



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

March 12, 2013

Single Audit Management Report

Mr. Richard Berry, Executive Director
Mississippi Department of Human Services
P. O. Box 352
Jackson, Mississippi 39205

Dear Mr. Berry:

Enclosed for your review are the single audit findings and other audit findings for the Mississippi Department of Human Services for the Fiscal Year 2012. In these findings, the Auditor's Office recommends the Mississippi Department of Human Services:

Single Audit Findings:

1. Strengthen controls over minimum targeted funds;
2. Strengthen controls over the timely identification of new federal reporting requirements;
3. Strengthen controls over on-site monitoring;
4. Ensure compliance with transitional work transportation benefit requirements;

Other Audit Findings:

5. Perform a review of employee approval levels in the Statewide Automated Accounting System (SAAS);
6. Strengthen controls over the cost allocation process;
7. Strengthen controls over 20 Percent Exemption and Five-Year Time Limit;
8. Review data collection of required federal reporting elements; and
9. Strengthen controls over termination of benefits for non-participation of work-eligible adults in the work activities program.

Please review the recommendations and submit a plan to implement them by March 26, 2013. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, individuals charged with governance, Members of the Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

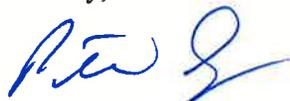
Mississippi Department of Human Services

March 12, 2013

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I hope you find our recommendations enable the Mississippi Department of Human Services to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Human Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Patrick Dendy".

Patrick Dendy, CPA
Director, Department of Audit

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Department of Human Services for the year ended June 30, 2012. This audit was conducted 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 Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Kimberly Majure, CPA; Yolanda Campbell, CPA; Jason Ashley; Camden Baird; Brandon Hardison; Alan Jarrett; and Heather Ward.

Our procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

Internal Control over Compliance

Management of the Mississippi Department of Human Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Mississippi Department of Human Services' internal control over compliance with requirements that could have a direct and material effect on a major federal program.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance identified in this letter as items 12-04 and 12-05 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a 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 identified as item 12-03 to be a significant deficiency.

In addition, we noted other deficiencies in internal control over compliance that require the attention of management that we have reported on the attached document "Other Audit Findings" as items Oth-06, Oth-07, Oth-08, Oth-09 and Oth-10.

Compliance

We have audited the Mississippi Department of Human Services' compliance with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs administered by the Mississippi Department of Human Services. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our audit fieldwork included examining, on a test basis, evidence about the Mississippi Department of Human Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

The results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is identified in this letter as items 12-03, 12-04 and 12-06. In addition, we noted other instances of noncompliance that we have reported on the attached document, "Other Audit Findings" as items Oth-08 and Oth-10.

CFDA/Finding Number

Finding and Recommendation

EARMARKING – TARGETED FUNDS

Significant Deficiency Immaterial Noncompliance

93.575
93.713

Child Care and Development Block Grant
ARRA – Child Care and Development Block Grant

Federal Award Number and Year: G0901MSCCDF 2009
 G0901MSCCD7 2009

Questioned Costs: \$1,334,559

12-03

Controls over Minimum Targeted Funds Should Be Strengthened

Finding:

The terms and conditions of the 2009 federal grant agreement between the Mississippi Department of Human Services (MDHS) and the U.S. Department of Health and Human Services - Administration for Children and Families Division (ACF) include provisions of the 2009 Omnibus Appropriations Bill (Public Law. 111-8) which targeted specific amounts for the following activities related to the Child Care and Development Block Grant (CCDF):

- Child Care Quality Improvements
- Infant and Toddler Quality Improvement
- Child Care Resource and Referral and School Aged Child Care Activities

ACF posts on its website the CCDF allocation tables with the minimum amount of funds each state must expend in targeted areas. The minimum expenditures are determined by ACF based on various statistics and population data received by ACF from each state.

During our testing of MDHS's final ACF-696 financial report for federal grant year 2009, we noted the minimum expenditure requirements for Mississippi, as established by ACF, were not met as follows for CCDF Discretionary awards and CCDF funds awarded under the American Recovery and Reinvestment Act (ARRA).

