



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

March 7, 2016

Single Audit Management Report

John Davis, Executive Director
Mississippi Department of Human Services
P. O. Box 352
Jackson, MS 39205

Dear Mr. Davis:

Enclosed for your review are the single audit findings and other audit findings for the Mississippi Department of Human Services for Fiscal Year 2015. In these findings, the Auditor's Office recommends the Mississippi Department of Human Services:

Single Audit Findings:

1. Strengthen controls over compliance with eligibility and benefit payment requirements of the Temporary Assistance for Needy Families (TANF) Program;
2. Strengthen controls over compliance with eligibility and benefit payment requirements of the Child Care and Development Fund (CCDF) cluster;
3. Strengthen controls over compliance with allowable cost requirements of the CCDF cluster;
4. Strengthen controls over submission of required federal reports of the Supplemental Nutrition Assistance Program (SNAP), CCDF and TANF programs;
5. Strengthen controls over on-site monitoring for SNAP, Social Services Block Grant (SSBG) and TANF Programs;
6. Strengthen controls over submission of required federal reporting elements and reports of the Low-Income Home Energy Assistance Program (LIHEAP);
7. Strengthen controls over the 20 percent exemption and five year time limit for the TANF Program;
8. Strengthen controls over termination of benefits for non-participation of work-eligible adults in the work activities program of the TANF Program;
9. Strengthen controls over subrecipient monitoring for OMB Circular A-133 audits for the SNAP, TANF, SSBG and LIHEAP Programs and for the CCDF Cluster;
10. Accurately report the status of prior year findings;
11. Ensure compliance with earmarking requirements of the CCDF Cluster; and
12. Ensure compliance with allowable cost requirements of the SNAP, TANF, CCDF, LIHEAP and SSBG Programs;

Other Audit Findings:

13. Strengthen controls over compliance with the Health and Safety requirements of the CCDF Program;
14. Strengthen controls over the data collection and submission of required federal reporting elements and reports for the TANF Program;

15. Strengthen controls over segregation of duties and granting access to MAVERICS for the TANF Program; and
16. Strengthen controls over on-site monitoring for the CCDF and LIHEAP Programs.

Please review the recommendations and submit a plan to implement them by March 21, 2016. 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,



Sallie Dier, CPA
Director, Financial and Compliance Audit Division

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, 2015. The Office of the State Auditor's staff members participating in this engagement included Sallie Dier, CPA; Stephanie Palmertree, CPA; Jason Ashley; Cheryl Johnston, CPA; Haley Hesdorffer; David Hodges; Kari Horn; and John Newell.

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, 2015.

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 2015-001, 2015-002, 2015-003, 2015-006, 2015-007, 2015-008, 2015-010, 2015-011 and 2015-012. In addition, we noted other instances of noncompliance that we have reported on the attached document, "Other Audit Findings," as item Oth-03 and Oth-04.

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 2015-001, 2015-002, 2015-003, 2015-004, 2015-005 and 2015-006 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 2015-007, 2015-008 and 2015-009 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-03, Oth-04, Oth-05, and Oth-06.

**CFDA/Finding
Number**

Finding and Recommendation

ELIGIBILITY

Material Noncompliance

Material Weakness

93.558

Temporary Assistance for Needy Families

Federal Award Number and Year:

G1502MSTANF 2015

G1401MSCCDF 2014

Questioned Costs: \$5,215

2015-001

Controls Should Be Strengthened over the Compliance with Eligibility and Benefit Payment Requirements

Finding:

Per the *Code of Federal Regulations* (45 CFR Part 264.1), states have the option to extend assistance paid for by the Federal Temporary Assistance for Needy Families (TANF) program beyond the five year limit for up to 20 percent of the average monthly number of families receiving assistance during the fiscal year or the immediately preceding fiscal year, which-ever the state elects. States are permitted to extend assistance to families only on the basis of hardship or if the family includes someone who has been battered.

The Mississippi Department of Human Services 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 4, Income and Eligibility Verification System (IEVS), requires all appropriate actions for IEVS data to be resolved in 45 days of the date the Agency receives the data.

Chapter 7, Eligibility Determination Process, requires the TANF case worker to review the Wired Third Party Query (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; if applicable, requires completion of a TANF Child Care Application (MDHS-EA-379); and, if applicable, requires completion of a MDHS-EA-352 to verify number of classroom hours scheduled and attended. Additionally, if receiving a TANF Job Retention Bonus, applicants are required to complete a MDHS-EA-360. This chapter also requires participants of the TANF work component to meet specific participation hours to receive a TANF Work Transportation (J1) stipend and to verify employment and work hours every three months to receive Transitional TANF services. 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 2015, we noted the following exceptions:

- Two out of 62 Basic TANF cases tested are not exempt from incrementing the 60 month counter; however, the counter is not incrementing.
- Two out of 26 Transitional Work Transportation Assistance cases tested did not have a signed Transitional Service Application on file.
- Three out of 62 Basic TANF cases tested did not have a signed Personal Responsibility Contract on file.
- Four out of 26 Transitional Work Transportation Assistance cases tested did not have a signed Transitional Service Child Care Services Application on file.
- Four out of 62 Basic TANF cases tested had an open alert in IEVS longer than 45 days from the date the case was opened.
- Five out of 62 Basic TANF cases tested were missing acceptable forms of documentation for one or more children.
- Five out of 22 Work Transportation Stipend cases tested did not have supporting documentation for hours worked to support benefit paid.
- Six out of 62 Basic TANF cases tested did not have verification of immunization for a child not attending school.
- Seven out of 26 Transitional Work Transportation cases tested received benefits but did not have supporting documentation for hours worked to support benefits paid.
- Thirteen out of 62 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 2015, we noted the following questioned costs:

- Thirty two out of 62 Basic TANF benefits tested, or 52%, resulted in \$2,695 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.
- Five out of 22 J1 stipends paid to participants tested, or 23%, resulted in \$720 of known questioned costs and \$607,187 of projected questioned costs.

- Seventeen out of 26 Work Transportation stipends tested, or 65%, paid to participants resulted in \$1,800 of known questioned costs and \$1,288,746 of projected questioned costs.

The results of our testwork described above indicates total projected questioned costs of \$1,895,933.

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 TANF Eligibility determination 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*.

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:

G1401MSCCDF 2014 G1501MSCCDF 2015

Questioned Costs: \$7,201

2015-002

Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment 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 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 the eligible child has special needs. This policy manual also provides for periodic re-determination of continuing eligibility.

In performing testwork on 60 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 2015, we noted the following weaknesses:

- 29 instances, or 48 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. This resulted in known questioned costs of \$6,863. It was not feasible to project questioned costs associated with this exception due to insufficient information and the lack of child care applications and supporting documents.
- 16 instances, or 27 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.
- 26 instances, or 43 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 \$338 and projected questioned costs of \$321,849.
- Seven instances, or 15 percent, in which provided social security numbers could not be verified due to supporting documentation not being maintained by DECCD.

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 eligibility 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*.

