



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

April 12, 2019

**Financial Audit Management Report**

John Davis, Executive Director  
Mississippi Department of Human Services  
200 South Lamar St.  
Jackson, MS 39201

Dear Mr. Davis:

Enclosed for your review is the financial audit finding for the Mississippi Department of Human Services for the Fiscal Year 2018. In this finding, the Auditor's Office recommends the Mississippi Department of Human Services:

1. Strengthen controls over MAGIC segregation of duties, business role assignments and quarterly access review.

Please review the recommendation and submit a plan to implement it by May 10, 2019. 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 enables the Mississippi Department of Human Services to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Human Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink 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 conducts the annual audit of the State of Mississippi's *Comprehensive Annual Financial Report* (CAFR), as compiled and prepared by the Department of Finance and Administration (DFA) for the fiscal year ended June 30, 2018. While OSA has not been engaged to audit your agency's financial accounting records and processes individually, we have been engaged by DFA to audit the State as a whole in accordance with Government Auditing Standards. We conducted this 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.

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 the State of Mississippi's CAFR, 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 2018-034, that we consider to be a significant deficiency.

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### Finding and Recommendation

#### SIGNIFICANT DEFICIENCY

**2018-034**                      Controls Should be Strengthened over MAGIC Segregation of Duties, Business Role Assignments and Quarterly Security Certification Process

**Repeat Finding**              No

**Criteria**                      The *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S.

*Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when control activities exist, such as proper segregation of duties. Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person.

Additionally, the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual section 30.60.00 requires security roles in the Mississippi Accountability System for Government Information and Collaboration (MAGIC) to be assigned to an employee based on his or her job duties, and that security roles be reviewed quarterly by agencies to ensure duties are properly segregated. The Department of Finance and Administration (DFA) issued the *MAGIC Roles and Definitions* policy document to inform agencies of roles that should be separated to reduce conflicts.

**Condition** The Mississippi Department of Human Services (MDHS) submitted certifications to the Department of Finance and Administration (DFA) quarterly during state fiscal year 2018 stating that it was in compliance with MAGIC security policies. Upon review of the security roles assigned, the agency had conflicts to assigned duties, as detailed below.

During our review of MAGIC security roles at MDHS during fiscal year 2018, we noted:

- Thirty three security role conflicts between accounts payable and accounts receivable functions;
- One hundred-four instances of roles assigned to MDHS personnel that are not allowed for the agency;
- Three instances in which roles were assigned to MDHS personnel without the required oversight roles being assigned;
- Three instances in which roles were still assigned to employees after their employment ended with the agency; and,
- Lack of effective review of information that was certified by agency.

**Cause** The agency did not properly review and monitor MAGIC security roles assigned to employees.

**Effect** Failure to properly segregate duties and limit user access among agency personnel increases the risk of misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.

**Recommendation** We recommend the Mississippi Department of Human Services strengthen controls over MAGIC security access and ensure that roles are properly assigned, duties are segregated, and separated employees have their access removed in a timely manner.

**End of Report**



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

**FINANCIAL AUDIT FINDINGS**

Shad White, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

May 10, 2019

Dear Mr. White:

Enclosed for your review is the agency's official response and corrective action plan to the financial audit finding in the "Financial Audit Management Report" as outlined in the Mississippi Department of Human Services financial audit performed for the Fiscal Year 2018.

**FINANCIAL AUDIT FINDINGS:**

2018-034      Controls Should be Strengthened over MAGIC Segregation of Duties, Business Role Assignments and Quarterly Security Certification Process.

**Response:**      The Mississippi Department of Human Services ("MDHS") is in agreement that controls should be strengthened concerning MAGIC security access and ensure that roles are properly assigned, duties are separated and employees that are no longer associated with MDHS have their access removed in a timely manner.

**Corrective**

**Action Plan:**      The Division of Budgets and Accounting ("B&A") will implement internal control procedures that ensure that duties are separated by failing to allow an employee to initiate and approve the same document. A different employee in a supervisor role will have to approve. MDHS will also work closely with Department of Finance and Administration ("DFA") in validating the MAGIC user roles by reviewing quarterly reports and confirming with an employee's supervisor said roles are required. If it is noticed an employee has an incorrect role, B&A will modify it to the correct access role.



B&A will communicate with the Division of Human Resources at MDHS to receive a list of employees separated from the agency to ensure said employee's access to MAGIC has been terminated. This will be completed on a monthly basis. By doing such, this should ensure that unauthorized access to MAGIC from an employee no longer associated with MDHS is terminated in a timely manner.

David Barton, the Inspector General, will be the point of contact concerning the corrective action plan. The anticipated completion date for the corrective actions is June 30, 2019.

We appreciate the courtesy and professionalism demonstrated by Jeremy Ashley and his field staff throughout the audit. Should you have any questions regarding our response or corrective action plan, please do not hesitate to contact David Barton, Deputy Executive Director/Inspector General, at 601-359-4551.

Respectfully,

A handwritten signature in black ink, appearing to read "John Davis", written over a horizontal line.

