

State of Mississippi



Single Audit for Year Ending June 30, 2020

Mississippi Office of the State Auditor
Shad White

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

July 28, 2021

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

I am pleased to finally submit the *Single Audit Report* of the State of Mississippi for the fiscal year ended June 30, 2020. Our audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996, the provisions of the Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (contained in Title 2 of the U.S. Code of Federal Regulations Part 200), and the State of Mississippi's audit requirements.

The Single Audit process requires the coordination and cooperation of many state government entities. We are particularly grateful for the efforts of the Mississippi Department of Finance and Administration in compiling data.

While I am pleased to report that, for the thirty-third consecutive year, DFA was awarded the Government Finance Officers Association of the United States and Canada's Certificate of Achievement for Excellence in Financial Reporting, it is important to note that this award is bestowed on DFA for its adherence to standards when compiling the report, and does not consider the actual financial condition of the state.

Additionally, it is important to note that my office issued an unmodified opinion on those financials, but that in order to do so, multiple significant adjustments to the financial reports submitted by state agencies were required. I would encourage you to review the audit findings issued by my office and other independent CPA firms. These audit findings are a vital part of our report as they acknowledge weaknesses existing in our state agencies that should be addressed by management and those charged with governance.

Mississippi's *Comprehensive Annual Financial Report* for fiscal year 2020 and our report thereon, dated March 24, 2021, has been issued under separate cover and is available electronically at <http://www.dfa.state.ms.us/> or by writing to the address below:

Mississippi Department of Finance and Administration
Attention: Bureau of Financial Reporting
P. O. Box 267
Jackson, MS 39205

Respectfully submitted,

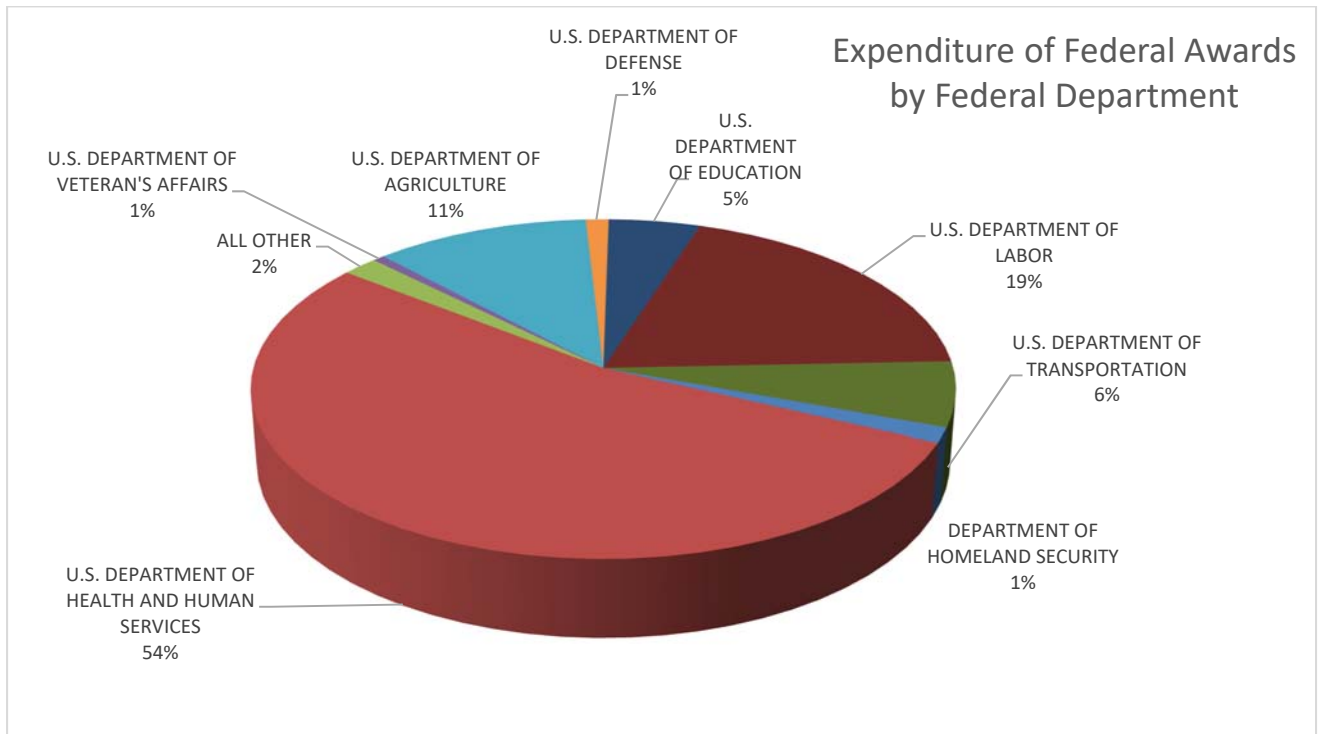
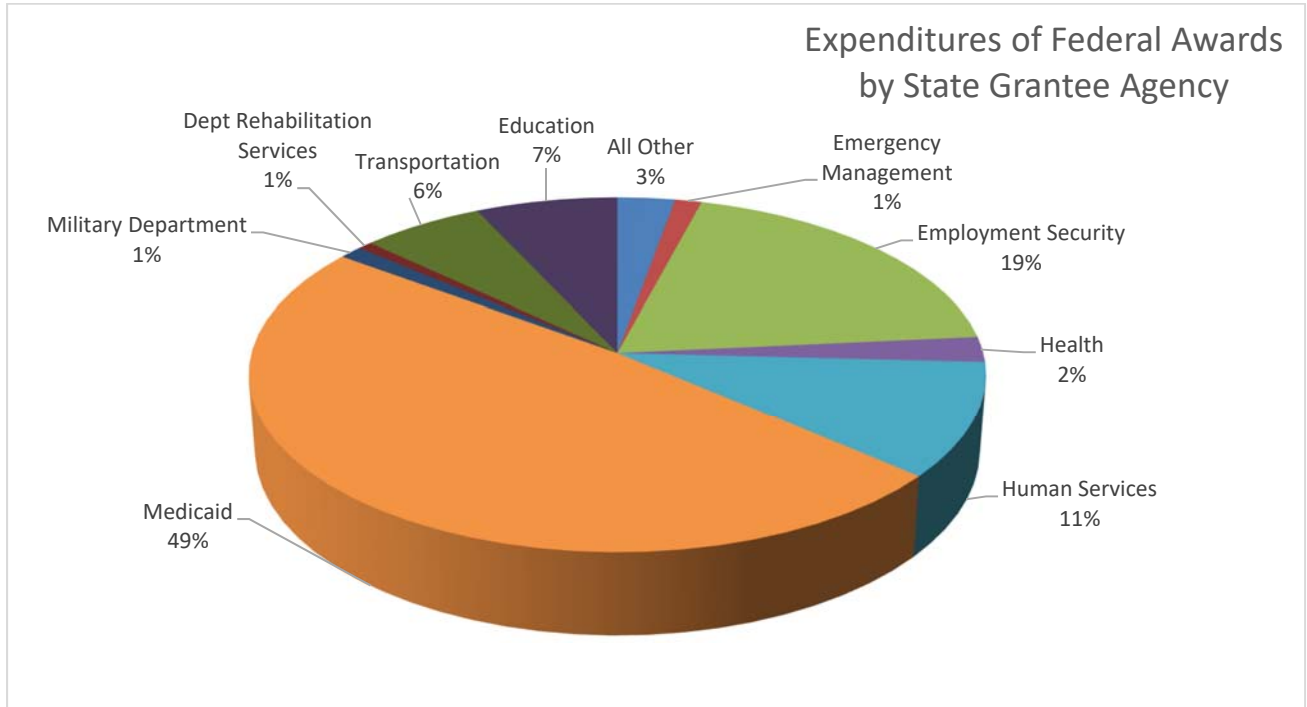
A handwritten signature in black ink, appearing to read "Shad White", is positioned below the "Respectfully submitted," text.

SHAD WHITE
State Auditor

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STATE OF MISSISSIPPI

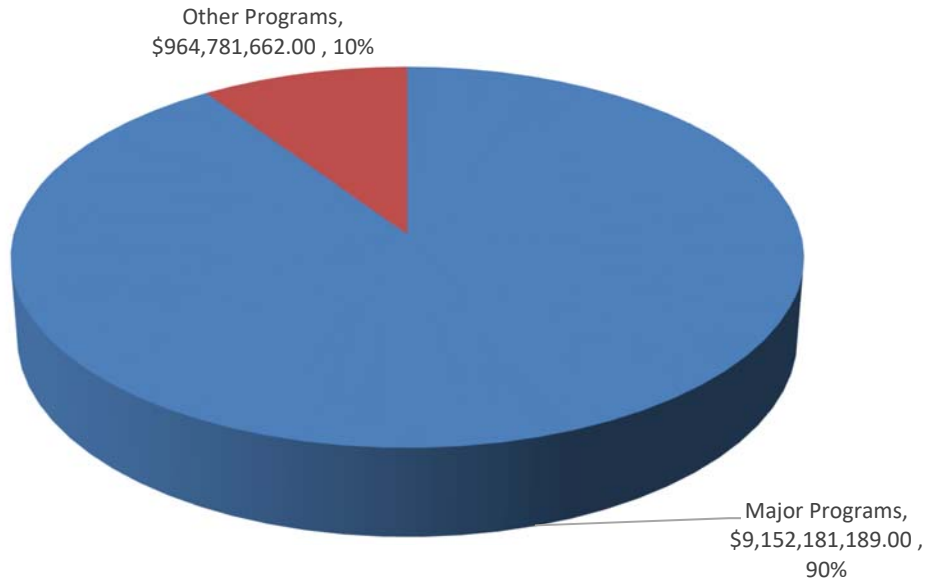
Fiscal Year 2020



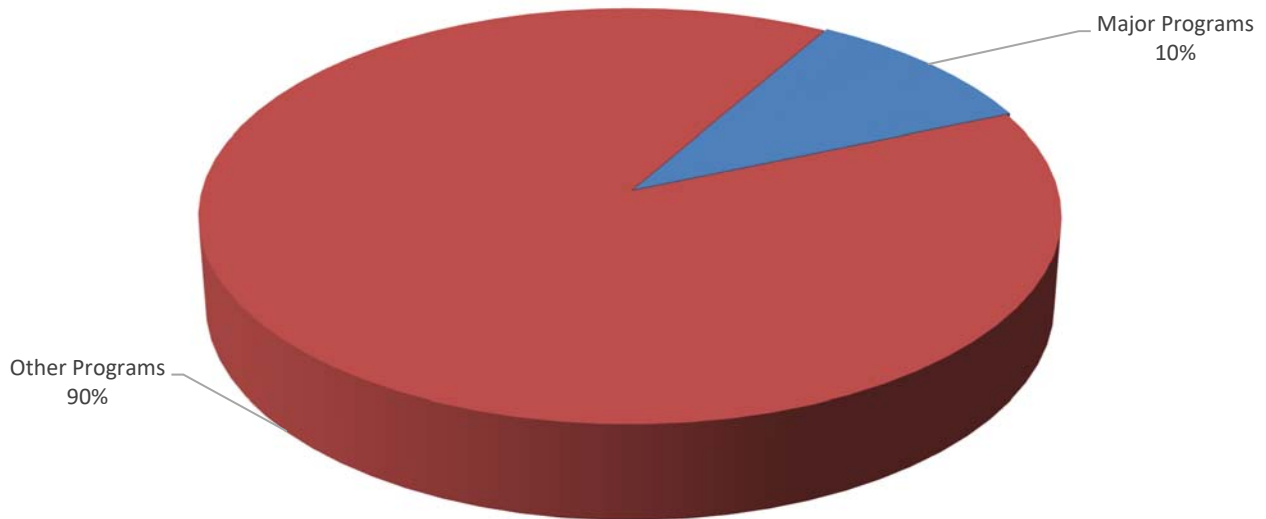
STATE OF MISSISSIPPI

Fiscal Year 2020

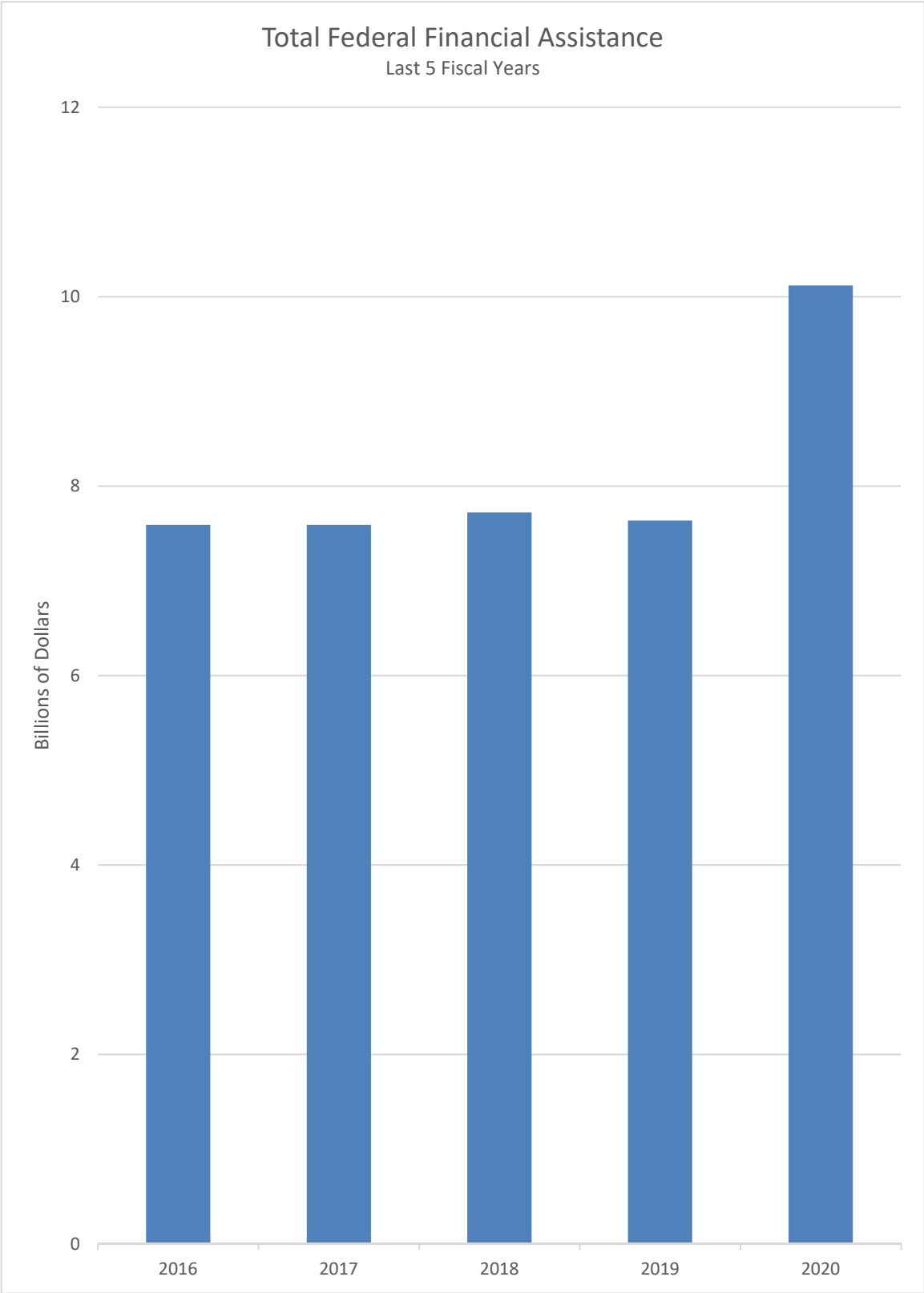
Percentage of Major Program Assistance, by Dollars
Total Expenditures of Federal Awards \$10,116,962,851



Percentage of Major Program Assistance, by Program
330 Programs



STATE OF MISSISSIPPI
Fiscal Year 2020



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STATE OF MISSISSIPPI

SINGLE AUDIT REPORT

For the Year Ended June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
I. AUDIT REPORTING:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance.	5
Schedule of Expenditures of Federal Awards by Federal Department.....	13
Schedule of Expenditures of Federal Awards by State Grantee Agency.....	27
Notes to the Schedule of Expenditures of Federal Awards.....	43
Schedule of Findings and Questioned Costs:	
Part 1 - Summary of Auditor's Results	51
Part 2 - Financial Statement Findings	55
Part 3 - Federal Award Findings and Questioned Costs.....	99
II. SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS:	
Instructions to Management.....	205
Index Listed by Finding Number	207

STATE OF MISSISSIPPI
Table of Contents (concluded)

	<u>Page</u>
Summary Schedules of Prior Federal Audit Findings (Categorized by State Grantee Agency)	211
 III. MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS:	
Instructions to Management	233
Management Responses and Corrective Action Plans (Categorized by State Grantee Agency)	235
 IV. INDICES:	
Index of Financial Statement Findings and Responses	
Financial Statement Findings and Recommendations	325
Management Responses and Corrective Action Plans	325
 Index of Federal Award Findings and Questioned Costs	
Listed by Federal Department	327
 Index of Federal Award Findings and Questioned Costs	
Listed by State Grantee Agency	329
 Index of Federal Award Findings and Questioned Costs	
Listed by Finding Number	331
 Index of Management Responses to Federal Award Findings and Corrective Action Plans	
Listed by State Grantee Agency	333
 V. ACKNOWLEDGMENTS	335

I. AUDIT REPORTING



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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The Governor, Members of the Legislature and Citizens of the State of Mississippi

We have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi (the State), as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the State's basic financial statements, and have issued our report thereon dated March 24, 2021. Our report includes a reference to other auditors who audited the financial statements of the following, as described in our report on the State of Mississippi's financial statements:

▪ Government-wide Financial Statements

• Governmental Activities

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Community College Board, Department of Corrections, Department of Marine Resources, the Mississippi Development Authority, and the Department of Public Safety, which, in the aggregate, represent 5 percent, 9 percent, and 4 percent, respectively, of the assets, net position, and revenues of the governmental activities;

• Business-type Activities

- AbilityWorks, Inc. within the Department of Rehabilitation Services, the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and the Department of Finance and Administration State Life and Health Plan which, in the aggregate, represent 68 percent, 76 percent, and 32 percent, respectively, of the assets, net position, and revenues of the business-type activities;

• Component Units

- the Universities and the nonmajor component units.

