



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

December 17, 2014

Financial Audit Management Report

Richard A. Berry, Executive Director
Mississippi Department of Human Services
PO Box 352
Jackson, MS 39205

Dear Mr. Berry:

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Human Services for the fiscal year ended June 30, 2014. These financial statements will be consolidated into the State of Mississippi's *Comprehensive Annual Financial Report*. We conducted our audit 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 Office of the State Auditor's staff members participating in this engagement included Sallie Dier, CPA, Stephanie Palmertree, CPA and Cheryl Johnston, CPA.

Our procedures and tests cannot and do not provide absolute assurance that all state 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 Financial Reporting

In planning and performing our audit of selected accounts included on the financial statements, we considered the Mississippi Department of Human Services' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on these accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Mississippi Department of Human Services' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

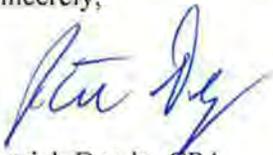
As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Human Services are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

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 result of that testing, and not to provide an opinion on the effectiveness of Mississippi Department of Human Services' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi Department of Human Services' internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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,



Patrick Dendy, CPA
Director, Department of Audit



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

March 18, 2015

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 2014. In these findings, the Auditor's Office recommends the Mississippi Department of Human Services:

Single Audit Findings:

1. Strengthen controls to ensure compliance with allowable cost requirements of the CCDF Cluster;
2. Strengthen controls to ensure compliance with eligibility requirements of the CCDF Cluster;
3. Strengthen controls over compliance with eligibility and benefit payment requirements of the TANF Program;
4. Strengthen controls over compliance with Federal Funding Accountability and Transparency Act (FFATA) Reporting for the SSBG and LIHEAP Programs;
5. Strengthen controls over reporting of subawards for FFATA requirements for the TANF Program and CCDF Cluster;
6. Strengthen controls to ensure compliance with allowable cost requirements of the SNAP, TANF and Child Support Enforcement Programs;
7. Strengthen controls over on-site monitoring for the SSBG and LIHEAP Programs;
8. Strengthen controls over subrecipient monitoring for OMB Circular A-133 audits for the SNAP, TANF, SSBG and LIHEAP Programs and for the CCDF Cluster;
9. Strengthen controls over on-site monitoring for 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;

Other Audit Findings:

11. Strengthen controls over the 20 percent exemption and five year time limit for the TANF Program;
12. Strengthen controls over segregation of duties and granting access to MAVERICS for the TANF Program;
13. Strengthen controls over the data collection and submission of required federal reporting elements and reports for the TANF Program; and
14. Strengthen controls over fraud detection and repayment of fraudulent child care certificate payments for the CCDF Cluster.

Mississippi Department of Human Services

March 18, 2014

Page 2

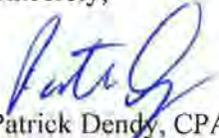
Please review the recommendations and submit a plan to implement them by March 25, 2015. The enclosed findings contain more information about our recommendations.

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

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.

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, 2014. The Office of the State Auditor's staff members participating in this engagement included Sallie Dier, CPA; Stephanie Palmertree, CPA; Jason Ashley; Selena Davis, CPA; Alan Jarrett; Cheryl Johnston, CPA; Kari Horn; and Kelly Holtsinger.

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, 2014.

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

Our responsibility is to express an opinion on compliance for each of the State of Mississippi'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 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 2014-009, 2014-010, 2014-011, 2014-012, 2014-013, and 2014-014. In addition, we noted another instance of noncompliance that we have reported on the attached document, "Other Audit Findings," as item Oth-05.

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 2014-009, 2014-010, 2014-011, 2014-012, and 2014-015 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 2014-013, 2014-016, 2014-017, and 2014-018 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," as items Oth-05, Oth-06, Oth-07, and Oth-08.