John Davis  
Executive Director

JD:DB

pc: David Barton  
Jacob Black



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
SHAD WHITE**

May 22, 2019

**Single Audit Management Report**

John Davis, Executive Director  
Mississippi Department of Human Services  
200 South Lamar St.  
Jackson, MS 39201

Dear Mr. Davis:

Enclosed for your review are the single audit findings and other audit finding for the Mississippi Department of Human Services for Fiscal Year 2018. 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 on-site monitoring for the Supplemental Nutrition Assistance Program (SNAP), Child Care and Development Block Grant (CCDF), TANF, Social Services Block Grant (SSBG) and Low Income Home Energy Assistance (LIHEAP) Programs;
3. Strengthen controls over subrecipient monitoring of OMB Uniform Guidance audits for the CCDF, TANF, SSBG and LIHEAP Programs;
4. Strengthen controls over compliance with eligibility and benefit payment requirements of the CCDF Cluster;
5. Strengthen controls over compliance with allowable cost requirements of the CCDF Cluster;
6. Strengthen controls over submission of required federal reports of the SNAP, CCDF and TANF programs;
7. Strengthen controls over compliance with earmarking requirements of the CCDF Cluster;
8. Strengthen controls over compliance with health and safety requirements of the CCDF Cluster; and,
9. Strengthen controls over the 20 percent exemption and five year time limit for the TANF Program.

Other Audit Finding:

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 June 5, 2019. 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.

Mississippi Department of Human Services

May 22, 2019

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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 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,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is fluid and cursive, with the first name "Stephanie" and last name "Palmertree" clearly legible.

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, 2018. The Office of the State Auditor's staff members participating in this engagement included Thomas Wirt, CPA, Jeremy Ashley, Buck Jenkins, CPA, Ashley Kilpatrick, Emily Mathis and Dana McMorris.

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, *Mississippi Code Annotated* (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 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, 2018.

### **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 Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles and Audit Requirements* (Uniform Guidance). Those standards and 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 Uniform Guidance and which are identified in this letter as items 2018-045, 2018-046, 2018-047, 2018-048, 2018-049, 2018-051, 2018-052 and 2018-053.

### **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 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 2018-045, 2018-046, 2018-047 and 2018-052 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 2018-048, 2018-049, 2018-050, 2018-051, and 2018-053 to be significant deficiencies.

In addition, we noted another other deficiency 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-18-04.

## **Findings and Recommendations**

### **ELIGIBILITY**

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

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

**2018-045**                      Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the Temporary Assistance for Needy Families (TANF) Program.

**CFDA Number**              93.558 - Temporary Assistance for Needy Families

**Federal Award No.**        G1502MSTANF 2015              G1601MSTANF 2016  
   G1701MSTANF 2017              G1801MSTANF 2018

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

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

**Questioned Costs** \$2,107

**Criteria** The Mississippi Department of Human Services (MDHS) 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 Mississippi Department of Health; and dependent children in the TANF budget aged 6 to 18 must attend school satisfactorily until high school graduation or completion of a GED.

Chapter 10, TANF Work Program Payment Process, states that for a person to receive TANF transitional services, the appropriate application for TANF transitional services must be received within 30 days after the TANF case closes due to earned income. This chapter also requires work attendance data be entered in the Jobs Automated Work System (JAWS) in order to qualify for TANF transitional service benefits.

**Condition** During testing of TANF benefits paid during fiscal year 2018, the auditor noted the following exceptions:

- Four out of 72 Basic TANF cases tested did not have a signed Personal Responsibility Contract on file (MDHS-EA- 312 form).
- Three out of 72 Basic TANF cases tested included a child that had no valid proof of immunization.
- Two out of 72 Basic TANF cases tested included a child of school age that was not enrolled in school.
- Two out of 22 Transitional Work Transportation Assistance cases tested did not have a signed Transitional Work Assistance Application on file.
- Two out of 22 Transitional Work Transportation Assistance cases tested received benefits but did not have proper work attendance documentation in the JAWS system for hours worked to support benefits paid.

In performing testwork on TANF benefits paid to participants during fiscal year 2018, we noted the following questioned costs:

- Nine out of 72 Basic TANF cases tested, or 12.5 percent, resulted in \$1,207 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.
- Four out of 22 Transitional Work Transportation Assistance cases tested, or 18 percent, resulted in \$900 of known questioned costs and \$387,614 of projected questioned costs.

**Cause** 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 – 2017-036 in 2017; 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*

<b>2018-046</b>	<u>Controls Should Be Strengthened over On-Site Monitoring for the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Child Care and Development Block Grant (CCDF), Low Income Home Energy Assistance Program (LIHEAP), and Social Services Block Grant (SSBG) Programs</u>	
<b>CFDA Number</b>	10.551 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>	G1701MSTANF 2017 G1701MSCCDF 2017 G16B1MSLIEA 2016 SNAP – Letter of Credit	G1601MSCCDF 2016 G1701MSSOSR 2017 G17B1MSLIEA 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	
<b>Criteria</b>	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 <i>Code</i>	

*of Federal Regulations* (2 CFR Part 200 – Uniform Guidance). 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 51 subgrant contracts during state fiscal year 2018, we noted the following exceptions:

