



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

February 2, 2018

**Financial Audit Management Report**

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

Dear Mr. Davis:

Enclosed for your review is the financial audit finding for the Mississippi Department of Human Services for the Fiscal Year 2017. In this finding, the Auditor's Office recommends the Mississippi Department of Human Services strengthen controls over SPAHRS Security Access and Accrued Compensated Absences.

Please review the recommendation and submit a plan to implement it by February 16, 2018. The enclosed finding contains more information about our recommendation.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree".

Stephanie C. Palmertree, CPA CGMA  
Director, Financial Audit and Compliance Division  
Enclosures

## **FINANCIAL AUDIT MANAGEMENT REPORT**

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 year ended June 30, 2017. 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 Thomas Wirt, CPA, Jeremy Ashley and Emily Mathis.

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 a 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. We did identify a certain deficiency in internal control, identified in this letter as item 2017-021, that we consider to be a significant deficiency.

### **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*.

### Finding and Recommendation

#### **SIGNIFICANT DEFICIENCY**

**2017-021**                      Controls over SPAHRS Security Access and Accrued Compensated Absences Should be Strengthened.

**Repeat Finding**            No

**Criteria**                      The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that Statewide Payroll and Human Resources System (SPAHRs) User IDs/access be deactivated promptly for individuals no longer employed at the agency.

Good internal controls also dictate that employee leave recorded in SPAHRs be reviewed by agency personnel to ensure that employee time report cards are in agreement with leave that is entered in SPAHRs. In addition, the agency should periodically ensure employee leave balances are also in agreement with DFA's Accrued Compensated Absence Report.

**Condition**                      During our review over SPAHRs security access at the Mississippi Department of Human Services (MDHS) in fiscal year 2017, the following issues were noted:

- Four instances in which the individuals listed on the 9/30/2016 SPAHRs Security report were no longer employed at the agency but continued to have an active SPAHRs User ID.
- Seven instances in which individuals listed on the 12/31/2016 SPAHRs Security report were no longer employed at the agency but continued to have an active SPAHRs User ID.
- Seven instances in which individuals listed on the 3/31/2017 SPAHRs Security report were no longer employed at the agency but continued to have an active SPAHRs User ID.
- Nine instances in which individuals listed on the 6/30/2017 SPAHRs Security report were no longer employed at the agency but continued to have an active SPAHRs User ID.

During our testwork over accrued compensated absences for fiscal year 2017, we noted that in five of the ten employee leave balances tested that the cumulative 2017 leave reports in SPAHRs did not agree to the employee submitted time reports. Differences between employee time report card annual totals and SPAHRs balances ranged from 10 to 84 hours.

MDHS records employees' personal leave taken in SPAHRs from employee time report cards. Monthly time report cards are completed by an employee, reviewed by their supervisor then provided to the district timekeeper for input into SPAHRs

**Cause**                              MDHS did not terminate access for separated employees in a timely manner or reconcile leave records to amounts recorded in SPAHRs.

**Effect** Failure to maintain adequate internal controls over SPAHRS User IDs/access could allow fraud to occur without being detected promptly.

Failure to accurately input employee leave balances in SPAHRS and conduct a reconciliation to DFA's Accrued Compensated Absence Report could result in a misstatement of the accrued compensated absences liability balance for GAAP financial reporting and could yield incorrect available leave balances for employees.

**Recommendation** We recommend the Mississippi Department of Human Services review SPAHRS User IDs to ensure that an employee's access to SPAHRS is deactivated immediately upon termination of that individual's employment with the agency.

In addition, we recommend the agency strengthen internal controls related to their personal leave policies and procedures. The agency should establish procedures for reconciling their internal employee leave records to DFA's Accrued Compensated Absence Report to ensure that the accrued compensated leave liability balance for GAAP financial reporting purposes is properly stated.

