



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

March 10, 2014

Single Audit Management Report

Richard Berry, Executive Director
Mississippi Department of Human Services
P. O. Box 352
Jackson, MS 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 Fiscal Year 2013. In these findings, the Auditor's Office recommends the Mississippi Department of Human Services:

Single Audit Findings:

1. Strengthen controls over compliance with allowable costs requirements of the CCDF Cluster;
2. Strengthen controls over compliance with eligibility and benefit payment requirements of the TANF Program;
3. Strengthen controls to ensure compliance with eligibility requirements of the CCDF Cluster;
4. Strengthen controls over compliance with Federal Funding Accountability and Transparency Act (FFATA) Reporting for the SSBG Program;
5. Ensure on-site monitoring for the CCDF Cluster is properly performed;
6. Strengthen controls over reporting of subawards for FFATA requirement for the TANF Program and CCDF Cluster;
7. Strengthen controls over on-site monitoring;
8. Strengthen controls over subrecipient monitoring for OMB Circular A-133 audits;

Other Audit Findings:

9. Strengthen controls over 20 percent exemption and five-year time limit for the TANF Program;
10. Strengthen controls over termination of benefits for non-participation of work-eligible adults in the work activities program of the TANF Program;
11. Strengthen controls for the review of employee approval levels in the Statewide Automated Accounting System (SAAS); and
12. Strengthen controls over the data collection and submission of required federal reporting elements and report for the TANF Program.

Please review the recommendations and submit a plan to implement them by March 21, 2014. The enclosed findings contain more information about our recommendations.

Mississippi Department of Human Services

March 10, 2014

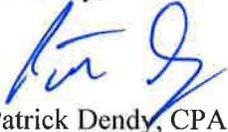
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During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. The Office of the State Auditor has also issued an Information Systems Management Report on the Mississippi Department of Human Services dated March 10, 2014. That report should be read in conjunction with this report.

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, 2013. The Office of the State Auditor's staff members participating in this engagement included Kimberly Majure, CPA; Yolanda Campbell, CPA; Stephanie Palmertree, CPA, Jason Ashley; Selena Davis, CPA; and Cheryl Johnston, CPA.

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.

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Department of Human Services' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi Department of Human Services for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mississippi Department of Human Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. However, our audit does not provide a legal determination of the Mississippi Department of Human Services' compliance.

Results of Compliance Audit Procedures

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are identified in this letter as items 2013-009, 2013-010, 2013-011, 2013-012, 2013-013 and 2013-014. In addition, we noted other instances of noncompliance that we have reported on the attached document, "Other Audit Findings."

Internal Control over Compliance

Management of the Mississippi Department of Human Services 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 Mississippi Department of Human Services' 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 controls over compliance in accordance with OMB Circular A-133, 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 Mississippi Department of Human Services' 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 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 2013-009, 2013-010, 2013-011, 2013-012 and 2013-015 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 deficiencies in internal control over compliance identified in this letter as items 2013-014 and 2013-016 to be significant deficiencies.

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."

**CFDA/Finding
Number**

Finding and Recommendation

ALLOWABLE COSTS

Material Noncompliance

Material Weakness

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:

G1101MSCCDF 2011

G1202MSTANF 2012

G1201MSCCDF 2012

G1302MSTANF 2013

G1301MSCCDF 2013

Questioned Costs: \$731

Questioned Costs: \$840

2013-010

Controls Should Be Strengthened over Compliance with Eligibility and Benefit Payment 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. Chapter 3, Non-Financial Criteria, requires a MDHS-EA-312, Personal Responsibility Contract, be signed by each adult in the TANF assistance unit at the time of application; all TANF children under the age of 18 must have proof of current immunizations according to the schedule recommended by the Department of Health; and a parent or other relative who accepts a TANF benefit for a child due to the continued absence of a parent must assign support rights to the State by cooperating with the Division of Child Support Enforcement. Chapter 7, Eligibility Determination Process, requires the TANF case worker to review the WTPQ inquiries for each household member age 16 and above at application and redetermination for TANF benefits. Chapter 10, TANF Work Program Payment Process, states that for a person to receive TANF transitional services, the appropriate application for TANF transitional services must be received within 30 days after the TANF case closes due to earned income. This chapter also requires participants of the TANF work component to meet specific participation hours to receive a TANF Work Transportation (J1) stipend. J1 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.