**CFDA/Finding
Number**

Finding and Recommendation

ALLOWABLE COSTS/COST PRINCIPLES

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

G1201MSTANF 2012

G1301MSCCDF 2013

G1401MSTANF 2014

G1202MSCCDF 2012

Questioned Costs: \$706

2014-009

Controls Should Be Strengthened to Ensure Compliance with Allowable Costs Requirements of the CCDF Cluster

Finding:

The *Code of Federal Regulations* (45 CFR 98) regulates expenditures of funds under the Child Care and Development Block Grant (CCDF), including the identification of allowable costs for CCDF expended through the child care certificate program. 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 allowable costs for child care certificate payments under the CCDF program. Specifically, Section 103.02 of this manual addresses co-payment fees and Section 104.04 addresses child care certificate rates. Therefore, eligible school-aged children should be issued certificates that state both full-time and part-time rates eligibility so that the provider can record the proper attendance each day (full-time when school is not in session or part-time when school is in session).

In performing allowable costs testwork related to certificate rates and co-pays during fiscal year 2014, we noted five instances out of 22 school-aged children tested, or 23 percent, in which a child was issued a child care certificate that provided for only full-time attendance rates and co-pays to be paid to a child care provider, resulting in payment of full-time rates and co-pays for times when the child participates in part-time attendance. These five instances resulted in known questioned costs of \$332 out of total year-end school-aged certificate payments of \$20,697,007 and projected questioned costs of \$1,447,259.

Further, we noted one instance out of 36 children tested, or three percent, in which a duplicate certificate was issued for a child, which resulted in two payments being made to the child care provider for the child for the month of

January 2014. This instance resulted in known questioned costs of \$374 out of total certificate payments of \$55,301,229 and projected questioned costs of \$2,294,928.

These two instances resulted in total projected questioned costs of \$3,742,187.

Failure of DECCD to properly provide for the payment of part-time rates on the certificates for school-aged children and to detect and prevent duplicate certificates from being issued results in improper payments to child care providers, 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 allowable costs requirements of the Child Care and Development Block Grant by strengthening control procedures to ensure child care certificate rates and copays are assigned in accordance with the requirements set forth in the *Code of Federal Regulations* and the *Mississippi Child Care Payment Program Policy Manual*.

ELIGIBILITY

Material Noncompliance

Material Weakness

93.575
93.596

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

Federal Award Number and Year:

G1101MSCCDF 2011	G1201MSCCDF 2012
G1301MSCCDF 2013	G1401MSCCDF 2014

Questioned Costs: \$457

2014-010

Controls Should Be Strengthened to Ensure Compliance with Eligibility Requirements of the CCDF Cluster

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 I 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 the eligible child has special needs. This policy manual also provides for periodic re-determination of continuing eligibility.

In performing testwork on 25 child care certificate payments related to a child's eligibility for a child care certificate based on child care provider payments made during fiscal year 2014, we noted the following weaknesses.

- Seven instances, or 28 percent, in which the child's eligibility for the child care certificate could not be verified due to the 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.
- Three instances, or 12 percent, in which the certificates 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 in which the child's birth year had been entered incorrectly into the Child Care Payment System (CCPS), resulting in incorrect certificate rates for the child. Incorrect rates occurred from October 2012 through January 2015. This resulted in known questioned costs of \$449. It was not considered necessary to project questioned costs for this instance.
- Two instances, or eight percent, 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. This resulted in known questioned costs of \$8 and projected questioned costs of \$61,917.

Failure of DECCD to perform re-determination of a child's eligibility to ensure a child care certificate is properly issued could result 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 eligibility requirements as set forth in the *Code of Federal Regulations* and *Mississippi Child Care Payment Program Policy Manual*.

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 2014, we noted the following exceptions.

- One out of six Work Transportation cases tested received benefits but did not have supporting documentation for hours worked to support benefits paid.
- One out of three Job Retention Bonus cases tested received a benefit but did not have a signed Job Retention Bonus Application on file.
- Two out of 70 Basic TANF cases tested did not have a signed Personal Responsibility Contract on file.
- Two out of 70 Basic TANF cases tested had an open alert in IEVS longer than 45 days from the date the case was opened and had not been worked as of the date of our testing.
- Three out of 70 Basic TANF cases tested had an open alert in IEVS longer than 45 days from the date the case was opened; however, they had been worked as of the date of our testing.
- Four out of 70 Basic TANF cases tested were missing acceptable forms of documentation for one or more children.
- Five out of 70 Basic TANF cases tested had open income alerts (Quarterly Wage Match Data) that had not been cleared either before the initial application date or before the redetermination date.
- Six out of 30 Transitional Work Transportation Assistance cases tested did not have a signed Transitional Service Application on file.
- Eight out of 30 cases tested receiving Transitional Work Transportation Assistance did not have a signed Transitional Service Application on file.
- Twelve out of 25 Work Transportation Stipend cases tested did not have supporting documentation for hours worked to support benefit paid.
- Thirteen out of 30 Transitional Work Transportation Assistance cases tested did not have a signed Transitional Service Child Care Services Application on file.
- Fourteen out of 70 Basic TANF cases tested could not be verified whether the application was made in the county for which the recipient resides.
- Eighteen out of 70 Basic TANF cases tested did not have verification of immunization for a child not attending school.
- Twenty-One out of 70 Basic TANF cases tested were not complying with Child Support Enforcement on a child for which benefits were being received.

