyance is decided upon (i.e. extract file). There will have to be a decision on how data will be conveyed, formatted and dispersed. A decision on the frequency of data match run will need to be made. A determination as to whether the DSS Division of Data Processing will need to be involved, along with subsequent costs will need to be looked at. Decisions will need to be made as to what agencies will need to be party to contractual agreement(s) for data exchange/use, etc. Contractual agreements will have to be reviewed by participating agencies' legal representatives.

Considering the above, the goal of the DFS is to have addressed the issues by late spring of 2001.

Preparer's Signature: Jamel R. Guck

Phone number: 6-0967

Date: 11-12-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-19.B.                      Corrective Action on Prior Audit Findings

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>
10.551	Food Stamps
93.558	Temporary Assistance for Needy Families

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. We determined that all the errors from the last audit were corrected; however, we found an additional eight invalid social security numbers in the population of April 1998 TANF and Food Stamp benefit recipients. None of these invalid numbers had been corrected by November 1998. It appears procedures were not improved to correct invalid social security numbers.

Recommendation:

The DFS 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.

Status of Finding:

The DFS will be monitoring the quarterly report from Central Office - a copy of the report is being sent to a C. O. designee every time it is run. The DFS also recently sent a memo to the areas and counties instructing directors to remind staff to be conscientious about verifying numbers and getting numbers into the client database.

Preparer's Signature:                       Phone number: 6-2967  
Date: 11-8-00

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-24. Ineligible Payments

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	\$65,669

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

**Recommendation:**

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

**Status of Finding:**

No changes have been made to the corrective action plan other than the due date for the enhancement which is the long term corrective action. The due date will be May, 2001, instead of March.

**Status of Questioned Costs:**

We have recently initiated a mass adjustment (M-1799) which had a net result of \$171,844.25 that has been recouped from providers. Another mass adjustment will be scheduled in the next calendar quarter.

Preparer's Signature:  Phone number: 751-3752

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-25. Nursing Home and Hospice Claim Overpayments

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	\$94,473

The DMS pays hospice providers for hospice care furnished to nursing home recipients. The hospice is then responsible for reimbursing the nursing home based on a separate agreement. We noted a total of 1,809 patient days where the nursing home and the hospice provider were paid by the DMS for the same dates of service. These errors resulted in overpayments of \$159,380 (\$94,473 federal share).

Recommendation:

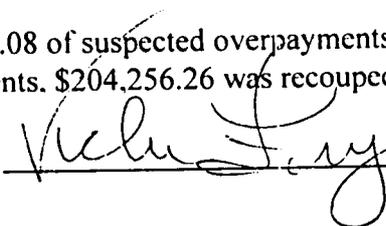
The DMS resolve the questioned costs with the grantor agency. The DMS should also investigate and resolve similar questioned costs from prior years. In addition, the DMS should establish procedures to ensure nursing home and hospice claims are properly processed and paid.

Status of Finding:

System work was completed in November 1999 (S-1539) to eliminate overpayments.

Status of Questioned Costs:

There were \$430,117.08 of suspected overpayments. After a review was performed of these suspected overpayments, \$204,256.26 was recouped as inappropriate payments.

Preparer's Signature:  Phone number: 522-1760

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-26. 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	\$257,083

As of December 1998, the DMS's Drug Rebate Unit had identified 9,193 claims against pharmacies with estimated overpayments totaling \$423,670 for which recoupments against the pharmacies had not been initiated because the claims were over five years old. The DMS does not initiate recoupment if the claim exceeds five years. Federal law requires that all identified overpayments be returned to the grantor agency. The federal share of these overpayments is \$257,083.

**Recommendation:**

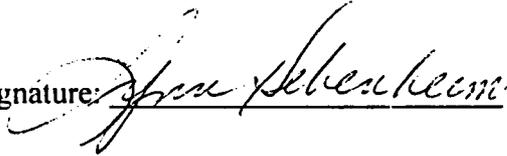
The DMS resolve the questioned costs with the grantor agency. In addition, the DMS should ensure the grantor agency is credited for its share of overpayments when identified, attempt to recover the overpayments, and establish procedures to ensure future recoupments of overpayments are performed in a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

**Status of Finding:**

The questioned costs have been closed with the grantor agency. Closed in audit status follow-up report for QE March 31, 2000.