During testing of TANF benefits paid during the fiscal year 2013, we noted the following exceptions.

- Four out of 90 cases tested did not have a signed Personal Responsibility Contract on file.
- Eleven out of 90 cases did not have verification of immunization for a child not attending school.
- Sixteen out of 90 cases were not complying with Child Support Enforcement on a child for which benefits were being received.
- Thirteen out of 90 cases had Quarterly Wage Match Data on the WTPQ screen data prior to the initial determination, or before redetermination, which had not been reviewed by the case worker.
- One out of 90 cases receiving Transitional Work Transportation Assistance did not have a signed Transitional Service Application on file.

In performing testwork on 39 J1 stipends paid to participants during fiscal year 2013, we noted five 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 \$840 in fiscal year 2013. The results of our testwork compared to the total of all J1 benefits paid in fiscal year 2013, indicates projected questioned costs of approximately \$684,000.

Failure to maintain supporting documentation for eligibility determination as well as not monitoring and reducing 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 Temporary Assistance for Needy Families (TANF) eligibility and benefit requirements by strengthening control procedures to ensure all supporting documentation is reviewed and maintained and benefits are paid in accordance with the *Volume III, TANF Policy Manual*.

ELGIBILITY

Material Noncompliance

Material Weakness

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:

G1001MSCCDF 2010	G1301MSCCDF 2013
G1101MSCCDF 2011	G1202MSTANF 2012
G1201MSCCDF 2012	G1302MSTANF 2013

Questioned Costs: \$868

2013-011

Controls Should Be Strengthened to Ensure Compliance with Eligibility Requirements

Finding:

The *Code of Federal Regulations* (45 CFR Part 98.20) sets forth the eligibility requirements for a child to receive child care services. The *Code of Federal Regulations* (45 CFR Part 98.50) further states how the Child Care and Development Block Grant (CCDF) funds should be expended for issuance of child care certificates. The Mississippi Department of Human Services' Division of Early Childhood Care and Development (DECCD) has published the *Mississippi Child Care Payment Program Policy Manual*, based on the CCDF State Plan, which incorporates applicable federal regulations and establishes eligibility criteria to receive child care certificate payments under the CCDF program. Specifically, Chapter 1 of this manual addresses family and child eligibility requirements, including the requirement that an eligible child be less

than 13 years of age, or 18 if Special Needs. This policy manual also provides for periodic re-determination of continuing eligibility.

In performing testwork related to a child's eligibility for a child care certificate based on child care provider payments made during fiscal year 2013, we noted the following weaknesses.

- Of the 60 child care certificate payments tested, there were 28 instances, or 46.7 percent, in which the child's eligibility for the child care certificate could not be verified due to a child care certificate application and supporting documentation not being maintained by DECCD. It was not feasible to determine or project questioned costs associated with this exception due to insufficient information and the lack of child care applications and supporting documents.
- Six instances of the 60 payments tested, or ten percent, were identified as being based on the initial determination of the child's eligibility for the child care certificate as a referral from the Division of Field Operations due to the parent/caretaker receiving basic TANF benefits or transitional TANF benefits, which is the first priority level for a child care certificate. However, based on auditor's review of the TANF case in MAVERICS and/or transitional TANF case in JAWS, the auditor determined that the parent/caretaker was no longer receiving any type of TANF benefits as of the child care certificate benefit date selected for testing, and therefore should not have been continuing to receive the child care certificate benefit at the TANF priority level. It was not feasible to determine or project questioned costs associated with this exception due to the possibility that the parent/caretaker may still be eligible to receive child care assistance at a different priority level based on reapplying.
- One instance out of the 60 payments tested was noted in which the child was not less than 13 years of age at the benefit date selected for testing. The child turned 13 years of age during the effective period for the child care certificate, but benefits continued for two months after the child turned 13 years old. This resulted in known questioned costs of \$868.
- Six instances out of the 60 payments tested were noted in which there were improper copay amounts based on the priority level and number of children in the family with an active child care certificate.

