Office of Missouri State Auditor

Nicole Galloway, CPA

State of Missouri
Single Audit
Year Ended June 30, 2018

Report No. 2019-021

March 2019

auditor.mo.gov

Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Fiscal Year 2018 Statewide Single Audit

Background

A single audit requires an audit of the state's financial statements and expenditures of federal awards. The state spent approximately $12.5 billion in federal awards through 302 different federal programs during the fiscal year ended June 30, 2018. Our Single Audit involved audit work on 15 major federal programs administered by 8 state agencies, with expenditures totaling approximately $9.8 billion. The audit reported 3 financial statement findings and 15 federal award findings, and related recommendations. The federal award findings related to 9 major federal programs at 4 state agencies. Of these audit findings, 6 have been repeated from prior Single Audits for 2 to 8 years. Several of these findings are summarized below.

Department of Revenue Financial Reporting Controls

The Department of Revenue did not have adequate controls and procedures over financial reporting of sales and use tax accounts receivables following the implementation of a new computerized system in September 2017. As a result, sales and use tax accounts receivable data submitted to the Office of Administration - Division of Accounting (DOA) for inclusion in the state's financial statements for the year ended June 30, 2018, was misstated. In addition, the data was not submitted to the DOA timely.

Adoption Assistance Eligibility

As noted in the four previous audits of the Adoption Assistance program, the Department of Social Services (DSS) controls over eligibility are not sufficient to prevent and/or detect payments made on behalf of ineligible children. The DSS - Children's Division made payments on behalf of 8 ineligible children and could not provide documentation to demonstrate that another child met the various program eligibility requirements. Total known questioned costs for these errors represent approximately 18 percent of payments reviewed.

Department of Social Services Public Assistance Cost Allocation Plan

DSS - Division of Finance and Administrative Services (DFAS) controls over cost allocation are not sufficient to ensure administrative costs are accurately allocated to various federal programs in accordance with the proposed public assistance cost allocation plan (PACAP), and the proposed PACAP did not include an estimated cost impact analysis as required by federal regulations.

Child Care Eligibility Case Reviews

The DSS did not ensure monthly supervisory case reviews were completed as required for Family Support Division (FSD) eligibility specialists who perform eligibility determinations of households participating in the Child Care Development Fund (Child Care) subsidy program.

Child Care Payments

As noted in our prior eight audit reports, DSS controls over Child Care subsidy provider payments are not sufficient to prevent and/or detect improper payments to child care providers. Documentation was not adequate to support payments for 9 of 60 cases reviewed (15 percent).

Child Care Provider Monitoring

As noted in our prior two audit reports, the DSS's procedures to follow up on provider noncompliance identified during Child Care Review Team reviews were not sufficient.

Foster Care Case Management Contract Payment Reviews	The DSS - DFAS has not established adequate internal controls to ensure certain Foster Care assistance payments to contractors are allowable and adequately supported.
TANF Work Participation Sanctions	As noted in our five prior audits of the Temporary Assistance for Needy Families (TANF) program, the DSS-FSD did not have adequate controls to ensure TANF program recipients who failed to meet work participation requirements were sanctioned.
VOCA Subrecipient Monitoring	The DSS - DFAS did not perform monitoring reviews in accordance with its monitoring policy for the Crime Victims Assistance program, also known as the Victims of Crime Act (VOCA) program.
MO HealthNet Division Provider Eligibility	As noted in our prior two audit reports, the DSS did not establish effective internal controls over and did not fully implement federal revalidation requirements for providers participating in the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP). As of June 30, 2018, the DSS had not performed required revalidations for 48 percent of Medicaid and CHIP providers requiring revalidation.
Medicaid Developmental Disabilities Comprehensive Waiver Per Diem Rates	As noted in our prior three audit reports, the Department of Mental Health - Division of Developmental Disabilities (DD) continued to pay historical per diem rates to providers for residential habilitation services provided to participants of the Home and Community Based Services, Developmental Disabilities Comprehensive Waiver program. The DD did not retain documentation to support per diem rates, paid at historical rates, for 8 of the 37 individualized supported living habilitation service payments tested and 5 of the 15 group home habilitation service payments tested. The federal share of payments to providers for habilitation services provided to these 13 participants totaled $732,022 during state fiscal year 2018.
State Emergency Management Agency Subrecipient Monitoring, Audits and Awards	The State Emergency Management Agency (SEMA) did not perform all required subrecipient risk assessments, perform monitoring reviews in accordance with its monitoring policy, or monitor subrecipient compliance with cash management requirements for the Public Assistance (PA) program. In addition, the SEMA has not established adequate controls to follow up on subrecipient audit findings of the PA program or to ensure all required award information is communicated to the subrecipients.
MoDOT Project Closeouts and Final Vouchers	The Missouri Department of Transportation (MoDOT)'s procedures related to preparation and review of Highway Planning and Construction program project closeouts and final vouchers were not sufficient to ensure the proper reporting of total project costs. As a result, the MoDOT incorrectly reported the costs of 2 projects, causing a $19,432 overstatement of the federal share of costs for one project and an incorrect allocation of local entity matching funds for another project.

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

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Common Abbreviations

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

Introduction

The United States Congress passed the Single Audit Act Amendments of 1996 to establish uniform requirements for audits of federal awards. The Office of Management and Budget (OMB) issued Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) to set forth uniform cost principles and audit requirements for federal awards to nonfederal entities and administrative requirements for all federal grants and cooperative agreements.

A single audit under the Uniform Guidance requires an audit of the state's financial statements and expenditures of federal awards. The audit is required to determine whether:

- The state's basic financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- The schedule of expenditures of federal awards is stated fairly in all material respects in relation to the financial statements as a whole.
- The state has adequate internal controls to ensure compliance with federal award requirements.
- The state has complied with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each of its major federal programs.
- The summary schedule of prior audit findings prepared by the state materially represents the status of the prior audit findings.

The Single Audit report includes the federal awards expended by all state agencies that are part of the primary government. The report does not include the public universities and other component units, which are legally separate from the state and audited by other auditors. The state expended approximately $12.5 billion in federal awards during the state fiscal year ended June 30, 2018.

Summary of Single Audit Results

The following is the summary of our Single Audit results for the state fiscal year ended June 30, 2018.

Financial Statements

We issued our audit report (Report No. 2019-003[1]) of the state's Comprehensive Annual Financial Report (CAFR), as of and for the year ended June 30, 2018, on January 24, 2019. The state's financial statements covered approximately $43 billion in total assets and approximately $27 billion in total expenses for state fiscal year 2018. Our report expressed qualified opinions on the governmental activities and the General Fund because we were not allowed access to tax returns and related source documents for income taxes. Our report expressed unmodified opinions on all remaining opinion units.

We reported three findings related to internal control deficiencies. These findings were at the Department of Revenue, the Department of Corrections, and the Department of Social Services. We consider these findings to be significant deficiencies. The state agencies' responses to the findings are included in this report. The agencies prepared a Corrective Action Plan (CAP) for each finding. The CAPs were submitted to the Office of Administration (OA) and are in the Corrective Action Plans section of this report.

Federal Awards

We issued our report on the accompanying Schedule of Expenditures of Federal Awards (SEFA). The state's SEFA, which does not include federal award expenditures of the public universities and other component units, reported the state expended approximately $12.5 billion in federal funds in state fiscal year 2018. Our report expressed the opinion that the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We audited 15 major federal programs with expenditures totaling approximately $9.8 billion, administered by 8 state agencies.

We issued a qualified opinion on 3 major federal programs and an unmodified opinion on 12 major federal programs. A qualified opinion is issued when the audit of a major federal program detects material noncompliance with direct and material compliance requirements. A qualified opinion was issued on the following major programs administered by the Department of Social Services:

Adoption Assistance
Children's Health Insurance Program
Medicaid Cluster

[1] Available on the Missouri State Auditor's Office website: <http://auditor.mo.gov>.

In total, we reported 15 audit findings related to 9 major federal programs at 4 state agencies. We identified over $780,000 in known questioned costs related to federal awards. Of the 15 audit findings, 6 were repeated from prior Single Audits. These findings have been repeated for 2 to 8 years.

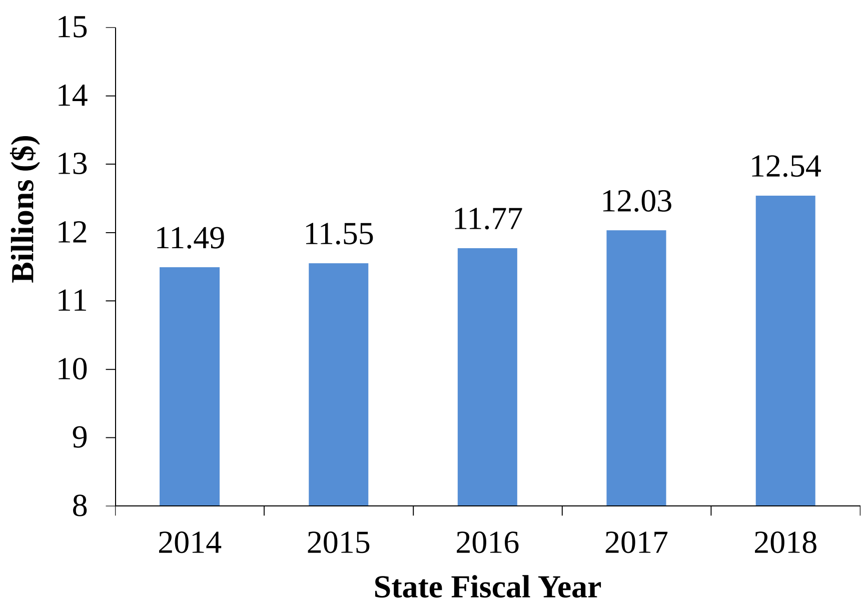
Of the 15 federal award audit findings, 14 related to internal control deficiencies. We consider 2 findings of internal control deficiencies to be material weaknesses and 12 to be significant deficiencies.

The state agencies' responses to the audit findings are included in this report. The state agencies prepared a CAP for each audit finding and submitted them to the OA. They are presented in the Corrective Action Plans section of this report.

In addition, the state agencies prepared and submitted to the OA the status of the prior audit findings. They are presented in the Summary Schedule of Prior Audit Findings section of this report.

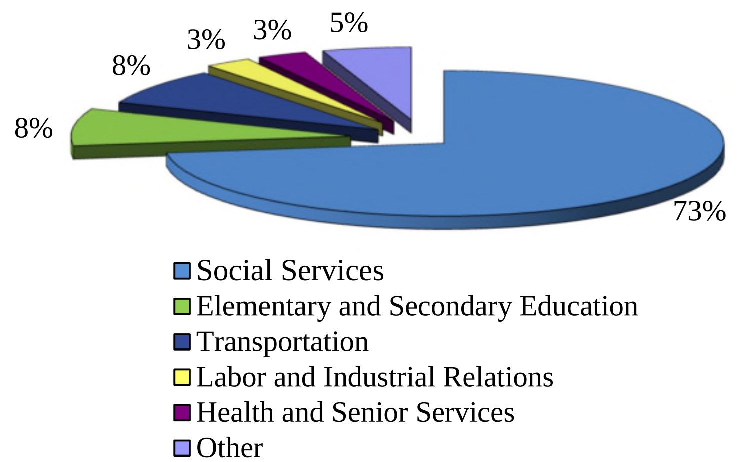
Expenditures of federal awards have increased each year over the past 5 years.

Total Expenditures of Federal Awards
5 Year Comparison



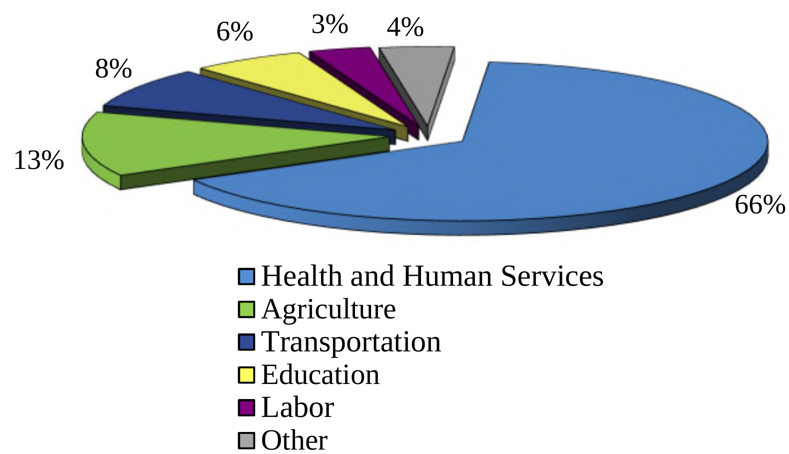
Of the 20 state agencies and other state offices that expended federal awards, 5 state agencies spent the majority of the awards (95 percent) during state fiscal year 2018.

Expenditures of Federal Awards by State Agency



The state expended federal awards received from 23 different federal agencies. Most of the federal award expenditures (96 percent) were from programs of 5 federal agencies.

Expenditures of Federal Awards by Federal Agency

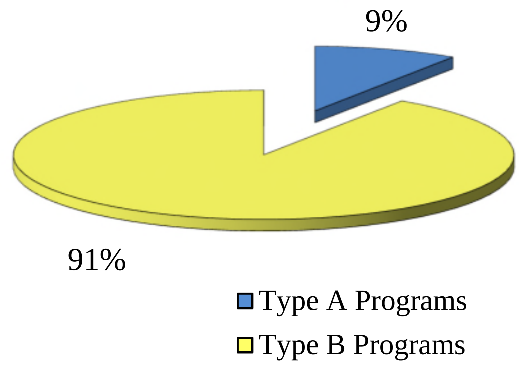


Overall, the state expended federal awards in 302 different programs. These programs are listed in the accompanying Schedule of Expenditures of Federal Awards.

The Uniform Guidance requires federal programs to be labeled Type A programs or Type B programs based on a dollar threshold. For the state of Missouri, the Uniform Guidance defines the dollar threshold as $30 million since the federal award expenditures exceeded $10 billion, but were less than or equal to $20 billion.

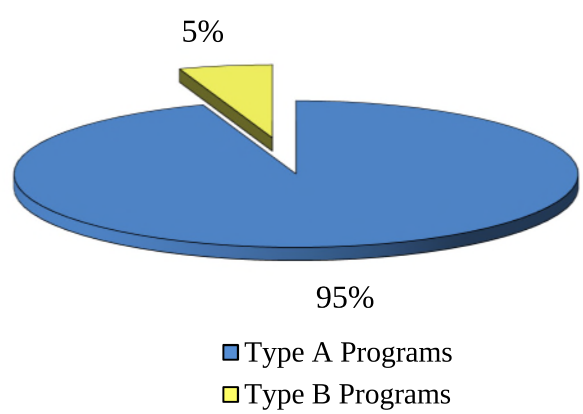
Programs with federal award expenditures over $30 million are Type A programs and programs with federal award expenditures under $30 million are Type B programs. Of the 302 federal award programs, 28 were Type A programs and 274 were Type B programs.

Type A and Type B Programs
Number of Programs



The 28 Type A programs had expenditures totaling approximately $11.9 billion, or 95 percent of total expenditures. The 274 Type B programs had expenditures totaling approximately $671 million, or 5 percent of total expenditures.

Type A and Type B Programs
Expenditures of Federal Awards



The Uniform Guidance requires the auditor to perform risk assessments on Type A programs and to audit as major each Type A program assessed as high risk based on specified risk factors. We performed a risk assessment on each Type A program and determined 14 of the 28 Type A programs were low risk and did not need to be audited as major. In accordance with the Uniform Guidance, we audited as major the 14 Type A programs assessed as high risk.

The Uniform Guidance also requires the auditor to perform risk assessments on larger Type B programs to determine which are high risk and need to be audited as major. The dollar threshold to determine the larger Type B programs is 25 percent of the Type A threshold, or $7.5 million. We performed risk assessments on the 22 larger Type B programs and determined 1 program was high risk. In accordance with the Uniform Guidance, we audited the program as major.

The programs audited as major are listed in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. We audited 78 percent of total state fiscal year 2018 federal expenditures.

Major and Non-major Federal Programs

Type of Programs	Number of Programs	Expenditures	Percentage of Expenditures
Programs Audited			
Type A major programs	14	$ 9,811,504,354	
Type B major programs	1	8,972,135	
Total major programs	15	9,820,476,489	78%
Programs not Audited			
Type A non-major programs	14	2,053,150,978	
Type B non-major programs	273	661,794,175	
Total non-major programs	287	2,714,945,153	22%
Total programs	302	$ 12,535,421,642	100%

Correspondence with State Agencies

The Department of Revenue's delays in preparing and submitting to the OA, the Accounts Receivable survey form for various funds (as discussed in finding number 2018-001) led to delays in completing the CAFR audit. See Appendix for a copy of the letter to the OA regarding these delays.

State of Missouri
Summary of Type A Programs and Total Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Program or Cluster Name	Federal Grantor Agency	Federal Awards Expended
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	Agriculture	$ 1,080,020,920
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Agriculture	46,043,880
	Total SNAP Cluster		1,126,064,800
	Child Nutrition Cluster:		
10.553	School Breakfast Program	Agriculture	78,235,549
10.555	National School Lunch Program	Agriculture	242,849,827
10.556	Special Milk Program for Children	Agriculture	410,288
10.559	Summer Food Service Program for Children	Agriculture	14,992,282
	Total Child Nutrition Cluster		336,487,946
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Agriculture	76,646,380
10.558	Child and Adult Care Food Program	Agriculture	57,643,697
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Defense	38,225,896
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Housing and Urban Development	41,663,403
16.575	Crime Victim Assistance	Justice	36,465,046
17.225	Unemployment Insurance	Labor	336,301,679
	WIOA Cluster:		
17.258	WIOA Adult Program	Labor	13,648,347
17.259	WIOA Youth Activities	Labor	13,974,934
17.278	WIOA Dislocated Worker Formula Grants	Labor	13,908,365
	Total WIOA Cluster		41,531,646
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	Transportation	944,714,438
20.219	Recreational Trails Program	Transportation	2,498,856
20.224	Federal Lands Access Program	Transportation	1,635,556
	Total Highway Planning and Construction Cluster		948,848,850
64.015	Veterans State Nursing Home Care	Veterans Affairs	74,391,680
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency	43,882,557
	Total Clean Water State Revolving Fund Cluster		43,882,557
84.010	Title I Grants to Local Educational Agencies	Education	235,281,813
	Special Education Cluster (IDEA):		
84.027	Special Education Grants to States	Education	227,042,369
84.173	Special Education Preschool Grants	Education	5,791,746
	Total Special Education Cluster (IDEA)		232,834,115
84.032	Federal Family Education Loans	Education	87,395,370
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	Education	72,151,866
84.367	Supporting Effective Instruction State Grant	Education	36,163,097
93.268	Immunization Cooperative Agreements	Health and Human Services	67,474,858
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	Health and Human Services	174,274,205
	Total TANF Cluster		174,274,205
93.568	Low-Income Home Energy Assistance	Health and Human Services	69,702,260
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	Health and Human Services	60,673,662
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Health and Human Services	58,783,801
	Total CCDF Cluster		119,457,463
93.658	Foster Care Title IV-E	Health and Human Services	66,369,397
93.659	Adoption Assistance	Health and Human Services	39,576,227
93.667	Social Services Block Grant	Health and Human Services	51,510,348
93.767	Children's Health Insurance Program	Health and Human Services	258,436,572

State of Missouri
Summary of Type A Programs and Total Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Program or Cluster Name	Federal Grantor Agency	Federal Awards Expended
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	Health and Human Services	1,728,764
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health and Human Services	18,956,803
93.778	Medical Assistance Program	Health and Human Services	7,084,850,461
	Total Medicaid Cluster		7,105,536,028
	Disability Insurance/SSI Cluster:		
96.001	Social Security Disability Insurance	Social Security Administration	44,655,213
	Total Disability Insurance/SSI Cluster		44,655,213
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Homeland Security	45,682,920
	Total Type A Programs (expenditures greater than $30,000,000)		11,864,655,332
	Total Type B Programs (expenditures less than $30,000,000)		670,766,310
	Total Expenditures of Federal Awards		$ 12,535,421,642

NICOLE GALLOWAY, CPA
Missouri State Auditor

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

Honorable Michael L. Parson, Governor
and
Members of the General Assembly

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the state's basic financial statements, and have issued our report thereon dated January 24, 2019. Our report expressed qualified opinions on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 28 percent of governmental activity revenues and 33 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded. Our report expressed unmodified opinions on all remaining opinion units.

Our report on the state of Missouri's financial statements includes a reference to other auditors who audited the financial statements of:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Conservation Employees' Insurance Plan; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan which represent 77 percent of the assets and 11 percent of the revenues of the governmental activities.

2. The State Lottery and the Petroleum Storage Tank Insurance Fund which are both major funds and represent 12 percent of the assets and 73 percent of the revenues of the business-type activities.

3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation agency funds which represent 93 percent of the assets and 97 percent of the additions of the fiduciary funds.

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

The financial statements of the Conservation Employees' Insurance Plan, the Missouri State Employees' Insurance Plan and the Missouri Consolidated Health Care Plan, internal service funds; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the pension (and other employee benefit) trust funds were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state's internal control. Accordingly, we do not express an opinion on the effectiveness of the state's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the state's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questions Costs as finding numbers 2018-001 through 2018-003 that we consider to be significant deficiencies.

Compliance and Other Matters

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

State's Responses to Findings

The state of Missouri's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the state's Corrective Action Plans. The state's responses were not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Nicole R. Galloway, CPA
State Auditor

January 24, 2019

NICOLE GALLOWAY, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Michael L. Parson, Governor
and
Members of the General Assembly

Report on Compliance for Each Major Federal Program

We have audited the state of Missouri's compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the state's major federal programs for the year ended June 30, 2018. The state of Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

The state of Missouri's basic financial statements include the operations of the public universities and other component units, which may have expended federal awards, and which are not included in the state's Schedule of Expenditures of Federal Awards during the year ended June 30, 2018. Our audit, described below, did not include the operations of these component units because federal awards administered by the component units are the subject of audits completed by other auditors, if required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the state of Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the state's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the state's compliance.

Basis for Qualified Opinion on Certain Major Federal Programs

As described in the accompanying Schedule of Findings and Questioned Costs, the state of Missouri did not comply with requirements regarding the following:

Finding Number	CFDA Number(s)	Program (or Cluster) Name	Compliance Requirement(s)
2018-004	93.659	Adoption Assistance	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility
2018-013	93.767 93.775 93.777 93.778	Children's Health Insurance Program and Medicaid Cluster	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the state of Missouri to comply with the requirements applicable to these programs.

Qualified Opinion on Certain Major Federal Programs

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, the state of Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Adoption Assistance program, the Children's Health Insurance Program, and the Medicaid Cluster for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the state of Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2018-005, 2018-007, 2018-009 through 2018-011, and 2018-014 through 2018-018. Our opinion on each major federal program is not modified with respect to these matters.

The state of Missouri's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the state's Corrective Action Plans. The state's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the state of Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the state's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the state's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2018-004 and 2018-013 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2018-005 through 2018-012 and 2018-015 through 2018-018 to be a significant deficiencies.