In performing testwork on TANF benefits paid to participants during fiscal year 2014, we noted the following questioned costs.

- Forty four out of 70 Basic TANF benefits tested, or 63 percent, resulted in \$3,145 of known questioned costs. Because of the lack of readily available access to all factors needed to determine the precise population, it is not practical to project known questioned costs.
- Twelve out of 25 J1 stipends paid to participants tested, or 48 percent, resulted in \$2,760 of known questioned costs and \$2,691,927 of projected questioned costs.

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 2014, we noted the following weaknesses.

- Of the ten SSBG subawards awarded by the Division of Aging and Adult Services which met the FFATA reporting requirements, none of the subawards, or 100 percent, totaling \$5,397,117, have been reported in the FSRS system.
- Of the two subawards awarded by the Division of Youth Services which met the FFATA reporting requirements, both were properly reported in the FSRS system; however, 100 percent of the subawards were not reported in the FSRS system by the last day of the month following the obligation date.
- 100 percent of the reported LIHEAP subawards reported the obligation date as the beginning effective date of the subaward instead of the date the subaward was signed (the obligation date as defined by FSRS.gov) in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). This also resulted in one subaward not being reported in the FSRS system by the last day of the month following the obligation date.
- Of the 28 LIHEAP subawards awarded by Division of Community Services which met the FFATA reporting requirements, seven subawards, or 25 percent, totaling \$4,389,037, had not been reported in FSRS as of our testing date.

The Mississippi Department of Human Services (MDHS) has not established internal control policies or procedures nor is a supervisory review performed of the subrecipient contract information that is reported to verify the data is reported accurately or timely.

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.

REPORTING

Immaterial Noncompliance Significant Deficiency

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

Federal Award Number and Year: G1402MSTANF 2014
G1301MSCCDF 2013
G1401MSCCDF 2014

Questioned Costs: None

2014-013 Controls Should Be Strengthened over Reporting of Subawards for Federal Funding Accountability and Transparency Act (FFATA) Requirements for the TANF Program and CCDF Cluster

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 2014, we noted the following weaknesses.

- There were four TANF subawards awarded by the Division of Field Operations, totaling \$2,749,636, which met the FFATA reporting requirement, that were not reported in the FSRS system by the last day of the month following the obligation date. The obligation dates for these four 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.
- There were thirteen TANF subawards awarded by the Division of Youth Services, totaling \$3,819,700, which met the FFATA reporting requirement, that were not reported in the FSRS system by the last day of the month following the obligation date. The obligation dates for these four 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.
- There were three CCDF subawards awarded by the Division of Early Childhood Care and Development, totaling \$2,500,000, which met the FFATA reporting requirement, that had not been reported in the FSRS

system prior to our testing. The obligation dates for nine of the remaining 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.

- For the eleven CCDF subawards awarded by the Division of Early Childhood Care and Development that met the FFATA reporting requirement and were reported, the reports were not reported by the last day of the month following the obligation date.

Mississippi Department of Human Services (MDHS) has not established internal control policies or procedures nor is a supervisory review performed of the subrecipient contract information that is reported to verify the data is reported accurately or timely.