**End of Report**



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

April 9, 2018

**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 2017. 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 Child Care and Development Fund (CCDF) Cluster;
2. Strengthen controls over compliance with eligibility and benefit payment requirements of the Temporary Assistance for Needy Families (TANF) Program;
3. Strengthen controls over on-site monitoring for CCDF, TANF, Social Services Block Grant (SSBG) and Low Income Home Energy Assistance (LIHEAP) Programs;
4. Strengthen controls over subrecipient monitoring for OMB Uniform Guidance/Circular A-133 audits for the Supplemental Nutrition Assistance Program (SNAP), CCDF, TANF, SSBG and LIHEAP Programs;
5. Strengthen controls over submission of required federal reports of SNAP, CCDF and TANF programs;
6. Strengthen controls over termination of benefits for non-participation of work-eligible adults in the work activities program of the TANF Program;
7. Strengthen controls over the 20 percent exemption and five year time limit for the TANF Program; and
8. Strengthen controls over compliance with Health and Safety requirements of the CCDF Cluster;

Other Audit Findings:

9. Strengthen controls over compliance with allowable cost requirements of the CCDF Cluster; and
10. Strengthen controls over segregation of duties and granting access to MAVERICS for the TANF Program.

Please review the recommendations and submit a plan to implement them by April 17, 2018. 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.

April 9, 2018

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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 and OMB Uniform Guidance. 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,



Stephanie C. Palmertree, CPA, CGMA

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, 2017. The Office of the State Auditor's staff members participating in this engagement included Thomas Wirt, CPA, Jeremy Ashley, Greg Boyette, Derek Easley, CPA, Shavonda Lott, Emily Mathis, Dana McMorris, and John Newell, CPA.

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

### **Report on Compliance for Each Major Federal Program**

We have audited the Mississippi Department of Human Services' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *OMB Uniform Guidance 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, 2017.

### **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; OMB Uniform Guidance; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, OMB Circular A-133 and OMB Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 OMB Uniform Guidance and which are identified in this letter as items 2017-035, 2017-036, 2017-037, 2017-038, 2017-040, 017-041 and 2017-042. In addition, we noted another instance of noncompliance that we have reported on the attached document, "Other Audit Findings," as item OTH-17-03.

### **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 and OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 2017-035, 2017-036, 2017-037 and 2017-038 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 2017-039, 2017-040, 2017-041 and 2017-042 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-17-03 and OTH-17-04.

## **Findings and Recommendations**

### **ELIGIBILITY**

#### ***Material Weakness***

#### ***Material Noncompliance***

<b>2017-035</b>	<u>Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the CCDF Cluster.</u>
<b>CFDA Number</b>	93.575 - Child Care and Development Block Grant 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>Federal Award</b>	G1601MSCCDF 2016 G1701MSCCDF 2017
<b>Federal Agency</b>	U.S. Department of Health and Human Services



**Pass-through Entity** U.S. Department of Health and Human Services

**Questioned Costs** \$4,520

**Criteria** 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.

**Condition** Based on eligibility testwork in regards to the CCDF program, we tested 30 child care certificate payments made during fiscal year 2017 and noted the following exceptions:

- 18 instances, or 60 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.

Of the 18 instances, 14 of the certificates were originally issued in prior years but were not re-determined by DECCD as eligible in the current fiscal year. This resulted in known questioned costs of \$4,409.

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.

- 8 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. This referral was due to the parent/caretaker receiving basic TANF benefits or transitional TANF benefits (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; 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.

- 18 instances, or 60 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 \$111 and projected questioned costs of \$265,672.

- 4 instances, or 13 percent, in which provided social security numbers could not be verified due to supporting documentation not being maintained by DECCD.

<b>Cause</b>	Staff were either unaware or did not follow identified policies and procedures for CCDF eligibility determinations. Re-determinations were not performed as outlined in the DECCD manual and information needed to determine eligibility was not maintained by DECCD personnel.
<b>Effect</b>	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 resulting in questioned costs, and the possible recoupment of funds by the federal granting agency.
<b>Recommendation</b>	We recommend the Mississippi Department of Human Services' Division of Early Childhood Care and Development strengthen controls to ensure child care certificate rates and copays are assigned in accordance with requirements and that re-determinations are performed as prescribed in policies and procedures.
<b>Repeat Finding</b>	Yes - 2016-025 in 2016; 2015-002 in 2015; 2014-010 in 2014.
<b>Statistically Valid</b>	The sample is considered statistically valid.