- Expenditures were \$13,557 below the minimum requirement of \$2,724,111 for the Child Care Quality Improvements earmark on 2009 CCDF Discretionary funds.
- Expenditures were \$1,023,010 below the minimum requirement of \$2,561,362 for the Child Care Quality Improvements earmark on 2009 CCDF ARRA funds.
- Expenditures were \$20,024 below the minimum requirement of \$1,577,625 for the Infant and Toddler Quality Improvements earmark on 2009 CCDF Discretionary funds.
- Expenditures were \$237,461 below the minimum requirement of \$1,483,365 for the Infant and Toddler Quality Improvements earmark on 2009 CCDF ARRA funds.
- Expenditures were \$40,507 below the minimum requirement of \$278,548 for the Child Care Resource and Referral and School Aged Child Care Activities earmark on 2009 CCDF Discretionary funds.

Discussions with agency personnel in the MDHS Division of Budgets and Accounting revealed an internal reporting discrepancy accounted for \$1,235,665 of the aggregate shortages in ARRA expenditures.

Adequate internal controls should include a process for ensuring the minimum level of expenditures for targeted activities are properly awarded, obligated and expended within the proper reporting categories to comply with federal earmarking requirements. Failure to monitor earmarks for minimum compliance throughout the financial reporting period could result in questioned costs and recoupment of costs by the federal granting agency.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls to ensure minimum targeted funds are obligated and expended to meet the Child Care and Development Block Grant (CCDF) earmarking requirements. Earmarks should be monitored periodically to ensure no shortages will occur. We further recommend the ending dates of CCDF subawards earmarked to meet targeted levels be set at an earlier date, to allow sufficient time for correction in the event a subaward is not fully expended.

REPORTING

Material Weakness

Material Noncompliance

93.558 Temporary Assistance for Needy Families (TANF) State Programs
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Federal Award Number and Year: G1102MSTANF 2011
G1202MSTANF 2012
G1101MSCCDF 2011
G1201MSCCDF 2012

12-04

Controls over the Timely Identification of New Federal Reporting Requirements Should Be Strengthened

Finding:

The *Code of Federal Regulations* (2 CFR part 170) sets forth the reporting requirements of subawards under the Federal Funding and Accountability Transparency Act (Transparency Act). Direct recipients of grants who make first-tier subawards are required to report each subaward or subaward amendment that results in an obligation of \$25,000 or more in Federal funds. Direct recipients are required to use the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) to report qualifying subawards or amendments by the end of the month following the month in which the obligation was made.

The Mississippi Department of Human Services (MDHS) did not perform the required Transparency Act reporting for the Temporary Assistance for Needy Families program (TANF) and Child Care and Development Block Grant Fund program (CCDF) during fiscal year 2012. Failure to perform the required Transparency Act reporting for the TANF and CCDF programs resulted in MDHS being noncompliant with federal reporting requirements related to funding passed-through to subawardees during fiscal year 2012 as follows.

- For the TANF program, the total amount of unreported obligations equal to or greater than \$25,000 was \$4,986,176, representing 53 subawards.
- For the CCDF program discretionary and mandatory grants, as well as TANF transfers to the CCDF program, the total amount of unreported obligations equal to or greater than \$25,000 was \$28,263,974, representing 54 subawards.

Noncompliance with Transparency Act requirements could result in reduced funding for applicable programs.

Recommendation:

We recommend the Mississippi Department of Human Services (MDHS) strengthen controls to identify on a timely basis any new federal reporting

requirements applicable to its federal programs. We further recommend MDHS timely review and submit the applicable information in compliance with reporting requirements under the Transparency Act.