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:

G1401MSCCDF 2014 G1501MSCCDF 2015

Questioned Costs: \$5,214

2015-003

Controls Should Be Strengthened to Ensure Compliance with Allowable Cost 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 2015, we noted the following:

- Six instances out of 60, or 10 percent, in which a school-aged 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 part-time attendance. These six instances resulted in known questioned costs of \$3,440 out of total year-end school-aged certificate payments of \$18,013,581 and projected questioned costs of \$2,151,374.
- Three instances out of 60, or 5 percent, in which school-aged children were issued a child care certificate that provided both full-time and part-time attendance rates, but the provider recorded, and was paid, only full-time rates during months school was in session. These three instances resulted in known questioned costs of \$1,497 out of total year-end school-aged certificate payments of \$18,013,581 and projected questioned costs of \$936,136.

- Two instances out of 60 in which issued child care certificates authorized only 21/23 days attendance, but the provider recorded, and was paid for, 31 days attendance. These two instances resulted in known questioned costs of \$277 out of total year-end certificate payments of \$63,547,740 and projected questioned costs of \$261,644.
- One instance out of 60 in which the approved Child Care Payment Program provider information could not be verified due to the provider application and supporting documentation not being maintained by DECCD.
- One instance out of 60 in which the provider payment for the tested benefit month could not be verified in the Agency's accounting records.

Failure of DECCD to properly provide for the payment of part-time rates on the certificates for school-aged children and to properly maintain supporting documentation for benefits issued can result 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 co-pays are assigned and providers paid in accordance with the requirements set forth in the *Code of Federal Regulations* and the *Mississippi Child Care Payment Program Policy Manual*.

REPORTING

Material Weakness

10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families State Programs
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Federal Award Number and Year:

12-35-2841- B13	2013	G1402MSTANF	2014
12-35-2841 - B14	2014	G1502MSTANF	2015
12-35-2841- B15	2015	G1201MSCCDF	2012
2013IS750345	2013	G1301MSCCDF	2013
2014IS750345	2014	G1401MSCCDF	2014
2015IS750345	2015	G1501MSCCDF	2015

Questioned Costs: None

2015-004

Controls Should Be Strengthened over the Submission of Required Federal Reports

Finding:

The *Code of Federal Regulations* (45 CFR Part 265.3) requires a “TANF Data Report” (ACF-199) for the Temporary Assistance to Needy Families (TANF) program to be completed and submitted in accordance with instructions provided by the Administration for Children and Families. Those instructions require States to submit quarterly reports for each open fiscal year of grant funds until all funds are expended; therefore, States will likely submit separate forms for multiple grant award years simultaneously. These reports are due and must be submitted 45 days after the end of each quarter – February 14th, May 15th, August 14th and November 14th.

During testwork performed for the reporting requirements of the TANF program during fiscal year 2015, we noted the following exceptions:

- Sections two, three and four of the December 31, 2014 quarterly reports were not submitted within 45 days after the end of the reporting period. Reports averaged 7 days late.
- Sections one, two, and four of the June 30, 2015 quarterly reports were not submitted within 45 days after the end of the reporting period. Reports averaged 49 days late.

The *Code of Federal Regulations* (45 CFR Part 265.6) requires a “Quarterly Financial Status Report” (ACF-196) for the TANF program to be completed and submitted in accordance with instructions provided by the Administration for Children and Families. Those instructions require States to submit quarterly reports for each open fiscal year of grant funds until all funds are expended; therefore, States will likely submit separate forms for multiple grant award years simultaneously. These reports are due and must be submitted 45 days after the end of each quarter – February 14th, May 15th, August 14th and November 14th.

During testwork performed for the program specific reporting requirements of the TANF program during fiscal year 2015, we noted five out of seven reports submitted were not submitted within 45 days after the end of the reporting period. Reports averaged 14 days late.

The *Code of Federal Regulations* (45 CFR Part 98.70) requires a “Quarterly Financial Status Report” (ACF-696) for the Child Care and Development Fund (CCDF) program to be completed and submitted in accordance with instructions provided by the Administration for Children and Families. Those instructions require States to submit quarterly reports for each open fiscal year of grant funds until all funds are expended; therefore, States will likely submit separate forms for multiple grant award years simultaneously. These reports are due and must be submitted 30 days after the end of each quarter – January 31st, April 30th, July 31st and October 31st.

During testwork performed for the program specific reporting requirements of the CCDF program during fiscal year 2015, we noted 12 out of 12 reports submitted were not submitted within 30 days after the end of the reporting period. Reports averaged 14 days late.

The *Code of Federal Regulations* (45 CFR Part 75.341) grants the Health and Human Services awarding agency authority to require financial reporting for effective monitoring of federal awards. The Federal Financial Report (FFR) is required to be completed and submitted in accordance with instructions provided by the Administration for Children and Families, and must be submitted quarterly, semiannually or annually, based on instructions from the ACF and awarding agency. Those instructions require States to submit quarterly and semi-annual reports no later than 30 days after the end of each reporting period and annual reports no later than 90 days after the end of each reporting period or grant period end date.

During testwork performed for reporting requirements of the TANF, CCDF, and Supplemental Nutrition Assistance Program (SNAP) programs during fiscal year 2015, we noted the following exceptions:

- Two of the two reports tested for the quarterly TANF FFR-425 reports were not submitted within 30 days after the end of the reporting period. Reports averaged 21 days late.
- Two of the two reports tested for the quarterly CCDF FFR-425 reports were not submitted within 30 days after the end of the reporting period. Reports averaged 21 days late.
- Four of the six reports tested for the quarterly SNAP FFR-425 reports were not submitted within 30 days after the end of the reporting period. Reports averaged 14 days late.

Good internal controls over reporting should include a timely and independent review of information reported. Failure to timely review and submit reports could result in reporting penalties and could impact ACF's funding determinations.

Recommendation:

We recommend MDHS strengthen the controls over the preparation, review and timely submission of required performance and financial reports prior to submission to the Department of Health and Human Services.

SUBRECIPIENT MONITORING

Material Weakness

10.551	Supplemental Nutrition Assistance Program
10.561	State Administration Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families
93.667	Social Services Block Grant

Federal Award Number and Year:

12-35-2841 – B14	2014	G1402MSTANF	2014
12-35-2841– B15	2015	2014IS750345	2014
G1201MSSOSR	2012	G1401MSSOSR	2014

Questioned Costs: None

2015-005

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 & 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 32 subgrant contracts during state fiscal year 2015, we noted the following weaknesses:

- Eight contracts tested, or 25 percent, were not monitored within the contract period as required by Program Integrity's Division of Monitoring procedures. Contracts were monitored between 58 and 180 working days later, with an average of 108 working days after the contract end date.
- Eight contracts, or 25 percent, were noted where 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 18 days passing between the IMR and subgrantee's response.
- Two contracts never received a Corrective Actions response; however, demand letters were sent and an Administrative Hearing was requested.
- Nine contracts, or 28 percent were noted in which the Initial Monitoring Report was not issued within 60 days of the exit conference:
 - IMR's were issued between 66 and 155 days late, with an average of 105 working days after the exit conference took place.
- Three contracts, or nine percent, in which the Fact Finding Sheet showed no evidence of the Subgrantee's signature.
- Four contracts, or 13 percent, in which Question Costs had not been completely resolved as of the date of testwork.
- During our verification of the completeness of the sample population of 115, we noted three contracts that were listed on the GM18 report and had expenditures in FY2014 were not included on the SFY2014 Subgrant Monitoring Tracking document. Of the three contracts, two contracts were not subjected to on-site monitoring within the contract period. These two contracts total \$1,146,490 out of \$62,957,259 (1.8%) in the population

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.