- Eleven contracts, or 22 percent, in which subgrant contract files did not contain signed Monitoring Supervisor Review Checklists (MSRC), which is a required element of the on-site monitoring process.
- Eleven contracts, or 22 percent, in which corrective actions were not received from the subrecipient within 15 working days from the date the report was issued, or auditor could not verify corrective actions were received timely due to lack of audit trail.
  - Corrective Actions were received between 17 and 53 days from the Initial Monitoring Report (IMR), with an average of 35 working days passing between the IMR and subgrantee's response.
  - One contract never received a Corrective Action response.
- Twenty-four contracts, or 47 percent, in which the IMR was not issued within 60 working days from the date of the exit conference, or auditor could not determine when it was issued due to lack of audit trail.
  - IMR's were issued between 61 and 217 days late, with an average of 102 working days after the exit conference took place.
- Seven contracts, or 14 percent, in which the IMR was not included in monitoring file; therefore, supervisory approval prior to issuance of the report to the subrecipient could not be verified.



- Seven contracts, or 14 percent, in which the monitoring files did not contain the Programmatic Tool or Fiscal Monitoring Tool, which are required elements of the on-site monitoring process.
- Seven contracts, or 14 percent, in which questions costs had not been completely resolved as of the date of testwork.
- Seven contracts, or 14 percent, in which the auditor could not verify monitoring took place during the contract period due to lack of documentation in monitoring file.

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 Guidance.

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

**Effect** 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 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.

**Repeat Finding** Yes – 2017-037 in 2017; 2016-027 in 2016; 2015-005 in 2015; 2014-017 in 2014

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

## SUBRECIPIENT MONITORING

### *Material Weakness*

### *Material Noncompliance*

**2018-047** Controls Should Be Strengthened over Subrecipient Monitoring of OMB Uniform Guidance Audits for the Child Care and Development Block Grant (CCDF), Temporary Assistance for Needy Families (TANF), Social Services Block Grant (SSBG) and Low Income Home Energy Assistance (LIHEAP) 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>	G1701MSTANF 2017	G1601MSCCDF 2016
	G1701MSCCDF 2017	G1701MSSOSR 2017
	G16B1MSLIEA 2016	G17B1MSLIEA 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** The Office of Management and Budget (OMB) Uniform Guidance states the pass-through entity is responsible for (1) ensuring that subrecipients expending \$750,000 or more in Federal awards during their fiscal year have met the audit requirements of OMB Uniform Guidance 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 2016. During our review, we noted the following weaknesses:

- Of 30 subgrantees tested, we noted 19 instances where the OMB Uniform Guidance audit report for the subgrantee was not received by Office of Monitoring within nine months of the subgrantee's fiscal year end. In 10 instances where an audit was received, we noted that the OMB Uniform Guidance audit report was dated within the nine month period of the subgrantee's fiscal year end; however, nine instances were noted in which the audit report was not dated within nine months of the fiscal year end. Office of Monitoring sent an initial letter and reminder letter to each subgrantee regarding their OMB Uniform Guidance requirements. Subgrantee audit reports were received on average 299 days after the nine month deadline. In addition, we noted 19 instances in which the agency did not send reminder letters to subrecipients in a timely manner. Reminder letters were mailed on January 30, 2018, or up to seven months after the subrecipients' due dates to submit the audit reports to MDHS.
- Of three subgrantees tested on Attachment B of the Status Report, we noted three instances where the OMB Uniform Guidance audit reports/SAIF forms for the subgrantees were not received by Office of Monitoring within

three instances where the OMB Uniform Guidance audit reports/SAIF forms for the subgrantees were not received by Office of Monitoring within nine months for audit reports - or 90 days for SAIF forms - of the subgrantee's fiscal year end. Office of Monitoring sent an initial letter, reminder letter, and demand letter to each subgrantee regarding their OMB Uniform Guidance audit report requirements, but no additional follow-up to obtain the audit report or SAIF form was made prior to the auditor's request. Subgrantee audit reports and SAIF forms were received on average 631 days after the nine month for audit reports – or 90 day deadline for SAIF forms.

- We noted the SFY2016 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 subawards rather than actual expenditure amounts. The requirement to meet audit requirements of the *Code of Federal Regulations* (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 SFY2016 Subgrant Monitoring Tracking System.

<b>Cause</b>	Staff were either unaware or did not follow identified policies and procedures for subrecipient monitoring related to Uniform Guidance.
<b>Effect</b>	Failure to properly monitor subrecipients 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 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 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 in a timely manner to obtain an OMB Uniform Guidance audit or Subgrantee Audit Information Form after the demand letter is issued.
<b>Repeat Finding</b>	Yes – 2017-038 in 2017; 2016-028 in 2016; 2015-009 in 2015; 2014-016 in 2014
<b>Statistically Valid</b>	The sample is considered statistically valid.