## ELIGIBILITY

### *Material Weakness*

### *Material Noncompliance*

<b>2017-036</b>	<u>Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the TANF Program.</u>		
<b>CFDA Number</b>	93.558 - Temporary Assistance for Needy Families State Programs		
<b>Federal Award No.</b>	G1402MSTANF 2014 G1601MSTANF 2016	G1502MSTANF 2015 G1701MSTANF 2017	
<b>Federal Agency</b>	U.S. Department of Health and Human Services		
<b>Pass-through Entity</b>	U.S. Department of Health and Human Services		
<b>Questioned Costs</b>	\$5,628		
<b>Criteria</b>	The Mississippi Department of Human Services has published <i>Volume III, TANF Policy Manual</i> , 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; 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; and, TANF benefits are to be limited to children already born or conceived at the time of initial application. Only children born into the family during the first 10 months of assistance or a child whose date of birth is prior to the end of the 10 month cap period for the case will be added to the benefit.

Chapter 4, Income and Eligibility Verification System (IEVS) requires all TANF participants to have valid social security numbers on file in order to maintain the integrity of IEVS data.

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; and, if applicable, requires completion of a TANF Child Care Application (MDHS-EA-379). 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.

**Condition**

During testing of TANF benefits paid during the fiscal year 2017, we noted the following exceptions:

- Nine out of 70 Basic TANF cases tested, or 13 percent, did not have verification of immunization for a child not attending school.
- Two out of 70 Basic TANF cases tested, or 3 percent, were missing acceptable forms of documentation for one or more children.
- One out of 70 Basic TANF cases tested included a child that was added to the case more than 10 months after the initial application Family Cap date without a lapse period of 12 months before receiving benefits for the child.
- Three out of 70 Basic TANF cases tested, or 4 percent, were not complying with Child Support Enforcement on a child for which benefits were being received.
- One out of 70 Basic TANF cases tested included a recipient that did not have a valid social security number on file.
- Two out of 70 Basic TANF cases tested, or 3 percent, did not have a signed Personal Responsibility Contract on file.

- Three out of 22 Transitional Work Transportation Assistance cases tested, or 14 percent, did not have a signed Transitional Service Child Care Services Application on file.
- Two out of 22 Transitional Work Transportation Assistance cases tested, or 9 percent, did not have a signed Transitional Work Assistance Application on file.
- Three out of 22 Transitional Work Transportation Assistance cases tested, or 14 percent, received benefits but did not have supporting documentation for hours worked to support benefits paid.
- Seven out of 20 Work Transportation Stipend cases tested, or 35 percent, did not have supporting documentation for hours worked to support benefits paid.

In performing testwork on TANF benefits paid to participants during fiscal year 2017, we noted the following questioned costs:

- Eighteen out of 70 Basic TANF cases tested, or 26 percent, resulted in \$1,952 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.
- Thirteen out of 22 Transitional Work Transportation Assistance cases tested, or 59 percent, resulted in \$1,800 of known questioned costs and \$917,604 of projected questioned costs.
- Seven out of 20 Work Transportation Stipend cases tested, or 35 percent, resulted in \$1,876 of known questioned costs and \$958,499 of projected questioned costs.

The results of our testwork described above indicates total projected questioned costs of \$1,876,103.

<b>Cause</b>	Staff were either unaware or did not follow identified policies and procedures for TANF eligibility determinations.
<b>Effect</b>	Failure to maintain supporting documentation for eligibility determinations 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.
<b>Recommendation</b>	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 <i>Volume III, TANF Policy Manual</i> .
<b>Repeat Finding</b>	Yes - 2016-025 in 2016; 2015-001 in 2015; 2014-011 in 2014
<b>Statistically Valid</b>	The sample is considered statistically valid.

## SUBRECIPIENT MONITORING

### *Material Weakness*

### *Material Noncompliance*

**2017-037**                      Controls Should Be Strengthened over On-Site Monitoring for the CCDF, LIHEAP, SSBG and TANF Programs.