The state of Missouri's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the Corrective Action Plans. The state's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Nicole R. Galloway

Nicole R. Galloway, CPA
State Auditor

March 13, 2019

NICOLE GALLOWAY, CPA
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

Honorable Michael L. Parson, Governor
and
Members of the General Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Missouri, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the state's basic financial statements. We issued our report thereon dated January 24, 2019, which contained qualified opinions on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Our report expressed unmodified opinions on all remaining opinion units.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the audit procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The purpose of this report is solely to provide an opinion on the Schedule of Expenditures of Federal Awards in relation to the basic financial statements as a whole based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

Nicole R. Galloway, CPA
State Auditor

January 24, 2019

State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Agriculture			
10.U01	School Lunch Commodity Refund	$ 24,964	$ 24,964
10.025	Plant and Animal Disease, Pest Control, and Animal Care	731,767	0
10.028	Wildlife Services	10,000	0
10.069	Conservation Reserve Program	380,838	0
10.093	Voluntary Public Access and Habitat Incentive Program	132,425	0
10.117	Biofuel Infrastructure Partnership	811,151	811,151
10.153	Market News	9,000	0
10.163	Market Protection and Promotion	63,605	0
10.170	Specialty Crop Block Grant Program - Farm Bill	514,627	474,441
10.171	Organic Certification Cost Share Programs	92,732	0
10.304	Homeland Security Agricultural	33,853	0
10.435	State Mediation Grants	23,148	0
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	1,016,850	0
10.479	Food Safety Cooperative Agreements	221,066	0
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program	1,080,020,920	0
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	46,043,880	12,757,287
	Total SNAP Cluster	1,126,064,800	12,757,287
	Child Nutrition Cluster:		
10.553	School Breakfast Program	78,235,549	78,235,549
10.555	National School Lunch Program	242,849,827	242,849,827
10.556	Special Milk Program for Children	410,288	410,288
10.559	Summer Food Service Program for Children	14,992,282	14,374,205
	Total Child Nutrition Cluster	336,487,946	335,869,869
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	76,646,380	23,103,368
10.558	Child and Adult Care Food Program	57,643,697	56,957,171
10.560	State Administrative Expenses for Child Nutrition	5,385,128	2,192,129
	Food Distribution Cluster:		
10.565	Commodity Supplemental Food Program	7,484,447	1,744,482
10.568	Emergency Food Assistance Program (Administrative Costs)	1,580,142	1,501,346
10.569	Emergency Food Assistance Program (Food Commodities)	10,023,426	0
	Total Food Distribution Cluster	19,088,015	3,245,828
10.574	Team Nutrition Grants	377,683	43,736
10.578	WIC Grants To States (WGS)	1,752,660	66,617
10.579	Child Nutrition Discretionary Grants Limited Availability	580,715	264,698
10.582	Fresh Fruit and Vegetable Program	3,119,110	3,119,110
10.664	Cooperative Forestry Assistance	1,518,653	577,504
	Forest Service Schools and Roads Cluster:		
10.665	Schools and Roads - Grants to States	3,238,321	3,238,321
	Total Forest Service Schools and Roads Cluster	3,238,321	3,238,321
10.680	Forest Health Protection	7,329	0
10.902	Soil and Water Conservation	542,274	512,733
10.932	Regional Conservation Partnership Program	1,577,714	1,574,063
Total Department of Agriculture		1,638,096,451	444,832,990
Department of Commerce			
11.550	Public Telecommunications Facilities Planning and Construction	206,928	0
Total Department of Commerce		206,928	0

State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Defense			
12.U01	Excess Property Program	673,047	0
12.U02	Troops to Teachers	20,807	0
12.112	Payments to States in Lieu of Real Estate Taxes	1,435,503	1,435,503
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	764,030	0
12.401	National Guard Military Operations and Maintenance (O&M) Projects	38,225,896	0
12.620	Troops to Teachers Grant Program	116,759	0
Total Department of Defense		41,236,042	1,435,503
Department of Housing and Urban Development			
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	41,663,403	40,876,785
14.231	Emergency Solutions Grant Program	2,114,403	2,110,078
14.238	Shelter Plus Care	313,882	0
14.241	Housing Opportunities for Persons with AIDS	854,134	854,134
14.267	Continuum of Care Program	11,783,925	0
14.401	Fair Housing Assistance Program State and Local	218,573	0
14.416	Education and Outreach Initiatives	45,037	0
Total Department of Housing and Urban Development		56,993,357	43,840,997
Department of the Interior			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	152,792	0
15.252	Abandoned Mine Land Reclamation (AMLR)	2,784,427	0
15.438	National Forest Acquired Lands	2,267,204	2,267,204
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration	7,568,352	492,190
15.611	Wildlife Restoration and Basic Hunter Education	19,853,994	1,353,224
	Total Fish and Wildlife Cluster	27,422,346	1,845,414
15.608	Fish and Wildlife Management Assistance	143,661	0
15.615	Cooperative Endangered Species Conservation Fund	200,158	58,113
15.616	Clean Vessel Act	15,496	15,496
15.634	State Wildlife Grants	989,687	0
15.657	Endangered Species Conservation – Recovery Implementation Funds	2,948	0
15.658	Natural Resource Damage Assessment and Restoration	11,166	0
15.808	U.S. Geological Survey Research and Data Collection	49,994	0
15.810	National Cooperative Geologic Mapping	184,329	0
15.814	National Geological and Geophysical Data Preservation	39,958	0
15.819	Energy Cooperatives to Support the National Energy Resources Data System	1,515	0
15.904	Historic Preservation Fund Grants-In-Aid	782,248	61,692
15.916	Outdoor Recreation Acquisition, Development and Planning	1,585,228	746,596
15.978	Upper Mississippi River Restoration Long Term Resource Monitoring	344,687	0
15.980	National Ground-Water Monitoring Network	67,863	0
15.981	Water Use and Data Research	32,807	0
Total Department of the Interior		37,078,514	4,994,515
Department of Justice			
16.U01	Violent Offender Task Force	9,398	0
16.U02	FBI Joint Terrorism Task Force	39,311	0
16.017	Sexual Assault Services Formula Program	239,309	208,360
16.523	Juvenile Accountability Block Grants	18,566	18,566
16.540	Juvenile Justice and Delinquency Prevention	509,190	339,812
16.554	National Criminal History Improvement Program (NCHIP)	1,225,596	1,206,333
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	161,359	87,651
16.575	Crime Victim Assistance	36,465,046	35,934,326

State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
16.576	Crime Victim Compensation	2,230,700	2,230,700
16.585	Drug Court Discretionary Grant Program	134,331	0
16.588	Violence Against Women Formula Grants	1,995,389	1,903,333
16.593	Residential Substance Abuse Treatment for State Prisoners	172,440	163,261
16.606	State Criminal Alien Assistance Program	40,310	0
16.710	Public Safety Partnership and Community Policing Grants	259,916	0
16.734	Special Data Collections and Statistical Studies	264,164	0
16.738	Edward Byrne Memorial Justice Assistance Grant Program	3,792,593	2,986,476
16.741	DNA Backlog Reduction Program	526,532	0
16.750	Support for Adam Walsh Act Implementation Grant Program	64,678	0
16.813	NICS Act Record Improvement Program	789,041	698,989
16.816	John R. Justice Prosecutors and Defenders Incentive Act	10,837	9,384
16.827	Justice Reinvestment Initiative	39,394	0
Total Department of Justice		48,988,100	45,787,191
Department of Labor			
17.002	Labor Force Statistics	989,724	0
17.005	Compensation and Working Conditions	261,784	0
	Employment Service Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	13,161,683	0
17.801	Disabled Veterans' Outreach Program (DVOP)	2,237,897	0
17.804	Local Veterans' Employment Representative Program	1,047,884	0
	Total Employment Service Cluster	16,447,464	0
17.225	Unemployment Insurance	336,301,679	0
17.235	Senior Community Service Employment Program	1,869,101	1,830,842
17.245	Trade Adjustment Assistance	5,517,849	0
	WIOA Cluster:		
17.258	WIOA Adult Program	13,648,347	12,042,187
17.259	WIOA Youth Activities	13,974,934	12,949,004
17.278	WIOA Dislocated Worker Formula Grants	13,908,365	11,327,224
	Total WIOA Cluster	41,531,646	36,318,415
17.261	WIOA Pilots, Demonstrations, and Research Projects	32,785	0
17.271	Work Opportunity Tax Credit Program (WOTC)	301,853	0
17.273	Temporary Labor Certification for Foreign Workers	166,784	0
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	2,117,416	2,080,885
17.280	WIOA Dislocated Worker National Reserve Demonstration Grants	690,716	690,716
17.285	Apprenticeship USA Grants	886,930	874,446
17.504	Consultation Agreements	1,346,639	0
17.600	Mine Health and Safety Grants	394,202	0
Total Department of Labor		408,856,572	41,795,304
Department of Transportation			
20.106	Airport Improvement Program	29,073,605	29,073,605
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	944,714,438	108,159,418
20.219	Recreational Trails Program	2,498,856	1,536,892
20.224	Federal Lands Access Program	1,635,556	1,274,152
	Total Highway Planning and Construction Cluster	948,848,850	110,970,462
20.218	Motor Carrier Safety Assistance	4,118,411	0
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	569,687	0

State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
20.240	Fuel Tax Evasion - Intergovernmental Enforcement Effort	44,584	0
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	2,625,865	2,625,865
	Federal Transit Cluster:		
20.500	Federal Transit Capital Investment Grants	42,325	42,325
20.526	Bus and Bus Facilities Formula Program	2,226,786	2,226,786
	Total Federal Transit Cluster	2,269,111	2,269,111
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	389,146	261,980
20.509	Formula Grants for Rural Areas	19,284,203	18,522,006
	Transit Services Programs Cluster:		
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	5,131,242	4,958,499
20.516	Job Access and Reverse Commute Program	53,195	53,195
20.521	New Freedom Program	256,680	256,680
	Total Transit Services Programs Cluster	5,441,117	5,268,374
20.528	Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	380,411	267,814
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	5,107,222	3,731,250
20.616	National Priority Safety Programs	4,942,224	3,537,493
	Total Highway Safety Cluster	10,049,446	7,268,743
20.607	Alcohol Open Container Requirements	3,663,801	2,948,508
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	180,133	0
20.700	Pipeline Safety Program State Base Grant	552,892	0
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	310,964	177,842
20.720	State Damage Prevention Program Grants	52,535	0
20.721	PHMSA Pipeline Safety Program One Call Grant	10,000	0
Total Department of Transportation		1,027,864,761	179,654,310
Equal Employment Opportunity Commission			
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	352,211	0
Total Equal Employment Opportunity Commission		352,211	0
General Services Administration			
39.003	Donation of Federal Surplus Personal Property	2,380,216	2,054,033
39.011	Election Reform Payments	220,572	32,169
Total General Services Administration		2,600,788	2,086,202
National Endowment for the Arts			
45.025	Promotion of the Arts Partnership Agreements	726,180	369,086
45.301	Museums for America	4,784	0
45.310	Grants to States	2,987,825	1,903,235
Total National Endowments for the Arts		3,718,789	2,272,321
Small Business Administration			
59.061	State Trade Expansion	362,649	203,083
Total Small Business Administration		362,649	203,083

State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Department of Veterans Affairs			
64.005	Grants to States for Construction of State Home Facilities	726,098	0
64.015	Veterans State Nursing Home Care	74,391,680	0
64.024	VA Homeless Providers Grant and Per Diem Program	650,556	0
64.101	Burial Expenses Allowance for Veterans	937,557	0
64.115	Veterans Information and Assistance	484,589	0
64.203	Veterans Cemetery Grants Program	2,776,427	0
Total Department of Veterans Affairs		79,966,907	0
Environmental Protection Agency			
66.032	State Indoor Radon Grants	145,288	0
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	801,059	0
66.040	State Clean Diesel Grant Program	314,349	283,500
66.202	Congressionally Mandated Projects	1,418	0
66.204	Multipurpose Grants to States and Tribes	37,231	11,723
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	300,707	0
66.433	State Underground Water Source Protection	130,540	0
66.454	Water Quality Management Planning	559,936	144,483
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	43,882,557	36,739,160
	Total Clean Water State Revolving Fund Cluster	43,882,557	36,739,160
66.460	Nonpoint Source Implementation Grants	1,813,005	861,951
66.461	Regional Wetland Program Development Grants	99,786	78,611
	Drinking Water State Revolving Fund Cluster:		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	17,285,551	9,652,369
	Total Drinking Water State Revolving Fund Cluster	17,285,551	9,652,369
66.605	Performance Partnership Grants	13,511,907	190,051
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	69,599	0
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	356,621	0
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,491,067	311,796
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	457,306	0
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	799,790	0
66.817	State and Tribal Response Program Grants	961,024	0
Total Environmental Protection Agency		83,018,741	48,273,644
Department of Energy			
81.041	State Energy Program	771,000	2,500
81.042	Weatherization Assistance for Low-Income Persons	4,914,462	4,298,362
81.092	Environmental Restoration	340,247	0
81.104	Environmental Remediation and Waste Processing and Disposal	128,942	0
81.119	State Energy Program Special Projects	67,280	63,720
81.136	Long-Term Surveillance and Maintenance	62,169	0
81.138	State Heating Oil and Propane Program	7,911	0
Total Department of Energy		6,292,011	4,364,582
Department of Education			
84.U01	Cooperative System Grant	21,183	3,162
84.002	Adult Education - Basic Grants to States	8,655,233	7,479,894
84.010	Title I Grants to Local Educational Agencies	235,281,813	233,511,317
84.011	Migrant Education State Grant Program	1,671,624	1,665,580
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,670,573	1,656,882
	Special Education Cluster (IDEA):		
84.027	Special Education Grants to States	227,042,369	199,427,699
84.173	Special Education Preschool Grants	5,791,746	5,791,746
	Total Special Education Cluster (IDEA)	232,834,115	205,219,445

State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
84.032	Federal Family Education Loans	87,395,370	0
84.048	Career and Technical Education - Basic Grants to States	21,842,975	20,085,108
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	72,151,866	0
84.144	Migrant Education Coordination Program	165,782	107,789
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who Are Blind	606,822	0
84.181	Special Education - Grants for Infants and Families	8,169,318	0
84.184	School Safety National Activities	567,949	0
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	170,034	0
84.196	Education for Homeless Children and Youth	1,533,687	1,493,121
84.224	State Grants for Technology - Related Assistance to Individuals with Disabilities	226,468	226,468
84.282	Charter Schools	34,474	29,853
84.287	Twenty-First Century Community Learning Centers	17,038,674	16,663,755
84.323	Special Education - State Personnel Development	2,300,796	2,194,540
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	71,848	0
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	212,750	0
84.358	Rural Education	3,030,312	2,865,738
84.365	English Language Acquisition State Grants	5,283,811	5,046,165
84.366	Mathematics and Science Partnerships	1,965,259	1,964,833
84.367	Supporting Effective Instruction State Grant	36,163,097	33,794,182
84.369	Grants for State Assessments and Related Activities	7,201,333	0
84.377	School Improvement Grants	5,093,531	4,863,403
84.424	Student Support Academic Enrichment Program	3,650,947	3,650,947
84.902	National Assessment of Educational Progress	104,807	0
	Total Department of Education	755,116,451	542,522,182
National Archives and Records Administration			
89.003	National Historical Publications and Records Grants	17,121	0
	Total National Archives and Records Administration	17,121	0
Elections Assistance Commission			
90.401	Help America Vote Act Requirements Payments	76,292	0
	Total Elections Assistance Commission	76,292	0
Department of Health and Human Services			
93.041	Special Programs for Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	94,018	58,753
93.042	Special Programs for Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	281,251	91,274
93.043	Special Programs for Aging, Title III, Part D, Disease Prevention and Health Promotion Services	327,859	309,251
	Aging Cluster:		
93.044	Special Programs for Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	8,030,394	7,692,664
93.045	Special Programs for Aging, Title III, Part C, Nutrition Services	12,970,533	12,470,134
93.053	Nutrition Services Incentive Program	4,498,865	4,498,865
	Total Aging Cluster	25,499,792	24,661,663
93.052	National Family Caregiver Support, Title III, Part E	2,920,928	2,783,844
93.069	Public Health Emergency Preparedness	10,929,350	5,614,902
93.070	Environmental Public Health and Emergency Response	1,419,276	352,622
93.071	Medicare Enrollment Assistance Program	529,619	228,510
93.073	Birth Defects and Developmental Disabilities-Prevention and Surveillance	262,617	24,159
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	1,732,854	0
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	36,531	36,531
93.090	Guardianship Assistance	7,171,121	0

State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	889,999	671,778
93.093	Affordable Care Act (ACA) Health Profession Opportunity Grants	3,503,969	3,403,300
93.094	Well-Integrated Screening and Evaluation for Women Across the Nation	653,550	427,597
93.103	Food and Drug Administration Research	2,189,463	4,923
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,837,774	0
93.110	Maternal and Child Health Federal Consolidated Programs	100,709	0
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	596,184	173,062
93.127	Emergency Medical Services for Children	33,504	7,231
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	219,824	7,605
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,231,595	608,380
93.150	Projects for Assistance in Transition from Homelessness (PATH)	948,135	0
93.165	Grants to States for Loan Repayment Program	262,638	262,586
93.184	Disabilities Prevention	154,439	97,340
93.234	Traumatic Brain Injury State Demonstration Grant Program	257,622	221,700
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	1,356,401	544,852
93.240	State Capacity Building	329,776	0
93.241	State Rural Hospital Flexibility Program	452,469	283,792
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	7,385,408	191,305
93.251	Universal Newborn Hearing Screening	200,897	110,506
93.268	Immunization Cooperative Agreements	67,474,858	26,722
93.270	Viral Hepatitis Prevention and Control	127,713	0
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	560,048	373,017
93.301	Small Rural Hospital Improvement Grant Program	411,157	398,241
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	849,453	103,276
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	88,090	0
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	1,079,105	61,841
93.324	State Health Insurance Assistance Program	862,651	0
93.336	Behavioral Risk Factor Surveillance System	33,114	0
93.369	ACL Independent Living State Grants	262,390	206,913
93.464	ACL Assistive Technology	424,598	181,208
93.500	Pregnancy Assistance Fund Program	521,492	521,492
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	551,195	16,465
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds	2,446,371	144,232
93.556	Promoting Safe and Stable Families	4,860,914	0
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	174,274,205	2,978,224
	Total TANF Cluster	174,274,205	2,978,224
93.563	Child Support Enforcement	27,746,574	10,349,967
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	3,101,883	2,056,643
93.568	Low-Income Home Energy Assistance	69,702,260	40,610,684
93.569	Community Services Block Grant	19,879,374	19,094,556
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	60,673,662	1,561,531
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	58,783,801	0
	Total CCDF Cluster	119,457,463	1,561,531
93.576	Refugee and Entrant Assistance Discretionary Grants	38,965	38,965
93.586	State Court Improvement Program	516,151	0
93.590	Community-Based Child Abuse Prevention Grants	418,726	413,059
93.597	Grants to States for Access and Visitation Programs	146,806	146,806
93.599	Chafee Education and Training Vouchers Program (ETV)	1,025,878	0
93.603	Adoption and Legal Guardianship Incentive Payments	3,789,854	0

State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
93.609	The Affordable Care Act – Medicaid Adult Quality Grants	123,329	0
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,418,020	0
93.643	Children's Justice Grants to States	355,370	0
93.645	Stephanie Tubbs Jones Child Welfare Services Program	5,431,912	0
93.658	Foster Care Title IV-E	66,369,397	143,298
93.659	Adoption Assistance	39,576,227	0
93.667	Social Services Block Grant	51,510,348	8,715,213
93.669	Child Abuse and Neglect State Grants	736,391	0
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	1,361,028	1,355,087
93.674	Chafee Foster Care Independence Program	3,087,622	0
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance -– financed in part by the Prevention and Public Health Fund (PPHF)	333,118	215
93.735	State Public Health Approaches for Ensuring Quitline Capacity - Funded in part by Prevention and Public Health Funds (PPHF)	305,216	305,216
93.745	PPHF Health Care Surveillance/Health Statistics Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	345,797	0
93.747	Elder Abuse Prevention Interventions Program	77,421	0
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	320,418	275,647
93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	435,713	44,301
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	868,912	437,670
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	2,652,649	1,165,164
93.767	Children's Health Insurance Program	258,436,572	0
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	1,728,764	0
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	18,956,803	0
93.778	Medical Assistance Program	7,084,850,461	1,483,902
	Total Medicaid Cluster	7,105,536,028	1,483,902
93.788	Opioid STR	8,972,135	0
93.791	Money Follows the Person Rebalancing Demonstration	6,573,053	0
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	240,348	143,680
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	351,509	351,509
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services	14,149	0
	Maternal, Infant, and Early Childhood Home Visiting Cluster:		
93.870	Maternal, Infant, and Early Childhood Home Visiting Grant Program	2,566,031	2,139,808
	Total Maternal, Infant, and Early Childhood Home Visiting Cluster	2,566,031	2,139,808
93.876	Antimicrobial Resistance Surveillance in Retail Food Specimens	116,532	0
93.889	National Bioterrorism Hospital Preparedness Program	3,327,329	2,068,689
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	3,051,509	2,064,025
93.913	Grants to States for Operation of State Offices of Rural Health	185,817	28,754
93.917	HIV Care Formula Grants	16,033,105	15,484,737
93.940	HIV Prevention Activities Health Department Based	4,085,022	2,117,005
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	426,257	154,128
93.945	Assistance Programs for Chronic Disease Prevention and Control	2,034,455	1,212,646
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	172,622	0
93.958	Block Grants for Community Mental Health Services	7,422,752	0
93.959	Block Grants for Prevention and Treatment of Substance Abuse	29,526,049	0
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	1,757,372	452,965
93.982	Mental Health Disaster Assistance and Emergency Mental Health	731,282	0
93.994	Maternal and Child Health Services Block Grant to the States	12,147,778	6,969,673
Total Department of Health and Human Services		8,213,477,454	167,574,640

State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

CFDA Number	Federal Grantor Agency - Program or Cluster Name	Federal Awards Expended	Amount Provided to Subrecipients
Corporation for National and Community Service			
94.003	State Commissions	270,655	0
94.006	AmeriCorps	4,018,382	2,964,024
94.009	Training and Technical Assistance	120,456	1,118
	Total Corporation for National and Community Service	4,409,493	2,965,142
Executive Office of the President			
95.001	High Intensity Drug Trafficking Areas Program	2,640,820	2,410,528
	Total Executive Office of the President	2,640,820	2,410,528
Social Security Administration			
	Disability Insurance/SSI Cluster:		
96.001	Social Security Disability Insurance	44,655,213	0
	Total Disability Insurance/SSI Cluster	44,655,213	0
	Total Social Security Administration	44,655,213	0
Department of Homeland Security			
97.008	Non-Profit Security Program	87,748	87,748
97.012	Boating Safety Financial Assistance	2,060,737	0
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	268,806	0
97.029	Flood Mitigation Assistance	272,895	223,600
97.032	Crisis Counseling	432,014	432,014
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	45,682,920	44,994,548
97.039	Hazard Mitigation Grant	9,593,112	8,955,500
97.041	National Dam Safety Program	88,066	0
97.042	Emergency Management Performance Grants	6,766,784	3,517,875
97.045	Cooperating Technical Partners	6,341,049	0
97.047	Pre-Disaster Mitigation	1,169,355	1,144,188
97.067	Homeland Security Grant Program	5,617,285	4,847,102
97.088	Disaster Assistance Projects	1,015,206	967,045
	Total Department of Homeland Security	79,395,977	65,169,620
	Total Expenditures of Federal Awards	$ 12,535,421,642	$ 1,600,182,754

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

1. Significant Accounting Policies

The following is a summary of the significant accounting policies used by the State of Missouri.

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards (Schedule) of the State of Missouri is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the State's basic financial statements. The Uniform Guidance requires a schedule that shows total federal awards expended for each federal financial assistance program, the Catalog of Federal Domestic Assistance (CFDA) number, and the total amount provided to subrecipients from each federal program. Federal financial assistance programs that have not been assigned a CFDA number are identified as CFDA Number XX.Uxx, where XX represents the federal grantor agency and Uxx represents an unknown extension number.