**ELIGIBILITY*****Significant Deficiency******Immaterial Noncompliance***

**2018-048**                      Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment 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**            1701MSCCDF 2017  
1801MSCCDF 2018

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

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

**Questioned Costs**        \$1,757

**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.

**Condition**                   Based on eligibility testwork in regards to the CCDF program, we tested 120 child care certificate payments made during fiscal year 2018. We noted the following exceptions:

- Seven instances, or 6 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 the Division of Early Childhood Care and Development. This resulted in known questions costs of \$1,659.

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 documentation.

- Ten instances, or 8 percent, in which there were improper copay amounts based on the prior level and number of children in the family with an active child care certificate.

This resulted in a known questioned cost of \$98 and a projected questioned cost of \$44,956.

<b>Cause</b>	Staff were either unaware or did not follow identified policies and procedures for CCDF eligibility determinations.
<b>Effect</b>	Failure to ensure a child care certificate applications are complete and accurate could result improper payments to a child care provider representing 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 Child 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 <i>Code of Federal Regulations</i> and the <i>Mississippi Child Care Payment Program Policy Manual</i> .
<b>Repeat Finding</b>	Yes – 2017-035 in 2017; 2016-025 in 2016; 2015-002 in 2015; 2014-010 in 2014.
<b>Statistically Valid</b>	The sample is considered statistically valid.

#### ALLOWABLE COST/COST PRINCIPLES

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

<b>2018-049</b>	<u>Controls Should Be Strengthened to Ensure Compliance with Allowable Cost 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>	1701MSCCDF 2017 1801MSCCDF 2018
<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>	\$2,074
<b>Criteria</b>	The <i>Code of Federal Regulations</i> (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).

**Condition**

In performing allowable cost testwork related to certificate rates and co-pays during fiscal year 2018, we noted the following:

- Four instances out of 120 tested, or 4 percent, where full-time only certificates were issued for school-aged children (and no evidence was provided that full time attendance was required outside of regular school hours). This resulted in improper daily rates/ payments to providers for the time these children were in school and in overcharge of parental copays. These four instances resulted in known questioned costs of \$1,647 out of total fiscal year school-aged certificate payments of \$16,350,097 and projected questioned costs of \$848,458.
- Three instances out of 120 tested, or 2.5 percent, in which the incorrect daily rate per age of child was used for the child, resulting in an overpayment to the provider. These three instances resulted in known questioned costs of \$150 out of total certificate payments of \$52,979,622 and projected questions cost of \$68,796.
- One instance out of 120 tested, or 1.2 percent, in which the provider had duplicate certificates for the same child, and thus recorded the child's attendance twice. The child had two certificates under their name allowing double recording and payments to the provider. This resulted in a questioned cost of \$137 out of total certificate payments of \$52,979,622 and projected questioned costs of \$62,897.
- One instance out of 120 tested, or 1.2 percent, in a child was marked as on vacation after the child's 2 week notice of no longer being at the facility, thus resulting in overpayment to the provider. This instance resulted in questioned cost of \$140 out of total certificate payments of \$52,979,622 and projected questioned costs of \$64,432.

**Cause**

Staff were either unaware or did not follow identified policies and procedures over allowable cost requirements.

**Effect**

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*.

**Repeat Finding** Yes; OTH-03 in 2017

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

## REPORTING

### *Significant Deficiency*

**2018-050** 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

**Federal Award No.** SNAP – Letters of Credit G1601MSCCDF 2016  
G1701MSCCDF 2017 G1801MSCCDF 2018  
G1601MSTANF 2016 G1701MSTANF 2017  
G1801MSTANF 2018

**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 *Code of Federal Regulations* (45 CFR Part 75.314) grants the United States Department of Health and Human Services (HHS) 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 (ACF), a division of HHS, and must be submitted quarterly, semiannually or annually, based on instructions from the ACF. 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.

The *Code of Federal Regulations* (7 CFR Part 550.123), requires the “Federal Financial Report” (SF-425) due quarterly and semi-annually no later than 30 calendar days after the reporting period.

The *Code of Federal Regulations* (45 CFR Part 265.6) requires States to submit Temporary Assistance for Needy Families (TANF) program data and financial status reports electronically using the ACF On-Line Data Collection (OLDC) system. The ACR-196R reports must be received by ACF within 45 days after the end of quarter of the fiscal year.

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>.

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

**Condition**

During testwork performed for combined reporting requirements over the TANF and CCDF programs during fiscal year 2018, the auditor noted one quarterly FFR report of the four reports reviewed was not submitted within 30 days after the end of the reporting period. The report was submitted 14 days late.

During testwork performed for the program specific reporting requirements of the SNAP program during fiscal year 2018, we noted one SNAP SF-425 report of the four reports reviewed could not be verified it was submitted timely or if the report was reviewed and approved by supervisory personnel. An audit trail was not maintained to document when the report was submitted or if it was approved prior to submission.

During testwork performed for the program specific reporting requirements of the TANF program during fiscal year 2018, we noted two of the seven ACF-196R reports reviewed were each submitted 16 days late after the end of the 45 day reporting periods.

During the testwork performed for the program specific reporting requirements of the CCDF program during fiscal year 2018, we noted 2 ACF-696 reports of the eight reports reviewed were submitted more than 30 days after the end of the reporting period, from 6 to 9 days late.