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

<b>Federal Award No.</b>	G1601MSTANF 2016	G1501MSCCDF 2015
	G1601MSCCDF 2016	G1601MSSOSR 2016
	G15B1MSLIEA 2015	G16B1MSLIEA 2016

**Federal Agency**            U.S. Department of Health and Human Services

**Pass-through Entity**    U.S. Department of Health and Human Services

**Questioned Costs**        None

**Criteria**                      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* (2 CFR Part 200 – Uniform Guidance)(45 CFR Part 92 - Circular A-133). The *Code of Federal Regulations* (2 CFR Part 200.331) designates MDHS, as a pass through entity, to properly identify subaward requirements to subrecipients, evaluate the risk of noncompliance for each subrecipient, and monitor the activities of subrecipients as necessary to ensure that subawards are used for authorized purposes, complies with the terms and conditions of the subawards and achieves performance goals.

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.

**Condition**

During testwork performed on subrecipient on-site monitoring for 48 subgrant contracts during state fiscal year 2017, we noted the following exceptions:

- Four contracts tested, or 8 percent, were not monitored within the contract period as required by Program Integrity's Division of Monitoring Procedures.
  - Contracts were monitored between 60 and 129 working days late, with an average of 100 working days after the contract end date.
- Ten contracts tested, or 21 percent, in which Corrective Actions were not received from the subrecipient within 15 working days from the date the Initial Monitoring Report (IMR) was issued.
  - Corrective Actions were received between 16 and 36 days from the IMR, with an average of 23 working days passing between the IMR and Subgrantee's response.
  - Three contracts never received a Corrective Actions response.
- Twenty-nine contracts tested, or 60 percent, in which the Initial Monitoring Report was not issued within 60 days of the exit conference.
  - IMR's were issued between 61 and 207 days late, with an average of 122 working days after the exit conference took place.
- Twelve contracts tested, or 25 percent, in which the Initial Monitoring Report was not signed by supervisor.
- Five contracts tested, or 10 percent, where the monitoring file had no evidence of the Programmatic Tool or Fiscal Monitoring Tool, which are required elements of the on-site monitoring process.
- Four contracts tested, or 8 percent, in which Question Costs had not been completely resolved as of the date of testwork.
- Nineteen contracts, or 40 percent, where the Monitoring Supervisor Review Checklist was not signed by supervisor, which is a required element of the on-site monitoring process.
- One contract tested where there is no evidence of the DUNS number being obtained from the subrecipient prior to the issuance of the contract.

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.

In addition, OM did not evaluate the risk of noncompliance of its subrecipients in order to perform monitoring procedures based upon identified risks, as is a requirement of Uniform Grant Guidance.

**Cause**

Staff were either unaware or did not follow identified policies and procedures for monitoring requirement.

<b>Effect</b>	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.
<b>Recommendation</b>	We recommend the Mississippi Department of Human Services' Division of Program Integrity – Office of Monitoring (OM) strengthen controls over subrecipient monitoring. OM should evaluate the risk of noncompliance of each subrecipient and perform monitoring procedures based upon identified risks. We also recommend the agency ensure subawards are monitoring timely and 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.
<b>Repeat Finding</b>	Yes - 2016-027 in 2016; 2015-005 in 2015; 2014-017 in 2014
<b>Statistically Valid</b>	The sample is considered statistically valid.

## SUBRECIPIENT MONITORING

### *Material Weakness*

### *Material Noncompliance*

<b>2017-038</b>	<u>Controls Should Be Strengthened over Subrecipient Monitoring for OMB Uniform Guidance/Circular A-133 Audits of the SNAP, CCDF, TANF, SSBG and LIHEAP Programs.</u>	
<b>CFDA Number</b>	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 93.667 - Social Services Block Grant 93.575 - Child Care and Development Block Grant 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.568 - Low Income Home Energy Assistance Program	
<b>Federal Award No.</b>	SNAP Letter of Credit G1301MSSOSR 2013 G1401MSSOSR 2014 G1302MSTANF 2013 G1402MSTANF 2014 G1502MSTANF 2015	G1301MSCDDF 2013 G1401MSCCDF 2014 G1501MSCCDF 2015 G13B1MSLIEA 2014 G15B1MSLIEA 2015

**Federal Agency** United States Department of Agriculture, U.S. Department of Health and Human Services

**Pass-through Entity** United States Department of Agriculture, U.S. Department of Health and Human Services

**Questioned Costs** None

**Criteria** The Office of Management and Budget (OMB) Uniform Guidance/Circular A-133 states the pass-through entity is responsible for (1) ensuring that subrecipients expending \$750,000 (subrecipients subsequent to 12/26/2014) or \$500,000 (subrecipients prior to 12/26/2014) or more in Federal awards during their fiscal year have met the audit requirements of OMB Uniform Guidance/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.