- Fund Financial Statements

- Governmental Funds

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Community College Board, Department of Corrections, Department of Marine Resources, the Mississippi Development Authority, and the Department of Public Safety, which, in the aggregate, represent 15 percent, 13 percent, and 2 percent, respectively, of the assets, fund balance, and revenues of the governmental activities;

- Proprietary Funds

- the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, and the Department of Finance and Administration State Life and Health Plan which are considered major enterprise funds which, in the aggregate, represent 67 percent, 66 percent, and 30 percent, respectively, of the assets, fund balance, and revenues of the proprietary funds;

- Aggregate Remaining Funds

- Nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services and the Veterans' Home Purchase Board;
 - Other Employee Benefits Trust Fund – State Life and Health Insurance Plan;
 - the Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;

all of which represent 99 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the aggregate remaining funds.

Except for the major component unit Universities, this report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. This report does not include the results of the other auditor's testing of internal control over financial reporting and compliance and other matters for the major component unit Universities that are reported on separately by those auditors.

The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting compliance and other matters associated with these funds or entities.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we and other auditors considered the State of Mississippi's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Mississippi's internal control.

Our and the other auditors' consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings", we and other auditors did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as items 2020-001, 2020-002, 2020-003, 2020-004, 2020-006, 2020-007, 2020-008, 2020-009, 2020-010, 2020-011, 2020-012, 2020-014, 2020-015, 2020-016, 2020-018, 2020-019, 2020-020, 2020-021, and 2020-022 to be material weaknesses.

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. We consider the deficiencies described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as items 2020-005, 2020-013, and 2020-017 to be significant deficiencies.

We and the other auditors also noted certain matters involving the internal control over financial reporting, which we have reported to management of the applicable state agencies and institutions of the State of Mississippi in separate communications.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Mississippi's financial statements are free from material misstatement, we and other auditors 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 financial statements. 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.

We and the other auditors also noted certain matters which we have reported to management of the State of Mississippi in separate communications.

Management's Response to Finding

Management's response to the findings identified in our audit is described in the accompanying "Management's Response and Corrective Action Plan" section. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Mississippi's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's 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.

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive style and is positioned above a light blue rectangular background.

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

Jackson, Mississippi
March 24, 2021



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

Report on Compliance for Each Major Federal Program

We have audited the State of Mississippi's (the State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2020. The State of Mississippi's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

The State of Mississippi's basic financial statements include the operations of the State's public universities, as a major component unit within the discretely presented component units, which expended \$1,089,310,495 in federal awards which is not included in the State's schedule of federal awards during the year ended June 30, 2020. Our audit, described below, did not include the operations of the public universities because the universities component unit engaged other auditors to perform an audit in accordance with the provisions of Uniform Guidance

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above.

Except as discussed in the following paragraph, we conducted our audits 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the 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

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

examining, on a test basis, evidence about the State of Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our adverse, qualified, and unmodified opinions on compliance for each major federal program. However, our audit, and the audits of other auditors, do not provide a legal determination of the State of Mississippi's compliance.

The scope of this audit did not include testing transactions and records from the major federal programs of the public universities of Mississippi. The audit of those federal programs was conducted in accordance with the provisions of Uniform Guidance, and a separate report was issued.

Basis for Adverse Opinion On the SNAP Cluster, TANF, CCDF Cluster, Social Services Block Grant (SSBG) and Low Income Home Energy Assistance Program (LIHEAP)

As described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 – Federal Award Findings and Questioned Costs," the State of Mississippi did not comply with requirements regarding the following:

Finding #	CFDA #	Program/Cluster Name	Compliance Requirement
2020-024	10.551; 10.561; 93.558; 93.575; 93.596; 93.667	SNAP Cluster TANF CCDF Cluster Social Services Block Grant	Activities Allowed/Allowable Costs
2020-025	93.558	TANF	Activities Allowed/Allowable Costs
2020-026	93.558	TANF	Cash Management
2020-027	93.575; 93.596	CCDF Cluster	Matching, Level of Effort, Earmarking
2020-028	93.575; 93.596	CCDF Cluster	Period of Performance
2020-029	93.558	TANF	Procurement, Suspension and Debarment
2020-030	10.551; 93.558; 93.575; 53.596; 93.667; 93.568	SNAP Cluster TANF CCDF Cluster LIHEAP Social Services Block Grant	Subrecipient Monitoring
2020-031	10.551; 93.558; 93.575; 53.596; 93.667; 93.568	SNAP Cluster TANF CCDF Cluster LIHEAP Social Services Block Grant	Subrecipient Monitoring

Adverse Opinion on SNAP Cluster, TANF Program, CCDF Cluster, Social Services Block Grant (SSBG) and Low Income Home Energy Assistance Program (LIHEAP)

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the State of Mississippi did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster, TANF Cluster, CCDF Cluster, SSBG, and the LIHEAP Program for the year ended June 30, 2020. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

Basis for Qualified Opinion on the WIC Special Supplemental Nutrition Program for Women, Infants, and Children; Unemployment Insurance Program; Highway Planning and Construction Cluster; Veterans State Nursing Home Care Program; Title I Grants to Local Educational Agencies

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

Program; Special Education Cluster; Supporting Effective Instruction State Grants; Immunization Cooperative Agreements; Medicaid Cluster; and Children's Health Insurance Program (CHIP).

As described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 – Federal Award Findings and Questioned Costs," the State of Mississippi did not comply with requirements regarding the following:

Finding #	CFDA #	Program/Cluster Name	Compliance Requirement
2020-037	10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Procurement, Suspension, and Debarment
2020-038	10.557; 93.268	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Reporting
2020-039	10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	Eligibility
2020-036	17.225	Unemployment Insurance	Eligibility
2020-034	20.205	Highway Planning and Construction Cluster	Special Tests and Provisions
2020-040	64.015	Veterans State Nursing Home Care Program	Reporting
2020-032	84.010	Title I Grants to Local Educational Agencies Program	Subrecipient Monitoring
2020-032	84.367	Supporting Effective Instruction State Grants	Subrecipient Monitoring
2020-033	84.027; 84.173	Special Education Cluster	Subrecipient Monitoring
2020-044	93.778	Medicaid Cluster	Special Tests and Provisions
2020-045	93.778	Medicaid Cluster	Special Tests and Provisions
2020-042	93.767; 93.778	Children's Health Insurance Program; Medicaid Cluster	Eligibility
2020-041	93.767	Children's Health Insurance Program	Activities Allowed/Allowable Costs
2020-043	93.767	Children's Health Insurance Program	Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the State of Mississippi to comply with the requirements applicable to those programs.

Qualified Opinion on the WIC Special Supplemental Nutrition Program for Women, Infants, and Children; Unemployment Insurance Program; Highway Planning and Construction Cluster; Veterans State Nursing Home Care Program; Title I Grants to Local Educational Agencies Program; Special Education Cluster; Supporting Effective Instruction State Grants; Immunization Cooperative Agreements; Medicaid Cluster; and Children's Health Insurance Program (CHIP)

In our opinion, except for the possible effects of the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the WIC Special Supplemental Nutrition Program for Women, Infants, and Children; Unemployment Insurance Program; Highway Planning and Construction Cluster; Veterans State Nursing Home Care Program; Title I Grants to Local Educational Agencies Program; Special Education Cluster; Supporting Effective Instruction State Grants; Immunization Cooperative Agreements; Medicaid Cluster; and Children's Health Insurance Program (CHIP) for the year ended June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2020. We did not test the transactions and records of the major federal programs administered by the state's public universities for compliance with any requirements referred to above to determine the effects of such noncompliance, if any.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs" as items 2020-023, 2020-027, 2020-028, 2020-035, and 2020-046. Our opinion on each major federal program is not modified with respect to these matters.

The responses by state agencies to the noncompliance findings identified in our audit, and the audits of other auditors, are described in the accompanying "Section III – Management Responses and Corrective Action Plans." Management's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

We also noted other immaterial instances of noncompliance which have been reported to management of the State of Mississippi in separate communications.

Report on Internal Control Over Compliance

The management of the State of Mississippi 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 State's 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 control over compliance in accordance with the 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 the State's internal control over compliance. We excluded the federal programs of the State's public universities, as discussed in the second paragraph of this report.

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 have not been identified. However, as discussed below, we did identify 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

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 described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs" as items 2020-024, 2020-025, 2020-026, 2020-029, 2020-030, 2020-031, 2020-032, 2020-033, 2020-034, 2020-036, 2020-037, 2020-038, 2020-039, 2020-040, 2020-041, 2020-042, 2020-043, 2020-044, and 2020-045 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 described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 – Federal Award Findings and Questioned Costs" as items 2020-023, 2020-027, 2020-028, and 2020-035 to be significant deficiencies.

The responses by state agencies to the internal control over compliance findings identified in our audit are described in the accompanying "Section III – Management Responses and Corrective Action Plans." Management's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

We also noted other matters involving internal control over compliance and its operation, which have been reported to management of the State of Mississippi in separate communications.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is matter of public record and its distribution is not limited.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State of Mississippi's basic financial statements. We issued our report thereon dated March 24, 2021 which contained unmodified opinions on those financial statements. We did not audit the financial statements of:

- Government-wide Financial Statements
 - Governmental Activities
 - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Community College Board, Department of Corrections, Department of Marine Resources, the Mississippi Development Authority, and the Department of Public Safety, which, in the aggregate, represent 5 percent, 9 percent, and 4 percent, respectively, of the assets, net position, and revenues of the governmental activities;
 - Business-type Activities

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

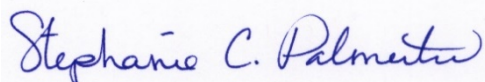
- AbilityWorks, Inc. within the Department of Rehabilitation Services, the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, and the Department of Finance and Administration State Life and Health Plan which, in the aggregate, represent 68 percent, 76 percent, and 32 percent, respectively, of the assets, net position, and revenues of the business-type activities;
 - Component Units
 - the Universities and the nonmajor component units.
 - Fund Financial Statements
 - Governmental Funds
 - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Community College Board, Department of Corrections, Department of Marine Resources, the Mississippi Development Authority, and the Department of Public Safety, which, in the aggregate, represent 15 percent, 13 percent, and 2 percent, respectively, of the assets, fund balance, and revenues of the governmental activities;
 - Proprietary Funds
 - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, and the Department of Finance and Administration State Life and Health Plan which are considered major enterprise funds which, in the aggregate, represent 67 percent, 66 percent, and 30 percent, respectively, of the assets, fund balance, and revenues of the proprietary funds;
 - Aggregate Remaining Funds
 - Nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services and the Veterans' Home Purchase Board;
 - Other Employee Benefits Trust Fund – State Life and Health Insurance Plan;
 - the Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;
- all of which represent 99 percent, 100 percent, and 100 percent, respectively, of the assets, net position, and revenues of the aggregate remaining funds.

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

Those statements were audited by other auditors whose reports have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based solely on the reports of the other auditors.

The State of Mississippi has excluded federal programs administered by public universities from the accompanying schedules of expenditures of federal awards, as more fully described in Note 2 to the schedules. The State's public universities were audited in accordance with statutory requirements and the provisions of Uniform Guidance, and a separate report was issued.

Our audit and the audits of the other auditors were conducted for the purpose of forming our opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards by Federal Department is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in the schedule of expenditures of federal awards has been subjected to the auditing procedures applied by us and other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based upon our audit and the audit reports of the other auditors, except for the effects of the omission described in the preceding paragraph, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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

Jackson, Mississippi
July 28, 2021

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Schedule of Expenditures of Federal Awards by Federal Department



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STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
U.S. DEPARTMENT OF AGRICULTURE				
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Agriculture and Commerce / Animal Health		752,995
10.069	Soil and Water Conservation	Agriculture and Commerce / Soil and Water Conservation Commission		332,746
10.163	Market Protection and Promotion	Agriculture and Commerce		29,128
10.170	Specialty Crop Block Grant Program – Farm Bill	Agriculture and Commerce	313,244	350,682
10.475	Cooperative Agreements with States for Intrastate Meat	Agriculture and Commerce and Poultry Inspection		2,087,067
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Health	2,554,189	70,918,136
10.558	Child and Adult Care Food Program	Education	39,453,492	39,620,642
10.558	COVID-19 Child and Adult Care Food Program	Education	3,320,531	3,320,531
10.560	State Administrative Expenses for Child Nutrition	Education	1,734,131	4,592,916
10.578	WIC Grants To States (WGS)	Health	15,585	653,799
10.579	Child Nutrition Discretionary Grants Limited Availability	Education	194,692	194,692
10.580	Supplemental Nutrition Assistance Program Process and Technology Improvement Grants	Human Services		212,507
10.582	Fresh Fruit and Vegetable Program	Education	1,833,475	1,833,475
10.596	Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	Human Services		(47,951)
10.664	Cooperative Forestry Assistance	Forestry Commission Agriculture and Commerce / Soil and Water Conservation Commission		6,605,111
10.902	Soil and Water Conservation	Soil and Water Conservation Commission		1,112,192
10.904	Soil and Water Conservation	Soil and Water Conservation Commission		936,659
10.912	Soil and Water Conservation	Environmental Quality/Soil and Water Conservation Commission	159,879	1,245,260
10.913	Soil and Water Conservation	Soil and Water Conservation Commission		12,935
10.916	NRCS Watershed Rehabilitation Program	Soil and Water Conservation Commission		1,077,419
10.923	Emergency Watershed Protection Program	Wildlife, Fisheries and Parks		72,535
10.932	Regional Conservation Partnership Program	Soil and Water Conservation Commission		9,621
10.950	Agricultural Statistics Reports	Agriculture and Commerce		21,133
SUBTOTAL				<u>135,944,230</u>
SNAP Cluster				
10.551	Supplemental Nutrition Assistance Program (SNAP)	Human Services		706,878,162
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Human Services	4,747,841	30,250,234
Total SNAP Cluster				<u>737,128,396</u>

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
Child Nutrition Cluster				
10.553	School Breakfast Program (SBP)	Education	47,128,131	47,134,097
10.553	COVID-19 School Breakfast Program (SBP)	Education	2,327,036	2,327,036
10.555 @	National School Lunch Program (NSLP)	Education	125,860,516	148,102,703
10.555 @	COVID-19 National School Lunch Program	Education	6,202,391	6,202,391
10.556	Special Milk Program for Children (SMP)	Education	2,491	3,024
10.556	COVID-19 Special Milk Program for Children (SMP)	Education	64	64
10.559	Summer Food Service Program for Children (SFSPC)	Education	23,410,323	23,467,517
10.559	COVID-19 Summer Food Service Program for Children (SFSPC)	Education	10,312,031	10,312,031
Total Child Nutrition Cluster				237,548,863
Food Distribution Cluster				
10.565	Commodity Supplemental Food Program	Human Services	615,646	899,855
10.568	Emergency Food Assistance Program (Administrative Costs)	Human Services	127,843	1,175,684
10.569 @	Emergency Food Assistance Program (Food Commodities)	Human Services		7,192,344
Total Food Distribution Cluster				9,267,883
Forest Service Schools and Roads Cluster				
10.665	Schools and Roads - Grants to States	Treasury		4,766,461
Total Forest Service Schools and Roads Cluster				4,766,461
TOTAL U.S. DEPARTMENT OF AGRICULTURE				1,124,655,833
U.S. DEPARTMENT OF COMMERCE				
11.407	Inter jurisdictional Fisheries Act of 1986	Marine Resources		115,252
11.419	Coastal Zone Management Administration Awards	Marine Resources		1,214,229
11.420	Coastal Zone Management Estuarine Research Reserves	Marine Resources		809,002
11.434	Cooperative Fishery Statistics	Marine Resources		978,460
11.441	Regional Fishery Management Councils	Marine Resources		19,012
11.451	Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	Marine Resources		4,005
11.454	Unallied Management Projects	Marine Resources		3,629,566
11.557	Broadband Technology Opportunities Program	Governor's Office		9,222,745
11.617	Congressionally-Identified Projects	Marine Resources		33,283
TOTAL U.S. DEPARTMENT OF COMMERCE				16,025,554
U.S. DEPARTMENT OF DEFENSE				
12.002	Procurement Technical Assistance For Business Firms	MS Development Authority		587,924