REPORTING

Immaterial Noncompliance

Material Weakness

93.568

Low Income Home Energy Assistance Program

Federal Award Number and Year:

G13B1MSLIEA – 2013

G14B1MSLIEA – 2014

G15B1MSLIEA – 2015

Questioned Costs: None

2015-006

Controls Should Be Strengthened over the Submission of Required Federal Reporting Elements and Reports.

Finding:

The *Code of Federal Regulations* (45 CFR Part 75.341) grants the Health and Human Services awarding agency authority to require financial reporting for effective monitoring of federal awards. The Federal Financial Report (FFR) is required to be completed and submitted in accordance with instructions provided by the Administration for Children and Families, and must be submitted quarterly, semiannually or annually, based on instructions from the ACF and awarding agency. Those instructions require States to submit quarterly and semi-annual reports no later than 30 days after the end of each reporting period and annual reports no later than 90 days after the end of each reporting period or grant period end date.

Additionally, the *Office of Management and Budget Circular A-133* compliance supplement requires submitted reports agree to the reporting entity's accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

During testwork performed for reporting requirements for LIHEAP for fiscal year 2015, we noted the following exceptions:

- One instance in which the amount reported on the FFR-425 for Line F "Federal Share of Unliquidated Obligations" does not agree to the amount on the supporting accounting records. The amount reported on the FFR-425 listed the balance of Unliquidated Obligations as \$17,099,467; however, the supporting accounting records listed the amount as \$12,701,200.
- One instance in which the amount reported on the FFR-425 for Line H "Unobligated Balance of Federal Funds" does not agree to the amount on the supporting account records. The amount reported on the FFR-425 listed the balance of Unobligated Obligations as \$0; however, the supporting accounting records listed the amount as \$4,398,267.
- The FFR-425 report required to be submitted for the Final reporting period of the 13B1MSLIEA federal grant was not submitted.
- \$117,345 of expenditures allocated to the LIHEAP program during the Cost Allocation Process were not reported as expenditures on the FFR-425.

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 MDHS strengthen the controls over the preparation, review and timely submission of required performance and financial reports prior to submission to the Department of Health and Human Services.

EARMARKING

Immaterial Noncompliance Significant Deficiency

93.558 Temporary Assistance for Needy Families State Programs

Federal Award Number and Year:

G1502MSTANF 2015

Questioned Costs: \$6,210

2015-007 Controls Should Be Strengthened over 20 Percent Exemption and Five Year Time Limit

Finding:

Per the *Code of Federal Regulations* (45 CFR Part 264.1), states have the option to extend assistance paid for by the Federal Temporary Assistance for Needy Families (TANF) program beyond the five year limit for up to 20 percent of the average monthly number of families receiving assistance during the fiscal year or the immediately preceding fiscal year, which-ever the state elects. States are permitted to extend assistance to families only on the basis of hardship or if the family includes someone who has been battered.

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

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

- 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).
- Of 10 cases examined, four cases received a benefit after the 60 month counter was exhausted and did not meet the criteria for an exemption per policy Volume III Chapter 3.

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 2015.

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 \$6,210 to ineligible participants during fiscal year 2015.

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.

SPECIAL TESTS

***Immaterial Noncompliance
Significant Deficiency***

93.558

Temporary Assistance for Needy Families State Programs

Federal Award Number and Year:

G1502MSTANF 2015

Questioned Costs: \$3,705

2015-008

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.

Discussions with agency personnel in the Division of Field Operations indicate there is currently no policy requiring review of the “TANF High Counter Report”, which tracks the months a TANF recipient has not participated in a TANF work activity. Review of the report at the county/regional offices and in the central office would have allowed prevention/detection of the errors by MDHS personnel.

Due to the lack of controls being in place, auditors substantively tested a sample of the transactions to verify that benefits were not paid in error and noted six of out 15 cases tested that continued to receive benefits after exceeding the 24 month counter.

In performing testwork on TANF benefits paid to participants during fiscal year 2015, we noted six out of 15 benefits tested, or 40 percent, continued to receive benefits after exceeding the 24 month counter, which resulted in \$3,705 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.

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.

SUBRECIPIENT MONITORING

Significant Deficiency

10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families State Programs
93.568	Low-Income Home Energy Assistance Program
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year:

SNAP Letter of Credit	G1201MSSOSR	2011	
G1102MSTANF	2011	G1301MSSOSR	2012
G1202MSTANF	2012	G1301MSSOSR	2013
G1302MSTANF	2013	G11B1MSLIEA	2011
G1001MSCCDF	2010	G12B1MSLIEA	2012
G1101MSCCDF	2011	G13B1MSLIEA	2013
G1201MSCCDF	2012		
G1301MSCCDF	2013		

Questioned Costs: None

2015-009

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 2013. During our review, we noted the following problems.

- Of 23 subgrantees tested, we noted seven instances in which the OMB A-133 audit reports/SAIF forms for the subgrantee were not received by Office of Monitoring within nine months of the subgrantee's fiscal year end. In each instance where 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 and a reminder letter to each subgrantee regarding their OMB A-133 audit report requirements. Subgrantee audit reports were received on average 98 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 four of the seven instances 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, a

reminder letter, and a 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. Subgrantee audit reports were received on average 405 days after the nine month deadline.

- During testing of completeness, we noted seventeen instances in which subrecipients were not included on the FY2013 tracking report utilized by Office of Monitoring but had expenditures in FY2013 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.

REPORTING

Immaterial Noncompliance

93.558
93.568

Temporary Assistance for Needy Families State Programs
Low-Income Home Energy Assistance Program

Federal Award Number and Year:

1402MSTANF (2014)	G14B1MSLIEA (2014)
1502MSTANF (2015)	G15B1MSLIEA (2015)
Questioned Costs: None	

2015-010

Agency Should Accurately Report the Status of Prior Year Findings

Finding:

The *Code of Federal Regulations* (2 CFR Part 200.511) tasks auditees with the responsibility for follow-up and corrective action on all audit findings. As a part of this responsibility, auditees are required to report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. Auditees may either note that the finding has been 1)fully corrected, 2)partially corrected, or 3)not corrected. Additionally, the *Code of Federal Regulations* (2 CFR Part 200.516) requires that the auditee prepared "Summary Schedule of

Prior Year Findings” must not materially misrepresent the status of any prior year audit finding.

During testwork performed for the Mississippi Department of Human Services for fiscal year 2015, we noted that the Summary Schedule of Prior Year Findings provided by the agency reported that the status of prior year reporting findings related to the Federal Funding Accountability and Transparency Act (FFATA) was “FULLY CORRECTED” for the Temporary Assistance for Needy Families (TANF) State Programs and the Low-Income Home Energy Assistance Programs (LIHEAP). However, upon verification of this status, we noted the following.