**Condition** 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 2015. During our review, we noted the following exceptions:

- Of 23 subgrantees tested, we noted six instances where the OMB Uniform Guidance/Circular 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 Uniform Guidance/Circular A-133 audit report was dated within the nine month period of the subgrantee's fiscal year end. Office of Monitoring sent initial letter and reminder letter to each subgrantee regarding their OMB Uniform Guidance/Circular A-133 requirements. Subgrantee audit reports were received on average 414 days after the nine month deadline.
- Of ten subgrantees tested on Attachment B of the Status Report, we noted nine instances where the OMB Uniform Guidance/Circular A-133 audit reports/SAIF forms for the subgrantees were not received by Office of Monitoring within nine months of the subgrantee's fiscal year end. Office of Monitoring sent initial letter, reminder letter, and demand letter to each subgrantee regarding their OMB Uniform Guidance/Circular A-133 audit report requirements, but no additional follow-up to obtain the OMB Uniform Guidance audit report was made by Office of Monitoring prior to the auditor's request. Subgrantee audit reports were received on average 598 days after the nine month deadline.



- We noted the SFY 2015 Subgrant Monitoring Tracking System utilized by the DHS Office of Monitoring to track the status of OMB Uniform Guidance audits for DHS subrecipients was prepared using obligated amounts from subgrants rather than actual expenditure amounts. The requirement to meet audit requirements of 2 CFR part 200, subpart F is based on expenditures of Federal awards, not obligations; therefore, subrecipients of DHS could have expended Federal awards in excess of amounts that require a single audit that may have not been included on DHS's tracking document. The agency was not able to provide an expenditure report to the auditors in order to ensure completeness of the SFY 2015 Subgrant Monitoring Tracking System.

**Cause** Staff were either unaware or did not follow identified policies and procedures for subrecipient monitoring related to Uniform Guidance/Circular A-133.

**Effect** 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 Uniform Guidance audits to ensure recipients expending \$750,000 or more in Federal funds during their fiscal year are appropriately monitored and an OMB Uniform Guidance 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 design a monitoring tool based on expenditures incurred by subrecipients to ensure all subrecipients are included on the tracking report and continue to follow-up to obtain an OMB Uniform Guidance audit or Subgrantee Audit Information Form after the demand letter is issued.

**Repeat Finding** Yes - 2016-028 in 2016; 2015-009 in 2015; 2014-016 in 2014

**Statistically Valid** The sample is considered statistically valid.

## REPORTING

### *Significant Deficiency*

**2017-039** Controls Should Be Strengthened over the Submission of Required Federal Reports for the CCDF, TANF and SNAP Programs.

**CFDA Number** 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

<b>Federal Award No.</b>	12-35-2841 B16 12-35-2841 B17 G1601MSTANF 2016	G1601MSCCDF 2016 G1701MSCCDF 2017 G1701MSTANF 2017
<b>Federal Agency</b>	United States Department of Agriculture; U.S. Department of Health and Human Services	
<b>Pass-through Entity</b>	United States Department of Agriculture; U.S. Department of Health and Human Services	
<b>Questioned Costs</b>	None	

**Criteria**                      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 31<sup>st</sup>, April 30<sup>th</sup>, July 31<sup>st</sup> and October 31<sup>st</sup>.

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 (ACF). 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 14<sup>th</sup>, May 15<sup>th</sup>, August 14<sup>th</sup> and November 14<sup>th</sup>.

The *Code of Federal Regulations* (7 CFR Part 274.4) requires a “Issuance Reconciliation Report” (FNS-46) to be submitted by a State agency operating an issuance system for the Supplemental Nutritional Assistance Program (SNAP) to the Food and Nutrition Service no later than 90 days following the end of the report month. Reports are required for every month. The *Code of Federal Regulations* (7 CFR Part 273.18) requires a “Status of Claims Against Households” (FNS-209) for the SNAP program to be completed and submitted in accordance with instructions provided by the Food and Nutrition Service. Those instructions require States to submit quarterly reports. These reports are due and must be submitted 30 days after the end of each quarter – January 31<sup>st</sup>, April 30<sup>th</sup>, July 31<sup>st</sup> and October 31<sup>st</sup>.