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
12.106	Flood Control Projects (Passed-through from the U.S. Army Corps of Engineers). Identifying numbers assigned by the pass through entity – DACW01-3-91- 0543, DACW38-91-H-0007, DACW01-3-92-0411, DACW38-3-09-176, DACW01-3-91-0500, DACW01- 3-96-0023, DACW38-3-12-9, and DACW01-3-92-0410.	Wildlife, Fisheries and Parks		1,742,621
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	Environmental Quality		135,679
12.400	Military Construction, National Guard	Military Department		8,437,837
12.401	National Guard Military Operations and Maintenance (O&M) Projects	Military Department		103,559,794
12.404	National Guard Challenge Program	Military Department		4,297,274
TOTAL U.S. DEPARTMENT OF DEFENSE				118,761,129
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.228	Community Development Block Grants / State's Program	MS Development Authority	27,369,167	42,065,984
14.900	Lead-Based Paing Hazard Control in Privately-Owned Housing	Health	3,030	138,365
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				42,204,349
U.S. DEPARTMENT OF THE INTERIOR				
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	Environmental Quality		199,511
15.252	Abandoned Mine Land Reclamation (AMLR) Program	Environmental Quality		56,647
15.608	Fish and Wildlife Management Assistance	Wildlife, Fisheries and Parks	52,849	234,233
15.615	Cooperative Endangered Species Conservation Fund	Wildlife, Fisheries and Parks		166,855
15.616	Agriculture Wool Apparel Manufacturers Trust Fund	Marine Resources		43,824
15.622	Sportfishing and Boating Safety Act	Marine Resources	2,020	2,020
15.630	Coastal Program	Wildlife, Fisheries, and Parks		3,899
15.650	Research Grants (Generic)	Wildlife, Fisheries and Parks		8,782
15.657	Endangered Species Conservation – Recovery	Wildlife, Fisheries and Parks		206,301
15.810	National Cooperative Geologic Mapping Program	Environmental Quality		52,762
15.904	Historic Preservation Fund Grants-In-Aid	Archives and History		1,290,368
15.916	Outdoor Recreation – Acquisition, Development and Planning	Wildlife, Fisheries and Parks	2,930	2,930
15.928	Civil War Battlefield Land Acquisition Grants	Archives and History		147,524
15.939	National Heritage Area Federal Financial Assistance	Marine Resources	110,622	436,934
15.980	National Ground-Water Monitoring Network	Environmental Quality		29,394
15.981	Water Use and Data Research	Environmental Quality		75,540
SUBTOTAL				2,957,524
Fish and Wildlife Cluster				

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
15.605	Sport Fish Restoration Program	Marine Resources / Wildlife, Fisheries and Parks	596,498	3,518,531
15.611	Wildlife Restoration and Basic Hunter Education	Wildlife, Fisheries and Parks		9,342,003
15.626	Enhanced Hunter Education and Safety	Wildlife, Fisheries and Parks		156,139
Total Fish and Wildlife Cluster				13,016,673
TOTAL U.S. DEPARTMENT OF THE INTERIOR				15,974,197
U.S. DEPARTMENT OF JUSTICE				
16.012	Alcohol, Tobacco, and Firearms – Training Assistance	Public Safety		9,766
16.017	Sexual Assault Services Formula Program	Public Safety	269,042	314,044
16.320	Services for Trafficking Victims	Health		2,154
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	Public Safety		253,049
16.543	Missing Children's Assistance	Attorney General		287,768
16.554	National Criminal History Improvement Program (NCHIP)	Public Safety		42,011
16.575	Crime Victim Assistance	Health	18,309,246	22,119,540
16.576	Crime Victim Compensation	Attorney General		1,361,212
16.588	Violence Against Women Formula Grants	Health	1,223,953	1,452,058
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	Health		1,056
16.593	Residential Substance Abuse Treatment for State Prisoners	Public Safety	114,833	217,019
16.734	Special Data Collections and Statistical Studies	Public Safety		354,590
16.738	Edward Byrne Memorial Justice Assistance Grant Program	Public Safety	262,896	1,140,692
16.741	DNA Backlog Reduction Program	Public Safety		450,719
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	Public Safety	209,075	244,270
16.750	2016 Adam Walsh/ Sorna Implementation 615A	Public Safety		3,530
16.754	Harold Rogers Prescription Drug Monitoring Program	Health/Public Safety	182,190	432,472
16.812	Second Chance Act Reentry Initiative	Mental Health	173,011	184,511
16.816	John R. Justice Prosecutors and Defenders Incentive Act	Attorney General		36,392
16.922	Equitable Sharing Program	Public Safety		603,764
16.UN1	DEA Task Force	Public Safety		(15,647)
16.UN5	U.S. Marshall Service	Public Safety		4,952
TOTAL U.S. DEPARTMENT OF JUSTICE				29,499,922
U.S. DEPARTMENT OF LABOR				
17.002	Labor Force Statistics	Employment Security		704,607
17.225 #	Unemployment Insurance	Employment Security		1,912,364,457
17.225 #	COVID-19 Unemployment Insurance	Employment Security		2,388,662
17.235	Senior Community Service Employment Program	Employment Security	792,016	842,887
17.245	Trade Adjustment Assistance	Employment Security		163,138
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	Employment Security	622,022	729,516
17.270	Reentry Employment Opportunities	Employment Security		500
17.271	Work Opportunity Tax Credit Program (WOTC)	Employment Security		139,198

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
17.273	Temporary Labor Certification for Foreign Workers	Employment Security		170,463
17.277	Workforce Investment Act (WIA) National Emergency Grants	Employment Security	33,148	93,148
17.285	Apprenticeship USA Grants	Employment Security	593,763	656,116
17.600	Mine Health and Safety Grants	Environmental Quality		37,515
<i>SUBTOTAL</i>				<u>1,918,290,207</u>
Employment Service Cluster				
17.207	Employment Service / Wagner-Peyser Funded Activities	Employment Security		5,186,677
17.801	Disabled Veterans' Outreach Program (DVOP)	Employment Security		1,389,711
<i>Total Employment Service Cluster</i>				<u>6,576,388</u>
WIOA Cluster				
17.258	WIA Adult Program	Employment Security	9,692,645	10,472,627
17.259	WIA Youth Activities	Employment Security	9,165,403	9,673,681
17.278	WIA Dislocated Worker Formula Grants	Employment Security	11,378,225	13,200,849
Total WIOA Cluster				<u>33,347,157</u>
TOTAL U.S. DEPARTMENT OF LABOR				<u>1,958,213,752</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
20.200	Highway Research and Development Program	Transportation		26,474
20.215	Highway Training and Education	Transportation		190
20.218	National Motor Carrier Safety	Public Safety/Transportation		3,472,350
20.232	Commercial Driver's License Program Improvement Grant	Public Safety		402,708
20.237	Fed Aviation Adm-FAA	Transportation		231,368
20.2NA	Fatal Analysis Reporting System	Public Safety		93,313
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	Transportation		43,722
20.314	Railroad Development	Transportation		17,440
20.505	Fed Transit Auth-FTA	Transportation		536,196
20.509	Formula Grants for Rural Areas	Transportation	13,069,160	17,435,597
20.509	COVID-19 Formula Grants for Rural Areas	Transportation	4,311,112	4,311,112
20.614	Fatality Analysis Reporting System	Public Safety		(827)
20.615	E-911 Grant Program	Emergency Management		78,489
20.700	Pipeline Safety Program Base Grant	Public Service Commission		293,593
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	Emergency Management	75,826	365,253
20.720	Damage Prevention	Public Service Commission		45,180
20.721	811 One Call	Public Service Commission		(27,751)
20.933	National Infrastructure Investments	Transportation		3,950,246
<i>SUBTOTAL</i>				<u>31,274,653</u>
Highway Planning and Construction Cluster				
20.205	Highway Planning and Construction	Transportation		580,249,835
20.219	Recreational Trails Program	Wildlife, Fisheries and Parks/Transportation	2,694,857	2,921,217
20.224	Federal Lands Access Program	Transportation		1,425,194

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
	Total Highway Planning and Construction Cluster			584,596,246
	Transit Services Programs Cluster			
20.513	Enhanced Mobility for Seniors and Individuals with Disabilities	Transportation	1,706,627	1,712,727
20.516	Job Access and Reverse Commute Program	Transportation	162,354	162,354
20.521	New Freedom Program	Transportation		320
	Total Transit Services Programs Cluster			1,875,401
	Federal Transit Cluster			
20.526	Bus and Bus Facilities Formula Program	Transportation	1,883,380	2,856,478
	Total Federal Transit Cluster			2,856,478
	Highway Safety Cluster			
20.600	State and Community Highway Safety	Public Safety	1,805,091	6,577,422
	Total Highway Safety Cluster			6,577,422
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				627,180,200
U.S. DEPARTMENT OF THE TREASURY				
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast	Environment Quality/Marine Resources	16,357,710	17,655,156
21.019	Coronavirus Relief Fund	Finance and Administration		24,538,947
TOTAL U.S. DEPARTMENT OF THE TREASURY				42,194,103
APPALACHIAN REGIONAL COMMISSION				
23.002	Appalachian Area Development	MS Development Authority/Transportation	6,972,139	7,073,498
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	MS Development Authority/Education	133,256	264,395
TOTAL APPALACHIAN REGIONAL COMMISSION				7,337,893
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
45.025	Promotion of the Arts - Partnership Agreements	Arts Commission	794,053	794,053
45.025	COVID-19 Promotion of the Arts - Partnership Agreements	Arts Commission	439,600	439,600
45.130	Promotion of the Humanities Challenge Grants	Archives and History		7,171
45.149	Promotion of the Humanities – Division of Preservation Access	Archives and History		140,972
45.168	National Digital Newspaper Program	Archives and History		
45.301	Museums for America	Archives and History		(1,137)
45.310	Grants to States	Library Commission	508,451	1,461,195
45.310	COVID-19 Grants to States	Library Commission	1,438	1,438
TOTAL NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				2,843,292
SMALL BUSINESS ADMINISTRATION				
59.061	State Trade and Export Promotion Pilot Grant Program	MS Development Authority		470,467

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
TOTAL SMALL BUSINESS ADMINISTRATION				470,467
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>				
64.015	Veterans State Nursing Home Care	Veterans Affairs Board		34,073,295
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS				34,073,295
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
66.032	State Indoor Radon Grants	Health		21,084
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	Environmental Quality		457,274
66.040	State Clean Diesel Grant Program	Environmental Quality	311,992	369,372
66.202	Congressionally Mandated Projects	Environmental Quality		18,332
66.204	Multipurpose Grants to States and Tribes	Oil and Gas Board		19,262
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality		173,473
66.432	State Public Water System Supervision	Health		1,618,308
66.433	State Underground Water Source Protection	Oil and Gas Board		166,000
66.454	Water Quality Management Planning	Environmental Quality		205,179
66.460	Nonpoint Source Implementation Grants	Environmental Quality	919,094	1,886,288
66.472	Beach Monitoring and Notification Program Implementation Grants	Environmental Quality		210,835
66.605	Performance Partnership Grants	Agriculture and Commerce/ Environmental Quality		7,979,253
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	Environmental Quality		22,042
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	Environmental Quality		73,886
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	Environmental Quality		365,974
66.708	Pollution Prevention Grants Program	Environmental Quality		35,930
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	Environmental Quality		116,278
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Quality		642,863
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	Environmental Quality		777,453
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	Environmental Quality		39,341
<u>SUBTOTAL</u>				15,198,427
<u>Clean Water State Revolving Fund Cluster</u>				
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality		6,786,658
<u>Total Clean Water State Revolving Fund Cluster</u>				6,786,658
<u>Drinking Water State Revolving Fund Cluster</u>				
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Health		5,401,302
<u>Total Drinking Water State Revolving Fund Cluster</u>				5,401,302
TOTAL ENVIRONMENTAL PROTECTION AGENCY				27,386,387

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	MS Development Authority		664,985
81.119	State Energy Program Special Projects	MS Development Authority		
81.136	DOE Salmon Testing Site	Health		113,856
TOTAL U.S. DEPARTMENT OF ENERGY				778,841
U.S. DEPARTMENT OF EDUCATION				
84.002	Adult Education – Basic Grants to States	Board for Community and Junior Colleges		5,267,994
84.010	Title I Grants to Local Educational Agencies	Education	211,000,106	213,109,204
84.011	Migrant Education – State Grant Program	Education	684,721	849,443
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	Education	278,935	319,544
84.048	Career and Technical Education – Basic Grants to States	Education	13,258,515	14,034,447
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Rehabilitation Services		46,766,424
84.144	Migrant Education – Coordination Program	Education		53,348
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	Rehabilitation Services		305,073
84.181	Special Education – Grants for Infants and Families	Health	244,218	2,626,761
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	Rehabilitation Services		519,386
84.196	Education for Homeless Children and Youth	Education	673,094	830,301
84.287	Twenty-First Century Community Learning Centers	Education	6,499,432	7,067,411
84.305	Education Research, Development and Dissemination	Education		102,094
84.323	Special Education – State Personnel Development	Education	1,198,608	1,282,401
84.358	Rural Education	Education	3,641,953	3,901,237
84.365	English Language Acquisition State Grants	Education	1,310,166	1,364,256
84.366	Mathematics and Science Partnerships	Education	8,910	13,119
84.367	Improving Teacher Quality State Grants	Education	27,755,887	28,533,177
84.368	Competitive Grants for State Assessments	Education		182,579
84.369	Grants for State Assessments and Related Activities	Education		6,918,144
84.372	Statewide Data Systems	Education		1,111,433
84.374	Teacher Incentive Fund	Education		
84.377	School Improvement Grants	Education	2,223,749	2,453,638
84.424	Title IV-SSAE State Activities	Education	11,978,882	12,118,678
84.938	Temporary Emergency Impact Aid for Displaced Students	Education	73,688	73,688
SUBTOTAL				349,803,780
Special Education Cluster (IDEA)				
84.027	Special Education – Grants to States (IDEA, Part B)	Education	114,211,567	123,996,743

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
84.173	Special Education – Preschool Grants (IDEA, Preschool)	Education	4,362,984	4,362,984
Total Special Education Cluster (IDEA)				128,359,727
TOTAL U.S. DEPARTMENT OF EDUCATION				478,163,507
GULF COAST ECOSYSTEM RESTORATION COUNCIL				
87.051	Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program	Environmental Quality	155,389	680,165
87.052	Gulf Coast Ecosystem Restoration Council Oil Spill Impact Program	Environmental Quality/Marine Resources		1,434,350
TOTAL GULF COAST ECOSYSTEM RESTORATION COUNCIL				2,114,515
ELECTION ASSISTANCE COMMISSION				
90.404	2018 HAVA Election Security Grant	Office of the Sec of State	746,535	1,107,801
TOTAL ELECTION ASSISTANCE COMMISSION				1,107,801
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
93.041	Special Programs for the Aging – Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Human Services	44,761	44,761
93.042	Special Programs for the Aging – Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	Human Services	122,439	126,677
93.042	COVID-19 Special Programs for the Aging – Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	Human Services		5,748
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	Human Services	210,013	231,937
93.052	National Family Caregiver Support, Title III, Part E	Human Services	993,939	1,386,053
93.052	National Family Caregiver Support, Title III, Part E	Human Services	15,114	17,337
93.069	Public Health Emergency Preparedness	Health	90,188	5,497,940
93.070	Environmental Public Health and Emergency Response	Health	94,760	148,030
93.071	Medicare Enrollment Assistance Program	Human Services	107,492	371,665
93.072	Lifespan Respite Care Program	Human Services		6,819
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Health	641,380	641,380
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Education		78,749
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	Health	188,941	335,938
93.103	Food and Drug Administration – Research	Marine Resources/Ag and Commerce		470,413
93.104	CXPD	Mental Health	2,178,600	2,697,670
93.110	Maternal and Child Health Federal Consolidated Programs	Health/ Mental Health	166,597	196,061

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health	22,483	604,758
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity	Health	7,519	95,975
93.127	Emergency Medical Services for Children	Health		118,108
93.130	Cooperative Agreements to States / Territories for the Coordination and Development of Primary Care Offices	Health	42,000	192,603
93.136	Injury Prevention and Control Research and State and Community Based Programs	Health	472,511	699,072
93.137	Impact of Preschool Obesity Prevention Curriculum Enhanced with Positive Behavioral Support	Health	197,593	363,616
93.150	Projects for Assistance in Transition from Homelessness (PATH)	Mental Health	261,208	296,808
93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children	Health	5,726	496,904
93.217	Family Planning – Services	Health	1,083,734	3,711,956
93.235	Affordable Care Act (ACA) Abstinence Education Program	Human Services		294,510
93.236	Grants to States to Support Oral Health Workforce Activities	Health	34,807	359,588
93.241	State Rural Hospital Flexibility Program	Health	277,805	624,116
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	Mental Health	2,557,982	3,114,957
93.251	Universal Newborn Hearing Screening	Health		107,929
93.262	Occupational Safety and Health Program	Health		153,119
93.268 @	Immunization Cooperative Agreements	Health	16,808	47,621,139
93.270	Adult Viral Hepatitis Prevention and Control	Health	85,336	164,688
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Health	231,993	3,173,770
93.296	State Partnership Grant Program to Improve Minority Health	Health	74,966	171,625
93.301	Small Rural Hospital Improvement Grant Program	Health	378,187	541,896
93.301	COVID-19 Small Rural Hospital Improvement Grant Program	Health	3,995,472	4,078,711
93.305	National State Based Tobacco Control Programs	Health	192,317	720,524
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health		63,795
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health	252,439	1,793,739
93.323	COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health	51,922	822,746
93.324	State Health Insurance Assistance Program	Human Services	125,562	572,307
93.336	Behavioral Risk Factor Surveillance System	Health		264,669
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Health	238,514	1,555,226