SUBRECIPIENT MONITORING

Material Weakness

| | |
|--------|--|
| 93.558 | Temporary Assistance for Needy Families (TANF) State Programs |
| 93.575 | Child Care and Development Block Grant |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund |
| 93.713 | ARRA – Child Care and Development Block Grant |

| | | |
|--------------------------------|-------------|------|
| Federal Award Number and Year: | G1002MSTANF | 2010 |
| | G1102MSTANF | 2011 |
| | G1001MSCCDF | 2010 |
| | G1101MSCCDF | 2011 |
| | G0901MSCCD7 | 2009 |

12-05

Controls over On-Site Monitoring Should Be Strengthened

Finding:

The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the U.S. Department of Health and Human Services require MDHS to administer grants in compliance with the *Code of Federal Regulations* (45 CFR Part 92). The *Code of Federal Regulations* (45 CFR Part 92.40) designates MDHS for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities during the award to assure compliance with applicable Federal requirements and to ensure performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

We evaluated MDHS's compliance with subrecipient monitoring requirements based on written policies and procedures designed by MDHS's Division of Program Integrity – Office of Monitoring (OM) to satisfy during-the-award monitoring requirements. OM procedures require an on-site monitoring review of each subgrantee contract at least once during the subgrant period. A tracking mechanism is used to ensure all subgrantee contracts are properly identified and monitored. Monitoring tools/checklists are used during each on-site monitoring review to provide guidance and to document a review was performed. The on-site monitoring workpapers are reviewed and approved by OM supervisory personnel prior to issuance of a written report, the Initial Report of Findings & Recommendations, used for communicating finding(s) and/or questioned costs to subgrantees. The written report should be issued within 30 working days from the date of the exit conference, which is normally held on the last day of the on-site review.

During testwork performed on subrecipient on-site monitoring for 37 subgrantees during fiscal year 2012, we noted the following weaknesses.

- Two subgrantee contracts, or 5 percent, were not monitored within the contract period and had yet to be monitored as of the date of our testing, which was 215 working days after both contracts expired.
- Six subgrantee contracts, or 16 percent, were monitored untimely an average of 141 working days after the expiration of the respective contracts.
- The Initial Report of Findings & Recommendations for five monitoring visits, or 14 percent, was not issued and had yet to be issued as of the date of our testing, which was an average of 195 working days after the respective exit conferences.
- The Initial Report of Findings & Recommendations for 14 monitoring visits, or 38 percent, was issued untimely with an average of 100 working days passing between exit conference and report issuance.

MDHS programmatic funding divisions rely upon OM monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients in a timely manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.

Recommendation:

We recommend the Mississippi Department of Human Services' Division of Program Integrity – Office of Monitoring (OM) strengthen its existing internal controls over on-site monitoring to ensure all active subgrantee contracts are timely monitored during-the-award in accordance with OM policies and procedures. We further recommend the agency ensure the Report of Findings and Recommendations prepared as a result of the on-site monitoring be completed in a timely manner to enable immediate corrective action procedures to be initiated.

ELIGIBILITY

Immaterial Noncompliance

93.558

93.714

Temporary Assistance for Needy Families (TANF) State Programs
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs

| | | |
|--------------------------------|-------------|------|
| Federal Award Number and Year: | G1002MSTANF | 2010 |
| | G1102MSTANF | 2011 |
| | G1202MSTANF | 2012 |
| | G1001MSTAN2 | 2010 |

Questioned Costs: \$180

12-06

Agency Should Ensure Compliance with Transitional Work Transportation Benefit Requirements

Finding:

The Mississippi Department of Human Services has published *Volume III, TANF Policy Manual*, which establishes criteria for eligibility under the Temporary Assistance for Needy Families (TANF) program. Specifically, Chapter 10 of the *Volume III, TANF Policy Manual* requires participants of the TANF work component to meet specific participation hours to receive a TANF Transitional Work Transportation (TT) stipend. TT stipends can be paid to TANF participants at the following levels: \$180 for working 20 to 25 hours a week, \$240 for working 26 to 31 hours a week, and \$300 for working 32 to 40 hours a week.