Failure of DECCD to perform re-determination of a child's eligibility to ensure a child care certificate is properly issued could result in improper payments to a child care provider representing questioned costs, and the possible recoupment of funds by the federal granting agency.

Recommendation:

We recommend the Mississippi Department of Human Services' Division of Early Childhood Care and Development ensure compliance with the Child Care and Development Block Grant eligibility requirements by strengthening control procedures to ensure child care certificates are issued in accordance with

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.

During testwork performed on reporting for the Transparency Act during fiscal year 2013, we noted the following weaknesses.

- There were ten TANF subawards awarded by the Division of Field Operations which met the FFATA reporting requirement and were reported in the FSRS system. The obligation dates for these ten subawards were reported as the beginning effective date of the subaward instead of the date the subaward was signed, which is the obligation date as defined by FSRS.gov. This also resulted in the subawards not being reported in the FSRS system by the last day of the month following the obligation date.
- There were 20 TANF subawards awarded by the Division of Youth Services which met the FFATA reporting requirement and were reported in the FSRS system. The obligation dates for these 20 subawards were reported as the beginning effective date of the subaward instead of the date the subaward was signed, which is the obligation date as defined by FSRS.gov. This also resulted in the subawards not being reported in the FSRS system by the last day of the month following the obligation date.
- There were 19 CCDF subawards awarded by the Division of Early Childhood Care and Development which met the FFATA reporting requirement. One subaward had not been reported in the FSRS system prior to our testing. The obligation dates for the other 18 subawards were reported as the beginning effective date of the subaward instead of the date the subaward was signed, which is the obligation date as defined by FSRS.gov. This also resulted in the subawards not being reported in the FSRS system by the last day of the month following the obligation date.

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

Recommendation:

We recommend the Mississippi Department of Human Services ensure compliance with the Federal Funding Accountability and Transparency Act requirements by strengthening control procedures to ensure all subawards are reported timely and obligation dates are reported accurately.

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
93.667 Social Services Block Grant

Federal Award Number and Year:

G1102MSTANF 2011	G1201MSCCDF 2012
G1202MSTANF 2012	G1001MSSOSR 2010
G1001MSCCDF 2010	G1101MSSOSR 2011
G1101MSCCDF 2011	G1201MSSOSR 2012

2013-015

Controls Should Be Strengthened over On-Site Monitoring

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 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 and 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 41 subgrant contracts during state fiscal year 2013, we noted the following weaknesses.

- Twenty subgrant contracts, or 48.8 percent, were monitored untimely an average of 107 working days after the expiration of the respective contracts.

- The Initial Report of Findings and Recommendations for 21 subgrant contracts, or 51.2 percent, was issued untimely with an average of 55 working days passing between exit conference and report issuance.
- Questioned costs identified during monitoring for one subgrant contract had not been fully resolved based on a final decision letter issued by MDHS on March 29, 2013.
- The IMR was not included in the monitoring file for seven subgrant contracts, or 17.1 percent; therefore, the auditor could not verify IMR was issued within 30 working days of exit conference; if any questioned costs were identified and communicated based on the monitoring that occurred; or if Corrective Action was received from the subrecipient within 15 working days of the issuance of the IMR.
- The Fiscal Monitoring Tool was not completed and/or included in the monitoring file for one subgrant contract.
- The Corrective Action Plan provided by three subrecipients was not included in the subgrant monitoring file and could not be located by OM.
- Three subgrant monitoring files did not have evidence of a clearance letter stating that questioned costs were fully resolved.
- The Monitoring Supervisor Review Checklist for three subgrant monitoring files was not signed by the monitoring supervisor prior to the issuance of the Initial Monitoring Report.
- There was no indication that a Dun and Bradstreet Data Universal Numbering System (DUNS) number was obtained as part of the subaward application or before the subaward was awarded.

During our verification of the completeness of the sample population, we noted six out of 180 contracts that were not included on the SFY2012 Subgrant Monitoring Tracking document, therefore, these contract had not been subjected to on-site monitoring within the contract period.

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 also recommend that the agency ensure that the Report of Findings & Recommendations prepared as a result of the on-site monitoring be

issued in a timely manner to enable immediate corrective action procedures to be initiated. We further recommend that the agency maintain all supporting monitoring tools, reports, and correspondence in the monitoring file.