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
93.354	COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	Health	35,614	2,049,463
93.367	Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	Health		138,156
93.369	ACL Independent Living State Grants Improving the Health of Americans through	Rehabilitation Services		516,690
93.426	Prevention and Management of Diabetes and Heart Disease and Stroke	Health	709,183	1,715,547
93.434	Every Student Succeeds Act/Preschool Development Grants	Community College Board		6,367,127
93.464	ACL Assistive Technology	Rehabilitation Services		575,454
93.478	Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	Health		8,054
93.498	COVID-19 Public Health and Social Services	Mississippi State Hospital		156,400
93.500	Pregnancy Assistance Fund Program	Health	185,551	791,134
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	Human Services		3,094,679
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	Health		111,159
93.556	Promoting Safe and Stable Families	Human Services	1,452,027	1,807,568
93.558	Temporary Assistance for Needy Families (TANF) State Programs	Human Services	25,428,397	63,661,451
93.563	Child Support Enforcement	Human Services		23,123,043
93.566	Refugee and Entrant Assistance – State Administered Programs	Human Services	1,464,370	1,715,670
93.568	Low-Income Home Energy Assistance	Human Services	24,669,894	27,006,654
93.568	COVID-19 Low-Income Home Energy Assistance	Human Services	65,540	424,459
93.569	Community Services Block Grants	Human Services	9,496,678	9,496,678
93.569	COVID-10 Community Services Block Grants	Human Services	526,346	526,346
93.586	State Court Improvement Program	Supreme Court		302,475
93.590	Community-Based Child Abuse Prevention Grants	Human Services	138,934	255,997
93.597	Grants to States for Access and Visitation Programs	Human Services		57,063
93.599	Chafee Education and Training Vouchers Program (ETV)	Human Services		503,051
93.603	Adoption Incentive Payments	Human Services		849,613
93.630	Developmental Disabilities Basic Support and Advocacy Grants	Mental Health	633,647	887,154
93.645	Stephanie Tubbs Jones Child Welfare Services Program	Human Services	3,248,339	3,248,339
93.658	Foster Care – Title IV-E	Human Services		22,503,712
93.659	Adoption Assistance	Human Services		21,483,168
93.667	Social Services Block Grant	Human Services	4,795,923	13,129,010
93.669	Child Abuse and Neglect State Grants	Human Services		19,619
93.671	Family Violence Prevention and Services / Domestic Violence Shelter and Supportive Services	Health	881,213	994,154
93.674	Chafee Foster Care Independence Program	Human Services	40,004	938,934

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – Financed in Part by the Prevention and Public Health Fund (PPHF)	Health		16,995
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in Part by Prevention and Public Health Funds (PPHF)	Health	130,453	130,453
93.767	Children's Health Insurance Program	Medicaid		270,750,000
93.788	Opioid STR	Mental Health	8,014,743	8,014,743
93.791	Money Follows the Person Rebalancing Demonstration	Medicaid		1,433,006
93.796	LIC and Cert 16-18	Medicaid		1,934,981
93.816	Preventing Heart Attacks and Strokes in High Need Areas	Health	1,064,229	2,570,113
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health	25,000	25,000
93.881	The Health Insurance Enforcement and Consumer Protections Grant Program	Insurance		547,658
93.889	National Bioterrorism Hospital Preparedness Program	Health	369,348	1,771,402
93.889	COVID-19 National Bioterrorism Hospital Preparedness Program	Health		6,736
93.898	Cancer Prevention	Health	37,222	243,445
93.913	Grants to States for Operation of Offices of Rural Health	Health	65,000	223,425
93.917	HIV Care Formula Grants	Health	1,070,833	19,954,417
93.940	HIV Prevention Activities – Health Department Based	Health	620,764	3,250,472
93.944	Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health		235,098
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health	74,577	390,789
93.958	Block Grants for Community Mental Health Services	Mental Health	6,564,126	6,564,126
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Mental Health	12,419,895	12,905,804
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants	Health		1,125,029
93.991	Preventive Health and Health Services Block Grant	Health	228,302	2,344,283
93.994	Maternal and Child Health Services Block Grant to the States	Health	1,472,228	11,033,660
SUBTOTAL				<u>638,965,688</u>
Aging Cluster				
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	Human Services	4,575,109	4,765,451
93.044	COVID-19 Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	Human Services	4,526	42,684
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services	Human Services	4,439,583	5,817,076
93.045	COVID-19 Special Programs for the Aging – Title III, Part C – Nutrition Services	Human Services	228,945	432,766

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
93.053	Nutrition Services Incentive Program	Human Services	1,159,097	1,528,162
Total Aging Cluster				<u>12,586,139</u>
CCDF Cluster				
93.575	Child Care and Development Block Grant	Human Services	8,118,669	77,797,875
93.575	COVID-19 Child Care and Development Block Grant	Human Services		14,342
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	1,095,192	28,070,899
Total CCDF Cluster				<u>105,883,116</u>
Head Start Cluster				
93.600	Head Start	Governor's Office		174,956
Total Head Start Cluster				<u>174,956</u>
Medicaid Cluster				
93.775	State Medicaid Fraud Control Units	Attorney General		2,460,561
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)	Health		2,504,904
93.778	Medicare Medical Assistance Program	Medicaid		4,656,334,085
Total Medicaid Cluster				<u>4,661,299,550</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>5,418,909,449</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Foster Grandparent/Senior Companion Cluster				
94.016	Senior Companion Program	Human Services		183,396
Total Foster Grandparent/Senior Companion Cluster				<u>183,396</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				<u>183,396</u>
EXECUTIVE OFFICE OF THE PRESIDENT				
95.001	High Intensity Drug Trafficking Areas Program	Public Safety		814,735
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT				<u>814,735</u>
SOCIAL SECURITY ADMINISTRATION				
96.008	Social Security – Work Incentives Planning and Assistance Program	Rehabilitation Services		261,952
SUBTOTAL				<u>261,952</u>
Disability Insurance / SSI Cluster				
96.001	Social Security – Disability Insurance (DI)	Rehabilitation Services		24,836,182
Total Disability Insurance / SSI Cluster				<u>24,836,182</u>
TOTAL SOCIAL SECURITY ADMINISTRATION				<u>25,098,134</u>
DEPARTMENT OF HOMELAND SECURITY				

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Agency</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
97.001	Mississippi Interoperable Communications Grant	Public Safety	160,177	160,177
97.008	Non-Profit Security Program	Public Safety		30,000
97.012	Boating Safety Financial Assistance	Wildlife, Fisheries and Parks		265,683
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	Emergency Management		296,068
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Emergency Management/Environmental Quality	47,376,122	55,109,999
97.036	COVID 19 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Emergency Management/Health Emergency Management Environmental Quality		55,416,934
97.039	Hazard Mitigation Grant		16,850,947	18,525,999
97.041	National Dam Safety Program			451,665
97.042	Emergency Management Performance Grants	Emergency Management	2,586,871	4,342,144
97.042	Emergency Management Performance Grants	Emergency Management		83,954
97.043	State Fire Training Systems Grants	Insurance		3,291
97.045	Cooperating Technical Partners	Environmental Quality Public Safety		1,492,351
97.056	FY16 Port Security Grant	Public Safety/Marine Resources		440,900
97.067	Homeland Security Grant Program	Emergency Management Public Safety	2,010,743	4,256,600
97.082	Earthquake Consortium			29,107
97.089	Driver's License Security Grant Program		2,102,416	2,013,854
97.120	FY 2018 First Hands	Insurance/Public Safety		53,374
TOTAL DEPARTMENT OF HOMELAND SECURITY				142,972,100
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 10,116,962,851

EXPLANATION OF FOOTNOTE REFERENCE:

Program Number with UN denotes unknown CFDA numbers.

The total expenditures for CFDA No. 17.225 include state expenditures of \$73,895,595 and federal expenditures of \$42,058,867.

@ Denotes federal programs with noncash benefits.

Schedule of Expenditures of Federal Awards by State Grantee Agency



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STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
Agriculture and Commerce			
U.S. DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	N/A	139,044
10.163	Market Protection and Promotion	N/A	29,128
10.170	Specialty Crop Block Grant Program – Farm Bill Cooperative Agreements with States for	313,244	350,682
10.475	Intrastate Meat and Poultry Inspection	N/A	2,087,067
10.902	Soil and Water Conservation	N/A	9,829
10.950	Agricultural Statistics Reports	N/A	21,133
Total U.S. DEPARTMENT OF AGRICULTURE			2,636,883
ENVIRONMENTAL PROTECTION AGENCY			
66.605	Performance Partnership Grants	N/A	547,914
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.103	Food and Drug Administration Research	N/A	461,664
TOTAL Agriculture and Commerce			3,646,461
Animal Health			
U.S. DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	N/A	613,951
TOTAL Animal Health			613,951
Archives and History			
U.S. DEPARTMENT OF THE INTERIOR			
15.904	Historic Preservation Fund Grants-In-Aid	N/A	1,290,368
15.928	Civil War Battlefield Land Acquisition Grants	N/A	147,524
Total U.S. DEPARTMENT OF THE INTERIOR			1,437,892
NATIONAL ENDOWMENT FOR THE HUMANITIES			
45.130	Promotion of the Humanities Challenge Grants	N/A	7,171
45.149	Promotion of the Humanities – Division of Preservation and Access	N/A	140,972
Total NATIONAL ENDOWMENT FOR THE HUMANITIES			148,143
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
45.301	Museums for America	N/A	(1,137)
Total THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES			(1,137)
TOTAL Archives and History			1,584,898
Arts Commission			
NATIONAL ENDOWMENT FOR THE ARTS			
45.025	Promotion of the Arts - Partnership Agreements	1,233,653	1,233,653
TOTAL Arts Commission			1,233,653

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
Attorney General			
U.S. DEPARTMENT OF JUSTICE			
16.543	Missing Children's Assistance	N/A	287,768
16.576	Crime Victim Compensation	N/A	1,361,212
16.816	John R. Justice Prosecutors and Defenders Incentive Act	N/A	36,392
Total U.S. DEPARTMENT OF JUSTICE			1,685,372
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.775	State Medicaid Fraud Control Units	N/A	2,460,561
TOTAL Attorney General			4,145,933
Board for Community and Junior Colleges			
U.S. DEPARTMENT OF EDUCATION			
84.002	Adult Education – Basic Grants to States	N/A	5,267,994
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.434	Every Student Succeeds Act/Preschool Development Grants	N/A	6,367,127
TOTAL Board for Community and Junior Colleges			11,635,121
Education			
U.S. DEPARTMENT OF AGRICULTURE			
10.553	School Breakfast Program (SBP)	49,455,167	49,461,133
10.555 @	National School Lunch Program (NSLP)	132,062,907	154,305,094
10.556	Special Milk Program for Children (SMP)	2,555	3,088
10.558	Child and Adult Care Food Program	42,774,023	42,941,173
10.558	COVID-19 Child and Adult Care Food Program		
10.559	Summer Food Service Program for Children (SFSPC)	33,722,354	33,779,548
10.560	State Administrative Expenses for Child Nutrition Child Nutrition Discretionary Grants Limited	1,734,131	4,592,916
10.579	Availability	194,692	194,692
10.582	Fresh Fruit and Vegetable Program	1,833,475	1,833,475
Total U.S. DEPARTMENT OF AGRICULTURE			287,111,119
APPALACHIAN REGIONAL COMMISSION			
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	133,256	133,256
U.S. DEPARTMENT OF EDUCATION			
84.010	Title I Grants to Local Educational Agencies	211,000,106	213,109,204
84.011	Migrant Education – State Grant Program	684,721	849,443
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	278,935	319,544
84.027	Special Education – Grants to States (IDEA, Part B)	114,211,567	123,996,743
84.048	Career and Technical Education – Basic Grants to States	13,258,515	14,034,447
84.144	Migrant Education – Coordination Program	N/A	53,348

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
84.173	Special Education – Preschool Grants (IDEA, Preschool)	4,362,984	4,362,984
84.196	Education for Homeless Children and Youth	673,094	830,301
84.287	Twenty-First Century Community Learning Centers	6,499,432	7,067,411
84.305	Education Research, Development and Dissemination	N/A	102,094
84.323	Special Education – State Personnel Development	1,198,608	1,282,401
84.358	Rural Education	3,641,953	3,901,237
84.365	English Language Acquisition State Grants	1,310,166	1,364,256
84.366	Mathematics and Science Partnerships	8,910	13,119
84.367	Supporting Effective Instruction State Grants	27,755,887	28,533,177
84.368	Competitive Grants for State Assessments	N/A	182,579
84.369	Grants for State Assessments and Related Activities	N/A	6,918,144
84.372	Statewide Longitudinal Data Systems	N/A	1,111,433
84.377	School Improvement Grants	2,223,749	2,453,638
84.424	Title IV - SSAE State Activities	11,978,882	12,118,678
84.938	Disaster Recovery Assistance for Education	73,688	73,688
Total U.S. DEPARTMENT OF EDUCATION			422,677,869
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	N/A	78,749
TOTAL Education			710,000,993
Emergency Management			
U.S. DEPARTMENT OF TRANSPORTATION			
20.615	E-911 Grant Program	N/A	78,489
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	75,826	365,253
Total U.S. DEPARTMENT OF TRANSPORTATION			443,742
DEPARTMENT OF HOMELAND SECURITY			
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	N/A	296,068
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	47,376,122	109,899,042
97.039	Hazard Mitigation Grant	16,850,947	18,525,999
97.042	Emergency Management Performance Grants	2,586,871	4,426,098
97.045	Cooperating Technical Partners	N/A	(204)
97.082	Earthquake Consortium	N/A	29,107
Total U.S. DEPARTMENT OF HOMELAND SECURITY			133,176,110
TOTAL Emergency Management			133,619,852
Employment Security			
U.S. DEPARTMENT OF LABOR			
17.002	Labor Force Statistics	N/A	704,607
17.207	Employment Service / Wagner-Peyser Funded Activities	N/A	5,186,677
17.225 #	Unemployment Insurance	N/A	1,914,753,119

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY

FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
17.235	Senior Community Service Employment Program	792,016	842,887
17.245	Trade Adjustment Assistance	N/A	163,138
17.258	WIA Adult Program	9,692,645	10,472,627
17.259	WIA Youth Activities	9,165,403	9,673,681
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	622,022	729,516
17.270	Reentry Employment Opportunities (Fidelity Bonding Demonstration Grants)	N/A	500
17.271	Work Opportunity Tax Credit Program (WOTC)	N/A	139,198
17.273	Temporary Labor Certification for Foreign Workers	N/A	170,463
17.277	Workforce Investment Act (WIA) National Emergency Grants	33,148	93,148
17.278	WIA Dislocated Worker Formula Grants	11,378,225	13,200,849
17.285	Apprenticeship USA Grants	593,763	656,116
17.801	Jobs for Veterans State Grants	N/A	1,389,711
Total U.S. DEPARTMENT OF LABOR			<u>1,958,176,237</u>
TOTAL Employment Security			<u>1,958,176,237</u>
Environmental Quality			
U.S. DEPARTMENT OF AGRICULTURE			
10.912	Environmental Quality Incentives Program	15,750	<u>36,083</u>
U.S. DEPARTMENT OF DEFENSE			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	N/A	<u>135,679</u>
U.S. DEPARTMENT OF THE INTERIOR			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	N/A	199,511
15.252	Abandoned Mine Land Reclamation (AMLR)	N/A	56,647
15.608	Fish and Wildlife Management Assistance	52,849	54,544
15.810	National Cooperative Geologic Mapping Program	N/A	52,762
15.980	National Ground-Water Monitoring Network	N/A	29,394
15.981	Water Use and Data Research	N/A	75,540
Total U.S. DEPARTMENT OF THE INTERIOR			<u>468,398</u>
U.S. DEPARTMENT OF LABOR			
17.600	Mine Health and Safety Grants	N/A	<u>37,515</u>
U.S. DEPARTMENT OF THE TREASURY			
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	16,357,710	<u>17,285,484</u>
ENVIRONMENTAL PROTECTION AGENCY			
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	N/A	457,274
66.040	State Clean Diesel Grant Program	311,992	369,372
66.202	Congressionally Mandated Projects Water Pollution Control State, Interstate, and	N/A	18,332
66.419	Tribal Program Support	N/A	173,473
66.454	Water Quality Management Planning	N/A	205,179

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds	N/A	6,786,658
66.460	Nonpoint Source Implementation Grants	919,094	1,886,288
	Beach Monitoring and Notification Program		
66.472	Implementation Grants	N/A	210,835
66.605	Performance Partnership Grants	N/A	7,431,339
	Environmental Information Exchange Network		
66.608	Grant Program and Related Assistance	N/A	22,042
	Toxic Substances Compliance Monitoring		
66.701	Cooperative Agreements	N/A	73,886
	TSCA Title IV State Lead Grants Certification of		
66.707	Lead-Based Paint Professionals	N/A	365,974
66.708	Pollution Prevention Grants Program	N/A	35,930
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	N/A	116,278
	Underground Storage Tank (UST) Prevention, Detection, and Compliance Program		
66.804	Leaking Underground Storage Tank Trust Fund	N/A	642,863
	Corrective Action Program		
66.805	Superfund State and Indian Tribe Core Program	N/A	777,453
66.809	Cooperative Agreements	N/A	39,341
	Total ENVIRONMENTAL PROTECTION AGENCY		19,612,517
	GULF COAST ECOSYSTEM RESTORATION COUNCIL		
	Gulf Coast Ecosystem Restoration Council		
87.051	Comprehensive Plan Component Program	155,389	680,165
	Gulf Coast Ecosystem Restoration Council Oil		
87.052	Spill Impact Program	N/A	1,433,951
	Total GULF COAST ECOSYSTEM RESORATION COUNCIL		2,114,116
	DEPARTMENT OF HOMELAND SECURITY		
	Disaster Grants - Public Assistance		
97.036	(Presidentially Declared Disasters)	N/A	22,470
97.041	National Dam Safety Program	N/A	451,665
97.045	Cooperating Technical Partners	N/A	1,492,555
	Total U.S. DEPARTMENT OF HOMELAND SECURITY		1,966,690
	TOTAL Environmental Quality		41,656,482
	Finance and Administration		
	DEPARTMENT OF THE TREASURY		
21.019	Coronavirus Relief Fund	N/A	24,538,947
	TOTAL Finance and Administration		24,538,947
	Forestry Commission		
	U.S. DEPARTMENT OF AGRICULTURE		
10.664	Cooperative Forestry Assistance	N/A	6,605,111
	TOTAL Forestry Commission		6,605,111
	Governor's Office		
	U.S. DEPARTMENT OF COMMERCE		