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.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.563	Child Support Enforcement

Federal Award Number and Year:	12352841-B13	2013
	12352841-B14	2014
	G1302MSTANF	2013
	G1402MSTANF	2014
	G1304MS4005	2013
	G1404MS4005	2014

Questioned Costs: \$2,467,132

2014-014 Controls Should Be Strengthened to Ensure Compliance with Allowable Costs Requirements of the SNAP, TANF and Child Support Enforcement Programs

Finding:

The Code of Federal Regulations (45 CFR Part 92.22 and 7 CFR Part 3016.22) requires that programs administered by the respective federal authority adhere to the cost principles of OMB Circular A-87. OMB Circular A-87, Attachment C requires the distribution of joint costs related to a grant program to be supported

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 & Recommendations, which is 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 27 SSBG and LIHEAP subgrant contracts during state fiscal year 2014, we noted the following weaknesses.

1. Nineteen tested, or 70 percent, were not monitored within the contract period as required by Program Integrity's Division of Monitoring procedures. Of these 19 contracts:
 - Eighteen were monitored after the respective contract end period but prior to the commencement of audit testing.
 - One contract had not been monitored up to the final date of testwork. Documentation in the contract file indicated that this scheduling oversight was due to an issue with the grants management system.
2. Three contracts, 11 percent, were noted in which Corrective Actions were not received from the subrecipient within 15 working days from the date the Initial Monitoring Report (IMR) was issued.
 - Corrective Actions were received between 17 and 26 days from the IMR, with an average of 21 days passing between the IMR and subgrantee's response.
3. One subgrant contract's Initial Monitoring Report was issued to the Subgrantee prior to the date of the Monitoring Supervisor's signature on the Monitoring Supervisor Review Checklist.
4. One subgrant contract's Monitoring Supervisor Review Checklist was not signed by the Monitoring Supervisor.

During our verification of the completeness of the sample population of 146, we noted:

1. One contract that was listed on the GM18 report and had expenditures in fiscal year 2013 was not included on the state fiscal year 2013 Subgrant

Monitoring Tracking document. Therefore, this contract was not subjected to on-site monitoring within the contract period nor as of our testing date.

2. One additional contract on the state fiscal year 2013 Subgrant Monitoring Tracking document (outside the parameters of our testing population) for which recorded monitoring dates indicate that monitoring occurred subsequent to contract end date.

We also noted during testing that, with the exception of Division of Youth Services, there is no evidence of the Dun and Bradstreet Data Universal Numbering System (DUNS) number being obtained from the subrecipient prior to the issuance of the subaward. Per the OMB A-133 Circular Compliance Supplement for Fiscal Year 2014, Section M. Subrecipient Monitoring, agencies are required to determine whether an applicant for a subaward has provided a DUNS number as part of its subaward process or, if not, before amounts are awarded.

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 also recommend that MDHS ensures that subrecipients obtain a DUNS number prior to awarding contracts. 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
93.568	Low-Income Home Energy Assistance Program
93.575	Child Care and Development Block Grant
93.596	Child Care Mandantory and Matching Funds of the Child Care Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year:

SNAP Letter of Credit	G1001MSSOSR	2010	
G1002MSTANF	2010	G1101MSSOSR	2011
G1102MSTANF	2011	G1201MSSOSR	2012
G1202MSTANF	2012	G10B1MSLIEAR	2010
G0901MSCCDF	2009	G10B1MSLIEAW	2010
G1001MSCCDF	2010	G11B1MSLIEAR	2011
G1101MSCCDF	2011	G11B1MSLIEAW	2011
G1201MSCCDF	2012	G12B1MSLIEAR	2012

2014-016

Controls Should Be Strengthened over Subrecipient Monitoring for OMB Circular A-133 Audits for the SNAP, TANF, SSBG and LIHEAP Programs and for the CCDF Cluster

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 2012. During our review, we noted the following problems.

- Of 24 subgrantees tested, we noted five instances in which no clearance letter from the funding division or 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 24 subgrantees tested, we noted six 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. Office of Monitoring sent an initial letter and reminder letter to each subgrantee regarding their OMB A-133 audit report requirements. Subgrantee audit reports were received on average 91 days after the nine month deadline.
- Of seven subgrantees tested on Attachment B of the Status Report, we noted seven instances in which the 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. Office of Monitoring sent an initial letter, reminder letter, and demand letter to each subgrantee regarding their OMB A-133 audit report requirements, but no additional follow-up to obtain the OMB A-133 audit/SAIF was made by Office of Monitoring prior to the auditor's request.
- During testing of completeness, we noted six instances in which subrecipients were not included on the fiscal year 2012 tracking report utilized by Office of Monitoring but had expenditures in fiscal year 2012 and should have been included for tracking purposes.