The Schedule includes all federal awards expended by the State during the year ended June 30, 2018, except for those programs administered by public universities and other component units, which are legally separate from the State. They are responsible for engaging other auditors to perform audits in accordance with the Uniform Guidance, if required.

To compile the Schedule, the Office of Administration required each department, agency, and office that expended direct and/or indirect federal funding during the state fiscal year to prepare a schedule of expenditures of federal awards. The schedules for the departments, agencies, and offices were combined to form the Schedule of Expenditures of Federal Awards for the State of Missouri.

B. Basis of Presentation

The accompanying Schedule includes the federal award activity of the State of Missouri for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance, which defines federal awards as federal financial assistance and cost-reimbursement contracts that non-federal entities receive or administer in the form of grants, loans, loan guarantees, non-cash assistance, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include other contracts that a federal agency uses to buy goods or services from a contractor. Because the Schedule presents only a selected portion of the operations of the State, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the State.

C. Basis of Accounting

Most expenditures presented in the Schedule are reported on the cash basis of accounting, while some are presented on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, or Indian Tribal Governments;* or the cost principles contained in the Uniform Guidance; wherein certain types of expenditures are not allowable or are limited as to reimbursement.

D. Indirect Cost Rate

The state agencies administering the federal programs presented in the Schedule did not elect to use the de minimis cost rate per the Uniform Guidance.

2. Unemployment Insurance Expenditures

The Unemployment Insurance program (CFDA No. 17.225) is administered by the Department of Labor and Industrial Relations through a unique federal-state partnership that was founded upon federal law but implemented through state law. Benefits are paid from federal funds and state unemployment taxes that are deposited into the State's account in the Federal Unemployment Trust Fund. The State's administrative expenditures incurred under this program are funded by federal grants. For the purposes of presenting the expenditures of this program in the Schedule, both state and federal funds have been considered federal awards expended. The breakdown of the State and federal portions of the total program expenditures for the fiscal year ended June 30, 2018, is as follows:

State Portion (Benefits Paid)	$291,644,438
Federal Portion (Benefits Paid)	7,201,179
Federal Portion (Administrative Costs)	37,456,062
Total Program Expenditures	$336,301,679

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

The State received cash rebates from an infant formula manufacturer totaling $34,971,454 on sales of formula to participants in the WIC program (CFDA No. 10.557) administered by the Department of Health and Senior Services (DHSS). This amount was excluded from total program expenditures. Rebate contracts with infant formula manufacturers are authorized by 7 CFR Section 246.16a as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. The State was able to extend program benefits to more persons than could have been served this fiscal year in the absence of the rebate contract.

4. Medical Assistance Program (Medicaid) and Children's Health Insurance Program (CHIP) Prescription Drug Rebates

The State received cash rebates from drug manufacturers totaling $449,883,904 (federal share) on purchases of covered outpatient drugs for participants in the Medicaid and the CHIP (CFDA Nos. 93.778 and 93.767) administered by the Department of Social Services - MO HealthNet Division. This amount was excluded from total program expenditures. Rebate contracts with drug manufacturers are authorized by 42 USC Section 1396r-8 as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for medical assistance costs.

5. HIV Care Formula Grants Prescription Drug Rebates

The State received cash rebates from drug manufacturers totaling $36,540,462 on purchases of covered drugs for participants in the HIV Care Formula Grants program (CFDA No. 93.917) administered by the DHSS. This amount was excluded from total program expenditures. The allowable use of drug rebates is restricted by 42 USC Section 300ff-26(g). Rebates represent a reduction in expenditures previously incurred for program costs.

6. Federal Loan Guarantees

Because of the Healthcare and Education Affordability Reconciliation Act enacted March 30, 2010 (Public Law 111-152), the authority to make or ensure loans under the Federal Family Education Loans program (CFDA No. 84.032) ended June 30, 2010. The Department of Higher Education (DHE) will continue to act as the federal Department of Education's agent in fulfilling the responsibilities related to the outstanding guarantees. The original principal outstanding of all loans guaranteed by the DHE is $1,182,186,495 as of June 30, 2018. The balance of defaulted loans (including principal and accrued interest) that the federal Department of Education imposes continuing compliance requirements of the DHE is $248,718,507 as of June 30, 2018.

7. Non-cash Assistance

The Schedule contains values for non-cash assistance for several programs.

Supplemental Nutrition Assistance Program (CDFA No. 10.551) expenditures totaling $1,080,014,681 represent actual disbursements for client purchases of authorized food products through the use of the electronic benefits card program administered by the Department of Social Services - Family Support Division (DSS-FSD).

The Department of Elementary and Secondary Education distributes food commodities to school districts under the National School Lunch Program (CFDA No. 10.555). Distributions are valued at the cost of the food paid by the federal government and totaled $31,320,527.

The DSS-FSD, through the Summer Food Service Program for Children (CFDA No. 10.559), provides United States Department of Agriculture (USDA)-donated foods to providers who serve free healthy meals to children and teens in low-income areas during the summer months when school is not is session. The DSS-FSD, through the Emergency Food Assistance Program (CFDA No. 10.569), provides USDA-donated foods for disaster relief and to six non-profit food banks for distribution to food pantries and community groups for feeding those in need. Distributions are valued at the federally assigned value of the product distributed and totaled $68,964 for the Summer Food Service Program for Children and $10,023,426 for the Emergency Food Assistance Program.

The DHSS distributes food commodities to low-income persons under the Commodity Supplemental Food Program (CFDA No. 10.565). Distributions are valued at the cost of the food paid by the federal government and totaled $5,690,402.

The Department of Public Safety distributes excess federal Department of Defense (DOD) equipment to state and local law enforcement agencies under the DOD Excess Property Program (CFDA No. 12.U01). Property distributions totaled $2,995,314 when valued at the historical cost assigned by the federal government. Distributions are presented at the estimated fair market value of the property at the time of distribution, calculated as 22.47 percent of the historical cost, or $673,047.

The State Agency for Surplus Property distributes federal surplus property to eligible donees under the Donation of Federal Surplus Personal Property program (CFDA No. 39.003). Property distributions totaled $10,592,861 when valued at the historical cost assigned by the federal government. Distributions are presented at the estimated fair market value of the property at the time of distribution, calculated as 22.47 percent of the historical cost, or $2,380,216.

The DHSS distributes vaccines to local health agencies and other health care professionals under the Immunization Cooperative Agreements program (CFDA No. 93.268). Distributions are valued at the cost of the vaccines paid by the federal government and totaled $66,049,475.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Qualified

Unmodified for all opinion units except for the governmental activities and the General Fund, which were qualified.

Internal control over financial reporting:

- Material weaknesses identified? ____ yes __X__ no
- Significant deficiencies identified? __X__ yes ____ none reported

Noncompliance material to financial statements noted? ____ yes __X__ no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? __X__ yes ____ no
- Significant deficiencies identified? __X__ yes ____ none reported

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

Unmodified for all major programs except for the following major programs that were qualified:

CFDA Number	Name of Federal Program or Cluster
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a))? __X__ yes ____ no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
16.575	Crime Victim Assistance
17.225	Unemployment Insurance
	Workforce Investment Act (WIOA) Cluster:
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Worker Formula Grants
	Highway Planning and Construction Cluster:
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
20.224	Federal Lands Access Program
	Special Education Cluster (IDEA):
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants
	TANF Cluster:
93.558	Temporary Assistance for Needy Families
93.568	Low-Income Home Energy Assistance
	CCDF Cluster:
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.658	Foster Care Title IV-E
93.659	Adoption Assistance
93.767	Children's Health Insurance Program
	Medicaid Cluster:
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.788	Opioid STR
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

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

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

Section II - Financial Statement Findings

2018-001. Department of Revenue Financial Reporting Controls

The Department of Revenue (DOR) did not have adequate controls and procedures over financial reporting of sales and use tax accounts receivables following the implementation of a new computerized system in September 2017. As a result, sales and use tax accounts receivable data submitted to the Office of Administration - Division of Accounting (DOA) for inclusion in the *Missouri Comprehensive Annual Financial Report* (CAFR) for the year ended June 30, 2018, was misstated. In addition, the data was not submitted to the DOA timely.

Our testing of sales and use tax accounts receivable balances as of June 30, 2018, identified significant differences between the accounts receivable balances reported to the DOA and the accounts receivable balances maintained in the computerized system. Once these errors were identified and brought to the DOR's attention, DOR personnel determined the accounts receivable reports prepared from the new computerized system did not include all required data, resulting in misstated accounts receivable balances for some sales and use tax accounts. The DOR identified total gross sales and use tax accounts receivable were understated by $12.1 million.

The misstatement relates to the accounts receivable and related liability balances for several governmental and agency funds reported within various opinion units of the CAFR. However, because the misstatement was not material to the affected opinion units, the DOA made no corrections to the CAFR. In addition, the accounts receivable data, which was due to the DOA on August 15, 2018, was not submitted until December 4, 2018.

It is essential the DOR establish controls and procedures to prepare and submit accurate and timely financial reports to the DOA. The *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, states that management is responsible for the design, implementation, and operating effectiveness of the internal control system and that control activities should be designed to achieve objectives and respond to risks. Such controls would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements.

Recommendation

The DOR implement controls and procedures to prepare and submit accurate and timely financial reports to the DOA.

Auditee's Response

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

2018-002. Department of Corrections SAM II User Account Controls

The Department of Corrections (DOC) has not established adequate controls to ensure Statewide Advantage for Missouri (SAM II) Financial system users at the DOC are prevented from approving transactions they created without independent review or approval.

As of June 30, 2018, 3 SAM II Financial system user accounts had authority to enter and approve their own expenditure transactions. This authority was established in 2016 when the DOC's SAM II Security Administrator submitted SAM II Financial Agency Security Request forms to the Office of Administration (OA). These employees had access to process transactions in various funds, including the Working Capital Revolving Fund. However, the DOC did not require documented independent or supervisory reviews of the SAM II entries and approvals made by these employees. DOC officials subsequently restricted 1 employee's entry/approval authority in August 2018, after we brought the issue to their attention. They indicated the other 2 user accounts continue to need this authority to process transactions in emergency situations. However, alternative procedures could be developed for emergency situations.

Allowing users to approve their own transactions without independent review or approval increases the risk that inappropriate or unauthorized transactions may be processed. Rather than allowing such authority, the DOC should work with the OA to establish a procedure for processing transactions during emergency situations.

Recommendation

The DOC establish procedures to restrict SAM II Financial system users from approving expenditure transactions they create.

Auditee's Response

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

2018-003. Department of Social Services SAM II User Account Controls

The Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS) has not established adequate controls to ensure Statewide Advantage for Missouri (SAM II) Financial system users at the DSS are prevented from approving transactions they created without independent review or approval.

As of June 30, 2018, 2 SAM II Financial system user accounts had authority to enter and approve their own expenditure transactions. This authority was established when the DSS's SAM II Security Administrator submitted SAM II Financial Agency Security Request forms to the Office of Administration. DSS officials indicated they were not aware the 2 employees had access to both enter and approve transactions, and subsequently removed the employees' entry/approval authority in September 2018 after we brought the issue to their attention. These employees had self-approval authority for 4 and 5 months before the authority was removed.

Allowing users to approve their own transactions without independent review or approval increases the risk that inappropriate or unauthorized transactions may be processed.

Recommendation

The DSS through the DFAS establish procedures to restrict SAM II Financial system users from approving expenditure transactions they create.

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.

Auditor's Comment

The DSS Corrective Action Plan (CAP) states the DSS partially agrees with the finding because the DSS has internal processes and procedures to ensure adequate separation of data entry and approval functions in the accounts payable unit. The CAP states the DSS agrees the SAM II users should not have self-approval access and the DSS plans to review a monthly report of SAM II user access rights to ensure self-approval access has not been granted to DSS users. During the audit, DSS officials agreed the 2 employees had self-approval authority, and subsequently removed those rights; therefore, the finding remains valid.

Section III - Federal Award Findings and Questioned Costs

2018-004. Adoption Assistance Eligibility

Federal Agency:	Department of Health and Human Services
Federal Program:	93.659 Adoption Assistance 2017 - G1701MOADP 2018 - G1801MOADP
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Type of Finding:	Internal Control (Material Weakness) and Noncompliance
Questioned Costs:	$28,963

As noted in the four previous audits[2] of the Adoption Assistance program, DSS controls over eligibility are not sufficient to prevent and/or detect payments made on behalf of ineligible children. The CD made payments on behalf of 8 ineligible children and could not provide documentation to demonstrate that another child met the various program eligibility requirements. During the year ended June 30, 2018, the CD paid Adoption Assistance program benefits totaling about $55 million for over 13,400 children.

The Adoption Assistance program assists families in adopting eligible children with special needs by providing subsidy payments to adoptive parents. To be eligible to receive benefits under the program, eligibility requirements outlined at 42 USC Section 673 must be met. Among other things, the DSS is required to enter into adoption subsidy agreements with adoptive parents who receive subsidy payments on behalf of the child. The nature of services to be provided and nonrecurring expenses to be paid must be stated in the subsidy agreement as required by 45 CFR Section 1356.40 and 45 CFR Section 1356.41. Subsidized costs may include maintenance, child care, and nonrecurring adoption expenses.

The subsidy agreement must be signed and in effect prior to or at the time of the final adoption decree per federal regulations and DSS policy. The DSS Child Welfare Manual Adoption Subsidy policy requires subsidy agreements be signed by both the adoptive parents and the DFAS Director to be considered in effect. Subsidy agreements are established by case workers and reviewed by supervisors in the local offices. After the subsidy agreements are signed by the adoptive parents and reviewed and approved by local office supervisors, the agreements are sent to the Central Office Procurement Unit (formerly the Contract Management Unit (CMU)), where the DFAS

[2] *State of Missouri Single Audit*, finding numbers 2015-005, 2014-008, 2011-15, and 2009-14.

Director's (previously the CD Director's) signature is applied by Procurement Unit staff. In previous audits, the Director's signature was applied with a signature stamp but is now applied as an electronic signature.

To test compliance with these requirements, we reviewed eligibility and payment documentation for 60 children receiving Adoption Assistance. Assistance payments totaling approximately $244,600 were made on behalf of these children during the year ended June 30, 2018. We identified payments made on behalf of 8 children ineligible for Adoption Assistance benefits and 1 child for which the DSS could not locate appropriate eligibility documentation. Total known questioned costs for these errors represent approximately 18 percent of payments reviewed. If similar errors were made on the remaining population of Adoption Assistance program assistance payments, questioned costs could be significant.

Subsidy agreements not signed at the date of adoption

For 2 of the 60 cases tested (3 percent), the adoption subsidy agreement was not signed and in effect prior to or at the date of adoption.

For one case, the adoption subsidy agreement did not contain a signature from the CD Director. For the other case, the adoption subsidy agreement was not signed by all applicable parties (i.e., not in effect) until 1 month after the adoption decree. Payments totaling $5,989, made on behalf of the 2 ineligible children during the year ended June 30, 2018, were unallowable. We question the federal share, or $3,844 (approximately 64 percent). Payments for these 2 children were charged to the Adoption Assistance program from October 2007 to June 2018.

Backdated subsidy agreements

For 6 cases tested (10 percent), it appears the subsidy agreements were not signed and in effect prior to or at the date of the adoption decree because the CD Director's signature date was apparently backdated.

For these 6 cases, local office supervisors signed the agreements after the adoption date, but the CD Director's signature pre-dated the adoption, indicating the Director's signature (and, thus, the effect date of the agreement) was backdated and not in effect prior to the adoption decree. CD officials indicated backdating of subsidy agreements by CMU personnel was permissible under DSS policy prior to May 2008, and backdating was utilized because of a backlog in processing and submitting the subsidy agreements to the CMU. For these 6 cases, payments totaling $35,642 made during the year ended June 30, 2018, were unallowable. We question the federal share, or $22,903 (approximately 64 percent). Payments for these 6 children were charged to the Adoption Assistance program from October 2004 to June 2018.

In May 2008, the CD issued a policy memo prohibiting backdating of subsidy agreements. The subsidy agreements for the 6 cases noted above were established prior to this directive. Our review of subsidy agreements established after this directive noted no instances of apparent backdating.

Federal resolutions of prior audit findings have required the DSS to pay back the costs associated with backdated subsidy agreements identified in the audits. However, the DSS has not attempted to identify all children for which the subsidy agreements were backdated, and as a result, it is likely additional children adopted prior to May 2008 are ineligible.

Incorrect eligibility determinations

For 1 case tested (2 percent), the CD could not provide adequate documentation supporting the child met the various program eligibility requirements. Our review of information in the DSS Family and Children Electronic System (FACES) found the child did not meet the eligibility requirements. Payments totaling $3,448, made on behalf of the ineligible child during the year ended June 30, 2018, were unallowable. We question the federal share, or $2,216 (approximately 64 percent). Payments for this child were charged to the Adoption Assistance program from April 2015 to June 2018.

Conclusions

The failure to implement adequate internal controls to ensure payments are only made on behalf of children that meet federal eligibility requirements and to ensure appropriate documentation supporting eligibility decisions is retained can result in federal reimbursements for ineligible children and/or unallowable costs. Rule 2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Recommendation

The DSS through the CD and the DFAS strengthen and enforce policies and procedures regarding Adoption Assistance eligibility determinations. These procedures should ensure all adoption subsidy agreements are signed and in effect prior to the adoption and ensure eligibility determinations are proper, documented, and retained. In addition, the DSS should review and correct the eligibility for the children identified in this finding.

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.

Auditor's Comment

The DSS Corrective Action Plan states the DSS partially agrees with the finding because the DSS implemented new processes in fiscal year 2008 prohibiting backdating of subsidy agreements. However, as noted in the finding, the DSS did not attempt to subsequently identify all children for which the subsidy agreements were backdated and redetermine eligibility for those children. Therefore, this finding remains valid.

2018-005. Department of Social Services Public Assistance Cost Allocation Plan

Federal Agency:	Department of Health and Human Services (DHHS)	
Federal Program:	93.658	Foster Care - Title IV-E 2017 - G1701MOFOST 2018 - G1801MOFOST
	93.659	Adoption Assistance 2017 - G1701MOADP 2018 - G1801MOADP
	93.558	Temporary Assistance for Needy Families 2017 - G1702MOTANF 2018 - G1802MOTANF and G1801MOTAN3
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)	
Type of Finding:	A - Internal Control (Significant Deficiency) B - Noncompliance	

DFAS controls over cost allocation are not sufficient to ensure administrative costs are accurately allocated to various federal programs in accordance with the proposed public assistance cost allocation plan (PACAP), and the proposed PACAP did not include an estimated cost impact analysis as required by federal regulations.

The DSS is required to develop, document, and implement a PACAP in accordance with 45 CFR Sections 95.501 to 95.519. The PACAP is a narrative document outlining procedures to allocate administrative costs to the various programs administered by the DSS, and must be reviewed and approved by the DHHS - Division of Cost Allocation Services (DHHS-CAS) and various federal grantor agencies. The DSS fully revised its PACAP, effective October 1, 2017, and submitted two proposed PACAPs to the DHHS-CAS for review (for the periods October 1, 2017, to March 31, 2018, and April 1, 2018, to June 30, 2018). With the exception of one part that was approved in September 2018,[3] as of January 2019, the proposed PACAP was still under review by the DHHS-CAS. Rule 45 CFR Section 95.517 provides the DSS may claim federal financial participation under the proposed plan with the understanding that, if necessary, the DSS shall retroactively adjust its claims to the plan as subsequently approved by the DHHS-CAS.

DFAS personnel are responsible for preparing and submitting proposed PACAPs for approval and for ensuring costs are allocated in accordance with the proposed PACAP. To develop and implement the new proposed PACAP, the DSS contracted with a vendor to develop the proposed PACAP, purchased the vendor's cost allocation system (AlloCAP system) for allocating costs to

[3] PACAP, Attachment 3 – Title IV-E Eligibility Rate Calculations, was approved in a formal letter dated September 6, 2018, issued by the DHHS-CAS.

the various programs, and developed data input and output reports for the AlloCAP system. The AlloCAP system replaced the DFAS's previous procedures to allocate costs through various spreadsheets.

The proposed PACAP describes the procedures used to identify, measure, and allocate costs to the various programs administered by the DSS. Cost centers are used to classify costs based on the organizational structure of the DSS. The AlloCAP system used about 300 cost centers during the quarter ended March 31, 2018. The proposed PACAP includes organizational charts reflective of the layout of cost centers, a description of activities performed by each cost center, a listing of federal and state programs benefitting from the cost centers, and procedures and methods used to allocate costs. Rule 45 CFR Section 95.507(a) outlines the various requirements of the PACAP.

Each quarter, DFAS personnel obtain expenditure data from the state's accounting system and import the data to the AlloCAP system. Manual adjustments are made to account for expenditures not reflected in the state's accounting system. The AlloCAP system produces reports showing total amounts to be allocated to various programs. DFAS personnel use the reports to prepare and submit quarterly federal reports to the federal agencies. During the quarter ended March 31, 2018, administrative costs totaling $25.3 million were allocated to the Foster Care, Adoption Assistance, and Temporary Assistance for Needy Families programs through the AlloCAP system.

In addition, the DFAS is responsible for monitoring and making changes to the PACAP and the AlloCAP system as needed. If changes are made to the AlloCAP system, the DFAS must submit a revised proposed PACAP to the DHHS-CAS. DFAS personnel indicated the most common changes to the AlloCAP system are the addition or removal of cost centers or the addition of final receiver accounts. DFAS personnel made numerous changes to both the proposed PACAP and the AlloCAP system throughout the year ended June 30, 2018. These changes were partially because of DSS reorganizations and the PACAP and the AlloCAP were in the early stages of implementation.

A. Internal controls

Our review of the DFAS's new cost allocation procedures noted the DFAS did not establish and document adequate internal controls over cost allocation, as follows:

Documentation of internal controls

The DFAS did not have a documented system of internal controls to ensure the contractor properly designed the AlloCAP system to provide for accurate, allowable, and proper allocations in accordance with the proposed PACAP.

Throughout the audit, DFAS personnel verbally described to auditors various internal control procedures established and performed to ensure the AlloCAP system accurately allocated costs in accordance with the proposed PACAP. However, DFAS personnel did not document these procedures in a policy or procedures manual or document that the procedures were performed. Examples of internal controls described include testing of AlloCAP system allocations; quarterly review and approval of system reports; and segregation of duties over, and review and approval of, revisions to the proposed PACAP and the AlloCAP system.

Effective internal controls include policies and procedures designed to ensure compliance with federal regulations. These policies and procedures should require personnel to document when required procedures were performed.

PACAP and AlloCAP system changes

The DFAS has not implemented procedures to document changes made to the proposed PACAP or the AlloCAP system or approval of such changes, and did not document procedures to test the changes for accuracy and consistency with the proposed PACAP.

During each quarter of the period October 1, 2017, to June 30, 2018, the DFAS made changes to both the proposed PACAP and the AlloCAP system; however, DFAS personnel did not maintain a log of the changes or any other documentation supporting the changes. DFAS personnel indicated the CFO and Assistant CFO review all changes to the PACAP and the AlloCAP system; however, DFAS personnel could not provide any documentation of these approvals. In addition, DFAS personnel indicated they tested some of the changes by manually calculating the allocations for selected cost centers; however, these calculations were not documented and/or retained.

DFAS personnel stated they document changes to the PACAP through the track change function of the electronic PACAP document and that changes to the Allocap system can be identified by comparing the current and prior quarter chart of accounts reports. However, neither of these documents or methods provide proper support for the reason and/or justification of the changes. As a result, there are no records or other audit trails to properly support changes to the PACAP and AlloCAP system. During the quarter ended June 30, 2018, DFAS personnel added 65 cost centers and removed 35 cost centers. DFAS personnel indicated many of these changes were a result of reorganizational changes within the Family Support Division and MoHealthNet Division.