- Of the six LIHEAP awards tested that met the FFATA reporting requirements, 100 percent of the subawards were not reported in the FSRS system by the last day of the month following the obligation date.
- Of the six LIHEAP awards tested that met the FFATA reporting requirements, 100 percent of the subaward amounts were incorrectly reported in the FSRS system.
- Of the 12 TANF awards tested that met the FFATA reporting requirements, eight of the subawards subaward amounts were incorrectly reported in the FSRS system.
- Of the 12 TANF awards tested that met the FFATA reporting requirements, four of the subawards were not reported in the FSRS system by the last day of the month following the obligation date.

The Division of Field Operations 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 federal requirements could result in reduced funding for applicable programs.

Recommendation:

We recommend that the Mississippi Department of Human Services ensure compliance with reporting requirements by accurately reflecting the status and corrective action of prior year findings.

EARMARKING

Immaterial Noncompliance

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:

G1202MSCCDF 2012

Questioned Costs: \$99,295

2015-011

Agency Should Ensure Compliance with Earmarking and Minimum Targeted Funds Provisions and Requirements

Finding:

The terms and conditions of the 2012 federal grant agreement between the Mississippi Department of Human Services (MDHS) and the Department of Health and Human Services - Administration for Children and Families Division (ACF) include provisions of the 2012 Omnibus Appropriations Bill (Public Law. 111-8) which targeted specific amounts for the following activities related to the Child Care and Development Block Grant (CCDF):

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

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

During our testing of MDHS's final ACF-696 financial report for federal grant year 2012, we noted the minimum expenditure requirements for Mississippi, as established by ACF, were not met as follows for CCDF Discretionary awards.

- Expenditures were \$3,582 below the minimum requirement of \$1,603,828 for the Infant and Toddler Quality Improvements earmark on 2012 CCDF Discretionary funds.
- Expenditures were \$95,713 below the minimum requirement of \$2,769,344 for the Child Care Quality Improvements earmark on 2012 CCDF Discretionary funds.

Failure to monitor earmarks for minimum compliance throughout the financial reporting period could result in questioned costs and recoupment of costs by the federal granting agency.

Recommendation:

We recommend the Mississippi Department of Human Services ensure minimum targeted funds are obligated and expended to meet the Child Care and Development Block Grant (CCDF) earmarking requirements.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

10.551
10.561

Supplemental Nutrition Assistance Program
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

93.558	Temporary Assistance for Needy Families State Programs
93.568	Low-Income Home Energy Assistance Program
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year:

SNAP Letter of Credit	G1301MSSOSR	2013
G1402MSTANF 2014	G1401MSSOSR	2014
G1502MSTANF 2015	G1501MSSOSR	2015
G1201MSCCDF 2012	G12B1MSLIEA	2012
G1301MSCCDF 2013	G13B1MSLIEA	2013
G1401MSCCDF 2014	G14B1MSLIEA	2014
G1501MSCCDF 2015	G14B1MSLIEA	2015

Questioned Costs: \$347,248

2015-012

Agency Should Ensure Compliance with Allowable Costs Requirements.

Finding:

The Code of Federal Regulations (45 CFR Part 95 and 2 CFR Part 200) 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 by a cost allocation plan (CAP). Further, 45 CFR Part 95.517 states that a State may claim costs based on a proposed plan, unless otherwise advised by the Division of Cost Allocation in the appropriate HHS Regional Office.

During testwork performed for the Division of Cost Allocation for allocated costs during fiscal year 2015, we noted that certain shared costs that should have been charged directly to cost centers/cost pools for further allocation were instead charged in error to "roll up" cost centers and did not flow through the cost allocation process.

The above instances of noncompliance resulted in known questioned costs of \$347,248.

Noncompliance with federal allowable costs requirements could potentially result in costs not being accumulated and allocated correctly and could result in questioned costs and recoupment of costs by the federal granting agency.

Recommendation:

We recommend the Mississippi Department of Human Services strengthens its policies to ensure that joint indirect costs are charged to the proper cost centers so that they flow through the cost allocation process for proper assignment to the agency's federal programs.

OTHER AUDIT FINDINGS

In planning and performing our audit of the federal awards received by the Mississippi Department of Human Services for the year ended June 30, 2015, we considered internal control over compliance with the requirements that could have a direct and material effect on the major federal programs. Matters which require the attention of management were noted. These matters which do not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involve an immaterial instance of noncompliance and other control 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.

**CFDA/Finding
Number**

Finding and Recommendation

SPECIAL TESTS

***Immaterial Noncompliance
Control Deficiency***

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:

G1502MSCCDF20145

Questioned Costs: None

Oth-03

**Controls Should Be Strengthened over Compliance with the Health and Safety
Requirements.**

Finding:

The *Code of Federal Regulations* (45 CFR 98.11) requires the Mississippi Department of Human Services (MDHS) as the lead agency to monitor Child Care and Matching Funds of the Child Care and Development Funds (CCDF) programs and services.

Per Section 98.41 of the Code of Federal Regulations, MDHS must certify that monitoring and enforcement procedures are in place to verify that child care providers (unless they meet an exception) serving children who receive subsidies satisfy the requirements pertaining to preventions and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers.

MDHS has published the State Plan for the Child Care and Development Fund for fiscal year 2014/2015, which establishes procedures and policy under the CCDF program. According to the State Plan, the Division of Early Child Care

Development (DECCD) will rely on the Mississippi Department of Health (MDH) to ensure compliance with the health and safety requirements.

In performing testwork of compliance with health and safety requirements, we noted no documentation of communication with MDH to confirm providers are complying with the applicable health and safety requirements.

Failure of DECCD to properly confirm providers are complying with applicable health and safety requirements could result in unlicensed providers receiving program benefits.

Recommendation:

We recommend that DECCD strengthen controls related to the monitoring and enforcement of health and safety requirements for childcare providers participating in the child care certificate program.

REPORTING

***Immaterial Noncompliance
Control Deficiency***

93.558

Temporary Assistance for Needy Families State Programs

Federal Award Number and Year:

G1402MSTANF 2014

G1502MSTANF 2015

Questioned Costs: None

Oth-04

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

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 Department of Health and Human Services - Administration for Children and Families Division (ACF) in evaluating work participation and other TANF program information.

When performing testwork related to TANF Reporting requirement as of June 30, 2015, the auditor reviewed the submitted ACF-199 reports and noted, of the 20 cases selected for review, one instance was noted in which the key line item number 17 (Receives Subsidized Child Care) reported that there was a child

receiving child care funded entirely or in part with Federal Funds when in fact the case does not have an active child care certificate.

The OMB Circular A-133 Compliance Supplement, Part 4 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 2014 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 FFY 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).

The *Code of Federal Regulations* (45 CFR Part 75.341) grants the Health and Human Services awarding agency authority to require financial reporting for effective monitoring of federal awards. The Federal Financial Report (FFR) is required to be completed and submitted in accordance with instructions provided by the Administration for Children and Families, and must be submitted quarterly, semiannually or annually, based on instructions from the ACF and awarding agency. Those instructions require States to submit quarterly and semi-annual reports no later than 30 days after the end of each reporting period and annual reports no later than 90 days after the end of each reporting period or grant period end date.