**Status of Questioned Costs:**

The questioned costs have been closed with the grantor agency. Closed in audit status follow-up report for QE March 31, 2000.

Preparer's Signature:  Phone number: 526-5778

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-27.A. Third Party Liability

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

CFDA Number      Program Name  
93.778              Medical Assistance Program

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

**Recommendation:**

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

**Status of Finding:**

Updates to TPL Action Plan are still in progress. A draft will be completed by December 2000.

Preparer's Signature: Chris Reeter Phone number: 1-2005

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - 1998**

98-28.B. Hospital Overpayments

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	\$183,196

The DMS established new inpatient per diem rates for all 147 hospital providers effective April 1, 1998. 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. The DMS then retroactively adjusted claims with dates of service after April 1, 1998 and the date of the rate change, resulting in an additional payment of \$301,906 (\$183,196 federal share) to this provider. We question the federal share of the retroactive payment.

**Recommendation:**

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.

**Status of Finding:**

The questioned costs have been resolved with the grantor agency. HCFA agrees that it was appropriate to use federal match for the retroactive payment.

**Status of Questioned Costs:**

The grantor agency closed the recommendation that the questioned costs be returned in OIG Clearance Document dated December 10, 1999.

Preparer's Signature: James L. [Signature] Phone number: \_\_\_\_\_

**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:

*Unknown. We believe that this audit finding is no longer valid and does not warrant further action. It has been two years since the audit report in which the finding occurred was submitted to the federal clearinghouse and the federal agency has not followed up with us on the audit finding.*

Status of Questioned Costs:

Unknown.

Preparer's Signature: 

Phone number: 751-4681



**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)

CFDA Number      Program Name  
10.551              Food Stamps

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:

Plans to reduce the backlog of claim referrals were provided by both the St. Louis City and St. Louis County offices in June 1999. Each office included as a part of its plan a review of pending claim referrals to determine which referrals could be pursued as a claim. This analysis resulted in a reduction of the backlog because necessary information could not be obtained for all pending referrals.

Claim unit staff in both counties has been very successful in processing the remaining backlog of claim referrals. The St. Louis City office had approximately 6,400 claim referrals pending as of February 1999. The September 2000 pending claim referral report for the St. Louis City office shows the total number of pending claim referrals as 1,485. The St. Louis County office had approximately 10,000 claim referrals pending as of June 1999. The August 2000 pending claim referral report for the St. Louis County office shows the total number of pending claim referrals as 1,228.

Staff from the Quality Assurance section continues to monitor the reduction of pending claim referrals in the St. Louis City and St. Louis County offices. When the claim referral backlog is at a one-month level, monitoring will continue as part of the annual Special Initiative review for these two areas.

Preparer's Signature: 

Phone number: 636-09167

Date: 10-25-00

**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)

CFDA Number            Program Name  
93.778                      Medical Assistance Program

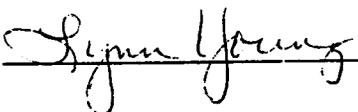
The DMS had not established a security plan for automated data processing (ADP) systems.

**Recommendation:**

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

**Status of Finding:**

The Division of Medical Services' ADP Security Program has been developed and will comply with the federal Health Insurance Portability and Accountability Act of 1996 (HIPPA).

Preparer's Signature:  Phone number: 251-3752

**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)

CFDA Number            Program Name

93.778                    Medical Assistance Program

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:

The Division of Medical Services is currently in the process of conducting ADP system security reviews.

Preparer's Signature: Signu Young Phone number: 751-3752

**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)

CFDA Number            Program Name  
93.778                      Medical Assistance Program

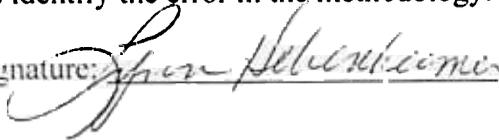
The DMS had not established adequate procedures for calculating, recording, billing, and collecting interest due from drug manufacturers for drug rebate program payments not remitted within thirty days of the invoice date.

Recommendation:

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

Status of Finding:

The STR to implement the systematic calculation of interest was placed in production in March 2000. After a review of the initial system generated invoices, additional refinement to the calculation methodology is necessary before becoming fully functional. Interest collection is continuing as a manual process as final dispute resolution is accomplished until the system programmers identify the error in the methodology.

Preparer's Signature:  Phone number: 526-5775

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