Good internal controls over reporting should include a timely and independent review of information reported.

**Condition**                      During testwork performed for the program specific reporting requirements of the CCDF program during fiscal year 2017, we noted the following exceptions:

- One of the quarterly ACF-696 reports tested was not submitted within 30 days after the end of the reporting period. The report was 15 days late.
- Two of the quarterly ACF-696 reports tested were not signed as reviewed and approved by supervisory personnel.

During testwork performed for the program specific reporting requirements of the SNAP program during fiscal year 2017, we noted the following exceptions:

- Two of the monthly FNS-46 reports tested were not submitted within 90 days after the end of the reporting period. Reports averaged 6 days late.
- One of the quarterly FNS-209 reports tested was not signed as approved by supervisory personnel.

During testwork performed for the reporting requirements of the TANF program during fiscal year 2017, we noted the federal transmission reports for periods 12/31/2016 and 6/30/2017 were not received by MDHS from ACF for the quarterly ACF-199 reports; therefore, it could not be determined if the reports were submitted. It should be noted that MDHS stated the ACF transmissions reports, which were provided to the state to verify submission, have not been received for several quarters after MDHS stated to have submitted the ACF-199's.

<b>Cause</b>	Staff were either unaware or did not follow policies and procedures related to federal reporting requirements.
<b>Effect</b>	Failure to timely review and submit reports could result in reporting penalties and could impact funding determinations.
<b>Recommendation</b>	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 and Department of Agriculture.
<b>Repeat Finding</b>	Yes - 2016-026 in 2016; 2015-004 in 2015
<b>Statistically Valid</b>	The sample is considered statistically valid

#### **SPECIAL TEST**

##### ***Significant Deficiency Immaterial Noncompliance***

<b>2017-040</b>	<u>Controls Should Be Strengthened over Termination of Benefits for Non-Participation of Work-Eligible Adults in the Work Activities Program</u>
<b>CFDA Number</b>	93.558 - Temporary Assistance for Needy Families State Programs
<b>Federal Award No.</b>	G1701MSTANF 2017
<b>Federal Agency</b>	U.S. Department of Health and Human Services

**Pass-through Entity** U.S. Department of Health and Human Services

**Questioned Costs** \$2,645

**Criteria** 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.

Chapter 3 of the *Volume III, TANF Policy Manual* requires MDHS case workers to regularly (no less than monthly) review the "TANF High Counter Report", which tracks the months a TANF recipient has not participated in a TANF work activity.

**Condition** Based on discussions with agency personnel in the Division of Field Operations, review of the TANF High Counter Reports were not timely performed and documented. Review of the reports at the county/regional offices and in the central office would have allowed prevention/detection of the errors by MDHS personnel.

In performing testwork on TANF benefits paid to participants during fiscal year 2017, we noted four out of 13 benefits tested continued to receive benefits after exceeding the 24 month counter, which resulted in \$2,645 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.

**Cause** Staff were either unaware or did not follow identified policies and procedures over requirements for penalties for refusal to work.

**Effect** 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.

**Repeat Finding** No

**Statistically Valid** The sample is considered statistically valid.

## EARMARKING

### *Significant Deficiency* *Immaterial Noncompliance*

**2017-041** Controls Should Be Strengthened over 20 Percent Exemption and Five Year Time Limit.

**CFDA Number** 93.558 Temporary Assistance for Needy Families State Programs

**Federal Award No.** G1701MSTANF 2017

**Federal Agency** U.S. Department of Health and Human Services

**Pass-through Entity** U.S. Department of Health and Human Services

**Questioned Costs** \$2,452

**Criteria** 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.

**Condition** 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).

- Of 10 cases examined, three 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.