Additionally, the *Office of Management and Budget Circular A-133* compliance supplement requires submitted reports agree to the reporting entity's accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

During testwork performed for reporting requirements for TANF for fiscal year 2015, we noted the following exceptions:

- The 2014 ACF-204 reported "Administration" expenditures as \$73,390 versus \$62,971 as reported on the 2014 QE 9/30/14 ACF-196.
- The 2014 ACF204 reported "Other" expenditures as \$0 versus \$10,419 as reported on the 2014 QE 9/30/2014 ACF-196.
- Seven instances in which the "Total Number of Families Served" as calculated on the 2014 ACF-204 does not match as calculated on the 2014 QE 9/30/14 ACF-196.

- The Total Number of TANF Cases used to calculate the “Total Number of Families Served” in the 2014 ACF-204 was 104,130 versus the actual Total Number of TANF Cases of 104,328.
- \$11,178 of expenditures allocated to the TANF program during the Cost Allocation Process were not reported on the FFR-425.

Good internal controls over reporting should include an independent review of information reported. Failure to review for anomalies in the data 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 item information regarding whether a Temporary Assistance for Needy Families case is required to participate in the TANF Work Program. We also recommend MDHS strengthen the controls over the preparation and review of the TANF ACF-204 annual report prior to submission to the Department of Health and Human Services.

ELIGIBILITY

Control Deficiency

93.558

Temporary Assistance for Needy Families State Programs

Federal Award Number and Year:

G1502MSTANF 2015

Questioned Costs: None

Oth-05

Controls Should Be Strengthened over Segregation of Duties and Granting Access to MAVERICS

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 Mississippi Department of Human Services (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.

Additionally, the MDHS Management Information Systems (MIS) Division policy states that system administrators will conduct Self-Audits of all user accounts on a semi-annual basis, at a minimum and that user accounts that have been inactive for 90 days or more will be disabled or deleted.

During testwork performed on MAVERICS User Access during fiscal year 2015, we noted the following weaknesses.

- Formal, written internal control policies were established during fiscal year 2015; however, these policies were not distributed or communicated to employees and contract workers.
- The Semi-Annual Spring 2015 RACF Self-Audit was not performed during fiscal year 2015.
- Of the 57 MAVERICS profiles examined, eleven did not have valid RACF profiles.
- Of the 57 MAVERICS profiles examined, eleven had security profiles that had been inactive for over 90 days without being disabled or deleted.
- Of the 57 MAVERICS profiles examined, three instances were noted in which the employee was terminated and the security profiles were not deleted at termination.
- Of the 57 MAVERICS profiles examined, one instance was noted in which the employee was terminated and neither the security profile nor RACF profile were deleted at termination.

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 access to the MAVERICS.

SUBRECIPIENT MONITORING

Control Deficiency

93.568

93.575

93.596

Low Income Home Energy Assistance Program

Child Care and Development Block Grant

Child Care Mandantory and Matching Funds of the Child Care Development Fund

Federal Award Number and Year:

G1201MSCCDF 2012

G1301MSCCDF 2013

G1401MSCCDF 2014

G13B1MSLIEA 2013

G14B1MSLIEA 2014

Questioned Costs: None

Oth-06

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 & 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 19 subgrant contracts during state fiscal year 2015, we noted the following weaknesses:

- One contract tested, or five percent, was not monitored within the contract period as required by Program Integrity's Division of Monitoring procedures. Contract was monitored 58 days late.
- One contract, or five percent, in which the monitoring file had no evidence of the Programmatic Tool or Fiscal Monitoring Tool.
- During our verification of the completeness of the sample population of 115, we noted one additional contract on the FY14 tracking document (outside the parameters of our testing population) for which recorded monitoring date indicates that monitoring occurred subsequent to contract end date.

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.

End of Report



STATE OF MISSISSIPPI
Phil Bryant, Governor
DEPARTMENT OF HUMAN SERVICES
John Davis
Executive Director

SINGLE AUDIT FINDINGS

March 23, 2016

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

The following are our responses and corrective action plans to the Single Audit Findings in the Single Audit Management Report as outlined in the Mississippi Department of Human Services' audit performed for Fiscal Year 2015:

SINGLE AUDIT FINDINGS:

**CFDA/Finding
Number**

Finding and Recommendation

ELIGIBILITY

***Material Noncompliance
Material Weakness***

93.558

Temporary Assistance for Needy Families

Federal Award Number and Year:

G1502MSTANF 2015

G1401MSCCDF 2014

Questioned Costs: \$5,215

2015-001

Controls Should Be Strengthened over the Compliance with Eligibility and Benefit Payment Requirements

Response:

The Mississippi Department of Human Services (MDHS) agrees that controls should be strengthened over compliance with eligibility and benefit payment requirements of the Temporary Assistance for Needy Families (TANF) program. Eligibility Workers and Case Managers should be aware of the policy of which the MDHS Division of Field Operations (DFO) has in place to address the various findings revealed by this audit. For various reasons, staff did not follow policy and procedures in a complete, accurate and timely manner in every case.

Corrective Action Plan:

The Division of Field Operations will re-emphasize to its staff the importance of adherence to policy and procedures as set out in Volume III, TANF Policy Manual.

The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's office. The anticipated completion date for the corrective actions is June 30, 2016.

ELIGIBILITY

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:

G1401MSCCDF 2014

G1501MSCCDF 2015

Questioned Costs: \$7,201

2015-002

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

Response:

In June 2014 DECCD launched client redetermination processes for all cases identified as non-referred clients. Per federal rule, client redetermination will occur no fewer than 12 months from the date of initial eligibility determination, or last date of redetermination. DECCD will continue to redetermine clients eligible for subsidy according to this federal rule. Client redeterminations will be an on-going process each fiscal year. This redetermination process will require parents to provide all information required to determine eligibility and will allow DECCD to build a complete electronic case file for future audits.

The data system interface with the TANF client system increased functionality during the 2014 year. Since this time, DECCD has been better able to identify cases where clients continued to receive services without an active/open referral from TANF caseworkers. These cases are terminated as they are identified via the system interface, which should help control the issuance of certificates to clients no longer eligible for services.

Corrective Action Plan:

DECCD is implementing an online client redetermination process that will allow DECCD to perform client redeterminations on a regular basis. This redetermination process will address the findings related to missing documentation used to determine eligibility and set co-payment rates. DECCD will redetermine clients eligible in the manner prescribed in the CCDF legislation of 2014.

DECCD's Data Integrity Manager will be reviewing the reconciliation report between JAWS and CCPS on a weekly basis to identify gaps between referral information and service records. This process will support increased alignment between the two programs' client data. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

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:

G1401MSCCDF 2014

G1501MSCCDF 2015

Questioned Costs: \$5,214

2015-003 Controls Should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the CCDF Cluster

Response:

While it is true that most school-aged children require part time care for most days during the school year, it is also true that parents of school-aged children work non-traditional hours and can need care for an excess of 6 hours per day during the school year. DECCD allows for school aged children to be issued full-time certificates for care so that parents are not burdened with tuition payments when the part-time subsidy rate does not cover the care they need. Given this information regarding the ability for school-aged children to be issued full-time certificates, DECCD respectfully disagrees with the projected questioned costs associated with this finding. It is not possible to project questioned costs without considering the validity of some full-time certificates for school-aged children. Additionally, the issuance of full-time certificates for school-aged children is allowable, and not out of compliance with the allowable cost requirements of the Child Care and Development Block Grant, the Code of Federal Regulations, or the Mississippi Child Care Payment Policy Manual as stated in the Report.