SUBRECIPIENT MONITORING

Significant Deficiency

10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
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
93.667	Social Services Block Grant
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs

Federal Award Number and Year:

SNAP Letter of Credit	G0901MSCCD7	2009	
G0902MSTANF	2009	G1001MSCCDF	2010
G1001MSTANF	2010	G1101MSCCDF	2011
G1001MSTAN2	2010	G0901MSSOS2	2009
G1002MSTANF	2010	G0901MSSOSR	2009
G1102MSTANF	2011	G1001MSSOSR	2010
G0901MSCCDF	2009	G1101MSSOSR	2011

2013-016 Controls Should Be Strengthened over Subrecipient Monitoring for OMB Circular A-133 Audits

Finding:

The *Office of Management and Budget (OMB) Circular A-133* states the pass-through entity is responsible for (1) ensuring that subrecipients expending \$500,000 or more in Federal awards during their fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2) issuing a management decision on findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

During our audit of the Mississippi Department of Human Services (MDHS), we reviewed the Division of Program Integrity – Office of Monitoring (OM) audit files and Monitoring Tracking Document for MDHS Subgrantees for state fiscal year 2011. During our review, we noted the following problems.

- During testing for completeness, we noted two instances in which subrecipients were not included on the FY2011 tracking report but had

expenditures in FY 2011 and should have been included for OMB A-133 tracking purposes.

- Of nine subgrantees tested on Attachment B of the Status Report, we noted eight instances in which OMB A-133 audits or Subgrantee Audit Information Forms (SAIF) for the subgrantees were not received by Office of Monitoring within nine months of the subgrantee's fiscal year end. In each instance in which an audit was received, we noted that the OMB A-133 audit report was dated within the nine month period of the subgrantee's fiscal year end. While the auditor noted the Office of Monitoring sent an initial, reminder, and demand letter to each subgrantee regarding their OMB A-133 audit report requirements, it appears no additional follow-up was made to obtain the OMB A-133 audit or SAIF form prior to the auditor's request. Following the request, Office of Monitoring was able to obtain the required audits.
- Of nine subgrantees tested on Attachment B of the Status Report, we noted one instance in which the OMB A-133 audit or SAIF form for the subgrantee had not yet been received as of February 21, 2014. Per requirements, an OMB A-133 audit or SAIF form was to be received within nine months of the subgrantee's fiscal year end. While the auditor noted the Office of Monitoring sent an initial letter, reminder letter and demand letter to the subgrantee regarding their OMB A-133 audit report requirements, it appears no additional follow-up was made to obtain the OMB A-133 audit or SAIF form prior to the auditor's request.
- Of 21 subgrantees tested, we noted four instances in which a clearance letter from the funding division nor communications between the subgrantee and the funding division discussing corrective action could be located in the Office of Monitoring or from the funding division within the six month deadline for corrective action.
- Of 21 subgrantees tested, we noted four instances in which the OMB A-133 audit for the subgrantee was not received by Office of Monitoring within nine months of the subgrantee's fiscal year end. We noted that the OMB A-133 audit report was dated within the nine month period of the subgrantee's fiscal year end. The auditor noted the Office of Monitoring sent an initial, reminder, and demand letter to each subgrantee regarding their OMB A-133 audit report requirements. Subgrantee audit reports were received on average 145 days after the nine month deadline.

Failure to properly monitor subrecipients 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 controls over subrecipient monitoring for OMB A-133 audits to ensure recipients expending \$500,000 or more in Federal funds during their fiscal year are appropriately monitored and an OMB A-133 audit is obtained. We also recommend that the

agency follow-up more frequently with the funding divisions to ensure corrective action was taken when a subgrantee's audit report contains findings. We further recommend that OM should ensure all subrecipients are included on the tracking report and continue to follow-up to obtain an OMB A-133 audit or Subgrantee Audit Information Form after the demand letter is issued.

Oth-14

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 11 cases of work-eligible participants over the 24 month maximum, with an incrementing counter indicating continuation of benefits. Of the 11 cases, we noted five cases in which benefits should have been terminated at 24 months as there was no allowable exemption. Total benefits paid in error for these five cases during fiscal year 2013 were \$3,566. Discussions with agency personnel in the Division of Field Operations 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.