In performing testwork on 30 TT stipends paid to participants during fiscal year 2012, we noted two instances in which payments made did not correspond with the required weekly hours to be worked per *Volume III, TANF Policy Manual*, resulting in a total known overpayment of \$180 in fiscal year 2012. The results of our testwork compared to the total of all TT benefits paid in fiscal year 2012, indicates projected questioned costs of \$154,659. Failure to monitor and reduce benefits to coincide with hours participated in TANF work component could result in questioned costs and recoupment of costs by the federal granting agency.

Recommendation:

We recommend the Mississippi Department of Human Services ensure compliance with Transitional Work Transportation benefit requirements by strengthening control procedures to ensure benefits are paid in accordance with hourly requirements as set forth in the *Volume III, TANF Policy Manual*.

OTHER AUDIT FINDINGS

In planning and performing our audit of the federal awards received by the Mississippi Department of Human Services for the year ended June 30, 2012, we considered internal control over compliance with the requirements that could have a direct and material effect on the major federal programs. Matters which require the attention of management were noted. These matters which do not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involve other control deficiencies and instances of noncompliance with laws and regulations.

A *deficiency in internal control* 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.

| | |
|--------------------------------|-----------------------------------|
| CFDA/Finding Number | Finding and Recommendation |
|--------------------------------|-----------------------------------|

ALLOWABLE COSTS/COST PRINCIPLES

Control Deficiency

| | |
|--------|---|
| 10.551 | Supplemental Nutrition Assistance Program (SNAP) |
| 10.561 | State Administrative Matching Grants for Supplemental Nutrition Assistance Program |
| 93.558 | Temporary Assistance for Needy Families (TANF) State Programs |
| 93.714 | ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs |
| 93.575 | Child Care and Development Block Grant |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund |
| 93.713 | ARRA – Child Care and Development Block Grant |

Federal Award Number and Year:

| | | |
|-----------------------|-------------|------------------|
| SNAP Letter of Credit | G0901MSCCDF | 2009 |
| G1002MSTANF | 2010 | G1001MSCCDF 2010 |
| G1102MSTANF | 2011 | G1101MSCDDF 2011 |
| G1202MSTANF | 2012 | G1201MSCCDF 2012 |
| G1001MSTAN2 | 2010 | G0901MSCCD7 2009 |

Oth-06 A Review Should Be Performed of Employee Approval Levels in the Statewide Automated Accounting System (SAAS)

Finding:

The Mississippi Management and Reporting System (MMRS), an office of the Mississippi Department of Finance and Administration, is responsible for maintaining and supporting SAAS. MMRS has published and made available on its website the *SAAS Agency Manual – MMRS/SAAS System Access*, which indicates “one user should not be given authority to perform all actions for one transaction”. Each agency is responsible for establishing the SAAS authority

given to its employees.

During our audit of the Mississippi Department of Human Services, we reviewed transaction approval levels established in the Statewide Automated Accounting System (SAAS) for the third and fourth quarters of state fiscal year 2012. During our review, we noted the following problems.

- Fifteen of 85 employees, or 18 percent, listed on the SAAS Security Table at April 4, 2012 had both entry and full agency approval access for revenue (REV), disbursement (DISB) and/or journal voucher (JV) transactions.
- Fourteen of 83 employees, or 17 percent, listed on the SAAS Security Table at June 30, 2012 had both entry and full agency approval access for REV, DISB, and/or JV transactions.

Failure to ensure segregation of duties by separating entry and approval authority could allow unauthorized or erroneous transactions to be recorded in SAAS and not be detected promptly.

Recommendation:

We recommend the Mississippi Department of Human Services review employee approval levels in the Statewide Automated Accounting System (SAAS) to ensure duties are properly segregated and no one individual is assigned both input capability and all levels of agency approval.