**Cause**

Staff were either unaware or did not follow policies and procedures related to federal reporting requirements.

**Effect**

Failure to timely review and submit reports could result in reporting penalties and could impact funding determinations.



<b>Recommendation</b>	We recommend the Mississippi Department of Human Services 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 – 2017-039 in 2017; 2016-026 in 2016; 2015-004 in 2015
<b>Statistically Valid</b>	The sample is considered statistically valid.

## EARMARKING

### *Significant Deficiency* *Immaterial Noncompliance*

**2018-051**                      Controls Should be Strengthened to Ensure Compliance with Earmarking and Minimum Targeted Funds Requirements.

**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**            G1501MSCCDF 2015

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

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

**Questioned Costs**        \$1,078,280

**Criteria**                    The *Code of Federal Regulations* (45 CFR 98.61(f)) requires states to expend any funds from the Child Care and Development Block Grant (CCDF) set-aside for targeted activities pursuant to annual appropriations directed by the Administration for Children and Families (ACF). ACF publishes CCDF allocation tables that include minimum amounts required for three discretionary targeted activities: Child Care Quality Improvement, Infant and Toddler Quality Improvement, and Child Care Resource and Referral and School Aged Child Care Activities. The minimum amounts are determined by ACF based on various statistics and population data received by ACF from each state.

**Condition**                   During testwork performed over earmarking requirements for the 2015 annual CCDF grant that closed during fiscal year 2018, we noted the following exceptions:

- Infant and Toddler Targeted Funds expended were \$1,094,803, or \$518,848 less than the \$1,613,651 minimum allocated by ACF.
- Quality Expansion Targeted Funds expended were \$2,365,002, or \$421,372 less than the \$2,786,374 minimum allocated by ACF.
- School-Age/Resource and Referral Targeted Funds expended were \$118,969, or \$138,060 less than the \$257,029 minimum allocated by ACF.

<b>Cause</b>	Staff were either unaware or did not follow policies and procedures related to earmarking requirements for CCDF discretionary funds.
<b>Effect</b>	Failure to monitor earmarks for minimum compliance throughout the financial reporting period could result in questioned costs and recoupment of funds by the federal granting agency. Discretionary funds for the 2015 CCDF grant did not meet targeted earmarks directed by ACF for \$1,078,280.
<b>Recommendation</b>	We recommend the Mississippi Department of Human Services strengthen controls to ensure minimum targeted funds are obligated and expended to meet the Child Care and Development Block Grant (CCDF) earmarking requirements.
<b>Repeat Finding</b>	No
<b>Statistically Valid</b>	Sample is considered statistically valid.

**SPECIAL TESTS***Material Weakness**Material Noncompliance*

<b>2018-052</b>	<u>Controls Should Be Strengthened over Compliance with Health and Safety Requirements of the Child Care and Development Fund (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>	G1701MSCCDF 2017 G1801MSCCDF 2018
<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>	\$53,870
<b>Criteria</b>	The <i>Code of Federal Regulations</i> (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.

The *Child Care Payment Program* (CCPP) Policy Manual, revised 10/16, Section 11.6 states that, at the end of a fraud investigation, DECCD shall communicate the results of the investigation to the responsible party. Communication may be electronic. The correspondence shall detail any sanctions imposed at the discretion of the Director of DECCD. The correspondence as well as any record of substantiated fraud shall be recorded in the Child Care Payment System.

**Condition**

During testing of health and safety requirements for the CCDF license-exempt child care providers that received subsidies during fiscal year 2018, we noted the following exceptions:

- Eight out of 25 providers tested, or 32 percent, were not included on the listing of providers that were administered training and testing by MDHS in the last two years as required by the agency's health and safety training policy.
- Four of the 25 providers tested, or 16 percent, had no completed monitoring checklist on file.
- Seventeen of the 25 providers tested, or 68 percent, 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 federal regulations outlined in the *Code of Federal Regulations* (45 CFR 98.41).

**Cause**

Due to turnover of staff in DECCD, identified policies and procedures for complying with applicable health and safety requirements were not followed.

**Effect**

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 - 2017-042 in 2017; 16-04 in 2016; Oth-04 in 2015.
<b>Statistically Valid</b>	Sample is considered statistically valid.

## EARMARKING

### *Significant Deficiency* *Immaterial Noncompliance*

**2018-053**                      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.**      G1801MSTANF 2018

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

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

**Questioned Costs**      \$1,022

**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.

<b>Condition</b>	<p>During testwork related to the 20 percent maximum earmark, we reviewed both monthly reports and noted the following:</p> <ul style="list-style-type: none"><li>• No documented review exists of the “Statewide TANF 20 Percent Exemption Summary Report” (TA120C/TA120B Report).</li><li>• Of four cases examined, two 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.</li></ul>
<b>Cause</b>	<p>Staff were either unaware or did not follow policies and procedures over earmarking requirements.</p>
<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 2018.</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 \$1,022 to ineligible participants during fiscal year 2018.</p>
<b>Recommendation</b>	<p>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.</p>
<b>Repeat Finding</b>	<p>Yes – 2017-041 in 2017</p>
<b>Statistically Valid</b>	<p>The sample is considered statistically valid.</p>

## OTHER AUDIT FINDING

In planning and performing our audit of the federal awards received by the Mississippi Department of Human Services for the year ended June 30, 2018, 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.