Documentation of changes, approvals, and testing are critical components of an internal control system designed to ensure data reliability and compliance with federal requirements. The AlloCAP system procedures manual, Chapter VII, states users are encouraged to manually document all changes made to the AlloCAP system because the system does not have an internal function that allows the user to automatically track changes made over time. In addition, according to the Government Accountability Office[4] (GAO), as part of the control of master data, the organization should have an effective auditing and monitoring capability which allows changes to master data records to be recorded and reviewed where necessary.

Compliance test results

To determine if the DFAS followed its proposed PACAP when allocating costs to federal programs, we sampled 14 cost centers allocated during the quarter ended March 31, 2018, and determined each sampled cost center was supported and allocated in accordance with the proposed PACAP. However, without adequate internal controls, there is less assurance the other cost centers allocated using different methodologies or costs centers applicable to other programs not audited as major programs were allocated accurately and/or in accordance with the proposed PACAP.

Conclusions

The failure to implement adequate internal controls to ensure costs are allocated in accordance with the proposed PACAP and federal requirements increases the risk that DFAS staff will not allocate an appropriate share of costs to programs, errors will not be detected on a timely basis, and federal grantor agencies will disallow costs charged to federal programs. Inadequate internal controls could hinder the department's ability to manage federal funds effectively and to comply with federal regulations.

Rule 2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States and the *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission." The *Standards for Internal Control in the Federal Government*, also known as the Green Book, requires management to develop and maintain documentation of its internal control system. The Green Book states, "[e]ffective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors."

[4] Report GAO-09-232G, Federal Information System Controls Audit Manual, February 2009

Rule 45 CFR Section 95.517(a) provides that "[a] state must claim FFP [federal financial participation] for costs associated with a program only in accordance with its approved cost allocation plan." Rule 2 CFR Section 200.405(a) states, "[a] cost is allocable to a particular federal award or other cost objective if the goods or services involved are chargeable or assignable to that federal award or cost objective in accordance with relative benefits received."

B. Estimated cost impact analysis

The DFAS did not include an estimated cost impact analysis in the proposed PACAP, as required by federal regulations.

Rule 45 CFR Section 95.507(b)(5) requires the DSS's proposed PACAP to include "[t]he estimated cost impact resulting from the proposed changes to a previously approved plan. These estimated costs are required solely to permit an evaluation of the procedures used for identifying, measuring, and allocating costs." The regulation also states if it is impractical to perform such analysis, an alternative approach should be negotiated with the DHHS-CAS.

The proposed PACAP section titled "Cost Impact Statement" simply states the DSS will notify the DHHS-CAS of any significant funding changes as a result of the proposed PACAP implementation. DFAS personnel indicated they did not perform an estimated cost impact analysis because they believed the proposed PACAP would likely continue to be revised and/or amended based on internal and federal reviews of the proposed PACAP.

In addition to complying with federal requirements, performing and reviewing an estimated cost impact analysis could serve as a component of the internal control system over the new cost allocation procedures. Without such analysis, the DSS and the DHHS-CAS may not have sufficient information to evaluate the propriety of the proposed PACAP and AlloCAP system.

Recommendations

The DSS through the DFAS:

A. Implement internal controls and procedures over the PACAP and the AlloCAP system to ensure costs charged to federal programs are accurate, allowable, properly allocated, and consistent with the proposed and/or approved PACAP. Internal controls should be adequately documented and monitored for compliance with applicable requirements. These controls should include policies and procedures, a log of changes to the PACAP and the AlloCAP system, and documentation of approvals and testing of system changes.

B. Prepare and submit an estimated cost impact analysis as part of the PACAP, as required by federal regulations.

Auditee's Response

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

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

Auditor's Comment

Finding Part A
The DSS Corrective Action Plan states the DSS disagrees with the finding because (1) no deviations were found in audit sampling to support that the DSS did not effectively establish controls to prevent noncompliance, and (2) the DSS provided sufficient evidence to demonstrate internal controls and procedures to ensure costs charged to federal programs are accurate, allowable, and properly allocated.

We used *Audit Guide Government Auditing Standards and Single Audits (Audit Guide)*, published by the AICPA, for decisions regarding the reporting of the internal control deficiencies. While the results of compliance testing should be considered when evaluating the operating effectiveness of internal controls, Audit Guide paragraph 9.46 states the absence of noncompliance detected by a compliance test does not provide audit evidence that controls related to a compliance requirement are effective.

In addition, as noted in the finding, the DFAS did not document various internal control procedures verbally described to auditors throughout the audit. In the Corrective Action Plan, the DSS introduced the following additional items it considers to serve as internal controls over the proposed PACAP and the AlloCAP system. However, these items do not address the deficiencies identified in the audit report as follows:

(1) The DSS indicated all changes to the PACAP document are submitted in track changes format; however, as explained in the finding, this does not provide proper support for the reason and/or justification of the changes.

(2) The DSS indicated the revised PACAP document and a summary of quarterly changes are provided to the Grants Unit so it can ensure the AlloCAP system matches the proposed PACAP narrative exactly; however, DFAS personnel did not provide any documented evidence the Grants Unit personnel performed such matches. Additionally, DFAS personnel had difficulties demonstrating to auditors how the cost centers sampled were allocated in the complex AlloCAP system.

(3) The DSS listed the AlloCAP manual outlining the procedures for the quarterly allocation process as documented evidence of internal controls and procedures; however, as noted in the finding, several

processes described by DFAS personnel were not addressed in this or any other manual or policy.

(4) The DSS indicated grant approval tracking sheets documenting all levels of approval are maintained for each grant; however, these documents are used in the review and approval of federal financial reports, and not for purposes of reviewing the PACAP document or the AlloCAP system.

(5) The DSS indicated AlloCAP reports show the allocation methodology matches the proposed PACAP document; however, these reports provide no assurance the costs were allocated in accordance with the proposed PACAP.

As stated in the finding, federal regulations require the DSS to maintain effective controls over, and accountability for, all funds of the DSS programs. Effective internal controls are well documented and include policies and procedures designed to ensure compliance with federal regulations. Because the DSS did not establish and document such controls and procedures over cost allocation, the finding remains valid.

Finding Part B
The DSS Corrective Action Plan states the DSS disagrees with the finding because the proposed PACAP narrative states the DSS will notify the DHHS-CAS of any significant funding changes as a result of the proposed PACAP implementation. Further, the DSS indicated it has corresponded with the DHHS-CAS and other federal agencies regarding the current plan to submit cost impact statements in the near future. However, because the DFAS did not include the required estimated cost impact analysis in the proposed PACAP, the finding remains valid.

2018-006. Child Care Eligibility Case Reviews

Federal Agency:	Department of Health and Human Services
Federal Program:	93.575 Child Care and Development Block Grant 2017 - G1701MOCCDF 2018 - G1801MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2017 - G1701MOCCDF 2018 - G1801MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Type of Finding:	Internal Control (Significant Deficiency)

The DSS did not ensure monthly supervisory case reviews were completed as required for FSD eligibility specialists (ES) who perform eligibility determinations of households participating in the Child Care Development

Fund (Child Care) subsidy program. Also, the case review policy does not require that case reviews be completed timely. During the year ended June 30, 2018, the DSS paid Child Care benefits on behalf of about 60,400 children.

ES and their supervisors are responsible for determining the eligibility of Child Care participants. The DSS Child Care Manual, Section 2035.000.00, *Child Care Case Reviews,* requires supervisors of ES to review a minimum of 20 Child Care subsidy program cases with case actions (e.g. application approval, change in work schedule, other changes to authorization, etc.) each month to ensure eligibility information is accurately entered into the Family Assistance Management Information System (FAMIS), and to verify compliance with federal eligibility requirements. Case reviews are generally targeted at the areas of highest risk as determined by CD and FSD management. The supervisory reviews are required to be logged into the Case Review System (CRS) and submitted to the ES by the last day of the end of the review month. Management uses data from the CRS to determine if additional training is needed for problem areas. During the year ended June 30, 2018, approximately 2,400 case reviews were logged into the CRS.

Monthly case review data provided by the CD indicated the reviews were not always performed during the year ended June 30, 2018. For the 117 months worked by the 13 supervisors during the year, the supervisors did not perform the minimum 20 case reviews for 46 (39 percent) of these months. In addition, we noted the reviews were not always completed timely. For 16 of 40 case reviews we selected (40 percent), the reviews were not performed during the following month, but were performed up to 3 months after the case action was made. The *Child Care Case Reviews* policy is not clear when the case reviews should be performed but requires the supervisor to provide the case review to the ES by the end of the month the review is conducted. DSS officials stated there is no timeframe for completing case reviews.

When supervisory case reviews are not performed or not performed timely, the department's established controls to ensure compliance with eligibility requirements are diminished, and there is decreased assurance eligibility determinations are accurate and an increased risk of errors going undetected. Rule 45 CFR Section 98.68(a) requires the DSS to document in its Child Care subsidy state plan that it has effective controls to ensure integrity and accountability in the program. To demonstrate and ensure internal controls are effective, supervisory case reviews should be performed as required and monitored for compliance with DSS policy. In addition, the policy should be revised to indicate when the reviews should be performed and to provide for more timely case reviews.

Recommendation

The DSS through the CD and the FSD ensure monthly supervisory case reviews are performed as required by DSS policy and strengthen the policy to indicate when the reviews should be performed.

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.

Auditor's Comment

The DSS Corrective Action Plan (CAP) states the DSS partially agrees with the finding because the *Child Care Case Reviews* policy does not provide exceptions for staff and supervisor turnover or fluctuating priorities in the field offices. The CAP states if these conditions are considered, the DSS believes supervisors are completing the required number of case reviews and the policy is working to reduce eligibility errors. However, as discussed with DSS officials during the audit, when determining the number of the case reviews not performed, auditors excluded months when supervisor positions were not occupied due to turnover, retirements, or transfers. Because the DSS did not ensure key controls over eligibility of Child Care participants were performed in accordance with established policy, the finding remains valid.

2018-007. Child Care Payments

Federal Agency:	Department of Health and Human Services (DHHS)
Federal Program:	93.575 Child Care and Development Block Grant 2017 - G1701MOCCDF 2018 - G1801MOCCDF 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 2017 - G1701MOCCDF 2018 - G1801MOCCDF
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Family Support Division (FSD)
Type of Finding:	Internal Control (Significant Deficiency) and Noncompliance
Questioned Costs:	$586

As noted in our prior eight audit reports,[5] DSS controls over Child Care Development Fund (Child Care) subsidy provider payments are not sufficient to prevent and/or detect improper payments to child care providers. The DSS has only limited procedures to monitor payments to providers, and overpayments were made to some providers. During the year ended June 30, 2018, the DSS paid over 4,700 child care providers about $150 million for services provided to approximately 60,400 children of eligible clients.

[5] *State of Missouri Single Audit*, finding numbers 2017-010, 2016-002A, 2015-002, 2014-005, 2013-009, 2012-11A&B, 2011-14A, and 2010-16A.

The DSS provides funds to child care providers who serve eligible clients (parents/caregivers). Once approved for services, the client selects a child care provider and the DSS enters into an agreement/contract with the provider for child care services. The DSS Income Maintenance (IM) manual requires the FSD eligibility specialist to set maximum authorized service units for the amount and type of care that best meets the family's need, and enter this into the Family Assistance Management Information System (FAMIS) for each child. The IM manual and provider agreements require providers to submit a monthly invoice electronically through the Child Care Online Invoicing System (CCOIS) or manually through the Child Care Provider Relations Unit. The CCOIS interfaces with the FAMIS to process provider payments.

Providers are required to maintain detailed attendance records documenting daily arrival and departure times and containing a client signature verifying the child received the services. Although all providers are required to retain attendance records for 5 years, the DSS only requires registered (license exempt) providers that submit manual invoices to submit attendance records for payment.

To test compliance with program requirements, we selected a sample of 60 children. We reviewed related provider agreements and payment documentation supporting one payment for each of these children. The department made payments totaling approximately $19,400 to child care providers on behalf of these 60 children during the month reviewed. Documentation was not adequate to support payments for 9 of 60 cases reviewed (15 percent). Attendance records for 2 cases were not provided by the child care provider upon our request and provider invoices did not agree to the corresponding attendance records for the other 7 cases. Unsupported payments for these 9 cases totaled $769. We question the federal share, or $586 (76.14 percent).

An audit performed by the federal DHHS - Office of Inspector General (DHHS-OIG), *Not All of Missouri's Child Care Subsidy Program Payments Complied With Federal and State Requirements,* released in November 2017, identified similar concerns with unsupported provider payments. The DHHS-OIG audit noted attendance records were not adequately documented for 124 of 128 provider service months reviewed and projected total overpayments of $19.1 million for federal fiscal years 2014 and 2015. The audit reported the deficiencies occurred because the DSS did not exercise sufficient oversight over its Child Care subsidy program.

In September 2013, in response to deficiencies identified in previous audits, the DSS created the Child Care Review Team (CCRT) within the Division of Finance and Administrative Services, and began performing reviews of child care providers. Although the CCRT reviews noted similar provider payment issues to those noted above, the CCRT's follow up on identified provider noncompliance was not sufficient (see finding number 2018-008). In September 2017, the DSS awarded a contract for an electronic Child Care Business Information Solution (CCBIS), to replace the current paper attendance records. DSS officials indicated the CCBIS is scheduled for full implementation by fall 2019, and will allow for greater control of attendance tracking, invoicing, and monitoring for provider compliance.

Rule 45 CFR Section 98.68(a) requires the DSS to document in its Child Care subsidy state plan that it has effective controls to ensure integrity and accountability in the program. To ensure controls are effective, the DSS needs to continue to review, strengthen, and enforce policies and procedures to ensure Child Care subsidy invoices agree to the corresponding attendance records and attendance records are complete. These procedures should include sufficient monitoring of provider payments and follow up on errors identified.

Recommendation

The DSS through the CD and the FSD continue to review, strengthen and enforce policies and procedures regarding Child Care subsidy provider payments. These procedures should include sufficient monitoring of provider payments and follow up on errors identified.

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.

Auditor's Comment

The DSS Corrective Action Plan (CAP) states the DSS partially agrees controls can be strengthened to ensure payments are always adequately supported. The CAP explains the questioned costs associated with the 9 cases cited in the finding were insignificant, and 1 error was because the DSS was unable to obtain records for one provider who is now deceased. However, the DSS Child Care Policy Manual and provider agreements require attendance records be maintained for 5 years and made available to the DSS upon request. Because the DSS has not established necessary controls to ensure Child Care subsidy provider payments are sufficiently monitored, the finding remains valid.

2018-008. Child Care Provider Monitoring

Federal Agency: Department of Health and Human Services

Federal Program: 93.575 Child Care and Development Block Grant
2017 - G1701MOCCDF
2018 - G1801MOCCDF
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
2017 - G1701MOCCDF
2018 - G1801MOCCDF

State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Type of Finding:	Internal Control (Significant Deficiency)

As noted in our prior two audit reports,[6] the DSS's procedures to follow up on provider noncompliance identified during Child Care Review Team (CCRT) reviews were not sufficient.

The CCRT is responsible for conducting compliance reviews of child care providers using a risk-based approach to identify and monitor providers determined to be at high risk of noncompliance with Child Care subsidy provider requirements. CCRT staff perform on-site and desk reviews to evaluate provider billing practices, compare attendance records to amounts invoiced, and review facility staffing ratios and fire safety. The CCRT completed 467 reviews, including 168 desk reviews and 299 on-site reviews, during the year ended June 30, 2018. Of the 467 reviews, 69 (15 percent) were follow-up reviews of providers previously found to be noncompliant.

When the CCRT identifies provider noncompliance, the provider is required to repay any related overpayments identified; and depending on the severity of the noncompliance, the provider may also (1) be referred to provider training or (2) have its provider contract/agreement terminated. The CCRT notifies the CD if a provider should be referred for training or if a provider's contract/agreement should be terminated. The CD is responsible for contacting the provider with the necessary training or termination information. After a provider attends the required training, the CCRT may conduct a follow-up review. Providers referred to training have 45 days to complete the training. If the provider does not complete the required training timely, CD personnel notify the provider it has 10 to 15 days to complete the training or the provider's contract will be terminated.

During most of the year ended June 30, 2018, the CCRT and the CD did not have established criteria or guidance for determining the type and extent of follow-up action, if any, to address identified provider non-compliance. We reviewed documentation supporting 60 CCRT compliance reviews (48 initial reviews and 12 follow-up reviews) finalized during the year ended June 30, 2018. The CCRT determined 53 of these 60 providers were noncompliant. Of the 53 reviews, 39 had significant problems including overpayments or significant technical issues and appeared to require follow up to prevent future noncompliance, and 14 had technical issues and further follow up did not appear necessary.

[6] *State of Missouri Single Audit*, finding numbers 2017-011 and 2016-002B.

In 27 (21 initial and 6 follow-up) of the 39 reviews (69 percent) that appeared to require follow up, the CCRT required the providers to repay the overpayments. However, as of June 30, 2018, the CCRT had taken no further action to address the provider noncompliance, such as referring the provider to the CD for training or other corrective action, or conducting a follow-up review in a timely manner. The average identified overpayment amount for these 27 providers was $514 for the 2-month period the CCRT reviewed. The overpayment to one of the providers exceeded $5,000. To address the prior audit findings, CD personnel indicated they implemented new guidelines, effective in May 2018, for following up on CCRT reviews that identified noncompliance. In addition, DFAS and CD personnel indicated they scheduled follow-up reviews for some of the reviews identified as requiring follow up in the subsequent fiscal year.

CCRT and CD monitoring of providers serves as a control to ensure provider payments are allowable. Rule 45 CFR Section 98.68(a) requires the DSS to document in its Child Care subsidy state plan that it has effective controls to ensure integrity and accountability in the program. Effective monitoring procedures include adequate follow up and resolution of identified provider noncompliance. Without continued monitoring of these providers, continued noncompliance and overpayments are likely.

Recommendation

The DSS through the DFAS and the CD continue to strengthen and enforce procedures to ensure proper follow up on noncompliance identified during CCRT reviews is performed.

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.

Auditor's Comment

The DSS Corrective Action Plan (CAP) states the DSS partially agrees with the finding because the DSS implemented new procedures as of June 30, 2018, that included following up with a number of noncompliant providers or scheduling a future follow-up review. The new procedures require a timely follow-up review for billing discrepancies. However, the CCRT had not followed up on the 27 reviews identified by auditors as requiring follow up as of June 30, 2018; therefore, the finding remains valid.

2018-009. Foster Care Case Management Contract Payment Reviews

Federal Agency:	Department of Health and Human Services
Federal Program:	93.658 Foster Care - Title IV-E 2017 - G1701MOFOST 2018 - G1801MOFOST
State Agency:	Department of Social Services (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Type of Finding:	Internal Control (Significant Deficiency) and Noncompliance
Questioned Costs:	$172

The DFAS has not established adequate internal controls to ensure certain Foster Care assistance payments to contractors are allowable and adequately supported.

The CD contracts with 7 foster care case management (FCCM) contractors to provide case management/administration and room and board for certain children in state custody. The DSS pays the contractors a monthly fixed price for a pre-established caseload. Certain costs included in payments to FCCM contractors are allowable Foster Care program costs. The DSS paid these contractors approximately $86 million during the year ended June 30, 2018, of which about $11.6 million, with a federal share of about $7.4 million (64 percent), was claimed to the Foster Care program as allowable assistance payments. During the year ended June 30, 2018, FCCM contractors were assigned about 3,400 foster children, or approximately 25 percent of the state's average daily caseload.

To identify FCCM contractor costs to charge to the Foster Care program, the DFAS requires each FCCM contractor to electronically report monthly payment data for each child it is responsible for managing. Payment data includes type of service, vendor, amount paid, service date(s), and other identifying information. This data is uploaded into the DSS Family and Children Electronic System (FACES), which has various system edits to prevent and/or detect data input errors and duplicate payments. From this data, DFAS personnel determine the amounts to charge to the Foster Care program based each child's eligibility determination and type of service(s) provided.

The DFAS's control procedures over FCCM contracts are not sufficient to ensure FCCM assistance payment amounts charged to the Foster Care program are accurate and supported. The DFAS's procedures are limited to following up on errors identified through FACES system edits. DFAS personnel do not ensure payment rates are in accordance with the foster care rate structure or sample and review contractor supporting documentation of costs incurred. Without such procedures, there is an increased risk that payment errors could occur and go undetected, and the DFAS could charge unallowable or unsupported assistance payments to the Foster Care program.

To test compliance with Foster Care program requirements, we selected a sample of 60 children. We reviewed payment documentation supporting the payments made on behalf of the 60 children during the year ended June 30, 2018, totaling about $271,000. Of the 60 children, 9 were assigned to FCCM contractors. The FCCM contractors made and reported to DSS payments totaling about $50,700 on behalf of these 9 children. For one of the 9 children, the FCCM contractor reported, and the DSS charged to the Foster Care program, the infant allowance during the period December 2017 through June 2018, although the child turned 3 in February 2016. DSS regulations allow the infant allowance of about $50 per month (either paid by a flat monthly rate or based on a daily rate) up to age 3. The amounts incorrectly claimed for this child totaled $266. We question the federal share, or $172 (65 percent).

Effective internal controls over allowable costs include monitoring and oversight of contractors responsible for carrying out federal requirements. To ensure FCCM contractors are accurately reporting payment data and that payments are adequately supported, detailed reviews of submitted data include reviews of foster care payment rates and supporting documentation such as cancelled checks, receipts or invoices, and/or other supporting documentation.

Rule 45 CFR Section 75.342(a) states the DFAS is "[r]esponsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity." In addition, 45 CFR Section 75.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Recommendation

The DSS through the CD and the DFAS strengthen monitoring controls and procedures over FCCM contractor payments to ensure costs claimed to the Foster Care program as assistance payments are allowable and adequately supported. Detailed reviews of data submitted by the FCCM contractors should include reviews of foster care payment rates and supporting documentation.

Auditee's Response

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

Auditor's Comment

The DSS Corrective Action Plan states the DSS disagrees with the finding because the questioned costs were immaterial and the DSS believes reviewing payment documentation is not necessary because the FCCMs were deemed to be contractors (as opposed to subrecipients) in a federal Departmental Appeals Board (DAB) decision. The DSS further stated requesting documentation from the FCCM contractors would impose extraneous requirements on the contractors. However, the classification of, or the burden on, the entities in which the DSS contracts for services under federal programs does not absolve the DSS of responsibilities to ensure costs claimed are allowable and adequately supported. Furthermore, the DAB decision cited by the DSS only addressed resource development (e.g. training) costs and not assistance payments, which is the focus of the finding. Because the DSS has not established necessary controls to ensure FCCM contractor assistance payments are allowable and adequately supported, the finding remains valid.

2018-010. TANF Work Participation Sanctions

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families (TANF) 2017 - G1702MOTANF 2018 - G1802MOTANF and G1801MOTAN3
State Agency:	Department of Social Services (DSS) - Family Support Division (FSD)
Type of Finding:	Internal Control (Significant Deficiency) and Noncompliance
Questioned Costs:	$171

As noted in our five prior audits[7] of the TANF program, the FSD did not have adequate controls to ensure TANF program recipients who failed to meet work participation requirements were sanctioned. The FSD's procedures to monitor subrecipients responsible for referring TANF program recipients to the FSD for failure to meet work participation requirements were not sufficient; and as a result, a recipient was not sanctioned and continued to receive full benefits.