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
11.557	Broadband Technology Opportunities Program (BTOP)	N/A	9,222,745
	Total U.S. DEPARTMENT OF COMMERCE		<u>9,222,745</u>
93.600	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Head Start	N/A	<u>174,956</u>
	TOTAL Governor's Office		<u>9,397,701</u>
Health			
	U.S. DEPARTMENT OF AGRICULTURE		
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	2,554,189	70,918,136
10.578	WIC Grants To States (WGS)	15,585	653,799
	Total U.S. DEPARTMENT OF AGRICULTURE		<u>71,571,935</u>
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing	3,030	<u>138,365</u>
	DEPARTMENT OF JUSTICE		
16.017	Sexual Assault Services Formula Program	269,042	314,044
16.320	Services for Trafficking Victims	N/A	2,154
16.575	Crime Victim Assistance	18,309,246	22,119,540
16.588	Violence Against Women Formula Grants	1,223,953	1,452,058
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	N/A	1,056
16.754	Harold Rogers Prescription Drug Monitoring Program	182,190	366,909
	Total DEPARTMENT OF JUSTICE		<u>24,255,761</u>
	ENVIRONMENTAL PROTECTION AGENCY		
66.032	State Indoor Radon Grants	N/A	21,084
66.432	State Public Water System Supervision	N/A	1,618,308
66.468	Capitalization Grants for Drinking Water State Revolving Funds	N/A	5,401,302
	Total ENVIRONMENTAL PROTECTION AGENCY		<u>7,040,694</u>
81.136	U.S. DEPARTMENT OF ENERGY Long-Term Surveillance and Maintenance	N/A	<u>113,856</u>
	U.S. DEPARTMENT OF EDUCATION		
84.181	Special Education – Grants for Infants and Families	244,218	<u>2,626,761</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.069	Public Health Emergency Preparedness	90,188	5,497,940
93.070	Environmental Public Health and Emergency Response	94,760	148,030
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	641,380	641,380
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	188,941	335,938

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
93.110	Maternal and Child Health Federal Consolidated Programs	N/A	56,879
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	22,483	604,758
93.118	Acquired Immunodeficiency Syndrome (AIDS) Activity	7,519	95,975
93.127	Emergency Medical Services for Children	N/A	118,108
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	42,000	192,603
93.136	Injury Prevention and Control Research and State and Community Based Programs	472,511	699,072
93.137	Community Programs to Improve Minority Health Grant Program	197,593	363,616
93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	5,725	496,904
93.217	Family Planning – Services	1,083,734	3,711,956
93.236	Grants to States to Support Oral Health Workforce Activities	34,807	359,588
93.241	State Rural Hospital Flexibility Program	277,805	624,116
93.251	Early Hearing Detection and Intervention	N/A	107,929
93.262	Occupational Safety and Health Program	N/A	153,119
93.268 @	Immunization Cooperative Agreements	10,816	47,621,139
93.270	Viral Hepatitis Prevention and Control	85,336	164,688
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	231,993	3,173,770
93.296	State Partnership Grant Program to Improve Minority Health	74,966	171,625
93.301	Small Rural Hospital Improvement Grant Program	4,373,659	4,620,607
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	192,317	720,524
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	N/A	63,795
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	304,361	2,616,485
93.336	Behavioral Risk Factor Surveillance System	N/A	264,669
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	274,128	3,604,689
93.367	Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	N/A	138,156
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	709,183	1,715,547
93.478	Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	N/A	8,054
93.500	Pregnancy Assistance Fund Program	185,551	791,134
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	N/A	111,159
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	881,213	994,154

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	N/A	16,995
93.735	State Public Health Approaches for Ensuring Qitline Capacity –	130,453	130,453
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare Preventing Heart Attacks and Strokes in High Need Areas	N/A	2,504,904
93.816	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	1,064,229	2,570,113
93.817	National Bioterrorism Hospital Preparedness Program	25,000	25,000
93.889	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	369,348	1,778,138
93.898	Grants to States for Operation of State Offices of Rural Health	37,222	243,445
93.913	HIV Care Formula Grants	65,000	223,425
93.917	HIV Prevention Activities Health Department Based	1,070,833	19,954,417
93.940	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	620,764	3,250,472
93.944	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	N/A	235,098
93.946	Sexually Transmitted Diseases (STD) Prevention and Control Grants	74,577	390,789
93.977	Preventive Health and Health Services Block Grant	N/A	1,125,029
93.991	Maternal and Child Health Services Block Grant to the States	228,302	2,344,283
93.994		1,472,228	11,033,660
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			126,814,327
DEPARTMENT OF HOMELAND SECURITY			
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	N/A	605,421
TOTAL Health			233,167,120
Human Services			
U.S. DEPARTMENT OF AGRICULTURE			
10.551	Supplemental Nutrition Assistance Program (SNAP)	N/A	706,878,162
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	4,747,841	30,250,234
10.565	Commodity Supplemental Food Program	615,646	899,855
10.568	Emergency Food Assistance Program (Administrative Costs)	127,843	1,175,684
10.569 @	Emergency Food Assistance Program (Food Commodities)	N/A	7,192,344
10.580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	N/A	212,507
10.596		N/A	(47,951)
Total U.S. DEPARTMENT OF AGRICULTURE			746,560,835

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	44,761	44,761
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	122,439	132,425
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	210,013	231,937
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	4,579,635	4,808,135
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	4,668,528	6,249,842
93.052	National Family Caregiver Support, Title III, Part E	1,009,053	1,403,390
93.053	Nutrition Services Incentive Program	1,159,097	1,528,162
93.071	Medicare Enrollment Assistance Program	107,492	371,665
93.072	Lifespan Respite Care Program	N/A	6,819
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	N/A	294,510
93.324	State Health Insurance Assistance Program	125,562	572,307
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	N/A	3,094,679
93.556	MaryLee Allen Promoting Safe and Stable Families Program	1,452,027	1,807,568
93.558	Temporary Assistance for Needy Families (TANF)	25,428,397	63,661,451
93.563	Child Support Enforcement	N/A	23,123,043
93.566	Refugee and Entrant Assistance		
93.568	State/Replacement Designee Administered Programs	1,464,370	1,715,670
93.569	Low-Income Home Energy Assistance	24,735,434	27,431,113
93.575	Community Services Block Grant	10,023,024	10,023,024
93.590	Child Care and Development Block Grant	8,118,669	77,812,217
93.596	Community-Based Child Abuse Prevention Grants	138,934	255,997
93.597	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	1,095,192	28,070,899
93.599	Grants to States for Access and Visitation Programs	N/A	57,063
93.603	Chafee Education and Training Vouchers Program (ETV)	N/A	503,051
93.645	Adoption and Legal Guardianship Incentive Payments	N/A	849,613
93.658	Stephanie Tubbs Jones Child Welfare Services Program	3,248,339	3,248,339
93.659	Foster Care Title IV-E	N/A	22,503,712
93.667	Adoption Assistance	N/A	21,483,168
93.669	Social Services Block Grant	4,795,923	13,129,010
93.674	Child Abuse and Neglect State Grants	N/A	19,619
	John H. Chafee Foster Care Program for Successful Transition to Adulthood	40,004	938,934
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			315,372,123
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
94.016	Senior Companion Program		183,396

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
TOTAL Human Services			1,062,116,354
Insurance			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.881	The Health Insurance Enforcement and Consumer Protections Grant Program	N/A	547,658
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			547,658
DEPARTMENT OF HOMELAND SECURITY			
97.043	State Fire Training Systems Grants	N/A	3,291
97.120	Rural Emergency Medical Communications Demonstration Project	N/A	(1,876)
Total U.S. DEPARTMENT OF HOMELAND SECURITY			1,415
TOTAL Insurance			549,073
Library Commission			
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.310	Grants to States	509,889	1,462,633
TOTAL Library Commission			1,462,633
Marine Resources			
U.S. DEPARTMENT OF COMMERCE			
11.407	Interjurisdictional Fisheries Act of 1986	N/A	115,252
11.419	Coastal Zone Management Administration Awards	N/A	1,214,229
11.420	Coastal Zone Management Estuarine Research Reserves	N/A	809,002
11.434	Cooperative Fishery Statistics	N/A	978,460
11.441	Regional Fishery Management Councils	N/A	19,012
11.451	Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	N/A	4,005
11.454	Unallied Management Projects	N/A	3,629,566
11.617	Congressionally-Identified Projects	N/A	33,283
Total U.S. DEPARTMENT OF COMMERCE			6,802,809
U.S. DEPARTMENT OF THE INTERIOR			
15.605	Sport Fish Restoration	596,498	827,566
15.616	Clean Vessel Act	N/A	43,824
15.622	Sportfishing and Boating Safety Act	2,020	2,020
15.939	National Heritage Area Federal Financial Assistance	110,622	436,934
Total U.S. DEPARTMENT OF THE INTERIOR			1,310,344
DEPARMENT OF TREASURY			
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States	N/A	369,672
GULF COAST ECOSYSTEM RESTORATION COUNCIL			

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
87.052	Gulf Coast Ecosystem Restoration Council Oil Spill Impact Program	N/A	399
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.103	Food and Drug Administration Research	N/A	8,749
	DEPARTMENT OF HOMELAND SECURITY		
97.056	Port Security Grant Program	N/A	315,340
97.067	Homeland Security Grant Program	N/A	7,516
	Total U.S. DEPARTMENT OF HOMELAND SECURITY		<u>322,856</u>
	TOTAL Marine Resources		8,814,829
	Medicaid		
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.767	Children's Health Insurance Program	N/A	270,750,000
93.778	Medical Assistance Program	N/A	4,656,334,085
	Money Follows the Person Rebalancing Demonstration	N/A	1,433,006
93.791	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	N/A	1,934,981
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>4,930,452,072</u>
	TOTAL Medicaid		4,930,452,072
	Mental Health		
	DEPARTMENT OF JUSTICE		
16.812	Second Chance Act Reentry Initiative	173,011	184,511
	Total U.S. DEPARTMENT OF JUSTICE		<u>184,511</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	2,178,600	2,697,670
93.104	Maternal and Child Health Federal Consolidated Programs	139,182	139,182
93.110	Projects for Assistance in Transition from Homelessness (PATH)	261,208	296,808
93.150	Substance Abuse and Mental Health Services Projects of Regional and National Significance	2,557,982	3,114,957
93.243	Developmental Disabilities Basic Support and Advocacy Grants	633,647	887,154
93.630	Opioid STR	8,014,743	8,014,743
93.788	Block Grants for Community Mental Health Services	6,564,126	6,564,126
93.958	Block Grants for Prevention and Treatment of Substance Abuse	12,419,895	12,905,804
93.959	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>34,620,444</u>
	TOTAL Mental Health		34,804,955
	Military Department		
	U.S. DEPARTMENT OF DEFENSE		

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
12.400	Military Construction, National Guard	N/A	8,437,837
12.401	National Guard Military Operations and Maintenance (O&M) Projects	N/A	103,559,794
12.404	National Guard Challenge Program	N/A	4,297,274
Total U.S. DEPARTMENT OF DEFENSE			116,294,905
TOTAL Military Department			116,294,905
MS Development Authority			
U.S. DEPARTMENT OF DEFENSE			
12.002	Procurement Technical Assistance For Business Firms	N/A	587,924
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.228	Community Development Block Grants / State's Program	27,369,167	42,065,984
APPALACHIAN REGIONAL COMMISSION			
23.002	Appalachian Area Development	6,972,139	7,072,638
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	N/A	131,139
Total APPALACHIAN REGIONAL COMMISSION			7,203,777
SMALL BUSINESS ADMINISTRATION			
59.061	State Trade Expansion	N/A	470,467
U.S. DEPARTMENT OF ENERGY			
81.041	State Energy Program	N/A	664,985
TOTAL MS Development Authority			50,993,137
MS State Hospital			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.498	Provider Relief Fund	N/A	156,400
TOTAL MS State Hospital			156,400
Oil and Gas Board			
ENVIRONMENTAL PROTECTION AGENCY			
66.204	Multipurpose Grants to States and Tribes	N/A	19,262
66.433	State Underground Water Source Protection	N/A	166,000
Total ENVIRONMENTAL PROTECTION AGENCY			185,262
TOTAL Oil and Gas Board			185,262
Public Safety			
U.S. DEPARTMENT OF JUSTICE			
16.012	Alcohol, Tobacco, and Firearms_Training Assistance	N/A	9,766
16.540	Juvenile Justice and Delinquency Prevention National Criminal History Improvement Program	N/A	253,049
16.554	(NCHIP)	N/A	42,011

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
16.593	Residential Substance Abuse Treatment for State Prisoners	114,833	217,019
16.734	Special Data Collections and Statistical Studies Edward Byrne Memorial Justice Assistance Grant	N/A	354,590
16.738	Program	262,896	1,140,692
16.741	DNA Backlog Reduction Program Paul Coverdell Forensic Sciences Improvement	N/A	450,719
16.742	Grant Program	209,075	244,270
16.750	Support for Adam Walsh Act Implementation Grant Program	N/A	3,530
16.754	Harold Rogers Prescription Drug Monitoring Program	N/A	65,563
16.922	Equitable Sharing Program	N/A	603,764
16.UN1	DCE/SP Grant	N/A	(15,647)
16.UN5	U.S. Marshall Service	N/A	4,952
Total U.S. DEPARTMENT OF JUSTICE			3,374,278
U.S. DEPARTMENT OF TRANSPORTATION			
20.218	Motor Carrier Safety Assistance Commercial Driver's License Program	N/A	3,472,350
20.232	Implementation Grant	N/A	402,708
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	N/A	231,368
20.600	State and Community Highway Safety National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and	1,805,091	6,577,422
20.614	Cooperative Agreements	N/A	(827)
20.UN2	Fatality Analysis Reporting FARS	N/A	93,313
Total U.S. DEPARTMENT OF TRANSPORTATION			10,776,334
EXECUTIVE OFFICE OF THE PRESIDENT			
95.001	High Intensity Drug Trafficking Areas Program	N/A	814,735
DEPARTMENT OF HOMELAND SECURITY			
97.001	Interoperable Emergency Communications Grant Program	160,177	160,177
97.008	Non-Profit Security Program	N/A	30,000
97.067	Homeland Security Preparedness Technical Assistance Program	2,010,743	4,249,084
97.089	Driver's License Security Grant Program	2,013,854	2,013,854
97.120	Rural Emergency Medical Communications Demonstration Project	N/A	55,250
Total U.S. DEPARTMENT OF HOMELAND SECURITY			6,508,365
TOTAL Public Safety			21,473,712
Public Service Commission			
U.S. DEPARTMENT OF TRANSPORTATION			
20.700	Pipeline Safety Program State Base Grant	N/A	293,593
20.720	State Damage Prevention Program Grants	N/A	45,180
20.721	PHMSA Pipeline Safety Program One Call Grant	N/A	(27,751)
Total U.S. DEPARTMENT OF TRANSPORTATION			311,022
TOTAL Public Service Commission			311,022

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
Rehabilitation Services			
U.S. DEPARTMENT OF EDUCATION			
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	N/A	46,766,424
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	N/A	305,073
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	N/A	519,386
Total U.S. DEPARTMENT OF EDUCATION			47,590,883
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.369	ACL Independent Living State Grants	N/A	516,690
93.464	ACL Assistive Technology	N/A	575,454
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,092,144
SOCIAL SECURITY ADMINISTRATION			
96.001	Social Security – Disability Insurance (DI)	N/A	24,836,182
96.008	Social Security - Work Incentives Planning and Assistance Program	N/A	261,952
Total SOCIAL SECURITY ADMINISTRATION			25,098,134
TOTAL Rehabilitation Services			73,781,161
Secretary of State			
ELECTION ASSISTANCE COMMISSION			
90.404	2018 HAVA Election Security Grants	746,535	1,107,801
Total Secretary of State			1,107,801
Soil and Water Conservation Commission			
U.S. DEPARTMENT OF AGRICULTURE			
10.069	Conservation Reserve Program	N/A	332,746
10.902	Soil and Water Conservation	N/A	1,102,363
10.904	Watershed Protection and Flood Prevention	N/A	936,659
10.912	Environmental Quality Incentives Program	144,129	1,209,177
10.913	Farm and Ranch Lands Protection Program	N/A	12,935
10.916	Watershed Rehabilitation Program	N/A	1,077,419
10.932	Regional Conservation Partnership Program	N/A	9,621
Total U.S. DEPARTMENT OF AGRICULTURE			4,680,920
TOTAL Soil and Water Conservation Commission			4,680,920
Supreme Court			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.586	State Court Improvement Program	N/A	302,475
TOTAL Supreme Court			302,475
Transportation			
U.S. DEPARTMENT OF THE INTERIOR			
15.608	Fish and Wildlife Management Assistance	N/A	179,689