### Finding and Recommendation

#### ELIGIBILITY

##### *Control Deficiency*

**OTH – 18-04** 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** G1801MSTANF 2018

**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.

<b>Condition</b>	<p>During testwork performed on MAVERICS User Access during fiscal year 2018, we noted the following:</p> <ul style="list-style-type: none"><li>• Of the 40 MAVERICS profiles examined, six instances were noted in which a Resource Access Control Facility (RACF) profile belonged to a terminated employee.</li><li>• Of the 40 MAVERICS profiles examined, one instance was noted in which the auditor could not determine if the RACF user account has not been inactive for over 90 days due to undeterminable date of last access by employee.</li></ul>
<b>Cause</b>	<p>Agency does not effectively follow policy or procedures for granting, deleting or amending MAVERICS user access.</p>
<b>Effect</b>	<p>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.</p>
<b>Recommendation</b>	<p>We recommend the Mississippi Department of Human Services strengthen controls over access to MAVERICS.</p>
<b>Repeat Finding</b>	<p>Yes; OTH-17-04 in 2017</p>
<b>Statistically Valid</b>	<p>No</p>

**End of Report**



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

**SINGLE AUDIT FINDINGS**

June 6, 2019

Shad White, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, Mississippi 39205-0956

Dear Mr. White:

Enclosed for your review is the agency's official response and correlating corrective action plans to the Single Audit Findings in the Single Audit Management Report as outlined in the Mississippi Department of Human Services (MDHS) audit performed for the State Fiscal Year 2018:

SINGLE AUDIT FINDINGS:

**ELIGIBILITY**

**Material Weakness**

**Material Noncompliance**

CFDA Number      93.558 - Temporary Assistance for Needy Families State Programs

**2018-045**

**Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the Temporary Assistance for Needy Families (TANF) Program.**

MDHS Response:      MDHS is in agreement that controls should be strengthened over compliance with eligibility and benefit payment requirements to the TANF Program.

Corrective Action Plan:

In order to strengthen compliance, the Division of Economic Assistance (EA) will conduct a ten percent (10%) review by supervisory employees of EA and by program specialists at approval (initial application and subsequent reapplications). Additionally, supervisory staff will review ten



percent (10%) TANF case actions at the time an action is taken. Said efforts are to ensure documentary files are accurate and complete.

In order to correct any discrepancies within current cases, a ten percent (10%) review of all open TANF and Transitional Service cases will be conducted. As a result of said review, any funds that are deemed to be an overpayment will be recovered in accordance with existing policy and procedures.

Training will also be conducted to ensure all employees of EA have an in-depth understanding of policy contained within Volume III and resulting procedures. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. The anticipated completion date for the corrective action plan is December 1, 2019.

## **SUBRECIPIENT MONITORING**

### **Material Weakness**

### **Material Noncompliance**

CFDA Number      10.551 - 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

### **2018-046**

**Controls Should Be Strengthened over On-Site Monitoring for the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Child Care and Development Block Grant (CCDF), Low Income Home Energy Assistance Program (LIHEAP), and Social Services Block Grant (SSBG) Programs**

MDHS Response:      MDHS is in agreement that controls should be strengthened over on-site monitoring for SNAP, TANF, CCDF, LIHEAP, and SSBG programs.

### **Corrective Action Plan:**

MDHS will train all employees in the Monitoring unit of Program Integrity Division in regards to the new implemented tracking system and the importance of timely uploading of all required documents on both the common drive and Smartsheets. Monitors are also submitting weekly itineraries to ensure that all required documents from the onsite monitoring visits are uploaded and reviewed within two (2) weeks following the visit.

To do such monitors are utilizing Smartsheets, in which will also continue to aide notifying employees when responses and reports are due. Furthermore, said will be memorialized because the Monitoring unit will also develop a monitoring procedure manual to include processes, procedures, and documentation requirements. This manual will outline the process to document the review, prepare findings, and communicate to sub recipients. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. This corrective action plan shall be implemented by August 1, 2019.

## SUBRECIPIENT MONITORING

### Material Weakness

## Material Noncompliance

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

**2018-047** **Controls Should Be Strengthened over Sub Recipient Monitoring of OMB Uniform Guidance Audits for the Child Care and Development Block Grant (CCDF), Temporary Assistance for Needy Families (TANF), Social Services Block Grant (SSBG) and Low Income Home Energy Assistance (LIHEAP) Programs.**

MDHS Response: MDHS is in agreement that controls should be strengthened over Sub Recipient monitoring of OMB Uniform Guidance Audits for CCDF, TANF, SSBG, and LIHEAP Programs.