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

Ten community organizations, who are FSD subrecipients, perform many of the required TANF program work activity functions for the 11 regions in the Missouri Work Assistance (MWA) program. The FSD refers TANF program recipients who are required to participate in eligible work activities to the MWA subrecipients. Subrecipient duties include case management, enrollment, and reporting recipient hours of participation and noncompliance to the FSD. Sections 285 and 290 of the FSD TANF Manual require MWA subrecipients to place TANF program recipients who are not meeting work participation requirements in conciliation status; attempt to locate and re-engage recipients, if necessary; provide recipients the opportunity to begin

[7] *State of Missouri Single Audit*, finding numbers 2015-014, 2014-010B, 2013-016B, 2012-16B, and 2011-20B.

work participation activities; and notify the FSD of recipients exempt from the work requirements. Additionally, the policies require MWA subrecipients to refer TANF program recipients who failed to meet the work participation requirements (and did not meet an exception) to the FSD for sanctions to be applied to their monthly benefits. The DSS has established the sanction at 50 percent of the monthly benefit amount.

The FSD's monitoring and training of the MWA subrecipients has not been effective to ensure the subrecipients comply with sanction policies and procedures. The FSD performs various monitoring procedures including periodic samples and reviews of cases in each region and reviews of various system-generated reports of cases in possible need of sanction. Also, during state fiscal year 2018, the FSD and the Division of Finance and Administrative Services jointly issued 4 monitoring review reports of MWA subrecipients. Three of these reports showed subrecipients failed to comply with conciliation/sanction policies and procedures, and noted error rates of noncompliance ranging from 4 to 15 percent. The DSS required the MWA subrecipients to submit corrective action plans to address the issues identified and provided additional training to the subrecipients with high rates of noncompliance. Federal resolutions of prior audit findings have required the DSS to take corrective action, including performing additional monitoring activities, to address the findings. However, our review indicates the improved monitoring procedures were not sufficient to ensure MWA subrecipients complied with policies for referring recipients who did not comply with work requirements.

A January 2018 report of 4,743 TANF program recipients referred to the MWA subrecipients included 3,461 recipients for which no work activities were reported during the month. We tested 40 of these TANF program recipients, who received benefits totaling $9,807 during January 2018, and noted 2 recipients (5 percent) were not referred to the FSD by the MWA subrecipient. One of the recipients was not appropriately sanctioned for noncompliance with work participation requirements. The other recipient qualified for an exemption in November 2017, but the exemption was not recorded in FSD records until April 2018. Nine recipients were appropriately sanctioned and the remaining 29 recipients were not subject to sanction during January 2018 due to various reasons, such as the conciliation process was not complete; the recipient was exempt due to age, having a newborn child, or caring for a disabled person; or the recipient received a temporary waiver for childcare, transportation, disability, or domestic violence.

For the case not appropriately sanctioned, the MWA subrecipient did not engage the TANF program recipient in conciliation so they would begin participating in required activities and did not notify the FSD of noncompliance. The recipient should have been sanctioned for the month of January 2018. We question the amount of the sanction that was not imposed on the recipient for January 2018, which totaled $171 (100 percent federal share).

Rule 2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." To ensure controls are effective, the DSS needs to continue to review, strengthen, and enforce monitoring policies and procedures over MWA subrecipients to ensure work participation sanctions are imposed as required.

Recommendation

The DSS through the FSD continue to review, strengthen, and enforce controls to ensure TANF program recipients who fail to meet work participation requirements are sanctioned as required, or referred to the FSD for exemption.

Auditee's Response

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

Auditor's Comment

The DSS's Corrective Action Plan states the DSS disagrees with the finding because the DSS believes the errors and associated questioned costs were immaterial, and therefore, corrective action is not warranted. However, as discussed with DSS officials during the exit conference, we are required by 2 CFR 200.516(a)(3) to report this finding because likely questioned costs are greater than $25,000 for the compliance requirement. Based on our test results, likely questioned costs are estimated to exceed $70,000.[8] Therefore, the finding remains valid.

2018-011. TANF Subrecipient Risk Assessments

Federal Agency:	Department of Health and Human Services
Federal Program:	93.558 Temporary Assistance for Needy Families (TANF) 2017 - G1702MOTANF 2018 - G1802MOTANF and G1801MOTAN3
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS) and Family Support Division (FSD)
Type of Finding:	Internal Control (Significant Deficiency) and Noncompliance

[8] This was calculated by taking total state fiscal year 2018 TANF payments (approximately $29 million) times the percentage of payments associated with recipients with no reported work activities referred to MWA subrecipients during the month tested (3,461 divided by 24,751, or approximately 14 percent) times the percentage of questioned costs for the total amounts tested ($171 divided by $9,807, or approximately 2 percent).

The DSS did not prepare risk assessments for some TANF program subrecipients to determine the nature, timing, and extent of monitoring procedures. During the year ended June 30, 2018, the DSS disbursed approximately $3 million in TANF program (federal) funds to approximately 75 subrecipients. Many of these subrecipients also received TANF program maintenance of effort (state) funds.

Rule 2 CFR Section 200.331(b) requires pass-through entities to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The DFAS and the FSD perform various procedures to monitor TANF program subrecipients. However, during the year ended June 30, 2018, the DSS did not prepare risk assessments for 23 subrecipients of 3 TANF-funded programs[9] as follows:

Program	Number of Subrecipients With No Risk Assessments Performed	Related TANF Funding
Alternatives to Abortion	9	$ 1,419,456
Missouri Work Assistance (MWA)	10	354,947
Healthy Marriage and Responsible Fathers	4	125,300
Total	23	$ 1,899,703

The DFAS and the FSD performed procedures to monitor these subrecipients; however, the monitoring procedures were not based on documented risk assessments. Monitoring procedures, which varied among the programs, generally included reviewing external audits, following up on corrective actions related to audit findings, reviewing periodic subrecipient reports, providing training or technical assistance when needed, performing on-site visits, verifying invoices to supporting documentation, and/or testing cases handled by the subrecipients. As noted at finding number 2018-010, the FSD's monitoring of the MWA subrecipients for compliance with work participation sanction requirements was not sufficient

To comply with federal regulations, the DSS should develop procedures to ensure risk assessments are prepared for all subrecipients, and utilize the risk assessments in determining the nature, timing, and extent of monitoring procedures. Rule 2 CFR Section 200.303(a) requires the non-federal entity to

[9] These subrecipients and the TANF funding received were listed in a report prepared by the DFAS supporting the TANF payments to subrecipients reported on the DSS's Schedule of Expenditures of Federal Awards.

"[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Recommendation

The DSS through the DFAS and the FSD strengthen controls and procedures to ensure evaluations of each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward are performed and used for monitoring decisions as required by federal regulations.

Auditee's Response

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

Auditor's Comment

The DSS's Corrective Action Plan states the DSS partially agrees with the finding because the DSS provided documented risk assessments for several programs during the audit and monitored subrecipients based on the assessment of risk. However, during the audit, DSS officials agreed they had not performed risk assessments on the 23 subrecipients cited in the finding; therefore, the finding remains valid.

2018-012. VOCA Subrecipient Monitoring

Federal Agency:	Department of Health and Human Services
Federal Program:	16.575 Crime Victim Assistance (CVA) 2015-VA-GX-4065 2016-VA-GX-4056 2017-VA-GX-4056 2018-V2-GX-0035
State Agency:	Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS)
Type of Finding:	Internal Control (Significant Deficiency)

The DFAS did not perform monitoring reviews in accordance with its monitoring policy for the CVA program, also known as the Victims of Crime Act (VOCA) program. During the year ended June 30, 2018, the DFAS disbursed approximately $35.9 million to approximately 120 subrecipients for costs related to the VOCA program.

Rule 2 CFR Section 200.331(b) requires pass-through entities to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Rule 2 CFR Section 200.331(d) requires pass-through entities to monitor the activities of subrecipients as necessary to ensure the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward, and to ensure subaward performance goals are achieved. Additionally, 28

CFR Section 94.106 requires the DFAS to conduct regular desk monitoring of all subrecipients and to perform on-site monitoring of all subrecipients at least once every 2 years.

Effective July 1, 2017, the General Assembly transferred the state's administration of the VOCA program from the Department of Public Safety to the DFAS. At that time, the DFAS began preparing a VOCA Monitoring Policy to address various subrecipient monitoring requirements. The policy requires the DFAS to perform a risk assessment for each subrecipient every 2 years and assess the risk of noncompliance as high, moderate, or low based on various risk factors such as results of previous audits and monitoring reviews, turnover of key personnel, and timeliness of reporting. The policy requires the risk assessments be used to determine the nature and frequency of monitoring activities.

DFAS monitoring procedures include on-site visits, desk reviews, and random sampling. On-site visits include inspections of records, tours of facilities, interviews of employees, and other procedures. Desk monitoring includes review and verification of subrecipient documentation supporting a monthly invoice or quarterly report. Random sampling includes review and verification of subrecipient documentation supporting a portion of a monthly invoice. For the federal fiscal year ending September 30, the monitoring policy requires the following monitoring reviews based on the assessed risk level:

	Assessed risk		
Monitoring Type	High	Moderate	Low
On-site	Yearly	Every 2 years	Every 2 years
Desk	Quarterly	Semi-annually	Yearly
Random Sampling	Every other month	Quarterly	Yearly

Around early January 2018, the DFAS performed risk assessments for all VOCA program subrecipients; however, the DFAS did not monitor the subrecipients in accordance with the monitoring policy. The DFAS assessed 11 subrecipients as high risk, 20 subrecipients as moderate risk, and 89 subrecipients as low risk. We selected 12 subrecipients to determine the extent of the DFAS monitoring reviews performed during the year ended September 30, 2018, which is approximately a 9-month period after the risk assessments were performed in early 2018. For 8 of the 12 subrecipients reviewed, the DFAS performed less than the required number of monitoring reviews. For example, for 3 of the 4 subrecipients assessed as high risk, the DFAS performed only 1 desk review when at least 3 desk reviews were required during the 9-month period. Additionally, for the 4 subrecipients assessed as high risk, the DFAS performed zero to 2 random sampling reviews for each of these subrecipients, when at least 4 random sampling reviews were required during the period.[10] A DFAS official indicated staffing turnover limited the number of monitoring reviews performed.

In order to demonstrate adequate internal controls over compliance with subrecipient monitoring requirements, it is necessary for the DFAS to follow its established policies and procedures. In addition, 2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Recommendation

The DSS through the DFAS ensure VOCA program subrecipients are monitored in accordance with the monitoring policy.

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.

Auditor's Comment

The DSS's Corrective Action Plan (CAP) states the DSS partially agrees with the finding. The CAP states the DFAS monitoring policy is more stringent than required by the grantor agency, and desk reviews could not be completed for some subrecipients because the subrecipients had submitted no invoices during certain quarters. However, as noted in the finding and as discussed with DSS officials during the audit, all 8 subrecipients identified in the finding as not having the required number of monitoring reviews had submitted a sufficient number of invoices requiring desk or random sampling reviews. Additionally, as noted in the finding, the DSS is required to establish and maintain controls over federal awards. By not following its own policies and procedures, the DSS cannot effectively demonstrate it has maintained adequate VOCA subrecipient monitoring internal controls. Therefore, the finding remains valid.

2018-013. MO HealthNet Division Provider Eligibility

Federal Agency: Department of Health and Human Services (DHHS)
Federal Program: 93.767 Children's Health Insurance Program
2016 - 1605MO5021
2017 - 1705MO5021
2018 - 1805MO5021
93.778 Medical Assistance Program
2017 - 1705MO5MAP and 1705MO5ADM
2018 - 1805MO5MAP and 1805MO5ADM

[10] Each of the 4 high-risk subrecipients reviewed submitted at least 6 invoices during the 9-month period, 1 submitted invoices every month, 2 submitted invoices during 8 months, and 1 submitted invoices during 6 months.

State Agency:	Department of Social Services (DSS) - MO HealthNet Division (MHD) and Missouri Medicaid Audit and Compliance (MMAC)
Type of Finding:	Internal Control (Material Weakness) and Noncompliance

As noted in our prior two audit reports,[11] the DSS did not establish effective internal controls over and did not fully implement federal revalidation requirements, effective in September 2016, for providers participating in the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP). As of June 30, 2018, the DSS had not performed required revalidations for 48 percent of Medicaid and CHIP providers requiring revalidation. There were approximately 60,700 Medicaid and CHIP providers enrolled as of June 30, 2018.

To enroll in the Medicaid and CHIP programs, providers of medical services apply to the MMAC Provider Enrollment Unit, which is responsible for determining the eligibility of providers and performing eligibility revalidations. Rule 42 CFR Section 455.412[12] specifies the enrollment screening (eligibility determination) requirements. The revalidation process involves multiple steps, including reviewing results of ongoing provider monitoring procedures, such as checking federal and state provider databases for excluded providers.

Rule 42 CFR Section 455.414,[12] effective March 2011 with an extended implementation deadline of September 2016,[13] established additional requirements regarding provider eligibility, requiring states to revalidate the eligibility of all Medicaid and CHIP providers, regardless of provider type, at least every 5 years. In addition, the DHHS-CMS issued the Medicaid Provider Enrollment Compendium on January 4, 2017, to clarify how states are expected to comply with the federal regulations. To implement the new requirements, the DSS established state regulation 13 CSR 65-2.020, which gave the DSS authority to implement provider revalidations, effective July 30, 2014; and modified the provider enrollment system for revalidations. MMAC Provider Enrollment Unit personnel began manually performing revalidations in April 2015 and using the system to perform revalidations in July 2016.

[11] *State of Missouri Single Audit,* finding numbers 2017-013 and 2016-003A.

[12] Rule 42 CFR Section 457.990 requires the same enrollment and revalidation requirements for CHIP providers as Medicaid providers, established as 42 CFR Part 455, subpart E, which includes Sections 455.412 and 455.414.

[13] Sub-regulatory Guidance published by the DHHS - Centers for Medicare and Medicaid Services (DHHS-CMS) on December 23, 2011, required implementation of the new revalidation requirements by September 24, 2016; specifically, revalidations for all providers enrolled on or before September 25, 2011, were to be completed by September 24, 2016.

The MMAC has established procedures for performing provider revalidations; however, the procedures were not designed effectively to ensure all providers were revalidated within required timeframes. As explained in our prior audit reports, the revalidations were not performed for 87 percent of the Medicaid and CHIP providers requiring revalidation as of September 24, 2016, and for 71 percent of providers as of June 30, 2017. According to DSS reports, as of June 30, 2018, there were approximately 33,200 active providers enrolled in the Medicaid and CHIP on or before June 30, 2013, that required revalidation. At that time, the MMAC had completed revalidations for approximately 17,200 providers, but had not completed revalidations for the remaining 16,000 providers (48 percent).

DSS officials indicated the backlog of revalidations continued to occur because of difficulties associated with the manual revalidation process and inadequate staff resources to handle the volume of revalidations and new enrollments. During state fiscal year 2018, the legislature authorized the DSS to hire additional staff, the MMAC created a unit dedicated to performing revalidations, and the DSS contracted with a vendor to create a web portal to streamline provider submissions. MMAC officials indicated they plan to have all revalidations completed and on a rotational 5-year schedule by June 30, 2019.

We selected 60 providers paid during the year ended June 30, 2018, to test compliance with federal eligibility requirements. While the MMAC had performed various monitoring procedures for each provider, revalidations had not been completed for all 38 providers requiring a revalidation. As a result, the DSS did not comply with federal revalidation requirements.

In July 2018, the DHHS-CMS, Division of Medicaid and Children's Health Operations, issued a decision letter stating it concurred with our year ended June 30, 2017, audit finding number 2017-013; however, it did not require an adjustment for the questioned costs because there is no federal regulation or policy that requires a financial penalty or disallowance action for payments made to providers that have not been revalidated and are otherwise eligible providers.

To ensure compliance with federal regulations, the DSS needs to follow established controls over performing revalidations of Medicaid and CHIP providers. Rule 2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Recommendation

The DSS through the MHD and MMAC continue to implement internal controls designed to ensure Medicaid and CHIP provider revalidations are performed every 5 years as required by federal regulations.

Auditee's Response

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

2018-014. Medicaid Developmental Disabilities Comprehensive Waiver Per Diem Rates

Federal Agency:	Department of Health and Human Services (DHHS)
Federal Program:	93.778 Medical Assistance Program 2017-1705MO5MAP and 1705MO5ADM 2018-1805MO5MAP and 1805MO5ADM
State Agency:	Department of Mental Health (DMH) - Division of Developmental Disabilities (DD)
Type of Finding:	Noncompliance
Questioned Costs:	$732,022

As noted in our prior three audit reports,[14] the DD continued to pay historical per diem rates to providers for residential habilitation services provided to participants of the Home and Community Based Services (HCBS), Developmental Disabilities Comprehensive Waiver (Comprehensive Waiver) program, but did not retain adequate documentation to support these rates. As a result, the DD could not demonstrate some amounts paid were allowable costs of the Comprehensive Waiver program.

The DD with its six habilitation centers and five regional offices is responsible for the direct administration of various Medical Assistance Program (Medicaid)-funded HCBS programs for children and adults with disabilities, including the Comprehensive Waiver program. Various types of services are allowed under the waiver, including residential habilitation services provided to 1,152 participants in group homes and 5,143 participants served by individualized supported living (ISL) providers during the year ended June 30, 2018. Residential habilitation services include care, supervision, and skills training in activities of daily living, home management, and community integration. Providers are paid a per diem rate for each participant receiving these services, based on the individual's needs. Certain costs, such as room and board, are not allowed to be included in per diem rates under the waiver program. During the year ended June 30, 2018, per diem payments for group home services totaled approximately $132 million, and per diem payments for ISL services totaled approximately $528 million.

In October 2013, the DD began phasing in acuity-based per diem rates to replace historical rates for residential habilitation services, and renewed the

[14] *State of Missouri Single Audit,* finding numbers 2017-017, 2016-006, and 2015-015.

Comprehensive Waiver in July 2016 to include the new rates. However, these new rates were not fully phased in as of June 30, 2018. DD officials indicated the updated rates should be fully phased in within the next few years. For participants that received residential habilitation services during the year ended June 30, 2018, DD officials indicated the DMH paid acuity-based per diem rates for approximately half the participants and historical per diem rates for the other half.

To test compliance with various Comprehensive Waiver program requirements, we tested 60 payments to service providers during the year ended June 30, 2018. Of these 60 payments, 37 were to ISL providers and 15 were to group homes for habilitation services. The DD did not retain documentation to support per diem rates, paid at historical rates, for 8 of the 37 ISL habilitation service payments tested and 5 of the 15 group home habilitation service payments tested. The DD retained the original ISL budgets, the group home individual plans of care, and cost of living allowance (COLA) notices supporting some per diem rate increases. However, these documents did not show how the rates were originally determined or what costs were included in the per diem rates. The remaining 29 ISL and 10 group home payments were based on acuity-based per diem rates or historical rates that were less than or equal to acuity-based rates. Payments to providers for habilitation services provided to the 13 participants during the year ended June 30, 2018, for which the historical per diem rates were not supported or exceeded acuity-based rates, totaled $1,141,466. We question the federal share, or $732,022 (64.13 percent).

Audits performed by the federal DHHS - Office of Inspector General (DHHS-OIG), *Missouri Claimed Unallowable and Unsupported Medicaid Payments for Group Home Habilitation Services*, released in August 2015, and *Missouri Claimed Unallowable and Unsupported Medicaid Payments for Individualized Supported Living Habilitation Services*, released in March 2016, noted similar concerns with unsupported per diem rates for some group home payments and noted some ISL payments included unapproved and unallowable costs. The DHHS-OIG audits also determined several per diem rates that were supported by adequate documentation included room and board costs, which are not allowable under the Comprehensive Waiver program.

In July 2018, the DHHS - Centers for Medicare and Medicaid Services (DHHS-CMS), Division of Medicaid and Children's Health Operations issued a decision letter stating it did not concur with our fiscal year 2017 audit finding because the DMH changed to the acuity-based rate-setting method for residential habilitation per diem rates, effective July 2016. However, as noted above, payments to providers for those participants that have not been transitioned from the historical per diem rates to the acuity-based per diem rates, are not adequately supported and documented as required by federal regulations. Similar errors of noncompliance will likely continue until all participants are transitioned to the acuity-based rate model.

Without proper documentation of the payment rates, the DD cannot demonstrate that payments based on these rates are proper and only include allowable costs. Rule 42 CFR Section 447.203(a) states "[t]he agency must maintain documentation of payment rates. . . ." Rule 2 CFR Section 200.403(g) states costs must be adequately documented to be allowable. Also, the approved DD Comprehensive Waiver Program Application, Appendix I: Financial Accountability, section I-2(e), states "[r]ecords documenting the audit trail of adjudicated claims (including supporting documentation) are maintained by the Medicaid agency, the operating agency (if applicable), and providers of the waiver services for a minimum period of 3 years as required in 45 CFR [Section] 92.42." Adequate documentation of habilitation services per diem rates is necessary to ensure compliance with the federal requirements related to the Comprehensive Waiver program and to ensure only allowable costs are included in the per diem rates.

Recommendation

The DMH through the DD continue to transition all per diem rates paid to providers for residential habilitation services provided under the Comprehensive Waiver program from historical rates to acuity-based rates, ensure documentation to support per diem rates is maintained as required, and ensure the rates only include allowable costs.

Auditee's Response

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

Auditor's Comment

The DMH Corrective Action Plan states the DMH disagrees with the finding because the DMH switched to an acuity-based rate methodology and any historical rates currently in place are expressed as a percentage of the acuity-based rates. However, payments to providers for any participants currently at the historical per diem rates are not adequately supported and documented as required by federal regulations. Therefore, the finding remains valid. Similar errors of noncompliance will likely continue until all participants are transitioned to the acuity-based rate model.

2018-015. State Emergency Management Agency Subrecipient Monitoring

Federal Agency: Federal Emergency Management Agency (FEMA)
Federal Program: 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
2011 - FEMA-1980-DR-MO
2013 - FEMA-4130-DR-MO
2013 - FEMA-4144-DR-MO
2014 - FEMA-4200-DR-MO
2015 - FEMA-4238-DR-MO
2015 - FEMA-4250-DR-MO
2017 - FEMA-4317-DR-MO

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

Type of Finding: A - Internal Control (Significant Deficiency) and Noncompliance
B - Internal Control (Significant Deficiency) and Noncompliance
C - Internal Control (Significant Deficiency) and Noncompliance

The SEMA did not perform all required subrecipient risk assessments, perform monitoring reviews in accordance with its monitoring policy, or monitor subrecipient compliance with cash management requirements for the Public Assistance (PA) program.

Rule 2 CFR Section 200.331(b) requires pass-through entities to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Office of Management and Budget (OMB) Circular A-133 Section 400(d)(3) and 2 CFR Section 200.331(d) require monitoring the activities of a subrecipient as necessary to ensure the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved. The SEMA fiscal and PA departments perform various procedures to monitor subrecipients of the PA program.

To establish controls over new Uniform Guidance[15] requirements related to subrecipient monitoring, the SEMA implemented the Recovery Division Monitoring Policy, effective March 8, 2017. This policy requires the fiscal department to perform risk assessments and classify the subrecipient as low risk, medium risk, or high risk. It also requires fiscal personnel to monitor all subrecipients at least annually, and requires desk monitoring for low-risk subrecipients, desk monitoring or on-site monitoring for medium-risk subrecipients, and on-site monitoring for high-risk subrecipients. This new policy applies to subrecipients of disaster grants awarded on or after the Uniform Guidance effective date of December 26, 2014. In addition to fiscal department monitoring of subrecipients, the PA department performs ongoing and close-out monitoring of all subrecipients by providing day-to-day oversight, reconciling and approving programmatic subrecipient expenditures, and providing general support and assistance relating to project implementation.