<b>Cause</b>	Staff were either unaware or did not follow policies and procedures over earmarking requirements.
<b>Effect</b>	<p>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 2017.</p> <p>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 \$2,452 to ineligible participants during fiscal year 2017.</p>
<b>Recommendation</b>	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.
<b>Repeat Finding</b>	Yes – 2015-007 in 2015; Oth-05 in 2014.
<b>Statistically Valid</b>	The sample is considered statistically valid.

## SPECIAL TEST

### *Significant Deficiency* *Immaterial Noncompliance*

<b>2017-042</b>	<u>Controls Should Be Strengthened over Compliance with Health and Safety Requirements of the CCDF Cluster</u>
<b>CFDA Number</b>	93.575 - Child Care and Development Block Grant 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund
<b>Federal Award No.</b>	G1601MSCCDF 2016 G1701MSCCDF 2017
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-through Entity</b>	U.S. Department of Health and Human Services
<b>Questioned Costs</b>	\$40,098

**Criteria**

The *Code of Federal Regulations* (45 CFR 98.41) requires the Mississippi Department of Human Services (MDHS), as lead agency, to certify that procedures are designed, implemented, and enforced to protect the health and safety of children participating in the Child Care Development Fund (CCDF) in accordance with federal health and safety regulations.

MDHS has prepared the State Plan for CCDF, as approved by the Administration for Children and Families, which establishes policies under the CCDF program. Per section 7.5.1 of the State Plan, the Division of Early Child Care and Development (DECCD) at MDHS will rely on the Mississippi State Department of Health (MDH) to ensure compliance with the health and safety requirements for licensed child care providers. Section 5.1.2 of the CCDF State Plan states the majority of child care providers who are exempt from licensure under Mississippi Law, but who are eligible for CCDF subsidies, are family child care home providers who provide care for five or fewer non-related children. The plan requires MDHS, as the lead agency, to monitor this type of unlicensed provider (license exempt) to ensure compliance with health and safety standards.

MDHS published the Child Care Payment Program (CCPP) Policy Manual which provides details over CCDF policies and procedures. Section 9.7 outlines Monitoring Procedures, which states all providers participating in the certificate program shall have an inspection at least once annually. The section states child care monitoring agents from DECCD shall conduct annual inspections, both announced and unannounced, of CCPP approved registered family child care homes and in-home providers and license-exempt providers. If the monitoring visit results in a finding(s) or violation(s), the provider may receive a follow-up visit within three months to ensure compliance with the corrective action plan. The monitoring visits must include a review of compliance with federal health and safety regulations. DECCD designed a Monitoring Checklist for child care monitoring agents to complete, which covers areas related to health and safety federal regulations.

**Condition**

During testing of health and safety requirements for CCDF license-exempt child care providers that received subsidies during fiscal year 2017, we noted the following exceptions:

- Seven out of 25 providers tested, or 28%, were not included on the listing of providers that were administered training and testing by MDHS for required Health and Safety Training.
- One of the 25 providers tested, or 4%, had no completed Monitoring Checklist on file.
- Seven out of 25 providers tested, or 28%, in which the completed Monitoring Checklist did not incorporate all required health and safety elements as outlined by the CCPP Policy Manual, which was compiled from the federal regulations outlined in 45 CFR 98.41.
- Seven out of 25 providers tested, or 28%, where no evidence that a three month follow up was performed as noted in the CCPP Policy Manual to ensure corrective action was implemented on findings noted on the original monitoring visit.

- Thirteen of the 25 un-licensed providers tested received \$40,098 in child care subsidies during fiscal year 2017 but were not properly monitored for health and safety requirements, which results in projected questioned cost of \$351,031 in subsidies to un-licensed child care providers.

It should also be noted DECCD suspended monitoring operations over licensed-exempt childcare providers during the end of fiscal year 2017.

Additionally, based on the CCDF State Plan and CCPP Policy Manual, DECCD is relying on the Department of Health for monitoring requirements over licensed child care providers during the annual licensing renewal. However, there is no documentation of DECCD communicating with the Department of Health to confirm providers are complying with applicable health and safety requirements other than obtaining an annual license.