**Corrective Action Plan:**

MDHS will train all employees in the Monitoring unit of Program Integrity Division in regards to the new implemented tracking system and the importance of timely uploading of all required documents on both the common drive and Smartsheets. Monitors are also submitting weekly itineraries to ensure that all required documents from the onsite monitoring visits are uploaded and reviewed within two (2) weeks following the visit. To do such monitors are utilizing Smartsheets, in which will also continue to aide notifying employees when responses and reports are due. Furthermore, said will be memorialized because the Monitoring unit will also develop a monitoring procedure manual to include processes, procedures, and documentation requirements. This manual will outline the process to document the review, prepare findings, and communicate to sub recipients. The name of the contact person who is responsible for this

corrective action plan is David Barton, Inspector General. This corrective action plan shall be implemented by August 1, 2019.

## **ELIGIBILITY**

### **Significant Deficiency**

### **Immaterial Noncompliance**

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

**2018-048**

**Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the Child Care and Development Block Grant (CCDF) Cluster.**

MDHS Response:      MDHS agrees that controls should be strengthened to ensure compliance with eligibility and benefit payment requirements of the CCDF Cluster.

### **Corrective Action Plan:**

The Division of Early Childhood Care and Development (DECCD) has modified several business practices to decrease the errors and avoid improper payments. DECCD implemented a new document upload function that allows submitted documents from applicants to be uploaded directly to the applicant's application every fifteen (15) minutes. This new process has already been implemented and affords the eligibility employee to be able to process the application with all required documents in an efficient manner. Additionally, over the course of the year DECCD has administered extensive trainings for all DECCD eligibility employees. The trainings included reviewing the co-payment chart, eligibility requirements for parents and processing applications based on documents received. Moreover, an eligibility checklist and a desk guide was developed as an internal control for staff to use as a guide when approving a parent application.

Furthermore, the Quality Control Department (QC) of the Office of the Inspector General, a separate and distinct department from DECCD, has hired four (4) full time QC reviewers. Their job responsibilities are solely dedicated to DECCD reviews, in which resulted in improved internal quality control. Said employees pull, and will continue to pull, sample cases on a monthly basis to review the eligibility and proper payment of each case in the sample. DECCD has also began corrective action trainings to DECCD employees on common identified errors by quality control and on any modification to the state and federal regulations. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. Note this corrective action plan was implemented on or about October 1, 2018.

## **ALLOWABLE COST/COST PRINCIPLES**

### **Significant Deficiency**

**Immaterial Noncompliance**

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

**2018-049**                    **Controls should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the Child Care and Development Block Grant (CCDF) Cluster.**

MDHS Response:      MDHS is in agreement that controls should be strengthened to ensure compliance with allowable cost requirements of the Child Care and Development Block Grant (CCDF) Cluster.

**Corrective Action Plan:**

MDHS met with Information Technology Services (ITS) to modify existing business rules in Child Care Payment System (CCPS). The rule amendments were to include that it will be presumed that children age six (6) or older receives a part-time certificate on school days, unless the parent submits proof that the parent works or is in school non-traditional hours, and that the provider of choice offers care in non-traditional hours as prescribed by the parents work requirements. Additionally, a business rule will be added to make it impossible for CCPS to issue more than one (1) certificate per child.

Furthermore, the Quality Control Department (QC) of the Office of the Inspector General, a separate and distinct department from DECCD, has hired four (4) full time QC reviewers. Their job responsibilities are solely dedicated to DECCD reviews, in which resulted in improved internal quality control. Said employees pull, and will continue to pull, sample cases on a monthly basis to review the eligibility and proper payment of each case in the sample. DECCD has also began corrective action trainings to DECCD staff on common identified errors by quality control and on any modification to the state and federal regulations. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. Note this corrective action plan was implemented on or about October 1, 2018.

**REPORTING**

**Significant Deficiency**

CFDA Number      10.551 – 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

**2018-050**                    **Controls Should Be Strengthened over the Submission of Required Federal Reports for the Child Care and Development Block Grant**

**(CCDF), Supplemental Nutrition Assistance Program (SNAP), and  
Temporary Assistance for Needy Families (TANF) Programs.**

MDHS Response: MDHS is in agreement that controls should be strengthened over the submissions of required federal reports for CCDF, SNAP, and TANF Programs.

**Corrective Action Plan:**

The Division of Budgets and Accounting (B&A) implemented procedures to address the concerns of the report review processes and the submission of said reports in July of 2018. Thus, the six (6) instances identified as late submissions, were anomalies as the policies and procedures have been implemented and trained on with all employees within B&A. Moreover, the employees of B&A are aware and compliant with the policies and procedures cited in this finding. Specifically, four (4) of the instances cited were the direct result of technical system failures and two (2) were related to the absence of key personnel due to unforeseeable family emergencies. Therefore, the six (6) untimely instances were caused by circumstances beyond the employee's control. However, with that stated the B&A Director will reiterate to employees that all reports are to be returned to the supervisor if there is no final signature for approval and will be reminded that all reports must be submitted into the grant status database in a timely manner. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. Note this corrective action plan was implemented on or about July 1, 2018.

**EARMARKING**

**Significant Deficiency**

**Immaterial Noncompliance**

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

**2018-051 Controls Should Be Strengthened to Ensure Compliance with  
Earmarking and Minimum Targeted Funds Requirements.**

MDHS Response: MDHS is in agreement that controls should be strengthened to ensure compliance with earmarking and minimum targeted funds requirements.