[15] Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

During the year ended June 30, 2018, the SEMA disbursed approximately $45 million to approximately 290 subrecipients of the PA program through 7 FEMA grants. Four grants approved from 2011 through 2014 are subject to OMB Circular A-133 requirements and three grants (disaster numbers 4238, 4250, and 4317) approved during and after 2015 are subject to Uniform Guidance requirements. Of the disbursements during the year ended June 30, 2018, approximately 25 percent was subject to OMB Circular A-133 requirements and approximately 75 percent was subject to Uniform Guidance requirements.

During the year ended June 30, 2018, fiscal department personnel completed risk assessments for all subrecipients of disaster grant numbers 4238 and 4250. These risk assessments were all completed between May 2017 and July 2017 in response to a FEMA Financial Monitoring Review[16] that noted the SEMA did not fully implement the subrecipient monitoring plan for the PA program. Also, during the year ended June 30, 2018, fiscal department personnel performed monitoring reviews of 21 subrecipients.

A. Risk assessments

The fiscal department did not perform risk assessments for all subrecipients, as required by the Recovery Division Monitoring Policy and the Uniform Guidance. In addition, the policy does not address when subrecipient risk assessments should be performed, and the fiscal department's current practice provides for risk assessments that are not effective.

During May through July 2017, subsequent to the FEMA review, fiscal department personnel completed risk assessments for all subrecipients of disaster grant numbers 4238 and 4250. However, as of June 30, 2018, the only risk assessments performed for the 210 subrecipients of disaster number 4317, were the risk assessments performed for the 125 subrecipients that also received funding from disaster grant numbers 4238 and 4250. Risk assessments were not performed for the remaining 85 subrecipients of disaster grant number 4317 (40 percent). Fiscal department personnel indicated they were required by the FEMA to complete the risk assessments for the two open disaster grant numbers (4238 and 4250) shortly after the FEMA review. Because disaster number 4317 was subsequently declared and SEMA's normal procedure is to perform the risk assessments at the end of the project, risk assessments were not performed for disaster grant number 4317.

When a risk assessment is performed at the end of the project, which can be up to 5 years after project initiation, the risk assessment is not effective because the fiscal department cannot use the risk assessment to monitor the subrecipient for that project. It can only be used for subsequent projects for which the subrecipient receives a subaward. For new subrecipients that have

[16] FEMA *Financial Monitoring Review - R7-GM-2017-006 - Results Letter*, June 29, 2017

not received a previous subaward, the fiscal department lacks the required risk assessment to guide its monitoring of the subrecipient.

To comply with Uniform Guidance risk assessment requirements, which require that risk assessments be used for monitoring decisions, the fiscal department should evaluate its current practices, and document in the Recovery Division Monitoring Policy when risk assessments should be performed. Rule 2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

B. Fiscal department monitoring reviews

The fiscal department did not monitor subrecipients in accordance with the Recovery Division Monitoring Policy. Although the policy requires monitoring of all subrecipients at least annually, the fiscal department's monitoring of subrecipients was limited to only 10 percent, or 21, of the 210 subrecipients of disaster grant number 4317. The fiscal department did not select any of the subrecipients for disaster grant numbers 4238 or 4250 to monitor for compliance with Uniform Guidance requirements.

In addition, the fiscal department did not use the prepared risk assessments to determine the type of monitoring necessary for each subrecipient. For each of the 21 subrecipients monitored during the year ended June 30, 2018, fiscal department personnel performed desk monitoring procedures regardless of the subrecipient's assessed risk as noted in the following table.

Number of Subrecipients	Assessed Risk	Required Monitoring	Actual Monitoring
1	Low	Desk monitoring	Desk monitoring
10	Medium	Desk monitoring or On-site visit	Desk monitoring
1	High	On-site visit	Desk monitoring
9	None(1)	Unknown(1)	Desk monitoring

(1) SEMA personnel did not perform a risk assessment as required; therefore, the SEMA does not know the type of monitoring that should have been performed.

Fiscal department personnel stated they did not have a sufficient number of personnel to monitor all subrecipients in accordance with the Recovery Division Monitoring Policy, and when developing the policy, they did not realize the magnitude of subrecipients that would require monitoring.

In order to demonstrate adequate internal controls over compliance with subrecipient monitoring requirements, it is necessary for the SEMA to follow its established policies and procedures. The fiscal department should periodically review the Recovery Division Monitoring Policy for completeness and effectiveness, and review for compliance with the policy. If the fiscal department determines the policy is too labor intensive, revisions should be considered. Rule 2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

C. Monitoring of subrecipient cash management

The SEMA has not established procedures to ensure subrecipients minimize the time elapsed between receipt of funds to disbursement of funds for program purposes.

Some PA subawards provide for advance payments to subrecipients. When requesting project funds, subrecipients complete and submit form PA-8 to the SEMA, which includes a certification the subrecipient will disburse the monies within 30 days of receipt of federal funds. However, the SEMA does not monitor to ensure subrecipients disburse the monies within the required 30 days. The PA department periodically requests subrecipients to provide copies of checks or other documentation supporting actual disbursements; however; the department does not review these records for compliance with the 30-day requirement.

Rule 2 CFR Section 200.305(b) requires subrecipients to minimize the time elapsing between the transfer of funds from the pass-through entity and disbursement of the funds. Without procedures to monitor for compliance with SEMA policy and federal regulations, the SEMA has little assurance the subrecipients are complying with these requirements. In addition, OMB Circular A-133 Section 300(b) and 2 CFR Section 200.303(a) require the non-federal entity to maintain internal control over federal awards that provides reasonable assurance that the non-federal entity is managing federal awards in compliance with federal laws and terms and conditions of the federal awards.

Recommendations

The SEMA:

A. Through the fiscal department ensure evaluations of each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward are performed as required by the Uniform Guidance.

B. Through the fiscal department review, strengthen, and enforce policies and procedures regarding subrecipient monitoring.

C. Establish controls and procedures to ensure subrecipients comply with SEMA policy and federal regulations requiring subrecipients to minimize the time elapsed between the receipt of federal funds to disbursement of the funds.

Auditee's Response

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

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

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

2018-016. State Emergency Management Agency Subrecipient Audits and Awards

Federal Agency:	Federal Emergency Management Agency (FEMA)
Federal Program:	97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters) 2011 - FEMA-1980-DR-MO 2013 - FEMA-4130-DR-MO 2013 - FEMA-4144-DR-MO 2014 - FEMA-4200-DR-MO 2015 - FEMA-4238-DR-MO 2015 - FEMA-4250-DR-MO 2017 - FEMA-4317-DR-MO
State Agency:	Department of Public Safety - State Emergency Management (SEMA)
Type of Finding:	A - Internal Control (Significant Deficiency) and Noncompliance B - Internal Control (Significant Deficiency) and Noncompliance

The SEMA has not established adequate controls to follow up on subrecipient audit findings of the Public Assistance (PA) program or to ensure all required award information is communicated to the subrecipients. During the year ended June 30, 2018, the SEMA disbursed approximately $45 million to approximately 290 subrecipients of the PA program through 7 FEMA grants.

A. Subrecipient audits

The fiscal department has not established controls and procedures to follow up on subrecipient audit findings.

As the grantor agency, the SEMA is required to monitor the activities of subrecipients, including reviewing subrecipient audit reports. Each subrecipient that spent in excess of $750,000 in federal awards during its fiscal year must obtain an audit in accordance with the Uniform Guidance within 9 months after the end of the fiscal year. Office of Management and Budget (OMB) Circular A-133 Section 400(d)(4) and 2 CFR Section 200.331(f) require the SEMA to verify the subrecipients have been audited. OMB Circular A-133 Section 400(d)(5) and 2 CFR Section 200.331(d) require the SEMA to follow up on audit findings related to SEMA awards, issue a management decision on the audit findings, and ensure the subrecipient takes timely and appropriate action to correct the deficiency(ies). These requirements help ensure federal awards are used for purposes that are authorized and within the provisions of contracts or grant agreements. The SEMA fiscal department is responsible for obtaining and reviewing subrecipient audit reports.

The SEMA's procedures, documented in its Administrative Plan, do not require the SEMA to follow up on the audit findings to ensure recommendations have been implemented or require the SEMA to issue a management decision on the audit findings. During our review of subrecipient audit reports issued during the year ended June 30, 2018, we identified 2 subrecipients with audit findings related to the PA program. The SEMA did not follow up or issue a management decision on any of these findings as required by federal regulations. Fiscal department personnel indicated they did not follow up on these findings because they accepted the subrecipients' responses to the audit findings, and they believed no further action was necessary.

To strengthen internal controls over subrecipient monitoring and ensure compliance with federal regulations, the SEMA should establish procedures to follow up on subrecipient audit findings involving PA program awards and issue management decisions on subrecipient audit findings. OMB Circular A-133 Section 300(b) and 2 CFR Section 200.303(a) require the non-federal entity to maintain internal control over federal awards that provides reasonable assurance that the non-federal entity is managing federal awards in compliance with federal laws and terms and conditions of the federal awards.

B. Award identification

The SEMA did not establish internal controls to ensure subawards included all federal award information required by federal regulations. The SEMA sends an award letter at the time of the subaward, notifying the subrecipient of certain required information. However, the award letter does not identify the Catalog of Federal Domestic Assistance (CFDA) number and name as required by federal regulations. SEMA personnel indicated this information was verbally communicated to subrecipients, but could not explain why it was not formally documented in the award letters.

OMB Circular A-133 Section 400(d) and 2 CFR Section 200.331(a) require the SEMA, as a pass-through entity, to ensure every subaward includes certain information at the time of the subaward, including the CFDA number and name.

Without properly communicating federal award information to subrecipients, the SEMA has less assurance subrecipients properly prepare their Schedules of Expenditures of Federal Awards (SEFAs) and obtain required single audits. Additionally, OMB Circular A-133 Section 300(b) and 2 CFR Section 200.303(a) require the non-federal entity to maintain internal control over federal awards that provides reasonable assurance that the non-federal entity is managing federal awards in compliance with federal laws and terms and conditions of the federal awards.

Recommendations

The SEMA:

A. Strengthen internal controls and procedures to follow up on subrecipient audit findings related to PA program awards and issue management decisions for the applicable audit findings as required by federal regulations.

B. Strengthen internal controls and procedures to communicate all required federal award information to subrecipients at the time of the subaward as required by federal regulations.

Auditee's Response

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

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

2018-017. MoDOT Project Closeouts and Final Vouchers

Federal Agency:	Federal Highway Administration (FHWA)
Federal Program:	20.205 Highway Planning and Construction Various awards
State Agency:	Missouri Department of Transportation (MoDOT)
Type of Finding:	Internal Control (Significant Deficiency) and Noncompliance
Questioned Costs:	$19,432

The MoDOT's procedures related to preparation and review of Highway Planning and Construction program project closeouts and final vouchers were not sufficient to ensure the proper reporting of total project costs and the proper determination of the federal and state/local shares of project costs. As a result, the MoDOT incorrectly reported the costs of 2 projects, causing an overstatement of the federal share of costs for one project and an incorrect allocation of local entity matching funds for another project.

Rule 2 CFR Section 200.343 requires the MoDOT to perform project closeout procedures and submit required financial reports to the FHWA. Title 23 USC Section 120(b) sets the federal share payable for Highway Planning and Construction program projects at 80 percent of total project costs. Title 23 USC Section 133(f)(3) allows local entities receiving MoDOT subgrants to claim soft match credits against the required local share. These soft match credits are earned by local entities for certain local expenditures on qualifying non-federal aid projects.

As project costs are incurred, the MoDOT's Financial Services unit requests reimbursement from the FHWA for the federal share of project costs. After project completion, the MoDOT's closeout procedures require the Financial Services Specialist to review and reconcile project costs to ensure the costs were properly claimed for federal reimbursement and to prepare and submit a final voucher to the FHWA reporting total project costs, federal share, and state/local share. The final voucher is completed using information reported in the state's computerized accounting (SAM II) system, and/or the project file. The Financial Services Manager is responsible for reviewing and approving the final voucher. During the year ended June 30, 2018, the MoDOT closed and prepared final vouchers for 592 projects.

We tested a sample of final vouchers filed during the year ended June 30, 2018, for 40 projects and noted 2 projects (5 percent) for which project costs were overstated and the federal and state/local shares were incorrectly reported.

For one project, total costs, federal share, and state share were overstated because total actual payments were incorrectly reported in the final project voucher as the federal share of costs. The federal share percentage had been incorrectly recorded in the SAM II system as 100 percent rather than the required 80 percent. When preparing the final project voucher, the staff used the incorrect federal share amount shown in the SAM II system to calculate the state share of costs. Consequently, state funds and total project costs were incorrectly reported in the final project voucher based on the overstated federal share. We question the federal share of the project costs incorrectly claimed for reimbursement, or $19,432, as noted in the following table.

		Reported	Actual	Reported Over/(Under) Actual
Federal funds	$	97,160	77,728	19,432
State funds		24,290	19,432	4,458
Total project costs	$	121,450	97,160	23,890

For another project, total costs and local funds were overstated and federal share (including local soft match) was understated because (1) a portion of the local entity's soft match credits was omitted from the federal funds, (2) some local entity right of way costs were excluded from the federal share, and (3) an estimate, rather than the actual, was incorrectly reported for local funds. These errors caused the local entity to incur unreimbursed right of way costs totaling $7,481 and to pay $6,857 from local funds rather than using available soft match credits, as noted in the following table.

		Reported	Actual	Reported Over/(Under) Actual
Federal funds:				
federal share	$	530,218	537,699	(7,481)
local soft match		123,947	130,804	(6,857)
Federal funds	$	654,165	668,503	(14,338)
Local funds		28,275	3,621	24,654
Total project costs	$	682,440	672,124	10,316

These misstatements were not detected by the Financial Services Manager during review of the final vouchers. More thorough reviews of actual project costs, match amounts, and available soft match credits are needed during the project closeout and final voucher preparation process.

Rule 2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." Effective internal controls should include detailed reviews of actual project costs including comparisons of costs to supporting records, and recalculations of the federal, state, and local share amounts.

Recommendation

The MoDOT strengthen project closeout procedures to ensure project costs, including federal and state/local share are accurately reported on final vouchers.

Auditee's Response

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

2018-018. MoDOT Subrecipient Risk Assessments

Federal Agency: Federal Highway Administration
Federal Program: 20.205 Highway Planning and Construction
Various awards
State Agency: Missouri Department of Transportation (MoDOT)
Type of Finding: Internal Control (Significant Deficiency) and Noncompliance

The MoDOT did not adequately perform and document risk assessments of Highway Planning and Construction program subrecipients (local public agencies (LPAs)), and did not use prepared risk assessments to determine the nature, timing, and extent of monitoring procedures. During the year ended June 30, 2018, the MoDOT disbursed approximately $108 million to approximately 245 LPAs for costs related to Highway Planning and Construction program projects.

Rule 2 CFR Section 200.331(b) requires pass-through entities to evaluate each LPA for the risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate LPA monitoring. Rule 2 CFR Section 635.105 requires the MoDOT to ensure each LPA is adequately staffed and suitably equipped to satisfactorily complete the project, and to ensure LPA projects are completed in conformance with approved plans and specifications.

The MoDOT district offices are responsible for monitoring LPA performance. The district offices provide training to LPAs and monitor all LPA projects, including review and approval of plans, bids, contracts, and progress invoices, and performs periodic on-site inspections. The MoDOT developed an official LPA Certification Process document that requires district offices to perform risk assessments on spreadsheet forms and to classify each LPA as low, moderate, or high risk. According to a MoDOT official, the certification process was designed primarily to aid in satisfying monitoring requirements of 23 CFR Section 635.105, but was also intended to satisfy the requirements of 2 CFR Section 200.331(b). Additionally, the Audits and Investigations (AI) unit reviews external audits and performs agreed-upon procedures engagements for some LPAs.

However, we noted the MoDOT's risk assessments were not always completed and documented, and prepared risk assessments were not always used to make monitoring decisions. The LPA Certification Process document states the risk assessments affect the amount of oversight required, but the process provides no additional guidance regarding the monitoring activities necessary for each risk level. Additionally, the district offices did not use prepared risk assessments to determine the type of monitoring necessary for each LPA. According to a MoDOT official, prepared risk assessments are primarily used for making decisions about awarding future projects to the LPAs. Additionally, the spreadsheet forms prepared by the district offices detailing the risk assessments for each LPA were not always complete or consistently prepared. Neither the spreadsheet forms nor the LPA Certification Process document provide guidance for completing the risk assessments, such as the specific information to record for each risk factor and how to use the information to determine the LPA's risk level.

Furthermore, the AI did not adequately document evaluations of LPA risk of noncompliance for purposes of selecting entities for agreed upon procedures engagements (audits). An AI official indicated the AI considers certain risk factors such as prior experience and project size when identifying LPAs for which audits appear necessary. The AI provided a list of LPAs flagged for potential audit including brief comments about each listed LPA, but it was not clear from the documentation that risk had been assessed for each LPA, what factors caused the listed LPAs to be identified for potential audit, or the basis for selecting the LPAs for audit.

To comply with federal regulations, the MoDOT should strengthen risk assessment policies and procedures and fully utilize the risk assessments to determine the nature, timing, and extent of monitoring procedures. Rule 2 CFR Section 200.303(a) requires the non-federal entity to "[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Recommendation

The MoDOT ensure risk of noncompliance with federal statutes, regulations, and terms and conditions of the subaward is assessed on each LPA, and used for monitoring decisions as required by federal regulations. Policies and procedures should be strengthened to define risk assessment criteria; require risk assessments to be complete and documented; and include guidelines for using the risk assessments to determine the nature, timing, and extent of monitoring procedures.

Auditee's Response

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

Additional State Auditor's Reports

The Missouri State Auditor's Office regularly issues audit reports on various programs, agencies, and divisions of the state of Missouri. Audit reports may include issues related to the administration of federal programs. We reviewed the reports issued from April 2018 to March 2019 and the following reports relate to a federal program.

Report Number	Report Name
2018-032	Supplemental Nutrition Assistance Program (SNAP) Data Analytics Program
2018-064	Crime Victims' Compensation System Data Security
2018-105	Temporary Assistance for Needy Families (TANF) Data Analytics
2018-125	Home and Community Based Services
2018-134	Department of Social Services Prescription Drug Oversight
2019-008	Unemployment Insurance System Data Security

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

State of Missouri - Single Audit
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

The Uniform Guidance requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs. The schedule is also to report the status of findings included in the prior audit's Summary Schedule of Prior Audit Findings, except those that were corrected, no longer valid, or not warranting further action.

The Uniform Guidance requires the auditor to follow up on prior audit findings; perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and report, as a current year audit finding, when the auditor concludes the schedule materially misrepresents the status of any prior audit finding.

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Stacy Neal
Director

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

The Uniform Guidance requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs. The Schedule is also to report the status of findings included in the prior audit's Summary Schedule of Prior Audit Findings, except those that were corrected, no longer valid, or not warranting further action.

The attached documents are the Summary Schedule of Prior Audit Findings for the year ended June 30, 2018, and includes all findings from the audit for the Fiscal Year ended June 30, 2017, and certain similar findings from the audits for the Fiscal Years ended June 30, 2016, 2015, 2014, 2013, 2012, 2011, and 2010.

These documents were prepared by the applicable State agencies as noted with each prior year finding.

2017-001A. Unemployment Compensation Fund - Financial Reporting and Benefit Payment Account Controls

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

The DLIR implemented the UInteract system without fully developing and testing financial reports needed to manage and report Unemployment Compensation Fund (UCF) activities. Some reports were inaccurate and some data was not converted completely and accurately from the legacy system to the UInteract system. As a result, certain UCF data submitted to the Office of Administration - Division of Accounting for inclusion in the *Missouri Comprehensive Annual Financial Report* for the year ended June 30, 2017, was misstated. In addition, corrections to system data were made in a manner that was not subject to the system's logging capabilities and there were no records or other audit trails supporting changes to the master records.

Recommendation:
The DLIR develop a comprehensive plan to resolve the identified UInteract system financial reporting issues. In addition, procedures should be established to ensure corrections to UInteract system data occur in a manner subject to the system's logging capabilities.

Status of Finding:
Corrective action was taken. Reporting issues have been addressed and corrections are logged and documented. The U.S. Department of Labor did not include this finding in its Initial Determination dated July 20, 2018; therefore, a response by DLIR was not required.

Contact Person: Rebecca Voss______________________________
Phone Number: 573-751-1135______________________________

2017-001B. Unemployment Compensation Fund - Financial Reporting and Benefit Payment Account Controls

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

Due to various UInteract system implementation and financial reporting problems, Unemployment Compensation Fund (UCF) net accounts receivable information submitted by the DLIR to the Office of Administration - Division of Accounting (DOA) was understated for the year ended June 30, 2017. Finalized accounts receivable reports, which were not developed until 11 months after system implementation and 5 months after fiscal year end, were not adequately tested for accuracy prior to submission to the DOA. The errors were not detected by DLIR staff and the incorrect information was used by DOA to prepare the *Missouri Comprehensive Annual Financial Report.*

Recommendation:
The DLIR implement controls and procedures to prepare and submit accurate and timely UCF accounts receivable reports to the DOA.

Status of Finding:
Corrective action was taken. DLIR implemented controls and procedures to ensure information provided to DOA was accurate and timely. The U.S. Department of Labor did not include this finding in its Initial Determination dated July 20, 2018; therefore, a response by DLIR was not required.

Contact Person: Rebecca Voss
Phone Number: 573-751-1135

2017-001C. Unemployment Compensation Fund - Financial Reporting and Benefit Payment Account Controls

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

The DLIR did not implement adequate controls and procedures for reporting and reconciling the activities of the Unemployment Compensation Fund (UCF) benefit payment bank account. As a result, UCF cash and disbursement information reported to the Office of Administration - Division of Accounting was potentially misstated. The DLIR did not reconcile the benefit payment bank account until over 1 year after UInteract system implementation and these bank reconciliations contained numerous errors and were not reliable.

Recommendation:
The DLIR implement controls and procedures to prepare accurate reports for reporting and reconciling benefit payment bank account activity. In addition, the DLIR should ensure monthly reconciliations of the benefit payment account are performed timely and differences between accounting records and reconciliations are promptly investigated and resolved. Restatements should be made for any material misstatements identified.

Status of Finding:
Corrective action was taken. Bank reconciliations have been prepared timely and differences investigated. The U.S. Department of Labor (USDOL) did not include this finding in its Initial Determination dated July 20, 2018; therefore, a response by DLIR was not required. The USDOL did resolve finding 2017-005 Unemployment Insurance Benefit Payment Bank Account Internal Controls which is related.

Contact Person: Rebecca Voss
Phone Number: 573-751-1135

2017-002. Unemployment Compensation Fund - Segregation of Duties

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

The DLIR did not adequately segregate the duties of administering Unemployment Insurance (UI) benefits and authorizing transactions from the Unemployment Compensation Fund benefit payment bank account. A Division of Employment Security (DES) Benefits Analyst occasionally contacted the bank directly to authorize and reverse UI benefit payments from the benefit payment bank account. These bank transactions were made without any independent supervisory review and the DLIR Administration - Financial Management Unit (FM) was not notified of these transactions.

Recommendation:
The DLIR through the DES and the FM restrict employee access to UI bank accounts and adequately segregate duties related to administering UI benefits and authorizing transactions from the UI bank accounts.

Status of Finding:
Corrective action has been taken. A list of staff authorized to communicate with the bank has been incorporated into the banking contract. The U.S. Department of Labor did not include this finding in its Initial Determination dated July 20, 2018; therefore, a response by DLIR was not required. The USDOL did resolve finding 2017-009 Unemployment Insurance Segregation of Duties, which is related.

Contact Person: Rebecca Voss
Phone Number: 573-751-1135

2017-003. Unemployment Compensation Fund - Transfers

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

The DLIR did not establish procedures to transfer interest and penalty collections to the Special Employment Security Fund (SESF) as required by state law. As of June 30, 2017, the DLIR had not transferred interest and penalties totaling approximately $3.4 million held in the Unemployment Compensation Fund to the SESF.