<b>Cause</b>	Due to turnover of staff in DECCD, identified policies and procedures for complying with applicable health and safety requirements were not followed.
<b>Effect</b>	Failure of DECCD to properly ensure providers are complying with applicable health and safety requirements could result in noncompliance with federal regulations over health and safety to go undetected.
<b>Recommendation</b>	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 as required by the federal regulations.
<b>Repeat Finding</b>	Y; 16-04 in 2016; Oth-04 in 2015.
<b>Statistically Valid</b>	Sample is considered statistically valid.



## 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, 2017, 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 internal 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.

### Findings and Recommendations

#### ACTIVITIES ALLOWED/ALLOWABLE COST

##### *Control Deficiency*

##### *Immaterial Noncompliance*

OTH – 17-03      Controls Should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the CCDF Cluster.

**CFDA Number**      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**      1601MSCCDF 2016  
1701MSCCDF 2017

**Federal Agency**      U.S. Department of Health and Human Services

**Pass-through Entity**      U.S. Department of Health and Human Services

**Questioned Costs**      \$1,830

**Criteria**      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).

<b>Condition</b>	<p>In performing allowable cost testwork related to certificate rates and co-pays during fiscal year 2017, we noted the following:</p> <ul style="list-style-type: none"><li>• Two instances out of 120 tested, or 2 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 two instances resulted in known questioned costs of \$246 out of total fiscal year school-aged certificate payments of \$17,633,766 and projected questioned costs of \$94,258.</li><li>• Three instances out of 120 tested, or 3 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 \$1,371 out of total fiscal year school-aged certificate payments of \$17,633,766 and projected questioned costs of \$525,801.</li><li>• Two instances out of 120 tested, or 2 percent, in which the provider had duplicate certificates for the same child, and thus recorded the child's attendance twice. Each child had two certificates under their name allowing duplicate recording and payments to the providers. This resulted in known questioned costs of \$213 out of total certificate payments of \$55,954,467 and projected questioned costs of \$99,489.</li></ul>
<b>Cause</b>	Staff were either unaware or did not follow identified policies and procedures over allowable cost requirements.
<b>Effect</b>	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.
<b>Recommendation</b>	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 <i>Code of Federal Regulations</i> and the <i>Mississippi Child Care Payment Program Policy Manual</i> .
<b>Repeat Finding</b>	Yes – 2015-003 in 2015; 2014-009 in 2014
<b>Statistically Valid</b>	The sample is considered statistically valid.

## ELIGIBILITY

### *Control Deficiency*

**OTH – 17-04** Controls Should Be Strengthened over Segregation of Duties and Granting Access to MAVERICS

**CFDA Number** 93.558 Temporary Assistance for Needy Families State Programs

**Federal Award** G1701MSTANF 2017

**Federal Agency** U.S. Department of Health and Human Services

**Pass-through Entity** U.S. Department of Health and Human Services

**Questioned Costs** None

**Criteria** 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 MAVERICS, it is necessary to maintain controls over who can both enter and approve benefits so that an unnecessary risk to MDHS does not exist. MAVERICS serves as the primary TANF computer interface for Eligibility determinations for the State of Mississippi.

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

Additional criteria from 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.

**Condition** During testwork performed on MAVERICS User Access during fiscal year 2017, we noted the following:

- Formal, written internal control policies were established during fiscal year 2017; however, these policies were not distributed or communicated to employees and contract workers;
- MDHS only performed one of the two semi-annual RACF Self-Audits;
- Of the 40 MAVERICS profiles examined, one instance was noted in which the employee was terminated and the security profile was not deleted at termination;
- Of the 40 MAVERICS profiles examined, one instance was noted in which the employee listed on the security profile report was not listed on the PIN/WIN report; therefore, could not verify active employee status.

- Of the 40 MAVERICS profiles examined, one instance was noted, one instance in which an active employee included on the security profile does not have an active RACF Profile

<b>Cause</b>	Agency does not effectively follow policy or procedures for granting, deleting or amending MAVERICS user access.
<b>Effect</b>	Failure to strengthen controls over MAVERICS access could allow basic TANF benefits can be certified/approved by personnel not authorized to certify/approve a payment.
<b>Recommendation</b>	We recommend the Mississippi Department of Human Services strengthen controls over access to MAVERICS.
<b>Repeat Finding</b>	Yes – Oth-05 in 2015; Oth-06 in 2014
<b>Statistically Valid</b>	No

**End of Report**