**Corrective Action Plan:**

MDHS requested and was granted approval from Administration of Children and Families (ACF) to revise the Federal Fiscal Year 2019 CCDF 696 report for quarter ending 9/30/2017. The report was revised to adjust expenses from other qualified quality activities to meet the required targeted earmarks. This process was completed and the report resubmitted to ACF on June 5, 2019. Documentation can be provided upon request. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General.

**SPECIAL TESTS**

**Material Weakness**

**Martial Noncompliance**

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

**2018-052** **Controls Should Be strengthened over Compliance with Health and Safety Requirements of the Child Care and Development Fund (CCDF) Cluster.**

MDHS Response: MDHS is in agreement that controls should be strengthened over compliance with health and safety requirements of the Child Care and Development Fund (CCDF) Cluster.

**Corrective Action Plan:**

DECCD entered into an agreement with Mississippi Department of Health to restructure the unlicensed child care providers, who are now called family child care providers. Said group of providers are required to comply with the following requirements with the Mississippi Department of Health: 1.) attend health and safety training, 2.) comply with criminal background checks for all eligible adults in the home, 3.) register as a family child care provider, and 4.) agree to be monitored by the Mississippi Department of Health. All has to be completed for the family child care provider to continue to be a CCDF provider.

The Mississippi Department of Health began inspections for monitoring compliance. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. This corrective action plan expects to be completed by June 30, 2019.

**EARMARKING**

**Significant Deficiency**

**Immaterial Noncompliance**

CFDA Number 93.558 Temporary assistance for Needy Families State Programs  
**2018-053** **Controls Should Be Strengthened over 20 Percent Exemption and Five Year Time Limit.**

MDHS Response: MDHS agrees controls should be strengthened over the 20 Percent Exemption and Five (5) Year Time Limit.

**Corrective Action Plan:**

MDHS EA division will conduct refresher training to ensure all employees have an in-depth understanding of policy contained within Volume III and resulting procedures.

The county and regional employees of MDHS will continue monitoring the 20 Percent Exemption Report and the report for the five (5) Year Time Limit

(MDHS-EA-313 and MDHS-EA-313A) and submitting verification of the review monthly. In order to strengthen compliance, an individual at the MDHS State Office has been designated to monitor and ensure compliance each month with the 20 Percent Exemption and the five (5) Year Time Limit in a separate review. Any discrepancies identified will be sent through the Field Operations Director of EA to ensure appropriate case action has been taken to terminate benefits or grant permissible exemptions. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. The anticipated completion date for the corrective action plan is July 1, 2019.

We appreciate the courtesy and professionalism demonstrated by Jeremy Ashley and his field staff throughout the audit. Should you have any questions regarding our responses or corrective action plan, please do not hesitate to contact David Barton, Inspector General, at 601-359-4551.

Respectfully,

A handwritten signature in cursive script, appearing to read "John Davis".

John Davis, Executive Director

JD: DB

pc: Jacob Black  
David Barton  
Christopher Rand



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

**OTHER AUDIT FINDINGS**

Shad White, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

June 6, 2019

Dear Mr. White:

Enclosed for your review is the agency's official 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 (MDHS) audit performed for the State Fiscal Year 2018:

**OTHER AUDIT FINDINGS:**

**ELIGIBILITY**  
**Control Deficiency**

CFDA Number            93.558 – Temporary Assistance for Needy Families State Programs

**OTH – 18-04**            **Controls Should Be Strengthened over Segregation of Duties and Granting Access to MAVERICS.**

MDHS Response:        MDHS is in agreement that it should strengthen its' policies and procedures to ensure that personnel not authorized to approve and/or certify a payment will not have access to do such.

**Corrective Action Plan:**

The MDHS Division of Management Information Systems (MIS) has partnered with the Division of Human Resources to implement an annual attestation of the MDHS Enterprise Security Policy (ESP). Moreover, the MDHS MIS Security Administration team performs a self-audit of 'User Access Controls' on an annual basis. Please note that MDHS users cannot access any of the systems that MDHS utilizes, including MAVERICS, without first authenticating to active directory. The active directory database is kept current with only active users, as employees



that are separated from the agency are removed in a timely manner. The MDHS MIS Security Administration team will ensure that all employees separated from the agency will have said access to MAVERICS, and all other MDHS systems, terminated within thirty (30) days of separation, or sooner if possible. Additionally, the Security Administration team monitors MAVERICS user IDs to ensure that if a user has been inactive for ninety (90) days or longer, said login is disabled. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. The anticipated completion date of this corrective action plan is October 1, 2019.

We appreciate the courtesy and professionalism demonstrated by Jeremy Ashley and his field staff throughout the audit. Should you have any questions regarding our responses or corrective action plan, please do not hesitate to contact David Barton, Inspector General, at 601-359-4551.

Respectfully,

A handwritten signature in black ink, appearing to read "John Davis".

John Davis  
Executive Director

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David Barton  
Christopher Rand