ALLOWABLE COSTS/COSTS PRINCIPLES

Control Deficiency

| | |
|--------|---|
| 10.561 | State Administrative Matching Grants for Supplemental Nutrition Assistance Program |
| 93.042 | Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals |
| 93.044 | Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers |
| 93.556 | Promoting Safe and Stable Families |
| 93.558 | Temporary Assistance for Needy Families (TANF) State Programs |
| 93.563 | Child Support Enforcement |
| 93.568 | Low-Income Home Energy Assistance |
| 93.569 | Community Services Block Grant |
| 93.575 | Child Care and Development Block Grant |
| 93.645 | Stephanie Tubbs Jones Child Welfare Services Program |
| 93.658 | Foster Care – Title IV-E |
| 93.659 | Adoption Assistance |
| 93.667 | Social Services Block Grant |

Federal Award Number and Year:

| | | |
|-----------------------|-------------|------------------|
| SNAP Letter of Credit | G11B1MSCOSR | 2011 |
| 11AAMST7SP | 2011 | G12B1MSCOSR 2012 |
| 12AAMST7SP | 2012 | G1101MSCCDF 2011 |

| | | | |
|-------------|------|-------------|------|
| 11AAMST3SP | 2011 | G1201MSCCDF | 2012 |
| 12AAMST3SP | 2012 | G1101MS1400 | 2011 |
| G1101MSFPSS | 2011 | G1201MS1400 | 2011 |
| G1102MSTANF | 2011 | G1101MS1401 | 2011 |
| G1202MSTANF | 2012 | G1201MS1401 | 2012 |
| G1104MS4004 | 2011 | G1101MS1407 | 2011 |
| G1204MS4005 | 2012 | G1201MS1407 | 2012 |
| G11B1MSLIEA | 2011 | G1101MSSOSR | 2011 |
| | | G1201MSSOSR | 2012 |

Oth-07

Controls over the Cost Allocation Process Should Be Strengthened

Finding:

The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the United States Department of Health and Human Services (HHS) and the United States Department of Agriculture require MDHS to administer grants in accordance with the *Code of Federal Regulations* (45 CFR Part 92.22 and 7 CFR 3106.22, respectively). Per these federal regulations, allowable costs should be determined in accordance with the Office of Management and Budget (OMB) Circular A-87. OMB Circular A-87, Attachment C, requires the distribution of joint costs related to a grant program to be supported by a cost allocation plan (CAP). Further, the *Code of Federal Regulations* (45 CFR Part 95.509) requires amendments to the CAP be promptly submitted to HHS, the cognizant agency, when changes occur to make the allocation basis or procedures in the approved CAP invalid.

MDHS has developed a cost allocation system which is used to identify, measure, and allocate all costs to each of the programs administered by the department. MDHS has established reporting category codes for all costs requiring an allocation to more than one program. At the end of the quarter, cost pools are charged using the allocation basis described in the CAP for each cost pool. Each basis used in the cost allocation system is assigned a base code. The CAP was revised during state fiscal year 2012 and was approved by HHS with an effective date of April 1, 2012.

During our review of the cost allocation system, we noted deviations from the approved CAP(s), which resulted in \$2,818,949 being allocated to federal programs during fiscal year 2012 in a manner inconsistent with the CAP(s) approved by HHS and effective at the time of allocation.

In performing testwork over 104 costs pools with charges in the cost allocation system for the first three quarters of fiscal year 2012, we noted the following problems.

- Nine cost pools were not included in the CAP approved by HHS effective prior to April 1, 2012.
- The cost pools' basis type/base codes for two cost pools did not agree to the CAP approved by HHS effective prior to April 1, 2012.

In performing testwork over 104 cost pools with charges in the cost allocation system after the revised CAP became effective on April 1, 2012, we noted the following problems.

- Three cost pools were not included in the new CAP approved by HHS.
- The cost pools' basis type/base codes for two cost pools did not agree to the new CAP approved by HHS.
- Differences between the cost allocation system and the approved CAP had not been submitted to HHS for approval.

Adequate internal controls would include a process for ensuring setup of the cost allocation system is accurate, reliable, and consistent with the approved CAP. Inadequate controls over the cost allocation system could hinder MDHS's ability to properly manage federal funds and could result in noncompliance with federal regulations. Costs charged to a cost pool in error or a cost pool not approved by the federal grantor agency could result in questioned costs.