In response to the finding related to the authorized number of days for care, DECCD respectfully disagrees with the questioned and projected questioned costs for this finding. Unlicensed providers are not limited in the number of days for which they can provide care during the month.

Corrective Action Plan:

DEECD has implemented a two part process for renewing provider information. ITS is developing an interface between the Mississippi Department of Health Division of Child Care Licensure and DECCD's data system. This will allow for providers to renew information annually for both agencies. In addition, unlicensed providers are renewing their information annually using DECCD's data system. This will allow for collection of missing information from providers. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

REPORTING

Material Weakness

10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families State Programs
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Federal Award Number and Year:

12-35-2841- B13	2013	G1402MSTANF	2014
12-35-2841 - B14	2014	G1502MSTANF	2015
12-35-2841- B15	2015	G1201MSCCDF	2012
2013IS750345	2013	G1301MSCCDF	2013
2014IS750345	2014	G1401MSCCDF	2014
2015IS750345	2015	G1501MSCCDF	2015

Questioned Costs: None

2015-004

Controls Should Be Strengthened over the Submission of Required Federal Reports

Response:

The Mississippi Department of Human Services agrees that controls should be strengthened over preparation, review and timely submission of required performance and financial reports prior to submission to the Department of Health and Human Services.

The State of Mississippi's agency in charge of providing statewide automated accounting systems to be used by all State agencies, the Department of Finance and Administration (DFA), implemented an Enterprise Resource Planning (ERP) system effective July 1, 2014. This new system called Mississippi's Accountability System for Government Information and Collaboration (MAGIC) replaced the legacy accounting system. All of the deliverables related to the reporting capabilities of MAGIC were not available at the go-live date due to various challenges of implementing a huge new system. As a result, our federal report preparers were faced with unexpected changes in business processes related to compiling data for preparation of federal reports. Instead of custom reports being generated by the system as in the legacy system, MAGIC required users to retrieve data in raw form, such as file downloads from MAGIC to Microsoft Excel, and then sorting, filtering, and calculating this raw data into displays of information (reports) needed to prepare federal reports. Initially this was an extremely time-consuming and manual process. Since our legacy system had a robust reporting capability to support federal reporting, we were not prepared to respond quickly to the lack of customized reporting from the new system. Late federal reports were a result of this system change.

Corrective Action Plan:

We are well past one year into the implementation of the new MAGIC system and we have become very accustomed to and experienced with the manual processes and we are in the process of adding staff positions that will strengthen or ability to file federal reports in a timely fashion. At the same time we expect that our new system will eventually provide a reporting tool that is less manual and faster than manipulating data on excel spreadsheets. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

SUBRECIPIENT MONITORING

Material Weakness

10.551 Supplemental Nutrition Assistance Program
10.561 State Administration Matching Grants for the Supplemental Nutrition Assistance Program
93.558 Temporary Assistance for Needy Families
93.667 Social Services Block Grant
Federal Award Number and Year:

12-35-2841 – B14	2014	G1402MSTANF	2014
12-35-2841 – B15	2015	2014IS750345	2014
G1201MSSOSR	2012	G1401MSSOSR	2014

Questioned Costs: None

2015-005

Controls Should Be Strengthened over On-Site Monitoring

Response:

The Agency Concurs with the finding and controls have been strengthened over subrecipient monitoring for the SNAP, TANF and SSBG programs.

Corrective Action Plan:

These guidelines have been put in place and are operating efficiently.

New guidelines and tracking systems have been put in place to help the Office of Monitoring to obtain all subgrant and contract information from the funding divisions in a timely manner. The Director of Office of Monitoring and two supervisors now have complete access to the MAGIC program. This allows the monitors to have the files and cost reporting worksheets available in a more timely manner. The monitors will no longer have to wait for information from the funding divisions. Once subgrants and contracts are received from the funding divisions, a notation is requested from each funding division by the Office of Monitoring that all subgrants/contracts have been sent.

The Office of Monitoring has put in place a new tracking system that will allow the monitors to be notified of vital information dates such as contract expiration dates, initial reports, status reports and final decision letter due dates one week prior to the due dates via email. Also, the new tracking will notify the monitors four days prior to the due dates for

responses from the subgrantee/contractor. This new system will allow notes and additional contact information to be recorded when giving extensions or when other information is needed. The tracking system will also be used to keep all subgrant/contract information in the system. This will include the contract, modifications and all work papers and correspondence that pertain to the subgrant/contract.

New time requirements in our Standard Operating Procedures have been set by the Director. Each monitor is now required to check the tracking twice a week and update the tracking. The monitors have been given training in time management with a special emphasis on the new time requirements. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

REPORTING

Immaterial Noncompliance *Material Weakness*

93.568

Low Income Home Energy Assistance Program

Federal Award Number and Year:

G13B1MSLIEA – 2013

G14B1MSLIEA – 2014

G15B1MSLIEA – 2015

Questioned Costs: None

2015-006

Controls Should Be Strengthened over the Submission of Required Federal Reporting Elements and Reports.

Response:

The Mississippi Department of Human Services agrees that controls should be strengthened over preparation, review and timely submission of required performance and financial reports prior to submission to the Department of Health and Human Services.

The State of Mississippi's agency in charge of providing statewide automated accounting systems to be used by all State agencies, the Department of Finance and Administration (DFA), implemented an

Enterprise Resource Planning (ERP) system effective July 1, 2014. This new system called Mississippi's Accountability System for Government Information and Collaboration (MAGIC) replaced the legacy accounting system. All of the deliverables related to the reporting capabilities of MAGIC were not available at the go-live date due to various challenges of implementing a huge new system. As a result, our federal report preparers were faced with unexpected changes in business processes related to compiling data for preparation of federal reports. Instead of custom reports being generated by the system as in the legacy system, MAGIC required users to retrieve data in raw form, such as file downloads from MAGIC to Microsoft Excel, and then sorting, filtering, and calculating this raw data into displays of information (reports) needed to prepare federal reports. Initially this was an extremely time-consuming and manual process. Since our legacy system had a robust reporting capability to support federal reporting, we were not prepared to respond quickly to the lack of customized reporting from the new system. Late federal reports were a result of this system change.