Recommendation:
The DLIR establish procedures to ensure interest and penalty collections are transferred to the SESF, as required by state law.

Status of Finding:
Corrective action has been taken. Transfers to the SESF are current. The U.S. Department of Labor (USDOL) did not include this finding in its Initial Determination dated July 20, 2018; therefore, a response from DLIR was not required

Contact Person: Rebecca Voss
Phone Number: 573-751-1135

2017-004. Unemployment Insurance Federal Reporting

Federal Agency: U.S. Department of Labor
Federal Program: 17.225 Unemployment Insurance
State Agency: Department of Labor and Industrial Relations (DLIR)

The DLIR did not establish adequate controls and procedures to prepare and submit accurate, complete, and timely federal reports for the Unemployment Insurance program. Our review of various federal reports identified several federal financial reports that were not accurate and/or were not submitted within the required timeframes.

Recommendation:
The DLIR establish controls and procedures to ensure required federal reports are accurately prepared and submitted in accordance with federal requirements. These procedures should ensure the UInteract system supporting queries and reports are properly designed and programmed to achieve federal reporting objectives. In addition, the DLIR should continue to review, revise, and resubmit previously submitted inaccurate federal reports.

Status of Finding:
Corrective action has been taken. Federal reports from Fiscal Years 2017 and 2018 have been reviewed. If necessary, revised reports have been resubmitted. Current reports are accurate and timely. The U.S. Department of Labor has resolved this finding and determined that documentation submitted by DOLIR confirms that it has been corrected.

Contact Person: Candace Williams
Phone Number: 573-522-3699

2017-005. Unemployment Insurance Benefit Payment Bank Account Internal Controls

Federal Agency: U.S. Department of Labor
Federal Program: 17.225 Unemployment Insurance
State Agency: Department of Labor and Industrial Relations (DLIR)

The DLIR did not implement adequate controls and procedures for reporting and reconciling the activities of the Unemployment Insurance benefit payment bank account.

Recommendation:
The DLIR implement controls and procedures to prepare accurate reports for reporting and reconciling benefit payment bank account activity. In addition, the DLIR should ensure monthly reconciliations of the benefit payment account are performed timely and differences between accounting records and reconciliations are promptly investigated and resolved. Restatements should be made for any material misstatements identified.

Status of Finding:
Corrective action was taken. Bank reconciliations have been prepared timely and differences investigated. The U.S. Department of Labor has resolved this finding and determined that documentation submitted by DOLIR confirms that it has been corrected.

Contact Person: Rebecca Voss
Phone Number: 573-751-1135

2017-006. Unemployment Insurance Wage Cross-matches

Federal Agency: U.S. Department of Labor
Federal Program: 17.225 Unemployment Insurance
State Agency: Department of Labor and Industrial Relations (DLIR) - Division of Employment Security (DES)

The DES did not follow established controls over Unemployment Insurance program eligibility and payments related to wage cross-matches, and as a result, federally-required wage cross-matches were not performed during the 9-month period after implementation of the new UInteract computerized system.

Recommendation:
The DLIR through the DES ensure wage cross-matches are performed in accordance with federal requirements.

Status of Finding:
Corrective action was taken. Cross-match investigations are now completed in compliance with federal requirements. The U.S. Department of Labor has resolved this finding and determined that documentation submitted by DOLIR confirms that it has been corrected.

Contact Person: Candace Williams
Phone Number: 573-522-3699

2017-007A. Unemployment Insurance Benefit Accuracy Measurement Program

Federal Agency: U.S. Department of Labor
Federal Program: 17.225 Unemployment Insurance
State Agency: Department of Labor and Industrial Relations (DLIR) - Division of Employments Security (DES)

The DES did not complete Unemployment Insurance program Benefit Accuracy Measurement (BAM) case investigations within the required timeframes.

Recommendation:
The DLIR through the DES ensure BAM case investigations are completed within federally-required time frames.

Status of Finding:
Corrective action was taken. Case investigations are now completed within prescribed timelines. The U.S. Department of Labor has resolved this finding and determined that documentation submitted by DOLIR confirms that it has been corrected.

Contact Person: Candace Williams
Phone Number: 573-522-3699

2017-007B. Unemployment Insurance Benefit Accuracy Measurement Program

Federal Agency: U.S. Department of Labor
Federal Program: 17.225 Unemployment Insurance
State Agency: Department of Labor and Industrial Relations (DLIR) - Division of Employment Security (DES)

Benefit Accuracy Measurement (BAM) paid claim case investigations performed during the period October 2016 to July 2017 did not include National Directory of New Hires (NDNH) wage cross-matches.

Recommendation:
The DLIR through the DES ensure BAM case investigations include NDNH cross-matches as required.

Status of Finding:
Corrective action was taken. BAM case investigations now include NDNH cross-matches as required. The U.S. Department of Labor has resolved this finding and determined that documentation submitted by DOLIR confirms that it has been corrected.

Contact Person: Candace Williams
Phone Number: 573-522-3699

2017-007C. Unemployment Insurance Benefit Accuracy Measurement Program

Federal Agency: U.S. Department of Labor
Federal Program: 17.225 Unemployment Insurance
State Agency: Department of Labor and Industrial Relations (DLIR) - Division of Employment Security (DES)

The DES did not establish written policies and procedures regarding supervisory reviews of Benefit Accuracy Measurement (BAM) case investigations.

Recommendation:
The DLIR through the DES establish written policies and procedures regarding supervisory reviews of BAM case investigations.

Status of Finding:
Corrective action was taken. The BAM manual has been expanded to include information regarding supervisory reviews of case investigations. The U.S. Department of Labor has resolved this finding and determined that documentation submitted by DOLIR confirms that it has been corrected.

Contact Person: Candace Williams
Phone Number: 573-522-3699

2017-008. Unemployment Insurance Maximum Benefit Amount

Federal Agency: U.S. Department of Labor
Federal Program: 17.225 Unemployment Insurance
State Agency: Department of Labor and Industrial Relations (DLIR) - Division of Employment Security (DES)
Questioned Costs: $134,388

The DES did not properly design and implement internal controls to ensure the new Unemployment Insurance computerized system (UInteract) correctly calculated claimant Maximum Benefit Amounts (MBA). As a result, the MBA for some claimants was incorrectly calculated and some claimants received overpayments.

Recommendation:
The DLIR through the DES continue to establish and monitor controls to ensure the UInteract system properly calculates claimant MBA and continue efforts to collect identified overpayments.

Status of Finding:
Corrective action was taken. All impacted claims were corrected and overpayments have been established, if appropriate. The U.S. Department of Labor (USDOL) has resolved this finding and determined that documentation submitted by DOLIR confirms that it has been corrected. The USDOL has disallowed the $134,388 questioned costs and determined it is not subject to federal debt collection.

Contact Person: Matthew Hankins
Phone Number: 573-526-8219

2017-009. Unemployment Insurance Segregation of Duties

Federal Agency: U.S. Department of Labor
Federal Program: 17.225 Unemployment Insurance
State Agency: Department of Labor and Industrial Relations (DLIR) - Division of Employment Security (DES) and DLIR Administration - Financial Management Unit (FM)

The DLIR did not adequately segregate the duties of administering Unemployment Insurance (UI) benefits and authorizing transactions from the benefit payment bank account.

Recommendation:
The DLIR through the DES and the FM restrict employee access to UI bank accounts and adequately segregate duties related to administering UI benefits and authorizing transactions from the UI bank accounts.

Status of Finding:
Corrective action has been taken. A list of staff authorized to communicate with the bank has been incorporated into the banking contract. The U.S. Department of Labor has resolved this finding and determined that documentation submitted by DOLIR confirms that it has been corrected.

Contact Person: Rebecca Voss
Phone Number: 573-751-1135

2017-010. Child Care Eligibility and Payments

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 (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs:	$1,659 (2017)
Similar Findings:	2016-002A, 2015-002, 2014-005, 2013-009, 2012-11A&B, 2011-14A, and 2010-16A

DSS controls over Child Care Development Fund (Child Care) subsidy eligibility and provider payments were not sufficient to prevent and/or detect payments made on behalf of ineligible clients or improper payments to child care providers. Payments were made on behalf of one ineligible client and overpayments were made to some providers.

Recommendation:
The DSS through the CD and the FSD continue to review, strengthen, and enforce policies and procedures regarding Child Care subsidy eligibility determinations and provider payments. These procedures should include sufficient monitoring of eligibility determinations and provider payments and follow up on errors identified.

Status of Findings:
The DSS disagrees that controls are not sufficient to prevent and/or detect payments on behalf of ineligible clients found in the FY2017 Single Audit. One eligibility error out of 60 cases was found resulting in questioned costs of $1,085 ($846 federal share), and the error was a result of a parent not reporting loss of employment; this was not an error on the part of DSS. One client error does not support the conclusion that "Controls are not sufficient to prevent payment on behalf of ineligible clients" or that DSS has only limited procedures to review eligibility determinations." One error does not represent a material internal control weakness nor warrant an audit finding on noncompliance.

The DSS agrees additional controls are needed to ensure payments are adequately supported. In September 2017, the DSS awarded a contract to Control Tec for a Child Care Business Information Solution (CCBIS). This electronic solution will replace the current paper attendance records allowing for greater control of attendance tracking, invoicing, and monitoring for provider compliance. Implementation is scheduled to begin mid-November 2018 and with the CCBIS to be fully implemented by fall 2019.

Contact Person: Marianne Dawson
Phone Number: 573-522-2294

2017-011. Child Care Provider Monitoring

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 (DSS) - Children's Division (CD) and Division of Finance and Administrative Services (DFAS)
Similar Finding: 2016-002B

The DSS' procedures to follow up on provider noncompliance identified during Child Care Review Team (CCRT) reviews were not sufficient. The CCRT and the CD did not establish criteria or guidance for determining the type and extent of follow-up action, if any, to address identified provider noncompliance. For some reviews that appeared to require follow up, the CCRT required the providers to repay the overpayments, but took no further action to address the provider noncompliance, such as referring the provider to the CD for training or other corrective action, or conducting another follow-up review. For some reviews in which the provider was referred to the CD for training or other corrective action, the provider did not complete the training within the required 45 days and the CD did not follow up timely with the provider or terminate the contract.

Recommendation:
The DSS through the DFAS and the CD establish and enforce procedures to ensure proper follow up on noncompliance identified during CCRT reviews is performed. These procedures should include criteria for determining the type and extent of follow-up action that should be taken, and provide for continued monitoring and final resolution of provider compliance.

Status of Findings:
The CCRT has established the following new procedures:

- Notified all child care providers of new future monitoring and follow-up processes.
- Updated entrance letters to clarify requirements for submitting attendance records to the DSS.
- If the review finds error rates of 5% or more, DSS's notification letter to the provider references Educare training as an option to be completed within 45 days of the date of the letter.
- A follow up review will be conducted of the first full month's records following the 45-day Educare option provided in the decision letter.
- If the provider has an error rate in excess of 5% in the follow up review, the provider will be referred to Early Childhood and Prevention Services Section for corrective action.

Contact Person: Brenda Labella
Phone Number: 573-526-6806

2017-012. Child Care Provider Eligibility

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 (DSS) - Children's Division (CD) and Family Support Division (FSD)
Questioned Costs: $1,189 (2017)
Similar Findings: 2016-001, 2015-003, 2014-006, and 2013-010

The DSS did not have adequate controls and procedures in place to ensure "four-or-less" (FOL) child care providers participating in the Child Care Development Fund (Child Care) subsidy program complied with statutory requirements for license-exempt status. For some FOL providers reviewed, DSS employees did not follow the department's procedures to ensure the providers do not care for more than four unrelated Child Care subsidy children. As a result, the DSS classified the children as related to their FOL child care providers and made Child Care subsidy payments to the providers without obtaining the required documentation to support the relationships.

Recommendation:
The DSS through the CD and the FSD continue to improve controls and procedures to ensure clients and FOL child care providers participating in the Child Care subsidy program comply with DSS policy, and FOL providers comply with state licensing requirements.

Status of Findings:
The DSS did not agree with the audit finding and did not believe a corrective action was required. As noted in the audit finding, effective April 2017, DSS Child Care policy requires eligibility specialists to enter a relationship code of unrelated until the Child to Provider Relationship form is received. Additionally, DSS implemented procedures requiring supervisors to review a daily report of all FOL authorizations and make corrections as needed. No errors were identified by the SAO after this policy was put into place. All corrective actions for the previous audit finding have been successfully implemented. DSS disagrees that there was a material internal control weakness and disagrees that a finding of noncompliance was appropriate.

Contact Person: Marianne Dawson
Phone Number: 573-522-2294

2017-013. MO HealthNet Division Provider Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD) and Missouri Medicaid Audit and Compliance (MMAC)
Questioned Costs: $223,188,969 (2017)
Similar Finding: 2016-003A

The DSS did not fully implement federal revalidation requirements for providers participating in the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (CHIP). As of June 30, 2017, the DSS had not performed required revalidations for 71 percent of Medicaid and CHIP providers requiring revalidation.

Recommendation:
The DSS through the MHD and the MMAC revalidate Medicaid and CHIP providers every 5 years as required by federal regulations.

Status of Findings:
On July 6, 2018, CMS sent their management decision regarding 2017-013 to DSS:

> SAO Recommendation: This is a material instance of non-compliance, a material weakness, and a repeat finding. We recommend that the MO HealthNet Division revalidate Medicaid and CHIP providers every five years as required by federal regulation.
>
> CMS Decision regarding SAO recommendation: We concur with the finding based on the work conducted by the state auditor. However, there is no federal regulation or policy that requires a financial penalty or disallowance action for payments made to providers that have not been revalidated and are otherwise eligible providers. Therefore, no adjustment is required for this recommendation on the next CMS-64.

As of June 30, 2017, MMAC had revalidated 9,699 providers out of 33,194 (29%) requiring revalidation. During SFY 2018, MMAC revalidated 8,070 providers. As of June 30, 2018, MMAC had revalidated 17,236 out of 33,265 (51.8%) requiring revalidation.

Effective July 1, 2018, the legislature authorized three additional full time positions for the MMAC Provider Enrollment Unit (PEU). Those three new employees have been hired. MMAC created a Revalidations Section within the PEU consisting of one Medicaid Specialist and two Medicaid Clerks to work revalidation applications full-time. The Revalidations Section is also being supplemented with temporary staff.

During SFY 2018, MMAC received CMS approval to contract with the state Medicaid Management Information System (MMIS) vendor (Wipro Infocrossing) for the implementation of a 100% electronic revalidations portal on Wipro’s existing EMOMED system. The contract has a 24 week implementation schedule. Implementation began on July 9, 2018 and was completed on January 7, 2019. The new revalidations portal will allow MMAC to replace the current paper application process and eliminate duplicate enrollment data entry in multiple databases. The contract includes having the vendor notify Medicaid providers that they are due for revalidation and directing them to the electronic portal. The new solution allows MMAC PEU to run reports and know the status of any or all revalidation applications in progress. Using the new revalidations solution, MMAC intends to eliminate the backlog of overdue revalidations before June 30, 2019.

During SFY 2018, MMAC continued to conduct monthly monitoring of approximately 60,000 active providers and their owners, directors, officers, and managing employees through a contract with Lexis-Nexis and Wipro Infocrossing. Even if a provider's enrollment has not been revalidated timely, MMAC is still conducting a robust set of federal and state database checks (which exceed CMS requirements) to verify the continuing eligibility of each enrolled provider to continue to participate in the Missouri Medicaid program.

Contact Person: Kim Dowd
Phone Number: 522-1358

2017-014. MO HealthNet Division Cash Receipt Controls

Federal Agency: Department of Health and Human Services
Federal Program: 93.767 Children's Health Insurance Program
93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Similar Findings: 2016-004A&C and 2015-009A&C

The MHD did not have adequate controls in place to ensure the proper management of receipts received by the division. The MHD did not adequately restrict user access within the cash receipts and accounts receivable modules of the Medicaid Management Information System (MMIS). In addition, the MHD did not implement procedures to ensure the accuracy of the cash control number log, monitor deleted cash control numbers, and remove the ability to delete cash control numbers until we made inquiries after the audit period.

Recommendation:
The DSS through the MHD continue to restrict user access within the MMIS and adequately segregate duties related to record keeping and asset custody, or perform documented supervisory reviews of MMIS entries and changes.

Status of Findings:
The Finance staff members in the Financial Operations and Reporting Unit (FORU) no longer have deletion capacity. Quarterly reports continue to be created and reviewed by the Supervisor of the FORU to ensure that if a FORU staff member entered checks and assigned them to an account that those funds were dispositioned accurately.

Contact Person: Hannah Swann
Phone Number: 526-4671

2017-015. Medicaid Physician-Administered Drugs

Federal Agency: Department of Health and Human Services (DHHS)
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD)
Questioned Costs: $242,656

The MHD did not establish controls to comply with Medical Assistance Program (Medicaid) requirements to invoice prescription drug manufactures for rebates for certain physician-administered drugs. As a result, the MHD claimed costs of physician-administered drugs that were not allowable costs of the program because rebates were not billed for the drugs.

Recommendation:
The DSS, through the MHD, continue to establish controls to ensure the required drug utilization data is obtained for all physician-administered drug claims and claim only allowable costs for the Medicaid. These controls should include procedures to recoup and reimburse the DHHS for claims identified as noncompliant.

Status of Finding:
This recommendation regarding obtaining drug utilization data makes changes to a very complex process governed by differing federal and state agreements and as such the Department of Social Services has a two part response.

1) "Gateway to Better Health" is a section 1115 demonstration project approved in accordance with section 1115(a) of the Social Security Act. Approval of the demonstration project is subject to the limitations specified in the Special Terms and Conditions (STCs) attached to the demonstration approval. As stated in Section V of the STC Gateway specialty care claims are reimbursed by an alternate payment methodology established at 100% of the Medicare rates. The specialty care claims must be submitted with a procedure code in order for the claim to be priced using the Medicare rate methodology required under the "Gateway to Better Health" demonstration program. Medicare does not collect drug rebate and as a result the National Drug Code (NDC) isn't included on the claim. The audit finding states that the claims lacked the required NDCs to bill manufacturers for rebates. The NDCs were not included on the claims because they are paid under an alternate payment methodology as approved in the 1115 demonstration and are not required under the Medicare rate methodology.

   Section 1902(a)(54) states that if a state plan provides medical assistance for covered outpatient drugs, the state has to comply with the requirements of section 1927. However, DSS received notification from CMS on November 9, 2018 that the Division of Pharmacy subject matter experts made a specific determination on rebates for drugs reimbursed under the Gateway to Better Health (GTBH) section 1115 demonstration. CMS determined that the state is not required to comply with the requirements of section 1927, due to the limited nature of the GTBH pharmacy benefit.

2) MHD identified claims in September 2016 (JIRA ticket was created on September 30, 2016 with the "fix" put into production November 30, 2016 by WIPRO) and the modification was completed in February 2017 in the Medicaid Management

Information System (MMIS) to prevent submission of physician-administered drug claims as procedural claims, thereby ensuring NDCs are submitted when required. Going forward, MHD has made the necessary system changes to ensure accuracy.

Contact Person: Kim Dowd
Phone Number: 573-522-1358

2017-016. Medicaid Aged, Blind, and Disabled Eligibility

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Social Services (DSS) - MO HealthNet Division (MHD) and Family Support Division (FSD)
Similar Findings: 2016-005, 2015-012A, and 2014-013A

The DSS did not ensure monthly supervisory case reviews were completed as required for call center employees who performed eligibility determinations for aged, blind, and disabled individuals in the Medical Assistance Program (Medicaid).

Recommendation:
The DSS through the MHD and the FSD ensure supervisory call reviews are performed and documented as required by DSS policy.

Status of Findings:
Since November 2017, when the FSD created a centralized shared drive to save all quality monitoring forms for each call center eligibility specialist. The FSD has followed the established Quality Assurance Process and has completed and documented supervisory reviews as required by DSS policy.

Contact Person: Heather Atkins
Phone Number: 573-751-4269

2017-017. Medicaid Developmental Disabilities - Comprehensive Waiver Per Diem Rates

Federal Agency: Department of Health and Human Services
Federal Program: 93.778 Medical Assistance Program
State Agency: Department of Mental Health (DMH) - Division of Developmental Disabilities (DD)
Questioned Costs: $416,966 (2017)
Similar Findings: 2016-006 and 2015-015

The DD did not retain documentation to support the per diem rates paid to some providers for residential habilitation services provided to participants of the Home and Community Based Services, Developmental Disabilities Comprehensive Waiver (Comprehensive Waiver) program. As a result, the DD could not demonstrate amounts paid to some providers were allowable costs of the Comprehensive Waiver program.

Recommendation:
The DMH through the DD ensure documentation to support habilitation services per diem rates is maintained to support Comprehensive Waiver program payments for these services as required, and ensure rates only include allowable costs.

Status of Findings:
The Centers for Medicare and Medicaid Services (CMS) does not agree with the finding per their letter dated July 6, 2018. CMS is not pursuing a disallowance for this finding.

Contact Person: Bryan Connell
Phone Number: (573)751-8041

State of Missouri - Single Audit
Corrective Action Plans
Year Ended June 30, 2018

The Uniform Guidance requires the auditee to prepare a Corrective Action Plan (CAP) for each finding reported in the Statewide Single Audit report. The CAPs were prepared by the management of the applicable state agencies.

Michael L. Parson
Governor

Sarah H. Steelman
Commissioner

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Stacy Neal
Director

CORRECTIVE ACTION PLANS

The State of Missouri's Office of Administration, Division of Accounting respectfully submits the following Corrective Action Plans for the findings related to the Statewide Single Audit for fiscal year ended June 30, 2018. Each Corrective Action Plan was prepared by the State agency noted.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

State Agency: Department of Revenue (DOR)

Audit Finding Number: 2018-001 Financial Reporting Controls

Name of the contact person
Responsible for corrective action: Esta Zaring

Anticipated completion date for corrective action: Completed

Corrective action planned is as follows:

The Department of Revenue took corrective action following the State Auditor's notification of the misstated accounts receivable balance for some sales and use tax accounts. The corrective action included a detailed review of the data extracted from the system and completing reconciliation steps to validate the data. The corrected receivables were resubmitted and validated by the State Auditor. The Department of Revenue will use the same corrected methodology to produce the accounts receivable reports at the end of this fiscal year.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

State Agency: Department of Corrections (DOC)

Audit Finding Number: 2018-002 SAMII User Account Controls

Name of the contact person
Responsible for corrective action: Susan Pulliam, Chief Financial Officer

Anticipated completion date for corrective action: Already Implemented

Corrective action planned is as follows: The DOC agrees with the finding. The two staff members in DOC with the authority to enter and approve expenditure transactions have now been restricted to only approve expenditure transactions. Monthly reports generated by the Office of Administration listing each DOC SAMII user and corresponding access will be reviewed by the Chief Financial Officer to confirm that no user has the ability to approve expenditure transactions they create.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

State Agency: Department of Social Services (DSS)

Audit Finding Number: 2018-003 - SAM II User Account Controls

Name of the contact person
Responsible for corrective action: Theresa McDonald

Anticipated completion date for corrective action: Completed

Corrective action plan is as follows:

The DSS partially agrees with the finding. DSS agrees SAM II users should not have self-approval access; however, DFAS Accounts Payable does have internal processes and procedures to separate data entry and approval functions. Additionally, DSS provided the SAO a copy of the SAM II authorization form for one of the two users which reflects the DSS did not request self-approval access for this user. However, upon learning of the self-approval access, the DSS took the necessary steps to have the self-approval access removed for both users. Furthermore, the DSS plans to review the SAM II access report on a monthly basis to ensure self-approval access is not granted to DSS users.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

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

Audit Finding Number: 2018-004 Adoption Assistance Eligibility

Name of the contact person
Responsible for corrective action: Amy Martin and Jodi Rush

Anticipated completion date for corrective action: May 2019

Recommendation: The DSS through the CD and the DFAS strengthen and enforce policies and procedures regarding Adoption Assistance eligibility determinations. These procedures should ensure all adoption subsidy agreements are signed and in effect prior to the adoption and ensure eligibility determinations are proper, documented, and retained. In addition, the DSS should review and correct the eligibility for the children identified in this finding.