Recommendation:

We recommend the Mississippi Department of Human Services (MDHS) continue to strengthen controls over the review of computation and data used in the cost allocation system to ensure accurate distribution of costs to federal programs. Further, we recommend MDHS timely submit revisions of its Cost Allocation Plan for approval to the United States Department of Health and Human Services.

**ELIGIBILITY
EARMARKING**

*Control Deficiency
Immaterial Noncompliance*

93.558
93.714

Temporary Assistance for Needy Families (TANF) State Programs
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs

| | | |
|--------------------------------|-------------|------|
| Federal Award Number and Year: | G1002MSTANF | 2010 |
| | G1102MSTANF | 2011 |
| | G1202MSTANF | 2012 |
| | G1001MSTAN2 | 2010 |

Questioned Costs: \$4,948

Oth-08

Controls over 20 Percent Exemption and Five Year Time Limit Should Be Strengthened

Finding:

Per the *Code of Federal Regulations* (45 CFR Part 264.1), States have the option to extend assistance paid for by the Federal Temporary Assistance for Needy Families (TANF) funds beyond the five year limit for up to 20 percent of the

average monthly number of families receiving assistance during the fiscal year or the immediately preceding fiscal year, whichever the state elects. States are permitted to extend assistance to families only on the basis of hardship or if the family includes someone who has been battered.

The Mississippi Department of Human Services (MDHS) has published a *Volume III, TANF Policy Manual*, which establishes internal control procedures to be used in the administration of TANF benefits. Specifically, Chapter 3 of the *Volume III, TANF Policy Manual* includes procedures for ensuring compliance with applicable time limits and extension criteria. The “Statewide TANF 20 Percent Exemption Summary Report” (TA120B) identifies the number of cases over 60 months receiving benefits. The TA120B is distributed to county and regional offices monthly and should be used to monitor compliance with the 20 percent maximum earmark. Additionally, a “TANF High Counter Report” is generated monthly and details each case over 60 months receiving benefits. The “TANF High Counter Report” should be reviewed by county/regional personnel to ensure time limits are not exceeded for cases approaching the 60 month time limit unless a proper extension is granted.

During testwork related to the 20 percent maximum earmark, we reviewed both monthly reports and noted the following:

- no documented review of the “Statewide TANF 20 Percent Exemption Summary Report”;
- no documented review of the “TANF High Counter Report”; and,
- ten cases on the “TANF High Counter Report” over the 60 month time limit, with benefits paid and no permissible extension granted.

Failure to monitor the “Statewide TANF 20 Percent Exemption Summary Report” could result in the State exceeding the percent of allowed extensions for TANF assistance. However, our testwork did not reveal evidence of the 20 percent maximum earmark being exceeded at any point during fiscal year 2012.

Failure to sufficiently monitor the “TANF High Counter Report” and perform appropriate actions for recipients approaching or exhausting the five year time limit resulted in benefit payments of \$4,948 to ineligible participants during fiscal year 2012.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen control procedures to include a documented review of the monthly “Statewide TANF 20 Percent Exemption Summary Report” and “TANF High Counter Report”. Further, we recommend the central office implement procedures to confirm county/regional personnel have performed the required reviews of their respective reports and taken appropriate action to either terminate benefits or grant permissible extensions for cases exhausting the five year limit for benefits.

REPORTING

Control Deficiency

93.558 Temporary Assistance for Needy Families (TANF) State Programs
93.714 ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs

| | | |
|--------------------------------|-------------|------|
| Federal Award Number and Year: | G1002MSTANF | 2010 |
| | G1102MSTANF | 2011 |
| | G1202MSTANF | 2012 |
| | G1001MSTAN2 | 2010 |

Oth-09

Data Collection of Required Federal Reporting Elements Should Be Reviewed

Finding:

The *Code of Federal Regulations* (45 CFR Part 265.3) requires a “TANF Data Report” (ACF-199) to be filed quarterly by all states receiving assistance under the Temporary Assistance for Needy Families (TANF) grant. Each quarterly “TANF Data Report” should contain two sections of disaggregated data on a sample of TANF cases and two sections of aggregated data elements. The OMB *Circular A-133 Compliance Supplement* lists key line items of the “TANF Data Report” which contain critical elements used by the U.S. Department of Health and Human Services - Administration for Children and Families Division (ACF) in evaluating work participation and other TANF program information.