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.

received between 19 and 41 days from the IMR, with an average of 27 days passing between the IMR and subgrantee's response.

- One subgrant contract's monitoring file, or seven percent, contained the wrong Initial Monitoring Report (different Subgrantee) attached to the file copy of the IMR issuance letter, so auditor could not verify that the IMR was signed/approved by the monitoring supervisor prior to issuance of the report to the subgrantee.

During our verification of the completeness of the sample population of 146, we noted one contract that was listed on the GM18 report and had expenditures in fiscal year 2013 but was not included on the state fiscal year 2013 Subgrant Monitoring Tracking document. Therefore, this contract was not subjected to on-site monitoring within the contract period nor as of our testing date.

We also noted during testing that there is no evidence of the Dun and Bradstreet Date Universal Numbering System (DUNS) number being obtained from the subrecipient prior to the issuance of the subaward. Per the OMB A-133 Circular Compliance Supplement for Fiscal Year 2014, Section M. Subrecipient Monitoring, agencies are required to determine whether an applicant for a subaward has provided a DUNS number as part of its subaward process or, if not, before amounts are awarded.

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 also recommend that MDHS ensures that subrecipients obtain a DUNS number prior to awarding contracts. We further recommend that the agency maintain all supporting monitoring tools, reports, and correspondence in the monitoring file.

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 receiving benefits for over 60 months. 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 receiving benefits for over 60 months. 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 exemption is granted.

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

- The TA120 exemption summary report for the month of July for fiscal year 2014 was not available for testing;
- No documented review exists of the “Statewide TANF 20 Percent Exemption Summary Report” (TA120C/TA120B Report);
- No documented review exists of the “TANF High Counter Report” (JC250A Report);
- The 20 percent exemption (TA120C Report) for caseloads was calculated by using the State Open Case Load number instead of the State Countable Cases, as per the CFR;
- Out of fifteen cases tested, seven cases on the “TANF High Counter Report” were over the 60 month time-limit, with benefits paid and no permissible exemption granted.

Failure to monitor the “Statewide TANF 20 Percent Exemption Summary Report” could result in the State exceeding the percent of allowed exemptions for TANF assistance. However, our testwork did not reveal evidence of the 20 percent maximum earmark being exceeded at any point during fiscal year 2014 for the cases tested.

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 \$3,655 to ineligible participants during fiscal year 2014. Because of the multiple factors involved in the cases, it was not considered appropriate to attempt to determine projected questioned costs.

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 take appropriate action to either terminate benefits or grant permissible exemptions for cases exhausting the five year limit for benefits.

ELIGIBILITY

Control Deficiency

93.558 Temporary Assistance for Needy Families (TANF) State Programs

Federal Award Number and Year: G1202MSTANF 2012
 G1302MSTANF 2013
 G1402MSTANF 2014

Oth-06 Controls Should Be Strengthened over Segregation of Duties and Granting Access to MAVERICS for the TANF Program

Finding:

Good internal controls state that segregation of duties must be in place to help prevent and detect misappropriation of funds due to error or fraud. Because of the high percentage of employees with access to the Mississippi Application Verification Eligibility Reporting and Information Control Systems (MAVERICS), it is necessary to maintain controls over who can both enter and approve benefits so that an unnecessary risk to MDHS does not exist. MAVERICS serves as the primary TANF computer interface for eligibility determinations for the State of Mississippi.

Under TANF Eligibility Determination Process in Chapter 7, Certification and Authorization, of the TANF policy published on the MDHS website, Authorization is an official act, usually performed by the county director or their designee, certifying as to the eligibility or continuing eligibility of any assistance payments group. The authorization requests the issuance of a TANF benefit and authorizes the expenditures of public tax funds.

During our audit of the Mississippi Department of Human Services (MDHS), we determined that no formal or written internal control policies or procedures have been established for MAVERICS User Access. DHS has not established retention policies nor has it established policies regarding the approval or termination of user access which could result in errors in benefits causing misstatement to financials/ grant schedule or resulting in questioned costs.