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
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year:

SNAP Letter of Credit	G1201MSCCDF 2012
G1102MSTANF 2011	G1301MSCCDF 2013
G1202MSTANF 2012	G1101MSSOSR 2011
G1302MSTANF 2013	G1201MSSOSR 2012
G1001MSCCDF 2010	G1301MSSOSR 2013
G1101MSCCDF 2011	

Oth-15 Controls Should Be Strengthened for the Review 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 the Statewide Automated Accounting System (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 (MDHS), we reviewed transaction approval levels established in SAAS for the first, third and fourth quarters of state fiscal year 2013. During our review, we noted the following problems.

- Nineteen out of eighty-five employees, or 22.4 percent, listed on the SAAS Security Table at June 30, 2013, have access to prepare certain transactions (disbursement, revenue, grant/subgrant, and various journal entries) and provide all agency levels of approvals.
- Three of the eighty-five employees had been terminated prior to June 30, 2013, but were listed on the SAAS Security Table as having access at June 30, 2013.

Failure to ensure segregation of duties by separating entry and approval authority as well as not having access timely deleted by MMRS could allow unauthorized

- Sections three and four of the September 30, 2012 and December 31, 2012, quarterly reports were not filed with the 45 day after quarter end deadline. All four sections of the June 30, 2013 quarterly report was not filed within the 45 day after quarter end deadline.

The OMB Circular A-133 Compliance Supplement, Part 4 Department of Health and Human Services, TANF Cluster, Section L Reporting states the *Annual Report including the Annual Report on State Maintenance-of-Effort Programs* (ACF-204) must contain information on the TANF program and the State's MOE programs for that year, including strategies to implement the Family Violence Option, State diversion programs, and other program characteristics. Each State must complete the ACF-204 for each program for which the State has claimed basic MOE expenditures for the fiscal year. The total MOE expenditures reported on the ACF-204 for each program should equal the total MOE expenditures reported on the federal fiscal year fourth quarter ACF-196 TANF Financial Report.

The TANF ACF-204 is an annual report on the TANF program and the State's MOE programs for the fiscal year. Two of the key items required to be included in the annual report are "Total State MOE Expenditures on each program" (claimed on the State's federal fiscal year fourth quarter ACF-196 TANF Financial Report) and "Number of Families Served with MOE Funds on each program" (calculated as a pro rata portion of federal fiscal year TANF total grant awarded to percent of total MOE awarded). The overall MOE expenditures agree in total; however, MDHS reported the following discrepancies:

- The 2012 ACF-204 reported "Basic Assistance" as \$7,626,883 versus \$7,022,625 as reported on the FFY 2012 ACF-196 as of September 30, 2012.
- The 2012 ACF-204 reported "Transportation" as \$680,476 versus \$1,284,734 as reported on the FFY 2012 ACF-196 as of September 30, 2012.
- The 2012 ACF-204 reported "Other Work Activities" as \$6,995,597 versus \$6,829,904 as reported on the FFY 2012 ACF-196 as of September 30, 2012.
- The 2012 ACF-204 reported "Other (Abstinence)" as \$0 versus \$165,693 as reported on the FFY 2012 ACF-196 as of September 30, 2012.
- The 2012 ACF-204 reported "Total Number of Families Served" for each TANF program/activity calculated based on the total grant awarded, total MOE, and total number of TANF cases. The total grant awarded amount used in the calculation was \$92,744,827 versus \$86,767,578 as reported on the FFY 2012 ACF-196 as of September 30, 2012.

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

Recommendation:

We recommend the Mississippi Department of Human Services (MDHS) strengthen controls over the accumulation of data via updating the computer program utilized in extracting data for the "TANF Data Report" to accurately capture key line items 12 and 28 information regarding whether a Temporary Assistance for Needy Families case is required to participate in the TANF Work Program and if the family is exempt from the federal time limit provisions. We also recommend MDHS strengthen the controls over the preparation and review of the TANF ACF-204 annual report prior to submission to the U.S. Department of Health and Human Services.