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
U.S. DEPARTMENT OF TRANSPORTATION			
20.200	Highway Research and Development Program	N/A	26,474
20.205	Highway Planning and Construction	N/A	580,249,835
20.215	Highway Training and Education	N/A	190
20.224	Federal Lands Access Program	N/A	1,425,194
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	N/A	43,722
20.314	Railroad Development	N/A	17,440
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research Formula Grants for Rural Areas and Tribal	N/A	536,196
20.509	Transit Program	17,380,272	21,746,709
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	1,706,627	1,712,727
20.516	Job Access and Reverse Commute Program	162,354	162,354
20.521	New Freedom Program	N/A	320
20.526	Bus and Bus Facilities Formula Program	1,883,380	2,856,478
20.933	National Infrastructure Investments	N/A	3,950,246
Total U.S. DEPARTMENT OF TRANSPORTATION			612,727,885
APPALACHIAN REGIONAL COMMISSION			
23.002	Appalachian Area Development	N/A	860
TOTAL Transportation			612,908,434
Treasury			
U.S. DEPARTMENT OF AGRICULTURE			
10.665	Schools and Roads – Grants to States	N/A	4,766,461
TOTAL Treasury			4,766,461
Veterans Affairs			
U.S. DEPARTMENT OF VETERANS AFFAIRS			
64.015	Veterans State Nursing Home Care	N/A	34,073,295
TOTAL Veterans Affairs			34,073,295
Wildlife, Fisheries and Parks			
U.S. DEPARTMENT OF AGRICULTURE			
10.923	Emergency Watershed Protection Program	N/A	72,535
U.S. DEPARTMENT OF DEFENSE			
12.106	Flood Control Projects (Passed-through from the U.S. Army Corps of Engineers). Identifying numbers assigned DACW01-3-91-0543, DACW01-3-92-0411, DACW01-3-91-0500, DACW01-3-96-0023, DACW01-3-92-0410, DACW38-3-12-9, DACW38-91-H-0007 and DACW38-3-09-176.	N/A	1,742,621
U.S. DEPARTMENT OF THE INTERIOR			
15.605	Sport Fish Restoration	N/A	2,690,965
15.611	Wildlife Restoration and Basic Hunter Education	N/A	9,342,003
15.615	Cooperative Endangered Species Conservation Fund	N/A	166,855

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions/ Issuances</u>
15.626	Enhanced Hunter Education and Safety	N/A	156,139
15.630	Coastal Program	N/A	3,899
15.650	Research Grants (Generic)	N/A	8,782
15.657	Endangered Species Recovery Implementation	N/A	206,301
15.916	Outdoor Recreation Acquisition, Development and Planning	2,930	2,930
Total U.S. DEPARTMENT OF THE INTERIOR			<u>12,577,874</u>
U.S. DEPARTMENT OF TRANSPORTATION			
20.219	Recreational Trails Program	2,694,857	<u>2,921,217</u>
DEPARTMENT OF HOMELAND SECURITY			
97.012	Boating Safety Financial Assistance	N/A	265,683
97.056	Port Security Grant Program	N/A	125,560
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>391,243</u>
TOTAL Wildlife, Fisheries and Parks			<u>17,705,490</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS:		\$	10,116,962,851

EXPLANATION OF FOOTNOTE REFERENCE:

Program Number with UN denotes unknown CFDA numbers.

The total expenditures for CFDA No. 17.225 include state expenditures of \$1,885,407,755 and federal expenditures of \$29,345,364.

@ Denotes federal programs with noncash benefits.

Notes to the Schedules of Expenditures of Federal Awards



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STATE OF MISSISSIPPI

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1: PURPOSE OF THE SCHEDULES

Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (contained in Title 2 of the U.S. Code of Federal Regulations Part 200), requires a schedule of expenditures of federal awards showing total federal awards expended for each individual federal program as identified in the *Catalog of Federal Domestic Assistance* (CFDA). To comply with this requirement, the Department of Finance and Administration required each state agency to prepare and submit a schedule of expenditures of federal awards. Information contained in these schedules was combined by the Department of Finance and Administration to form the accompanying schedules of expenditures of federal awards. Federal programs which have not been assigned a CFDA number have been identified. Because the Schedule presents only a selected portion of the operations of the State, it is not intended to and does not present the Financial Position, Changes in Net Position or Cash Flows of the State.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Presentation - The information in the accompanying schedules of expenditures of federal awards is presented in accordance with OMB Title 2 of the U.S. Code of Federal Regulations Part 200 (Uniform Guidance). The Schedule of Expenditures of Federal Awards by Federal Department presents a summary of federal awards expended by federal department and CFDA number. The Schedule of Expenditures of Federal Awards by State Grantee Agency presents federal awards expended by recipient agencies of the State of Mississippi.
- Federal Financial Assistance - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, direct appropriations or other assistance. Accordingly, nonmonetary federal assistance, including food commodities, immunizations and surplus property, is included in federal financial assistance and, therefore, is reported on the schedules of expenditures of federal awards. Federal financial assistance does not include direct federal cash assistance to individuals or procurement contracts used to buy goods or services from vendors.
 - Major Programs - The Single Audit Act Amendments of 1996 and Uniform Guidance establish a risk-based approach to determine which federal programs are major based on certain expenditure thresholds and risk criteria. According to the state's Single Audit Report for the fiscal year ended June 30, 2020, federal expenditures, distributions or issuances totaled \$10,116,962,851. This established the threshold for Type A programs as those with federal expenditures, distributions or issuances which exceeded \$30,000,000. For the fiscal year 2020 audit, there were initially twenty-three programs with expenditures exceeding the Type A threshold identified in planning. Of those twenty-three, three High-Risk Type A programs and two Low-Risk Type A programs fell below the Type A threshold based on actual expenditures. One additional program was designated Type A based on actual expenditures. Therefore, final assessment after audit yielded only nineteen Type A programs. Of these nineteen programs, six Type A programs were identified as low risk. Risk assessments of Type B programs were performed until the appropriate number of high risk Type B programs were identified. Additionally, three Type B was audited due to Type A classification before adjustment. Therefore, for fiscal year 2020, eighteen federal award programs, comprising thirteen high risk Type A programs and five high risk Type B programs, were audited as major programs for the State of Mississippi.

STATE OF MISSISSIPPI

Notes to Schedules of Expenditures of Federal Awards (continued)

Catalog of Federal Domestic Assistance - The *Catalog of Federal Domestic Assistance* (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA number) which is reflected in the accompanying schedules. The first two digits of the CFDA number designate the federal agency and the last three digits designate the federal assistance program within the federal agency.

For programs that have not been assigned a CFDA number, the number shown in the Schedule is the federal agency's 2 digit prefix followed by "UN" and digits to identify one or more Federal award lines which form the program.

- *Cluster of Programs* – A grouping of closely related programs with different CFDA numbers that share common compliance requirements is considered a cluster of programs. The accompanying Schedules have been designed to present federal financial assistance information by clusters.
 - *Amount Provided to Subrecipients* – The amount of federal assistance that the State provided to subrecipients under each federal program is presented in a separate column in the accompanying Schedules according to requirements in Uniform Guidance. A subrecipient is defined by Uniform Guidance as a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program.
 - *Indirect Cost Rate* – As detailed in Uniform Guidance, State Agencies may elect to charge a de minimis cost rate of 10% of modified total direct costs which may be used indefinitely if said Agencies have not previously negotiated a separate indirect cost rate with the federal entity. Except for those agencies listed in Appendix A, all other State agencies covered in this report have elected to use the 10% de minimis rate.
- B. Reporting Entity - The accompanying schedules include all federal programs administered by the State of Mississippi, except for the programs accounted for by the major component unit, Universities, within the component units section of the financial statements, for the year ended June 30, 2020. Expenditures of federal awards provided to the state's public universities and related entities were audited by other auditors in accordance with statutory requirements and the provisions of Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (contained in Title 2 of the U.S. Code of Federal Regulations Part 200); and a separate report issued June 19, 2021.
- C. Basis of Accounting - Federal programs included in the accompanying schedules are accounted for in the state's governmental and proprietary funds. Governmental funds are accounted for by using the current financial resources measurement focus and the modified accrual basis of accounting and proprietary funds by using the economic resources measurement focus and the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Negative amounts reflected in the accompanying Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
- The value of food commodity distributions within the National School Lunch Program on the accompanying schedules was calculated using the U.S. Department of Agriculture, Food and Nutrition Service commodity price list in effect at the date of distribution.
- The state issues food stamp benefits in electronic form, and benefits are recognized as expenditures when recipients use the benefits.
- D. Expenditures and Expenses - Certain transactions relating to expenditures of federal awards may appear in records of more than one state grantee agency. To avoid duplication and the overstatement of the

STATE OF MISSISSIPPI

Notes to Schedules of Expenditures of Federal Awards (continued)

aggregate level of federal awards expended by the State of Mississippi, the following policies have been adopted:

1. When monies are received by one state grantee agency and redistributed (expended) to another state grantee agency (i.e., a pass-through of funds by the primary recipient state grantee agency to a subrecipient state grantee agency), the federal financial assistance will be reflected in the primary receiving/expending state grantee agency's accounts.
2. Purchases of services between state grantee agencies using federal monies will be recorded as *expenditures* or *expenses* on the purchasing agency's records and as *revenues* for services rendered on the providing agency's records. Therefore, the expenditure of federal awards is attributed to the purchasing agency, which is the primary receiving/expending state grantee agency.

NOTE 3: OTHER

- A. All federal expenditures/distributions/issuances included in the accompanying schedules represent assistance received directly from the federal government, unless otherwise noted. Federal financial assistance received indirectly from the federal government (i.e., passed-through from entities outside of the State of Mississippi) is noted parenthetically.
- B. Expenditures reflected in the CFDA 14.228 - Community Development Block Grants/State's program include disbursements made for grants and new loans totaling \$541,316. Program income generated by the program in previous years was used to make these grants and new loan payments. In subsequent years, the program income generated from the repayment of loans will be deposited into a revolving loan fund to be redistributed to the local governments under CFDA 14.228 for program activities. At June 30, 2020, the outstanding loan balance for the program totaled \$3,812,451.
- C. The Unemployment Insurance program (CFDA 17.225) is administered through a unique federal-state partnership that was founded upon federal law, but implemented through state law. For the purposes of presenting the expenditures of this program in the accompanying schedules of expenditures of federal awards, both state and federal funds have been considered federal awards expended as denoted with an # to the right of the CFDA number. The breakdown of the state and federal portions of the total program expenditures is as follows:

State Portion	\$1,855,407,755
Federal Portion	<u>29,345,364</u>
Total	<u>\$1,914,753,119</u>

- D. Expenditures reflected in CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds - include loans to local governments for developing or constructing water treatment facilities. The funding source for these loans includes federal grant funds and state funds. In subsequent years, local governments will be required to repay these funds to the Mississippi Department of Environmental Quality. When received, these funds will be redistributed to local governments through new loans for additional water treatment facility projects. The outstanding loan balance for the year ended June 30, 2020, was \$412,302,339. Total disbursements for new loans for the year ended June 30, 2020, totaled \$18,087,692. Administrative costs associated with the program for the year ended June 30, 2020, totaled \$1,282,433.
- E. Expenditures reflected in CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Funds - include loans to counties, municipalities and other tax exempt water systems organizations for construction of new water systems, the expansion or repair of existing water systems, and/or the consolidation of new or existing water systems. The funding source for these loans includes federal grant funds and state funds. In subsequent years, the entities will be required to repay these funds to the Mississippi Department of Health. When received, these funds will be used to make new loans for the

STATE OF MISSISSIPPI

Notes to Schedules of Expenditures of Federal Awards (continued)

program activities. The outstanding loan balance for the year ended June 30, 2020, was \$175,474,867. Total disbursements for new loans made during fiscal year 2020 totaled \$18,841,831. Administrative costs associated with the program for the year ended June 30, 2020, totaled \$1,134,609.

- F. State Aid Road Construction is a division of the Mississippi Department of Transportation (MDOT). Federal financial assistance in the amount of \$33,795,011 related to State Aid Road Construction is included on the schedules of expenditures of federal awards under Transportation Department program 20.205 - Highway Planning and Construction.

- G. Noncash Assistance.

The State of Mississippi participated in several federal programs in which noncash benefits were provided through the state to eligible program participants. These noncash benefits programs are identified on the schedules of expenditures of federal awards with an @ to the right of the CFDA number. A listing of these programs follows:

<u>CFDA Number</u>	<u>Program Name</u>
10.555	National School Lunch Program (NSLP)
10.569	Emergency Food Assistance Program (Food Commodities)
93.268	Immunization
<ul style="list-style-type: none">• <i>CFDA 10.555 — National School Lunch Program received \$154,305,094 including cash assistance and noncash assistance. Cash assistance totaled \$132,075,381 and noncash assistance totaled \$22,229,713.</i>• <i>CFDA 10.559 — Summer Food Service Program for Children expended \$33,779,548 including cash assistance and noncash assistance. Cash assistance totaled \$33,746,445 and noncash assistance totaled \$33,103.</i>• <i>CFDA 93.268 — Immunization Grants received \$47,621,139 including cash assistance and noncash assistance. Cash assistance totaled \$3,248,429 and noncash assistance totaled \$44,372,710.</i>	

- H. Contingencies.

The State of Mississippi has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the State.

The Office of the Governor – Division of Medicaid has been notified by the Centers for Medicare and Medicaid Services (CMS) of a potential claim relative to potential overpayments by CMS under Medical Assistance Program grants that may have been made between 1981 and 2009 to a number of states, including Mississippi. CMS is working with the Division of Medicaid, as well as various other states, to resolve the discrepancies. The amount questioned by CMS approximates \$28 million for the Division of Medicaid.

Additionally, the Division of Medicaid has also been notified by the Office of the Inspector General (OIG) of a potential claim relative to unallowable school-based Medicaid administrative costs for federal fiscal years 2010 through 2012. The amount determined by the OIG to be unallowable was \$21,200,000.

STATE OF MISSISSIPPI**Notes to Schedules of Expenditures of Federal Awards (continued)**

- I. The State of Mississippi's major federal programs for the year ended June 30, 2020, were based on federal expenditures/distributions/issuances and risk assessments as defined in Note 2:A. Those programs are as follows:

<u>CFDA Number</u>	<u>Program Name</u>
	Supplemental Nutrition Assistance Program Cluster
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
17.225	Unemployment Insurance
	Highway Planning and Construction Cluster
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
20.224	Federal Lands Access Program
20.509*	Formula Grants for Rural Areas and Tribal Transit Program
64.015	Veterans State Nursing Home Care
84.010	Title I Grants to Local Education Agencies
	Special Education Cluster (IDEA)
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA Preschool)
84.367*	Support Effective Instruction State Grants
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.563*	Child Support Enforcement
93.568*	Low-Income Home Energy Assistance
	CCDF Cluster
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667*	Social Services Block Grant
93.767	Children's Health Insurance Program
	Medicaid Cluster
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers

STATE OF MISSISSIPPI**Notes to Schedules of Expenditures of Federal Awards (continued)**

93.778	(Title XVIII) Medicare Medical Assistance Program
97.036	Disaster Grants – Public Assistance

*Denotes a Type B Program

STATE OF MISSISSIPPI**Notes to Schedules of Expenditures of Federal Awards (continued)**

Appendix “A”

The following state agencies have negotiated an indirect cost rate and have not opted to use the de minimis rate of 10% as allowed in Uniform Guidance:

Board of Animal Health
Department of Agriculture & Commerce
Department of Education
Department of Employment Security
Department of Environmental Quality
Department of Finance & Administration
Department of Health
Department of Human Services
Department of Marine Resources
Department of Mental Health
Department of Rehabilitation Services
Department of Transportation
Department of Wildlife Fisheries & Parks
Division of Medicaid
Mississippi Attorney General
Mississippi Community College Board
Mississippi Development Authority
Mississippi Emergency Management
Mississippi Military Department
Mississippi Veterans Affairs

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Schedule of Findings and Questioned Costs

Part 1 – Summary of Auditor's Results



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STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X yes no
- Significant deficiencies identified? X yes none reported

Noncompliance material to financial
statements noted?

 yes X no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? X yes no
- Significant deficiencies identified? X yes none reported

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs except for SNAP for WIC (CFDA 10.557), Unemployment Insurance Program (17.225), Highway Planning and Construction Cluster (CFDA 20.205/20.219/20.224), Veterans State Nursing Home Care (CFDA 64.015), Title I Grants (CFDA 84.010), Supporting Effective Instruction State Grants (CFDA 84.367), Special Education Cluster (CFDA 84.027/84.173), Immunization Agreements (CFDA 93.268), Children's Health Insurance Program (CFDA 93.767), and Medicaid Cluster (93.775/93.777/93.778) which are qualified; the SNAP Cluster (10.551/10.561), TANF Program (CFDA 93.558), Low Income Home Energy Assistance Program (CFDA 93.568), CCDF Cluster (CFDA 93.575/93.596), SSBG Program (CFDA 93.667) which are adverse; and except for the state's public universities for which a separate report will be issued.

Any audit findings disclosed that are

required to be reported in accordance
with 2 CFR 200.516(a)?