Corrective Action Plan:

We are well past one year into the implementation of the new MAGIC system and we have become very accustomed to and experienced with the manual processes and we are in the process of adding staff positions that will strengthen or ability to file federal reports in a timely fashion. At the same time we expect that our new system will eventually provide a reporting tool that is less manual and faster than manipulating data on excel spreadsheets. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

EARMARKING

***Immaterial Noncompliance
Significant Deficiency***

93.558

Temporary Assistance for Needy Families State Programs

Federal Award Number and Year:

G1502MSTANF 2015

Questioned Costs: \$6,210

2015-007

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

Response:

The Mississippi Department of Human Services (MDHS) agrees that controls should be strengthened over 20% exemption and five year time limit requirements of the TANF program. MDHS DFO has developed and implemented policy of which case managers should be aware that provide adequate controls to address the various findings revealed by this audit. For a variety of reasons, staff did not follow policy and procedures in a complete, accurate and timely manner in every case.

Corrective Action Plan:

The Division of Field Operations will re-emphasize to its staff the importance of adherence to policy and procedures as set out in Volume III, TANF Policy Manual.

The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

SPECIAL TESTS

***Immaterial Noncompliance
Significant Deficiency***

93.558

Temporary Assistance for Needy Families State Programs

Federal Award Number and Year:

G1502MSTANF 2015

Questioned Costs: \$3,705

2015-008

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

Response:

The Mississippi Department of Human Services agrees that controls should be strengthened over termination of benefits for non-participation of work-eligible adults in the TANF program work activities.

Corrective Action Plan:

New policy was implemented in October 2014 providing guidance on procedures for handling cases listed on the TANF High Counter Report. Procedures have been put in place for County Directors to monitor for completeness and provide a status report to their Regional Directors. The Regional Directors are required to sign-off on the report ensuring appropriate actions were taken. State Office staff is also tracking the TANF High Counter Reports to ensure case records retain sufficient documentation. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

SUBRECIPIENT MONITORING

Significant Deficiency

10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families State Programs
93.568	Low-Income Home Energy Assistance Program
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year:

SNAP Letter of Credit	G1201MSSOSR	2011
G1102MSTANF	G1301MSSOSR	2011
2012	G1301MSSOSR	2012
G1202MSTANF	G1301MSSOSR	2013
2012		

G1302MSTANF 2013	G11B1MSLIEA 2011
G1001MSCCDF 2010	G12B1MSLIEA 2012
G1101MSCCDF 2011	G13B1MSLIEA 2013
G1201MSCCDF 2012	
G1301MSCCDF 2013	

Questioned Costs: None

2015-009

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

Response:

The Agency concurs with the finding and controls have been strengthened over subrecipient monitoring for OMB Circular A-133 Audits for the SNAP, TANF, SSBG and LIHEAP Programs and for the CCDF Cluster

Corrective Action Plan:

These guidelines have been put in place and are operating efficiently.

The Office of Monitoring will implement procedures to insure subgrantees respond to Initial Notice Letters, Reminder Letters and Demand Letters to emphasize the importance of timely submission of an audit report or the Subgrantee Audit Information Form to document that an audit is not required.

The Office of Monitoring will continue to access the Office of the State Auditor's website to download copies of audit reports for schools, counties, municipalities and other entities that file audit reports with the Auditor's Office.

The MDHS Funding Divisions will be provided Quarterly Updates of Unresolved Audit Findings and the Office of Monitoring will provide training and technical assistance to the Funding Divisions to ensure the audit findings are cleared by the responsible Funding Division in a timely manner. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

REPORTING

Immaterial Noncompliance

93.558 Temporary Assistance for Needy Families State Programs
93.568 Low-Income Home Energy Assistance Program
Federal Award Number and Year:

1402MSTANF (2014)	G14B1MSLIEA (2014)
1502MSTANF (2015)	G15B1MSLIEA (2015)

Questioned Costs: None

2015-010 Agency Should Accurately Report the Status of Prior Year Findings

Response:

The Mississippi Department of Human Services agrees that the agency should accurately report the status of prior year findings. The Division of Community Services misunderstood the instructions for submitting the FFATA Report. We have made corrections in FFATA for those agreements under \$25,000 and the staff has been trained on the correct procedures. We have corrected the six LIHEAP awards tested and the ones that were not tested for those subgrant periods.

Corrective Action Plan:

A memorandum will be sent to management who are responsible for responding to audit findings stating that the status of Prior Year Audit Findings must be accurately reported, only as the case may actually and truthfully be, as either "Fully Corrected" or Partially Corrected or "Not Corrected, etc." when providing information each year for the Summary Schedule of Prior Federal Audit Findings.

The Division of Community Services has made corrections in FFATA for those agreements under \$25,000 and the staff has been trained on the correct procedures. We have corrected the six LIHEAP awards tested and the ones that were not tested for those subgrant periods. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

EARMARKING

Immaterial Noncompliance

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:

G1202MSCCDF 2012

Questioned Costs: \$99,295

2015-011 Agency Should Ensure Compliance with Earmarking and Minimum Targeted Funds Provisions and Requirements

Response:

The Mississippi Department of Human Services agrees that we should ensure minimum targeted funds are obligated and expended to meet the Child Care and Development Block Grant (CCDF) earmarking requirements. This finding was a result of lack of timeliness in receiving closeout packages from sub grantees which caused inadvertent erroneous postings of expenditures in the accounting records and on the federal financial reports. Correct reporting of costs by the Mississippi Department of Human Services (grantor) could not be finalized until final costs were received from sub grantees. As the sub grantees were late and federal reports were due, amounts on the federal reports were incorrect. Once the sub grantees finalized and reported their costs, it was discovered that we were not in compliance with the earmarks. When the adjusted costs were reported, they were inadvertently not reported as earmark expenditures.

Corrective Action Plan:

We will communicate to our business partners, i.e. sub grantees, that timely completion of grant closeout packages is extremely important to our federal reporting. Also, we will strengthen our controls to monitor grant expenditures to insure that sufficient progress is being made toward satisfying earmarking requirements. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior

Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families State Programs
93.568	Low-Income Home Energy Assistance Program
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care Development Fund
93.667	Social Services Block Grant

Federal Award Number and Year:

SNAP Letter of Credit	G1301MSSOSR	2013	
G1402MSTANF	2014	G1401MSSOSR	2014
G1502MSTANF	2015	G1501MSSOSR	2015
G1201MSCCDF	2012	G12B1MSLIEA	2012
G1301MSCCDF	2013	G13B1MSLIEA	2013
G1401MSCCDF	2014	G14B1MSLIEA	2014
G1501MSCCDF	2015	G14B1MSLIEA	2015

Questioned Costs: \$347,248

2015-012 Agency Should Ensure Compliance with Allowable Costs Requirements.

Response:

The Mississippi Department of Human Services agrees that it should strengthen its policies to ensure that joint indirect costs are charged to the proper cost centers so that they flow through the cost allocation process for proper assignment to the agency's programs.

The State of Mississippi's agency in charge of providing statewide automated accounting systems to be used by all State agencies, the Department of Finance and Administration (DFA), implemented an Enterprise Resource Planning (ERP) system effective July 1, 2014. This new system called Mississippi's Accountability System for Government Information and Collaboration (MAGIC) replaced the legacy accounting

system. All of the deliverables of MAGIC were not available at the go-live date due to various challenges of implementing a huge new system. Consequently, certain processes were required to be done manually. Certain costs that were not coded correctly in the new accounting system were omitted from federal reports.