The DSS partially agrees with this finding. The DSS agrees with strengthening and enforcing policies and procedures regarding Adoption Assistance eligibility determination; however, the department implemented new processes in FY 2008 regarding backdating subsidy agreements.

Corrective action planned is as follows:

The DSS will continue new worker training and refresher training of adoption assistance staff regarding adoption assistance agreement requirements and quality assurance reviews to assure service start dates are after the date of the director's signature on the agreement. The DSS will continue to train IV-E Eligibility Analysts on criteria for applicable/non-applicable child for the adoption subsidy determination.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

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

Audit Finding Number: 2018-005 DSS Public Assistance Cost Allocation Plan

Contact Person: Kristen Pattrin

The DSS does not agree with the audit findings and believes that corrective action is not required. Explanation and specific reasons are as follows:

Recommendation A: Implement internal controls and procedures over the PACAP and the AlloCAP system to ensure costs charged to federal programs are accurate, allowable, properly allocated, and consistent with the proposed and/or approved PACAP. Internal controls should be adequately documented and monitored for compliance with applicable requirements. These controls should include policies and procedures, a log of changes to the PACAP and the AlloCAP system, and documentation of approvals and testing of system changes.

Response: The DSS firmly disagrees with this finding/recommendation.

Audit Requirements for Federal Awards are covered under 2 CFR 200. Under section 200.516 subpart 7, auditors are required to indicate whether an audit finding represents an isolated instance or a systematic problem. Instances identified must be related to the universe and the number of cases examined and be quantified in terms of dollar value. The auditor should report whether the sampling was a statistically valid sample.

As noted in the audit finding, the sample selected included 14 cost centers allocated during the quarter ending March 31, 2018 and for every cost center examined, it was determined that all costs were supported and allocated in accordance with the proposed Public Assistance Cost Allocation Plan (PACAP). No deviations were found in the tested sample to support that the DSS did not effectively design, implement, or put controls in place to prevent detection of non-compliance.

In addition to the successful results of the tested sample supporting DSS' position, the DSS has provided sufficient evidence to demonstrate internal controls and procedures to ensure costs charged to federal programs are accurate, allowable, and properly allocated.

Effective October 1, 2017, the DSS transitioned from utilizing an indirect cost rate methodology allocated manually on a spreadsheet to implementing a PACAP to directly allocate through cost pools which is allocated systematically in a proprietary cost allocation system. Implementation of a thoroughly documented PACAP coupled with the AlloCAP system supports that DSS has strengthened internal controls and procedures. Additionally, the DSS has provided documented evidence to support the internal controls and procedures over PACAP and AlloCAP which includes but is not limited to: (1) All changes made to the PACAP narrative are submitted in track changes format to Cost Allocation Services (CAS) for review and evaluation by federal partners; (2) The submitted PACAP narrative is provided to the Grants Unit in addition to a summary of the quarterly changes which is prepared by the Cost Allocation Manager to assist the Grants Unit in ensuring that AlloCAP matches the PACAP narrative exactly; (3) The AlloCAP manual outlining procedures for the quarterly cost allocation process; (4) Grant approval tracking sheets which document all levels of approval for each grant sheet from preparation to submission; and (5) Reports directly from the AlloCAP system showing the allocation methodology matches the PACAP as submitted quarterly.

The DSS' internal controls were and continue to be a component of the successful implementation of the PACAP and AlloCAP system in order to ensure accuracy and compliance with federal requirements as supported by the sample results reviewed under this audit.

Recommendation B: Prepare and submit an estimated cost impact analysis as part of the PACAP, as required by federal regulations.

Response: The DSS disagrees with this finding; however, the DSS has already corresponded with CAS regarding submission of cost impact statements.

As noted in the audit finding, the PACAP narrative states that the DSS will notify the CAS of any significant funding changes as a result of the proposed PACAP implementation. The DSS has apprised CAS and other federal agencies of the current status of providing detailed cost analysis and impact. The DSS anticipates submission in the near future.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

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

Audit Finding Number: 2018-006 Child Care Eligibility Case Reviews

Name of the contact person
Responsible for corrective action: Marianne Dawson

Anticipated completion date for corrective action: June 30, 2019

Recommendation: The DSS through the CD and the FSD ensure monthly supervisory case reviews are performed as required by DSS policy and strengthen the policy to indicate when the reviews should be performed.

The DSS partially agrees with the FY 2018 audit findings regarding Child Care Eligibility Case Reviews. The development of the Case Review System in 2012 was in response to numerous child care eligibility findings in previous state audits. Policies on case reviews have evolved over the years to align with the changing needs of the Family Support Division. However, the policy does not address staff turnover and the hiring of new supervisory staff or the fluctuating priorities in the field office. In taking these additional conditions into consideration, the finding would indicate that overall the required number of case reviews are being conducted. The state auditor asserted the opinion that the case reviews were not completed timely without taking into account the meaning of targeted case reviews or additional considerations. The DSS fully believes the current policy is working as we have noted that over the last several audit years child care eligibility audit findings have decreased significantly with only one child care eligibility finding as a result of a recipient not reporting timely in FY 2017 and zero child care eligibility findings in FY 2018.

Corrective action planned is as follows:

The DSS recognizes the opportunity to strengthen policy and will update the case review policy to address the reality of fluctuating conditions in the Family Support Division field office as well as consider including a set timeline for the completion of case reviews. The DSS will send an "All About Child Care" email reminder to Eligibility Specialist Supervisors to complete required case reviews.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

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

Audit Finding Number: 2018-007 Child Care Payments

Name of the contact person
Responsible for corrective action: Marianne Dawson

Anticipated completion date for corrective action: 12/31/2019

Recommendation: The DSS through the CD and the FSD continue to review, strengthen and enforce policies and procedures regarding Child Care subsidy provider payments. These procedures should include sufficient monitoring of provider payments and follow up on errors identified.

Response: The DSS partially agrees the FY2018 audit findings indicate controls can be strengthened to ensure payments are always adequately supported. The questioned cost for nine child care attendance records totaled $585, seven of those findings together totaled less than $100. There were two missing attendance records of which one was unable to be requested due to the child care provider being deceased. It should be noted that over the last several audit years, questioned costs have decreased significantly with reduced provider billing errors and fewer missing attendance records.

Corrective action planned is as follows:

The DSS agrees additional controls are needed to further ensure payments are adequately supported. In September 2017, the DSS awarded a contract to Controltec LLC for a Child Care Business Information Solution (CCBIS). This electronic solution will replace the current paper attendance records allowing for greater control of attendance tracking, invoicing, and monitoring for provider compliance. CCBIS is anticipated to be collecting attendance in all child care homes and facilities by fall 2019.

The DSS is reviewing the errors referred to in this finding. Claims will be entered and adjustments will be made for agreed upon unallowable costs.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

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

Audit Finding Number: 2018-008 Child Care Provider Monitoring

Name of the contact person
Responsible for corrective action: Brenda LaBella

Anticipated completion date for corrective action: June 30, 2018

Recommendation: The DSS through the DFAS and the CD continue to strengthen and enforce procedures to ensure proper follow up on noncompliance identified during CCRT reviews is performed.

The DSS partially agrees with the finding. Although the DSS agrees with continuing to strengthen and enforce procedures to ensure proper follow up when noncompliance is identified, the DSS did follow up with a number of noncompliant providers or has a future follow up review scheduled.

Corrective action planned is as follows:

There is no further corrective action planned as the DSS implemented the following processes as of June 30, 2018:

- Notified all child care providers of the new monitoring and follow up processes during April 2018.
- Updated entrance letters to include expectations that attendance records must be provided to DSS at the time of the review.
- If errors are found during the review, DSS's notification letter has been updated to alert the provider that Educare training is optional to be completed within 45 days of the date of the letter.
- If the initial review shows an error rate in excess of 5%, a follow up review will be conducted within six months of the initial review.
- If the provider has an error rate in excess of 5% in the follow up review, the provider will be referred to the Children's Division for corrective action.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

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

Audit Finding Number: 2018-009 FCCM Contract Payment Reviews

Contact Person: Kristen Pattrin

The DSS does not agree with the audit findings and believes that corrective action is not required. Explanation and specific reasons are as follows:

Recommendation: The DSS through the CD and the DFAS strengthen monitoring controls and procedures over FCCM contractor payments to ensure costs claimed to the Foster Care program as assistance payments are allowable and adequately supported. Detailed reviews of data submitted by the FCCM contractors should include reviews of foster care payment rates and supporting documentation.

Response: The DSS firmly disagrees with this finding/recommendation.

The Foster Care payment was allowable as the child was IV-E eligible and in a reimbursable placement. The rate paid should have been slightly less due to the child's age. This occurred due to timing of system changes with the FCCM and is a unique instance. Based on the finding, the selected sample population of $271,000 included 60 items of which $50,700 and 9 children correspond to FCCMs. The sample identified $266 ($172 federal share) of questioned costs pertaining to FCCMs which results in a potential deviation of 0.10% of the total and 0.52% corresponding to FCCMs and is deemed by the DSS to be immaterial. In addition to the immateriality of questioned costs, the DAB upheld that FCCMs are a contractor of the DSS pursuant to decision 2681. In accordance with the DAB decision, the DSS will not request documentation from FCCMs for review that would be required of a subrecipient as doing so would be imposing extraneous requirements of contractors. As evidenced by the sample tested under this audit, the DSS has demonstrated sufficient monitoring controls and procedures over FCCM contractor payments to ensure accuracy and compliance with federal requirements.

Additionally, child placement and IV-E eligibility are not uploaded to the system by the vendor. Placement and eligibility for all children in the care of Children's Division are housed in the same area of the system regardless of internal versus external case management.

Payment data for children case managed by a FCCM is uploaded to the state's system. Once payments are uploaded, the data runs through case management and eligibility code to determine the payment fund to assign. The system is programmed to only allow a IV-E Foster Care claim if the child is determined to meet Title IV-E eligibility criteria and is in an allowable placement to Title IV-E. Therefore, payments for foster care could only be claimed to the grant if the child was in a foster home setting where a family would receive a payment to meet the needs of the child(ren) in their care and if both the child and the placement were eligible.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

State Agency: Department of Social Services (DSS) – Family Support Division (FSD)

Audit Finding Number: 2018-010 TANF Work Participation Sanctions

Name of the contact person: Jeriane Jaegers-Brenneke

The agency does not agree with the audit findings and believes that corrective action is not required. Explanation and specific reasons are as follows:

Recommendation: The DSS, through the FSD, continue to review, strengthen, and enforce controls to ensure TANF program recipients who failed to meet work participation requirements are sanctioned as required, or referred to the FSD for exemption.

Response: The DSS disagrees with this audit finding. Although it is important to continue to review, strengthen, and enforce controls regarding TANF work participation sanctions, the DSS asserts that the amounts referenced in this finding are immaterial. Regarding the immateriality, there was an error rate of less than 2% regarding the costs under review and an error rate of 5% regarding the cases under review.

The DSS agrees that internal controls are imperative to reducing errors and has successfully implemented controls to ensure clients are timely sanctioned. While the TANF regulations do not provide a threshold or an acceptable error rate, this is below what is required in other programs. Therefore, the DSS deems a Corrective Action Plan is not warranted.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

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

Audit Finding Number: 2018-011 TANF Subrecipient Risk Assessments

Name of the contact person
Responsible for corrective action: Alicia Kolb

Anticipated completion date for corrective action: September 2019

Recommendation: The DSS through the DFAS and the FSD strengthen controls and procedures to ensure evaluations of each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward are performed and used for monitoring decisions as required by federal regulations.

Response: The DSS partially agrees with this finding. The DSS provided documented risk assessments for several programs during the audit. Additionally, the DSS has performed monitoring of subrecipients based on the assessment of risk.

Furthermore, the Alternatives to Abortion program was new to DSS in FY 2018. The DSS plans to monitor each of the program's subrecipients by September 2019. This is consistent with the DSS' usual practice of post-monitoring. The DSS has monitored the MWA subrecipients on a three-year monitoring cycle in coordination with the monitoring of the subrecipients of two other DSS programs Through the close monitoring of these subrecipients and assessment of risks, the DSS has performed more frequent monitoring when deemed necessary. The Healthy Marriages and Responsible Fathers program subrecipient agreements started in March of 2018. The DSS performed on-site monitoring visits of these subrecipients in FY 2018.

Corrective action planned is as follows:

DSS plans and performs on-site monitoring of subrecipients based on federal requirements, risk assessment, and effective, efficient use of resources. The DSS has performed risk based monitoring of subrecipients in accordance with Uniform Guidance and will continue to do so. The DSS will develop a standardized process, with consideration of unique program types, to ensure risk assessments performed are documented.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

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

Audit Finding Number: 2018-012 VOCA Subrecipient Monitoring

Name of the contact person: Kristen Pattrin

Anticipated completion date for corrective action: The DSS is currently working on policy revision to be completed by June 2019 and performing monitoring which will be completed within the grant required timeframes.

Recommendation: The DSS through the DFAS ensure VOCA program subrecipients are monitored in accordance with the monitoring policy.

Response: The DSS partially agrees with this finding. The DSS performs the on-site monitoring once every contract period as required by the Office of Justice Programs (OJP). Desk monitoring includes monitoring of the payment requests and backup to support the payment request. During the time period under review, there were agencies that did not submit invoices during certain quarters and therefore would not have documents for desk monitoring review.

Additionally, the monitoring requirements as laid out in policy are more stringent than required by the grantor agency. Due to the excessive monitoring and burden both on subrecipient partners and staff, the DSS is revising policy to right size the requirements while remaining compliant. To achieve this, DSS has contracted with a nationally known agency to work toward monitoring policies consistent with other states. This agency will also ensure DSS policies remain aligned with federal requirements.

Corrective action planned is as follows: This is noted above in the anticipated completion date for corrective action statement.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

State Agency: Department of Social Services (DSS)
Mo HealthNet Division (MHD)
Missouri Medicaid Audit & Compliance (MMAC)

Audit Finding Number: 2018-013 Mo HealthNet Division Provider Eligibility

Name of the contact person
Responsible for corrective action: Dale Carr

Anticipated completion date for corrective action: June 30, 2019

The DSS agrees with this finding.

The DSS agrees with this recommendation as the DSS has implemented and will continue to implement internal controls designed to ensure Medicaid and CHIP provider revalidations are performed every five years per federal regulations.

While 42 CFR 455.414 states, "The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years," the purpose of section 455.400 of subpart E is to implement provider screening and enrollment requirements, fees associated with provider screening, and temporary moratoria on enrollment of providers. MMAC had already implemented monthly eligibility screening and monitoring requirements, a collection of enrollment application fees, fingerprint-based criminal history checks, and assignment of provider risk categories prior to September 2016. MMAC had also notified all active providers of the revalidation requirements prior to September 2016 and posted MMAC's revalidation schedule on its website.

Although the DSS did not revalidate all providers prior to September 24, 2016, during the period from September 24, 2016 to June 30, 2018 all of the 60,000+ enrolled Mo HealthNet providers (including those that had not been revalidated) were screened monthly against more federal and state databases than are required by CMS to verify their continued eligibility to participate in the Medicaid program. Additionally, all of the 60 sample providers selected by SAO were screened monthly during that time period and none of those providers had any eligibility issues.

Corrective Action planned is as follows:

The legislature authorized MMAC three additional FTE for provider enrollment in SFY-2018. Those three positions were filled and the staff have been assigned to process revalidations exclusively.

MMAC currently has 14 enrollment staff working on revalidations. The MMAC Provider Enrollment Unit (PEU) has planned monthly "one week bursts" where all available enrollment staff will be working on revalidations only.

MMAC contracted with the state MMIS fiscal agent to develop a provider revalidations portal in the same system providers use to submit their electronic claims to Mo HealthNet. The electronic portal became operational on January 7, 2019. The new portal allows providers to electronically update their enrollment information and upload any needed documentation. The portal allows the PEU to process revalidation applications more quickly and without duplicate data entry.

MMAC plans to have all overdue revalidations completed prior to June 30, 2019.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

State Agency: Department of Mental Health

Audit Finding Number: 2018-014 Medicaid Developmental Disabilities Comprehensive Waiver Per Diem Rates

Name of the contact person
Responsible for corrective action: Bryan Connell

Anticipated completion date for corrective action: Not Applicable

The agency does not agree with the audit finding and believes that corrective action is not required. Explanation and specific reasons are as follows:

As the State Auditor's finding states, The Division of Developmental Disabilities (the Division) switched to an acuity-based rate methodology with its 2016 Waiver renewal. All existing rates were translated to the new methodology and rate schedule with the goal of standardizing rates to the same level over time. Even though some historic rates are still in place, those rates are expressed as a percentage of the published rate schedule. Any subsequent rate changes, due to changes in acuity or provider, are based on the new procedures adopted for the new rate methodology.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

State Agency: State Emergency Management Agency

Audit Finding Number: 2018-015 Subrecipient Monitoring- A. Risk Assessments

Name of the contact person
Responsible for corrective action: Shelly Honse

Anticipated completion date for corrective action: Completed

Corrective action planned is as follows:

The SEMA has updated the Recovery Division Monitoring Policy to show that risk assessments will be conducted within twenty-four months (24) after the disaster declaration to comply with Uniform Guidance. The majority of subrecipients will be considered high risk, as documentation is not available at the beginning of a disaster declaration, therefore; completing the assessment within 50% of the disaster time-line is judicious.

State Agency: State Emergency Management Agency

Audit Finding Number: 2018-015 Subrecipient Monitoring- B. Monitoring Reviews

Name of the contact person
Responsible for corrective action: Shelly Honse

Anticipated completion date for corrective action: Completed

Corrective action planned is as follows:

The SEMA has updated the Recovery Division Policy to reflect that 20% of applicants with a determining risk assessment score will either receive an on-site visit or desk monitoring as determined by the aforementioned score.

State Agency: State Emergency Management Agency

Audit Finding Number: 2018-015 Subrecipient Monitoring- C. Cash Management

Name of the contact person
Responsible for corrective action: Shelly Honse

Anticipated completion date for corrective action: March 1st, 2019

Payment letters for large projects and small projects sent to Applicants will inform the Applicant that a copy of the cancelled check, bank documentation of an electronic transfer, or other proof of the expenditure of the funds described must be provided to SEMA within 30 days of receipt of the payment. Verification of documentation will be accessed and confirmed at project close-out and said action will be integrated into the Recovery Division Policy.

This subject will all also be discussed with FEMA Region VII for guidance on their upcoming desk review of SEMA in March. 44 CFR requires payment of small projects to the Applicant upon obligation by FEMA. Dependent upon the category of work, the Applicant may be permitted to complete work within a 6 to 48 month timeframe. This conflict in Federal guidance makes the 30 day rule in 2 CFR, impossible to accomplish for many projects/Applicants.

State Agency: State Emergency Management Agency

Audit Finding Number: 2018-016 Audits and Awards- A. Subrecipient Audits

Name of the contact person
Responsible for corrective action: Shelly Honse

Anticipated completion date for corrective action: June 30th, 2019

Corrective action planned is as follows:

SEMA will follow-up on audit findings related to the Public Assistance program by development of a management letter to be sent to subrecipients requesting a response indicating if the corrective action plan outlined in the audit has been implemented or will be within a timely manner. This management decision procedure will be outlined in SEMA's administrative plan.

State Agency: State Emergency Management Agency

Audit Finding Number: 2018-016 Audits and Awards- B. Award Identification

Name of the contact person
Responsible for corrective action: Shelly Honse

Anticipated completion date for corrective action: Completed

Corrective action planned is as follows:

SEMA has amended the payment letters sent to Applicant's to include identification of the CFDA number for the Public Assistance program. The CFDA number will also be incorporated into the next Applicant briefing in future declared disaster.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

State Agency: Missouri Department of Transportation (MoDOT)

Audit Finding Number: 2018-017 MoDOT Project Closeouts and Final Vouchers

Name of the contact person
Responsible for corrective action: Brenda Morris

Anticipated completion date for corrective action: May 31, 2019

Corrective action planned is as follows:

- MoDOT has corrected the SAM II system and reconciled with the federal highway administration the overstatement of the project's federal share.
- MoDOT has corrected the SAM II system and reconciled with the federal highway administration the incorrect allocation of the local entity's matching funds.
- MoDOT will assess procedures related to preparation and review of Highway and Planning Construction program project closeouts and final vouchers and revise, as necessary within 30 days.
- MoDOT will require training for all Financial Services staff responsible for preparing project closeouts and final vouchers within 45 days.
- MoDOT will require written approval by Financial Services Manager and Assistant Financial Services Director for all project closeouts and final vouchers, effective immediately.

State of Missouri
Single Audit
Corrective Action Plan
Year Ended June 30, 2018

State Agency: Missouri Department of Transportation (MoDOT)

Audit Finding Number: 2018-018 MoDOT Subrecipient Risk Assessments

Name of the contact person
Responsible for corrective action: Brenda Morris

Anticipated completion date for corrective action: December 31, 2019

Corrective action planned is as follows:

- MoDOT will develop standard procedures for performing and documenting risk assessments of Highway Planning and Construction program subrecipients (local public agencies (LPAs)) and guidelines to determine the nature, timing and extent of monitoring activities within 3 months.
- MoDOT will require training for all Central Office and District staff responsible for performing risk assessments and monitoring within 9 months.

State of Missouri - Single Audit
Letter to the Office of Administration Regarding Comprehensive Annual Financial Report Audit Delays
Year Ended June 30, 2018

NICOLE GALLOWAY, CPA
Missouri State Auditor

November 8, 2018

Ms. Sarah Steelman, Commissioner
Office of Administration
State Capitol Building
201 W. Capitol Avenue, Room 125
Jefferson City, MO 65101

Dear Commissioner Steelman:

This letter serves as communication of a potential delay in issuing our opinion on the Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018. As known by your staff, the Department of Revenue (DOR) continues to experience delays in preparing and submitting to your office, the Accounts Receivable survey for various funds. This survey, which was due to your office on August 15, 2018, has not been finalized and submitted as of today. As you are aware, Office of Administration staff use the financial information included in the survey to report accounts receivable in the state's CAFR; and our office is responsible for auditing the CAFR. The survey will include significant accounts of the General Fund, Public Education, and Conservation and Environmental Protection, all major funds of the CAFR. We are unable to begin our audit testing until we receive the survey from the DOR.

The DOR's delays appear to result from implementation of the new Revenue Premier system. Once we receive the survey, we will begin audit testing which will include testing of information from the new system. This work has taken several weeks in past years, but could take longer this year because of the new system. Our audit work related to DOR accounts receivable will be completed once we have performed necessary audit procedures to obtain sufficient and appropriate audit evidence to support our conclusions on the amounts reported in the CAFR. We will issue our opinion on the state's CAFR for the year ended June 30, 2018, once all audit procedures have been performed, including the procedures to audit DOR accounts receivable described in this paragraph.

If you have any questions, please contact Josh Allen, Audit Manager, at 573-751-4213.

Sincerely,

Michael A. Moorefield
Chief of Staff and Counsel

cc: Director Joel Walters, Department of Revenue

P.O. Box 869 • Jefferson City, MO 65102 • (573) 751-4213 • FAX (573) 751-7984