 X yes

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 1 - Summary of Auditor's Results (continued)

CFDA Number	<u>Major Program Identification</u>
	<u>SNAP Cluster</u>
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
17.225	Unemployment Insurance
	<u>Highway Planning and Construction Cluster</u>
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
20.224	Federal Lands Access Program
20.509*	Formula Grants for Rural Areas
64.015	Veterans State Nursing Home Care
84.010	Title I Grants to Local Educational Agencies
84.367*	Supporting Effective Instruction State Grants
	<u>Special Education Cluster (IDEA)</u>
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA, Preschool)
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.563*	Child Support Enforcement
93.568*	Low Income Home Energy Assistance Program
	<u>CCDF Cluster</u>
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667*	Social Services Block Grant
93.767	Children's Health Insurance Program

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 1 - Summary of Auditor's Results (concluded)

	<u>Medicaid Cluster</u>
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
97.036	Disaster Grants – Public Assistance

*Denotes a Type B Program

Dollar threshold used to distinguish between
Type A and Type B programs:

\$30,000,000

Auditee qualified as low-risk auditee?

 yes X no

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Schedule of Findings and Questioned Costs

Part 2 – Financial Statement Findings



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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 2 – FINANCIAL STATEMENT FINDINGS

Introduction

This part of the Schedule of Findings and Questioned Costs presents audit findings classified as material weaknesses, significant deficiencies and material noncompliance that are related to the financial statements and are required to be reported in accordance with *Government Auditing Standards*.

Findings are arranged in order by state agency. Each finding has one of the following designations:

- ❖ **Material Weakness** – A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the state’s financial statements will not be prevented, or detected and corrected on a timely basis.
- ❖ **Significant Deficiency** – 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.
- ❖ **Material Noncompliance** – Matters coming to the auditor’s attention relating to the state’s compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts.

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 2 – FINANCIAL STATEMENT FINDINGS

Finding Number **Finding and Recommendation**

DEPARTMENT OF CORRECTIONS

MATERIAL WEAKNESS

2020-018 Strengthen Controls Over Financial Reporting – GAAP Package.

Repeat Finding Yes; 2018-004; Material Weakness finding.

Criteria Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all Funds.

Condition There were several instances of adjustments that were needed to properly state the financial statements due to lack of proper management review of key entries, accounts, and supporting worksheets used in Fund's GAAP Package Reporting process.

- The Funds' process related to the accrual process for medical services accounted for in the Medical Fund does not provide sufficient detail to support the accrual amount recorded. The accrual is determined at a point in time based on certain information; however, the information is not maintained. Additionally, complicating the accrual process is a significant lag time of receipt of the medical bills related to the services being performed. In reviewing the medical bills, the invoices related to medical services were posted sometimes four months from when the services were performed.
- The Funds have several contractual relationships related to inmate services and the GAAP Packages did not accrue these invoices related to these services in the Private Prison Fund and Regional Prison Fund. The accrual process incorrectly indicated that these invoices were related to budget period 2021 as a result of a Senate Bill indicating that there were funds appropriated in 2021 to fund 2020 expenditures and therefore not included in the GAAP Package accruals.
- The Funds do not have documented evidence of controls over review of the monthly reporting package by management for all funds.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Additionally, the recordkeeping and organizational system of the underlying calculations and worksheets used in the GAAP Package Reporting process is disorganized and not conducive to easy supervisory review and approval.

Cause The accounting policies and procedures of the Funds didn't provide for a sufficiently detailed level of supervisory challenge, review and approval of the underlying and supporting worksheets and calculations used in GAAP Package Reporting. Additionally, the recordkeeping and organizational system of the underlying and supporting calculations and worksheets is not conducive for easy supervisory review and approval.

Effect Audit adjustments of approximately \$11,800,000 were required to correct material misstatements identified in the Fund's financial statements.

Recommendation Management should implement a more detailed process for the review and approval of GAAP Package Reporting. As a part of this process, the individual underlying and supporting worksheets and calculations should be subject to independent challenge, review and approval at a sufficiently detailed level whereas calculation and other errors are prevented and detected in a timely manner.

Management should implement a process specifically related to the medical fund to track and account for the medical services being provided to help identify incurred but not yet reported claims.

Additionally, we recommend Management implement a more formalized organizational system for the underlying calculations and worksheets that includes cross-references to support, detailed support for Fund's Agency GAAP Adjustments and reconciliations sufficient to support the balances reported.

Views of Responsible Officials

Management has already changed the process for completing transactions in MAGIC. Support documentation will consist of all line items associated with transactions and support the total amount of the transaction prior to approval. The Director of Fiscal Affairs will be the final approval on these transactions and ensure supporting detail is attached in MAGIC.

The Accounting Department will work with the Medical Compliance Department to develop a monthly report identifying all offenders' incurring medical bills on a monthly basis. The Accounts Payable Team will cross-reference the monthly report with monthly payments to identify outstanding invoices for research and follow-up. This will ensure invoices are processed timely.

The agency has implemented a process in which all fund transfers are reconciled and processed on a monthly basis with support documentation uploaded in MAGIC.

See additional information in Management's Corrective Action Plan at page 235.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

2020-019 Strengthen Controls Over Canteen Services Compensation.

Repeat Finding No.

Criteria Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all Funds.

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 there are adequate control activities in place. Effective control activities dictate that reconciliations of accounting data be timely and detailed in order to ensure accuracy and reliability.

Condition The Funds has contracted with Premier Supply Link, LLC (Premier) to provide canteen services to the Funds’ inmates statewide. The contract is a net-of-fee contract whereby Premier provides canteen services and the Fund is compensated based on a determined percentage of the retail sales of canteen items to the Funds’ inmates. The Funds rely on Premier invoices and supporting documentation related to retail sales to determine the Funds’ compensation accounted for in the Inmate Welfare Fund. There is no review of Premier’s monthly calculation of the Funds’ compensation and verification of the retail sales and supporting documentation.

Cause The Funds’ accounting policies and procedures do not provide for verification of the canteen sales.

Effect The lack of proper controls over canteen commissions could allow for inadvertent errors or fraud related to canteen commissions.

Recommendation Management should implement a more detailed process for the review and approval of the canteen services compensation. As a part of this process, management should consider performing an annual audit of the canteen services information utilized to determine the canteen compensation. Additionally, The Fund should consider having Premier obtain a Service Organization Control (SOC) 1 report to provide independent verification of adequacy of their system of controls.

Views of Responsible Officials

The agency will enforce MDOC Policy 02-10, Canteen Operations, which stipulates canteen funds will be independently audited and require annual financial status report. The agency will look into amending the terms of the contract with Premier Supply Link, LLC to include sufficient language stipulating the agency’s discretion to audit financial records and require retention of such records for a specified period of time. The agency is in the process of hiring an internal auditor whose duties will include a monthly review of canteen services compensation and annual financial status report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

The agency will consider requirement of the Service Organization Control (SOC) 1 report to provide independent verification of adequacy of vendor's system of controls.

See additional information in Management's Corrective Action Plan at page 236.

2020-020 Strengthen Controls Over Contract Payments.

Repeat Finding No.

Criteria Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all Funds.

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 there are adequate control activities in place. Effective control activities dictate that reconciliations of accounting data be timely and detailed in order to ensure accuracy and reliability.

Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 08.30.10, states "Purchase Orders should be created for all items with a contract, even if the items do not require a PO. This will allow for posting of the final invoice payment after the contract has expired. If the contract expires before the final payment, and no PO has been created, then direct invoices cannot be created against the contract."

Condition The Fund has contracted with several different entities to provide residential services to the Funds' inmates. The contract fee is based on inmates assigned to the facility as established by the Midnight Strength Report. The contract fees allow for a minimum guarantee based on levels of inmate population as established by the contract and then additional fee for populations being serviced over the population covered by the minimum guarantees.

We reviewed several invoices related to the contractual payments and noted the following discrepancies, while these items were not material, they indicate lack of detailed review to provide assurance that payments were proper for the Private Prison Fund and Regional Prison Fund:

- The total fee on the invoices for a facility was based on daily inmate population at a determined per diem rate except for the 14th day on the invoice that had a different per diem rate.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

- Several invoice totals did not calculate correctly but were still paid at the amount due on the invoice.
- Invoices that the check was written for an amount more than the total amount due on the invoice without any adjustment noted on the invoice indicating a different amount was due.
- Invoices based on inmate populations that were different than the Midnight Strength Report.
- Invoice that noted the inmate population was for the period April 2020 but the detail of the inmate population by day had dates of March 2020.

In addition, we reviewed all the contracts utilized by the Funds and noted the Funds did not issue a purchase order for a contractual purchase to ensure final payment of invoice. Utilizing purchase orders is a requirement in the MAAPP Manual and also serves as a control in the statewide accounting system (MAGIC) to ensure contracts are not overpaid.

Cause The Funds' accounting policies and procedures do not require purchase orders for final payment of contracts nor does it provide for independent records with which to validate the inmate population or an audit of the inmate population information.

Effect The lack of effective internal control activities over contract payments could allow for inadvertent errors, such as calculation errors; payments for unauthorized purposes or excessive amounts, resulting in improper contract payments.

Recommendation Management should develop and implement a more detailed process for the review and approval of the residential services contractual fee to ensure contract payments are appropriate. The process should include a documented evidence of review and approval of the inmate population, the per diem rate, the mathematical accuracy of the invoice, and the guarantee minimum contractual arrangement. Management should consider requiring the various vendors with the guarantee minimum contractual arrangements include a year to date amount compared to the guarantee minimum to ensure appropriate contractual payments.

As a part of this process, Management should consider performing an annual audit of the residential services information utilized to determine the contractual fee to ensure compliance with the contractual arrangements. Management should also consider utilizing purchase orders to track contractual payments and ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over contractual expenditures.

Views of Responsible Officials MDOC will address finding through staff training. Accounts Payable staff will be required to reference contract number on vendor invoice, verify mathematical computations, initial and date invoice indicating verification of rates consistent with contract per diem and/or minimum guarantee rates; verify funds are available on

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)**

contract and attach the verified invoice in MAGIC.

The agency will enforce its discretion to audit financial records on an annual basis and require retention of such records for a specified period of time. The agency is in the process of hiring an internal auditor whose duties include audit of contractors' financial records and annual financial status report.

See additional information in Management's Corrective Action Plan at page 237.

2020-021

Strengthen Controls Over Contract Payments.

Repeat Finding

No.

Criteria

Management is responsible for establishing and maintaining effective internal controls over transaction cycles. Segregation of duties is a fundamental element of internal controls. The basic principle underlying segregation of duties is that no one person or group of employees should be in a position to commit and conceal errors or fraud in their day-to-day jobs. Segregation of duties serves two key purposes: It ensures that there is oversight and review to catch errors. It also helps to prevent fraud or theft because it requires two people to collude in order to hide a transaction. Hence, separation of duties is the means by which no one person has sole control over the lifespan of a transaction. No one person should be able to initiate, approve, record, reconcile, and review reports related to a transaction.

Condition

The accounting director for the Funds' has the ability to set up a new vendor and authorize a payment.

Cause

The Funds' current accounting procedures do not provide for sufficient segregation of duties with respect to the cash disbursement process or appropriate compensating controls to mitigate the risk.

Effect

The lack of proper internal controls over the cash disbursement increases the risk of errors or fraud to go undetected.

Recommendation

The Fund should review the current accounting procedures over the cash disbursements process and evaluate the proper segregation of duties related to the accounting director.

**Views of Responsible
Officials**

MDOC will review accounting procedures to strengthen controls to ensure proper segregation of duties over the cash disbursements process.

See additional information in Management's Corrective Action Plan at page 238.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

2020-022	<u>Ensure Compliance With State Laws and Regulations Over Accounting Systems.</u>
Repeat Finding	No.
Criteria	<p>Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow Management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all Funds.</p> <p><i>The Internal Control – Integrated Framework</i> published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the <i>U.S. Government Accountability Office Standards for Internal Control in the Federal Government</i> (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that reconciliations of accounting data be timely and detailed in order to ensure accuracy and reliability.</p> <p><i>Section 7-7-3, Miss. Code Ann. (1972)</i> establishes the Department of Finance and Administration (DFA) as the General Accounting Office for the State of Mississippi and authorizes DFA to prescribe the accounting system for state agencies. Additionally, it establishes that the Mississippi Management and Reporting System (MMRS) is responsible for an executive information system within state government to include a centralized automated accounting system, a centralized automated human resource/payroll system for state agencies and the automation of performance programmatic data and other data as needed by the legislative and executive branches to monitor the receipt and expenditure of funds in accordance with desired objectives.</p>
Condition	<p>MDOC utilizes QuickBooks accounting software for funds received as well as transfers made between funds. Quickbooks is utilized as a clearing account by MDOC to record receipt transactions and then checks are cut to the State Treasury to move the funds from a MDOC account into a State Treasury account. The account currently has \$27,148 balance and for fiscal year June 30, 2020 had approximately \$8.2 million of receipts, \$8.1 million of checks cut to State Treasury and \$117,000 of checks cut to various vendors. The checks cut to vendors do not specify the fund to which the activity is related nor is it easily determinable whether the activity has been recorded into MAGIC. The Funds reconcile amounts entered into QuickBooks accounting software to MAGIC monthly; however, there were several months that the activity was not recorded into MAGIC timely. The Funds, year-end GAAP adjustments were noted to be large transactions summarizing the detailed transactions input into QuickBooks. These large transactional journal entries do not contain sufficient detail to adequately describe and define the accounting transactions, and do not provide an adequate audit trail for the recording of assets and transactions.</p>
Cause	<p>Lack of effective internal control activities dictating reconciliations of accounting data be timely and detailed in order to ensure accuracy and reliability.</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Effect Failure to record transactions timely into MAGIC may result in transactions not being properly recorded in statewide accounting system, MAGIC, and not included in the Funds' fiscal year financial statements. Additionally, use of the Quickbooks system as an accounting system allowed personnel of the Funds to circumvent the established controls inherent in the MAGIC system.

Recommendation The Funds' should ensure compliance with state laws and rules and regulations set forth by the Mississippi Department of Finance and Administration over accounting systems. Additionally, we recommend that any third party accounting systems utilized are properly reconciled on a monthly basis with detailed transactional journal entries and timely recording of transactions into MAGIC.

Views of Responsible Officials MDOC will identify agency managed bank accounts that will serve as depository for self-generated funds or custodial funds not required by law to be deposited in the State Treasury in accordance with Mississippi Code Annotated Section 7-7-59; and collection or clearing account for funds required by law to be deposited in the State Treasury in accordance with Mississippi Code Annotated Section 7- 9-12. The agency will submit the appropriate Agency Bank Account Request Form to the Department of Finance and Administration for approval on all agency managed bank accounts and update change requests as necessary. The agency will ensure all transactions are reconciled on a monthly basis.

See additional information in Management's Corrective Action Plan at page 238.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)**

DEPARTMENT OF EDUCATION

MATERIAL WEAKNESS

2020-012 Strengthen Controls Over the Preparation of the Federal Grant Activity Schedule.

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 there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule contains information such as Catalog of Federal Domestic Assistance (CFDA) numbers and grant identification numbers that must be properly recorded. Additionally, the Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of financial and federal information reported on such schedule.

The Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 27.30.60 states, “The Federal Grant Activity schedule supports amounts reported on the GAAP Packet for federal grant revenues, receivables, deferred revenues and expenditures. The schedule is also used for preparing the Single Audit Report required by the Single Audit Act, Office of Management and Budget Circular A-133 and the State’s audit requirements. The amounts on this schedule should be reconciled by the agency with amounts reported on federal financial reports.”

Condition During our testwork for the Federal Grant Activity Schedule, we noted the following exceptions:

- Ten out of 122 items sampled on the Grant Schedule form 27.30.60 in which the CFDA Numbers recorded for the federal programs did not agree to the Agency Program Index located in the *2020 Catalog of Federal Domestic Assistance* at beta.sam.gov.
- Six out of 84 items sampled on the Subgrant Schedule form 27.30.70 in which the amount did not include the transactions recorded during the 60 days after fiscal year end, or the “lapse period”. The total amount of transactions not included was \$3,432,187.49
- Three out of 84 items on the Subgrant Schedule form 27.30.70 in which the subgrantees’ expenditures per Mississippi Accountability System for Government Information and Collaboration (MAGIC) and the Schedule of Expenditures of Federal Awards (SEFA) were not properly recorded in the column for amounts passed to sub-grantees on the Grant Schedule

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)**

form 27.30.60.

- One out of 122 lines on the Grant Schedule form 27.30.60 in which the grant award amount did not include the total authorized cumulative amount awarded to the agency from the federal government. Due to this error on the grant schedule, the total expenditures reported for this federal program exceeded the grant award amount by \$53,604,252.

Cause Lack of appropriate personnel oversight and inadequate review by Agency personnel.

Effect Failure to properly ensure the Catalog of Federal Domestic Assistance (CFDA) numbers, grant numbers, and “Amount Passed to Subrecipients” are correct on the Federal Grant Activity Schedule could result in reporting errors on the State’s Single Audit Report.

Recommendation We recommend the Mississippi Department of Education strengthen controls over the preparation of the Federal Grant Activity Schedule to ensure all grant award information and amounts reported are accurate and correct.

Views of Responsible Officials Although the MDE concurs with the finding, the MDE does not agree that a “lack of appropriate personnel oversight” was the cause of the finding.

See additional information in Management’s Corrective Action Plan at page 241.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

DEPARTMENT OF EMPLOYMENT SECURITY

MATERIAL WEAKNESS

2020-006 Controls Should Be Strengthened Over the Reconciliation of the State’s Financial Accounting System to the Third Party Unemployment Software – ReEmploy.

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 control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.

Condition The Mississippi Department of Employment Security (MDES) submitted the accrual amount entries for the accounts “Claims Payable”, “Federal Income Tax (FIT) Withholding payable”, and “Due to Other Funds” to the Department of Finance and Administration (DFA) in the statutorily required GAAP Package. Upon review of the claims detailed report from ReEmploy (the third party vendor utilized by MDES to enter, track, and monitor unemployment claims data) it was determined that the accrual entries made in the GAAP Package were not correct. We reviewed the accounts payable detail and the payments made to claimants from July 1, 2020 through December 10, 2020 with Claim Week Ending June 30, 2020 or before, and determined the total Claims Payable, FIT Withholding Payable, and Due to Other Funds entry amounts were improperly accrued.