Corrective Action Plan:

The omitted costs were subsequently picked up as adjustments on the federal reports. We have put controls in place to ascertain that all costs are now included on federal reports. A recap schedule to reconcile all expenditures on the accounting records to expenditures on the federal reports has been implemented. This should prevent this particular finding from occurring in the future. Also, when the new MAGIC system is finally complete in all of its features, the manual processes that led this finding will no longer be used and will be replaced by automated reporting. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

We appreciate the courtesy and professionalism demonstrated by Stephanie Palmertree and her field staff throughout the audit. Should you have any questions regarding our responses or corrective action plans, please feel free to contact Earl D. Walker of the Division of Budgets and Accounting at 601-359-4665.

Respectfully,



John Davis,
Executive Director

JD:EDW:pt

Pc: Jacob Black
Cathy Sykes
Garrig Shields
Earl D. Walker



STATE OF MISSISSIPPI
Phil Bryant, Governor
DEPARTMENT OF HUMAN SERVICES
John Davis
Executive Director
OTHER AUDIT FINDINGS

March 23, 2016

Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

The following are our responses and corrective action plans to the Other Audit Findings in the Single Audit Management Report as outlined in the Mississippi Department of Human Services' audit performed for Fiscal Year 2015:

OTHER AUDIT FINDINGS:

**CFDA/Finding
Number**

Finding and Recommendation

SPECIAL TESTS

***Immaterial Noncompliance
Control Deficiency***

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:

G1502MSCCDF20145

Questioned Costs: None

Oth-03 Controls Should Be Strengthened over Compliance with the Health and Safety Requirements.

Response:

The finding refers to two different groups of providers, making the grounds for the finding unclear. The document refers to the policy that DECCD will rely on Mississippi Department of Health to ensure compliance with health and safety regulations, but erroneously applies this policy to unlicensed providers. Per current DECCD policies, unlicensed providers are required to self-certify compliance. DECCD is, however; in the planning phase for on-site unlicensed provider monitoring. Policies surrounding this monitoring process are still in development at this time, but are expected to be in effect October 1, 2016.

Corrective Action Plan:

N/A

REPORTING

***Immaterial Noncompliance
Control Deficiency***

93.558 Temporary Assistance for Needy Families State Programs

Federal Award Number and Year:

G1402MSTANF 2014
G1502MSTANF 2015

Questioned Costs: None

Oth-04 Controls Should Be Strengthened over the Data Collection and Submission of Required Federal Reporting Elements and Reports

Response:

The Mississippi Department of Human Services (MDHS) agrees that controls should be strengthened over the data collection and submission of required federal reporting elements and reports. The Division of Field Operations (DFO) makes every effort to provide accurate and timely data for the ACF-204 and will continue to do so.

Corrective Action Plan:

DFO will ensure the ACF-204 is accurate when capturing key line item information regarding Temporary Assistance for Needy Families (TANF) cases when individuals are required to participate in the TANF Work Program. DFO will also review and verify data items thoroughly prior to submission. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

ELIGIBILITY

Control Deficiency

93.558 Temporary Assistance for Needy Families State Programs

Federal Award Number and Year:

G1502MSTANF 2015

Questioned Costs: None

Oth-05 Controls Should Be Strengthened over Segregation of Duties and Granting Access to MAVERICS

Response:

The Mississippi Department of Human Services (MDHS) concurs that controls should be strengthened over segregation of duties when granting access to the Mississippi Application Verification Eligibility Reporting and Information Control Systems (MAVERICS).

Corrective Action Plan:

Training was conducted in October 2015 for County Directors, Regional Directors and Supervisor of the appropriate policy and procedure for handling Access Forms for new employees, current employees and terminated employees. Training for county staff will occur annually to ensure accurate and appropriate completion of access forms which will ensure employees have the appropriate access to MAVERICS. The MDHS Management Information Systems (MIS) Division will also conduct self-audits of all users on a semi-annual basis. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

SUBRECIPIENT MONITORING

Control Deficiency

93.568	Low Income Home Energy Assistance Program
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care Development Fund

Federal Award Number and Year:

G1201MSCCDF	2012	G13B1MSLIEA	2013
G1301MSCCDF	2013	G14B1MSLIEA	2014
G1401MSCCDF	2014		

Questioned Costs: None

Oth-06

Controls Should Be Strengthened over On-Site Monitoring

Response:

The Agency concurs with the finding and controls have been strengthened over subrecipient monitoring for the LIHEAP, CCDBG and CCDF programs.

Corrective Action Plan:

These guidelines have been put in place and are operating efficiently.

The Office of Monitoring (OM) will revise subrecipient monitoring requirements based on written policies and procedures designed by MDHS's Division of Program Integrity – Office of Monitoring to ensure timely on-site monitoring of subgrants/contracts.

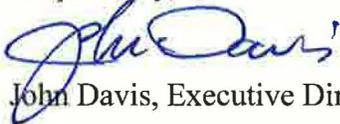
New guidelines and tracking systems have been put in place to help the Office of Monitoring to obtain all subgrant and contract information from the funding divisions in a timely manner. The Director of Office of Monitoring and two supervisors now have complete access to the MAGIC program. This allows the monitors to have the files and cost reporting worksheets available in a more timely manner. The monitors will no longer have to wait for information from the funding divisions. Once subgrants and contracts are received from the funding divisions, a notation is requested from each funding division by the Office of Monitoring that all subgrants/contracts have been sent.

The Office of Monitoring has put in place a new tracking system that will allow the monitors to be notified by email vital information dates such as contract expiration dates, initial reports, status reports and final decision letter due dates one week prior to the due dates. Also, the new tracking will notify the monitors four days prior to the due dates for responses from the subgrantee/contractor. This new system will allow notes and additional contact information to be recorded when giving extensions or when other information is needed. The tracking system will also be used to keep all subgrant/contract information in the system, providing a more efficient digital filing for monitoring review workpapers and reports. This will include the contract, modifications and all work papers and correspondence that pertain to the subgrant/contract.

New time requirements in our Standard Operating Procedures have been set by the Director. Each monitor is now required to check the tracking twice a week and update the tracking. The monitors have been given training in time management with a special emphasis on the new time requirements. The name of the contact person who is responsible for this corrective action plan is Mack Reeves, Senior Attorney, Executive Director's Office. The anticipated completion date for the corrective actions is June 30, 2016.

We appreciate the courtesy and professionalism demonstrated by Stephanie Palmertree and her field staff throughout the audit. Should you have any questions regarding our responses or corrective action plans, please feel free to contact Earl D. Walker of the Division of Budgets and Accounting at 601-359-4665.

Respectfully,



John Davis, Executive Director

JD:EDW:pt

Pc: Jacob Black
Cathy Sykes
Garrig Shields
Earl D. Walker



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

March 7, 2016

Financial Audit Management Report

John Davis, Executive Director
Mississippi Department of Human Services
PO Box 352
Jackson, MS 39205

Dear Mr. Davis:

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, 2015. 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 Stephanie Palmertree, CPA, Jason Ashley, Haley Hesdorffer, David Hodges, Kari Horn 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,

A handwritten signature in cursive script, appearing to read "Sallie Dier".

Sallie Dier, CPA

Director, Financial and Compliance Audit Division