Failure on the part of MDHS to strengthen controls could allow basic TANF benefits to be certified/approved by unauthorized personnel.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls over the MAVERICS system by developing Management Information Systems policies which include establishing retention and termination policies over user access.

REPORTING

Control Deficiency

93.558

Temporary Assistance for Needy Families (TANF) State Programs

Federal Award Number and Year: G1202MSTANF 2012
 G1302MSTANF 2013
 G1402MSTANF 2014

Oth-07

Controls Should Be Strengthened over the Data Collection and Submission of Required Federal Reporting Elements and Reports for the TANF Program

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 *Office of Management and Budget 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 related to the ACF-199 report, we noted the following exceptions.

- During our review of 15 cases selected, two instances, 13 percent, were noted in which the key line item number 17 (Receives Subsidized Child Care) reported that applicant "receives child care funded entirely or in part with Federal funds;" however, there is not a child care certificate in effect at 9/30/2013. Further, two instances, 13 percent, were noted in which key line item number 49 (Work Participation Status) reported an applicant "required to participate and participating, but not meeting the minimum participation requirements;" however, the participant was not participating in a work component.
- Sections one and two of the December 31, 2013 report and sections three and four of the March 31, 2014 quarterly reports were not filed within the deadline, which is 45 days after quarter end. Reports were filed between two and ten days late, with an average of seven days late.

The OMB Circular A-133 Compliance Supplement, Part 4 U.S. Department of Health and Human Services, TANF Cluster, Section L Reporting states the ACF-204 must contain information on the TANF program and the State's Maintenance of Effort (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 2013 ACF-204 is an annual report on the TANF program and the State's MOE programs for the fiscal year. States must complete the ACF-204 for each program for which the State has claimed basic MOE expenditures 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 fiscal year fourth quarter 2013 ACF-196 TANF Financial Report) and "Number of Families Served with MOE Funds on each program" (calculated as a pro rata portion of total TANF grant awarded to percent of total MOE awarded). During our review of the reports submitted by the Mississippi Department of Human Services, we noted the following discrepancies in data reported by the agency:

- The 2013 ACF-204 reported "Other Work Activities" as \$6,169,133 versus \$6,161,144 as reported on the fiscal year 2013 ACF-196 as of 9/30/2013.
- The 2013 ACF-204 reported "Other (Abstinence)" as \$0 versus \$7,989 as reported on the fiscal year 2013 ACF-196 as of 9/30/2013.
- The 2013 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. Due to the above instances not being separated, the calculation for "Total Number of Families Served" was incorrect for "Other Work Activities" and "Other (Abstinence)." "Other Work Activities" is stated as 8,585.76 on the ACF-204 versus 8,574.65 as reported on the fiscal year 2013 ACF-196 as of 9/30/2013. "Other (Abstinence)" is stated as 0 on the ACF-204 versus 11.12 as reported on the fiscal year 2013 ACF-196 as of 9/30/2013.
- The federal fiscal year 2013 ACF-204 report was not submitted within the timeframe allowed by the federal government.

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 17 and 49 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.

SPECIAL TESTS

Control Deficiency

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

Federal Award Number and Year: G1302MSTANF 2013
G1402MSTANF 2014

Oth-08 Controls Should Be Strengthened over Fraud Detection and Repayment of Fraudulent Child Care Certificate Payments for the CCDF Cluster

Finding:

The *Code of Federal Regulations* 45 CFR Section 98.60, states that the Mississippi Department of Human Services (MDHS) is responsible for recovering child care payments that are the result of fraud, including the process of recoupment and, if necessary, suspension and debarment. Further, the Mississippi Department of Human Services' Division of Early Childhood Care and Development (DECCD) has published the *Mississippi Child Care Payment Program Policy Manual*, which states in Section 108.02 that providers with substantiated fraud will be suspended or debarred.

In performing testwork of cases identified as fraudulent payments by the Department of Program Integrity, we noted eight instances in which investigated in-home providers had fraud substantiated and were not suspended or debarred as is required by the Mississippi Child Care Payment Policy.

Failure of DECCD to properly suspend or debar providers could result in additional fraudulent activity by providers.

Recommendation:

We recommend that the Division of Early Childhood Care and Development strengthen its controls related to the suspension and debarment of those providers with substantiated fraudulent payments.