The Mississippi Department of Human Services (MDHS) uses a computer program to extract data for completing the quarterly “TANF Data Report”. In performing testwork on key line items for ten cases, we noted three instances in which MDHS reported no subsidized child care was received on Line 17, when in fact the specific TANF case represented did receive subsidized child care. Further review revealed all TANF cases reported within the disaggregated data sections were shown as not receiving subsidized child care. The MDHS Division of Economic Assistance determined the computer program used for extracting sample data was not accurately gathering information related to Line 17.

Good internal controls over reporting should include an independent review of information reported. Failure to review for anomalies in the data could impact ACF’s funding determinations.

Recommendation:

We recommend the Mississippi Department of Human Services (MDHS) update the computer program utilized in extracting data for the “TANF Data Report” to accurately capture key line item 17 information regarding whether a Temporary Assistance for Needy Families case is receiving subsidized child care. Further, we recommend MDHS strengthen control procedures to include a documented review of the quarterly “TANF Data Report” prior to submission.

SPECIAL TESTS AND PROVISIONS

Control Deficiency

Immaterial Noncompliance

93.558 Temporary Assistance for Needy Families (TANF) State Programs
93.714 ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs

| | | |
|--------------------------------|-------------|------|
| Federal Award Number and Year: | G1002MSTANF | 2010 |
| | G1102MSTANF | 2011 |
| | G1202MSTANF | 2012 |
| | G1001MSTAN2 | 2010 |

Questioned Costs: \$3,458

Oth-10

Controls Should Be Strengthened over Termination of Benefits for Non-Participation of Work-Eligible Adults in the Work Activities Program

Finding:

The *Code of Federal Regulations* (45 CFR Part 261.10) states a parent or caretaker receiving assistance as part of the Temporary Assistance for Needy Families (TANF) program must engage in work activities when the State has determined an individual is ready to engage in work or when he or she has received assistance for a total of 24 months, whichever is earlier.

Volume III, TANF Policy Manual, published by the Mississippi Department of Human Services (MDHS), establishes requirements for satisfactory participation in the TANF work program. Specifically, Chapter 9 of the *Volume III, TANF Policy Manual* requires all adult TANF recipients who are determined work-eligible to participate in the TANF work program in order to continue receiving benefits. State law limits the receipt of TANF benefits to a maximum of 24 months for work-eligible adults who fail to participate without good cause in allowable TANF work program activities.

Using the “TANF High Counter Report” we identified TANF recipients who had exceeded the 24 month maximum for non-participation in a work program. We identified 25 cases of work-eligible participants over the 24 month maximum, with an incrementing counter indicating continuation of benefits. Of the 25 cases, we noted six cases in which benefits should have been terminated at 24 months as there was no allowable exemption. Total benefits paid in error for these six cases during fiscal year 2012 were \$3,458. Discussions with agency personnel in the Division of Economic Assistance indicate there is currently no policy requiring review of the “TANF High Counter Report”. Use of the report at the county/regional offices and in the central office would have allowed prevention/detection of the errors by MDHS personnel.

Failure to properly reduce or terminate benefits could result in questioned costs and recoupment of costs by the federal granting agency. Additionally, per the *Code of Federal Regulations* (45 CFR Part 261.14 and 261.54), if MDHS does not properly reduce or terminate benefits, the Department of Health and Human

Services may penalize MDHS by reducing grant assistance between one and five percent.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen control procedures over work-eligible recipients who are not participating in work activities. Control procedures should include a documented review of the monthly "TANF High Counter Report". Further, we recommend the central office implement procedures to confirm county/regional personnel have reviewed their respective reports and taken appropriate action to either terminate/reduce benefits or grant permissible exemptions for cases exhausting the 24 month maximum for non-participation in a work program.

End of Report