As a result:

- Claims Benefits Payable was overstated by \$179,423,666;
- Federal Income Tax (FIT) Withholding Payable was overstated by \$7,953,401;
- Due to Other Funds was overstated by \$778,122;
- Subsidies Loans and Grants was overstated by \$188,155,18;
- Federal Revenue was overstated by \$189,747,435; and
- Due from Federal Government was overstated by \$189,747,435.

Additionally, MDES submitted the accrual amount entries for the accounts “Accounts Receivable” and “Allowance for Uncollectable Accounts Receivable” to DFA in the statutorily required GAAP Package. Upon review of the receivable detailed report from ReEmploy, it was determined that the accrual entries made in the GAAP Package were not correct. It was determined the Accounts Receivable

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

and Allowance for Uncollectable Accounts Receivable entry amounts were improperly accrued.

As a result:

- Subsidies, Loans, and Grants was understated by \$19,951,628;
- Accounts Receivable was overstated by \$161,551,642;
- Allowance for Uncollectable Accounts Receivable was overstated by \$141,600,014;
- Due from Federal Government was understated by \$19,951,333;
- Unearned Federal Revenue was overstated by \$295; and
- Federal Revenue was understated by \$19,951,628.

Cause

MDES did not properly reconcile amounts amalgamated in the reports from ReEmploy to the financial information. Based on information submitted by MDES personnel for query to produce the reports from ReEmploy, the same transactions were in the report population multiple times, causing material overstatements in the accrual entries computed by personnel at MDES. Ultimately, data related to the new Federal Pandemic Unemployment Compensation (FPUC) program was pulled into the system with multiple errors that went undetected by MDES personnel.

Additionally, MDES only performed financial statement reconciliations of unemployment data once annually at the end of the fiscal year. The information was also not entered into the statewide accounting system - Mississippi Accountability System for Government Information and Collaboration (MAGIC) but once at year end. These untimely reconciliations and agreement of financial statements to ReEmploy caused excessive delays in the preparation of financial statements of MDES.

Effect

Failure to properly record accruals and failure to perform timely and accurate reconciliations of data greatly increase the risk of fraud and misappropriation of assets and liabilities, which can result in material misstatements of financial statements. Several accounts were overstated for fiscal year 2020 and required material audit adjustments to correctly report the financial status of MDES.

Recommendation

We recommend the Mississippi Department of Employment Security strengthen controls to ensure accrual entries are correct and to record entries in the statewide accounting system more frequently than once annually. Additionally, personnel should complete timely and accurate reconciliations to ensure information is reported correctly.

Views of Responsible Officials

MDES concurs with the finding. See additional information in Management's Corrective Action Plan at page 245.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

2020-007 Controls Should Be Strengthened Over Unemployment Insurance Benefits Paid.

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 control activities, such as authorization, approval, verification, and adherence to policy and procedures are implemented and followed. These activities are essential to minimizing the risk of fictitious claims and misstated financial position.*

The Mississippi State Code Annotated (1972) §71-5-511 states that one is eligible to receive benefits that “has been unemployed for a waiting period of one (1) week”; “participates in reemployment services, such as job search assistance services, if, in accordance with a profiling system established by the department, it has been determined that he is likely to exhaust regular benefits and needs reemployment services”; “is able to work, available for work and actively seeking work”.

The Mississippi State Code Annotated §71-5-505(1) states “For weeks beginning on or after July 1, 1991, each eligible individual who is totally unemployed or part totally unemployed in any week shall be paid with respect to such week a benefit in an amount equal to his weekly benefit amount less that part of his wages, if any, payable to him with respect to such week which is in excess of Forty Dollars (\$40.00).”

The Mississippi State Code Annotated §71-5-513 describes reason for separation that disqualifies the individual as “(a) For the week, or fraction thereof, which immediately follows the day on which he left work voluntarily without good cause, if so found by the department, and for each week thereafter until he has earned remuneration for personal services performed for an employer, as in this chapter defined, equal to not less than eight (8) times his weekly benefit amount, as determined in each case; however, marital, filial and domestic circumstances and obligations shall not be deemed good cause within the meaning of this subsection. Pregnancy shall not be deemed to be a marital, filial or domestic circumstance for the purpose of this subsection. (b) For the week, or fraction thereof, which immediately follows the day on which he was discharged for misconduct connected with his work, if so found by the department, and for each week thereafter until he has earned remuneration for personal services performed for an employer, as in this chapter defined, equal to not less than eight (8) times his weekly benefit amount, as determined in each case. (c) The burden of proof of good cause for leaving work shall be on the claimant, and the burden of proof of misconduct shall be on the employer.”

Condition The Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted by the federal government in response to the COVID-19 pandemic required state unemployment agencies to increase the amount of benefits paid to claimants. Additionally, claimants were able to collect unemployment payments for an expanded time frame, and claimants who would otherwise not qualify for benefits

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

(such as independent contractors and self-employed persons) were able to qualify for benefits. In order to process the multitude of claims in an expeditious manner, MDES opted to override the existing controls designed in the internal control system. Proven and tested controls over Unemployment Insurance claims were altered or disregarded for the periods of March 2020 through December 2020. Controls altered for the claims submitted in the noted timeframes were:

- Waived; One week waiting period; March 8, 2020 – December 26, 2020;
- Waived; Work Search Requirements; March 8, 2020 – August 8, 2020;
- Waived; Able to work, Available to work, and Actively Seeking Work (A&A); March 8, 2020 – September 26, 2020;
- Altered; Weekly Earning Allowance increased from \$40 to \$200; May 3, 2020 – September 26, 2020; and
- Altered; Reason for separation from *ALL* employers in base period changed to separation from *MOST RECENT* employer; March 8, 2020 - September 26, 2020.

Additionally, claims were approved without social security number verification during the period March 2020 – May 2020.

Due to these controls being ignored or overridden, MDES was unable to properly monitor the immense influx of claims and to properly vet those claims for fraud. During fiscal year 2020, total unemployment benefit claims increased from \$59,639,208 (fiscal year 2019) to \$2,146,060,996, a 3,498% increase. Included in that total was \$117,948,403, or 5.5%, identified as overpayments. These payments include:

- Payments made to individuals who never lost or had a reduction in wages;
- Fraudulent payments due to stolen identity;
- Payments made to incarcerated individuals; and
- Payments made due to international unemployment fraud.

In particular, MDES inadvertently allowed incarcerated individuals to receive payment when the control that required claimants to verify that they were “actively seeking work” was waived. Incarcerated individuals were then able to apply for benefits and receive approval without any additional verification from MDES.

MDES personnel were initially overwhelmed by the influx of claims and were unable to accurately report the amount of increased loss the State was subject too, and were unable to adequately monitor the fraud that was reported by individuals when they received notification of benefits received.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Cause	<p>MDES did not have proper internal controls in place due to overriding or waiving existing controls. This caused MDES the inability to verify that unemployment claims were paid to proper claimants.</p> <p>The Social Security Administration (SSA) application for verifying Social Security numbers was down for period of time between March 2020 and May 2020. The Unemployment Insurance system would “verify” the numbers automatically and approve the claim when unable to connect to the SSA’s application. Claimants were not recertified until several months after receiving payments due to the increase in volume of claims, which allowed errors to go undetected.</p>
Effect	<p>Failure to properly enable controls and follow policies and procedures increases the risk of fraud and misappropriation, which can result in material misstatements of financial statements. The waiver of strict controls on Unemployment Insurance benefits resulted in an increase of known overpayments of 79.1% from FY 2019 to FY 2020.</p>
Recommendation	<p>We recommend the Mississippi Department of Employment Security strengthen controls over policies and procedures to ensure internal controls are never disabled or circumvented. Additionally, we recommend further analysis of the overpayments of unemployment claims be performed in order to maximize the potential for recovery of fraudulent payments.</p>
Views of Responsible Officials	<p>Other than to acknowledge that a number of overpayments and improper payments occurred, MDES respectfully disagrees with Finding 007 in its entirety, both in scope and holding.</p> <p>See additional information in Management’s Corrective Action Plan at page 246; and the Auditor’s Response to the Corrective Action Plan at pages 75 and 251.</p>

SIGNIFICANT DEFICIENCY

2020-005	<p><u>Controls Should Be Strengthened over Mississippi’s Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, and Quarterly Security Certification Process.</u></p>
Repeat Finding	<p>No.</p>
Criteria	<p><i>The Internal Control – Integrated Framework</i>, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), specifies that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

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 or department. At a minimum, the following functions are considered incompatible for proper segregation of duties:

- Custody;
- Authorization or approval; and
- Recording or reporting

When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties, which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

Additionally, *The Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 30.60.00* dictates that security roles should be reviewed on a quarterly basis to ensure that duties are segregated.

Condition

The Mississippi Department of Employment Security submitted certification to DFA quarterly during state fiscal year 2020 stating that it was in compliance with policies regarding MAGIC security. Upon review of the security roles assigned and the exceptions noted below, the agency did not have proper segregation of duties, improperly certified their agency had proper segregation of duties, and submitted the certifications late three out of four quarters in fiscal year 2020.

During our review of MAGIC security roles, we noted the following exceptions:

- Six instances in which there were role violations related to improper segregation of duties; and
- Three MAGIC Quarterly Security Report Reviews were submitted late: 2nd quarter (7 days), 3rd quarter (19 days), and 4th quarter (15 days)

Cause

MDES did not properly review and monitor their MAGIC security roles assigned to employees. They also did not sign and return the MAGIC Quarterly Security Certification by the due date set by DFA.

Effect

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

Recommendation

We recommend the Mississippi Department of Employment Security strengthen controls over MAGIC security and ensure that roles are properly assigned, duties

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

are segregated, and reviewed in accordance with the MAAPP manual and implement procedures to ensure the timely completion of their MAGIC Quarterly Security Certification.

**Views of Responsible
Officials**

MDES concurs with the finding. See additional information in Management's Corrective Action Plan at page 245.

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Schedule of Findings and Questioned Costs
Part 3 – Federal Award Findings and Questioned
Costs



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

Auditor's note to the Corrective Action Plan from Mississippi Department of Employment Security (MDES) Management

Department of Employment Security – *Material Weakness/Material Noncompliance*

2020-007 Controls Should be Strengthened over Unemployment Insurance Benefits Paid.

The Office of the State Auditor (OSA) acknowledges that the Mississippi Department of Employment Security (MDES) was faced with an unexpected and staggering task to ensure unemployment benefits were paid to individuals during the pandemic. OSA also acknowledges that certain federal guidelines were provided that MDES had to comply with in order to receive additional federal unemployment funds.

However, while MDES did receive federal guidance on making unemployment payments more accessible to those directly impacted by the pandemic, the options provided by the federal government were to either modify or suspend the work search requirements for individuals or employers directly impacted by COVID-19 due to an illness in the workplace or direction from a public health official to isolate or quarantine workers. States were also given the flexibility to respond to the COVID-19 emergency in a broader way, **if they chose to do so** (emphasis added by auditor). (*Unemployment Insurance Program Letter Number 13-20, Change 1, Attachment 1, Question 2*). MDES chose to suspend the requirement for all unemployment claims, and not only those that arose from an illness in the workplace or from an order to isolate or quarantine workers. The decision to implement broader flexibility and completely waive work search requirements were made by MDES. By MDES' own admission in other auditee responses to OSA, MDES stated that they requested the Governor's Office waive the specific requirements. Additionally, in each Executive Order (1462, 1481, 1502, and 1510), MDES was given flexibility to reassess and modify these measures prior to their expiration date in the orders.

Additionally, The Department of Labor (DOL) included program integrity language in all of the major pieces of guidance associated with the state implementation of the CARES Act programs and provisions (*Unemployment Insurance Program Letter Number 28-20*). Program Integrity requirements for the regular unemployment program and unemployment programs authorized by the CARES Act were to operate in tandem, and CARES Act program requires that states must ensure that only eligible individuals receive benefits (*Unemployment Insurance Program Letter Number 23-20*). Both UIPL letters 23-20 and 28-20 specify that the states must make efforts to rapidly and proactively prevent, detect, and investigate fraudulent activity; establish and recover fraud overpayments; and pursue criminal and civil prosecution to deter fraud. Specifically, states were strongly encouraged to implement the following measures to minimize fraud in the unemployment system:

- 1) Social Security Administration Cross Match
- 2) Systematic Alien Verification for Entitlement
- 3) Incarceration cross matches
- 4) Internet Protocol Address checks
- 5) Data Analytics to cross reference claims for indicators of fraud.

Furthermore, many of the most effective tools to deter and detect fraud were available to MDES in the Integrity Data Hub (IDH), and were available to states for well over a year. These included:

- 1) Interstate Suspicious Actor Repository to match claims across states
- 2) Foreign IP Address verification to receive flags on claims filed from IP addresses outside of the United States
- 3) Data Analytic tools
- 4) Fraud Alert Systems
- 5) Identify Verification for fraud scoring information, including flagging synthetic identities.

MDES has stated that they utilize the IDH; however, auditors cannot determine how effectively these programs were utilized considering the high amount of overpayments that were made during fiscal year 2020. Additionally, one of the specific fraud risks the UIPL, incarceration cross matches, were not performed by MDES, and resulted in overpayments to incarcerated individuals. These incarcerated individuals were able to apply for benefits when MDES overrode or turned off the automated controls and did not implement any compensating controls to ensure payments were proper.

Lastly, the Corrective Action Plan provided by MDES stated that there were some individuals who never lost or had a reduction in wages and still received unemployment benefits due to the definition on unemployed in Mississippi State Law – a definition that has since been changed. In order to best explain this circumstance, it would result from an employer “voluntarily” paying his workers their normal pay even though the business was closed due to the pandemic. However, federal unemployment regulations have long stated that individuals are unemployed when they are “separated” from their positions. In fact, DOL has a longstanding legal interpretation of federal unemployment law that “unemployment” includes a reduction of both work hours and earnings; therefore, an individual who is not working, but has not experienced a reduction in income (including earnings, paid sick leave, and paid family leave), is not eligible to receive unemployment benefits (*Unemployment Insurance Program Letter Number 10-20*). While an individual might have been able to receive these payments and not have them classified as an “overpayment” under Mississippi law, federal law would have precluded these individuals from receiving unemployment payments under Pandemic Unemployment Assistance.

Regardless of the federal requirements or Executive Orders issued, MDES is still responsible for ensuring the accuracy of unemployment claims. In order to assure the accuracy of those claims, MDES should have implemented compensating controls to safeguard the unemployment trust fund when other controls were waived or overrode. The ultimate responsibility to ensure that unemployment payments were accurately paid out and that overpayments were kept to a minimum is the responsibility of MDES personnel.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)**

DEPARTMENT OF FINANCE AND ADMINISTRATION

MATERIAL WEAKNESS

2020-004 Strengthen Controls Over the Change Logs of the Statewide Payroll and Human Resource System (SPAHRS).

Repeat Finding Yes; 2018-008 and 2019-014; Material Weakness Findings.

Criteria Good internal controls dictate that all transactions and other significant events be clearly documented and readily available for examination. This audit trail, or security audit log, documentation should include evidence on how transactions are initiated, processed, recorded, and summarized. Proper audit trail documentation also includes evidence of transactions that may have been voided, deleted, or changed after approval and initiation. A “change log” should also be maintained that summarizes any changes, especially those in the production environment. Periodic reconciliations between the change log and a list of approved changes should be performed to ensure all changes have been approved and authorized.

Condition During testwork performed for fiscal year 2020, we noted the following:

- Security logging was not enabled in the Natural Security log settings.
- Reconciliations between approved changes and changes occurring in the change log are not being performed.

Cause There are inadequate controls surrounding SPAHRS security logging.

Effect Failure to log transactional changes adequately and to periodically review logs for appropriateness could result in untimely modification of data, security configuration changes, or fictitious transactions.

Recommendation We recommend that the Department of Finance and Administration enable the Natural Security logging functionality and strengthen controls over the periodic review of such logs.

Views of Responsible Officials Management at the Department of Finance and Administration concurs with the finding.

See additional information in Management’s Corrective Action Plan at page 261.

2020-010 The State of Mississippi Should Require Chief Fiscal Officers of State Agencies to hold Minimum Accounting Qualifications and Attend Mandatory Training.

Repeat Finding Yes; 2016-012, 2017-006, 2018-024 and 2019-015; Material Weakness Findings

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Criteria	<p><i>Section 7-7-3 Miss. Code Ann. (1972)</i> states that the State Fiscal Officer (as defined by <i>Section 21-104-6 Miss. Code Ann. (1972)</i> as the Executive Director of the Department of Finance and Administration shall conduct training seminars on a regular basis to ensure that agencies have access to persons proficient in the correct use of the statewide accounting system.</p> <p><i>Section 7-7-211 Miss. Code Ann. (1972)</i> authorizes the State Auditor to establish training course and programs for the personnel of the various state and local governmental entities. These courses shall include, but are not limited to, topics on internal control, purchasing and property, governmental accounting and financial reporting, and internal auditing.</p> <p><i>The Internal Control – Integrated Framework</i> published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) specifies that a satisfactory control environment is only effective when there is a commitment to competence that demonstrates a commitment to retain competent employees. This principle of competency can be achieved through analysis of skills required for positions, training and development training.</p>
Condition	<p>During testing for fiscal year 2020, we noted, through inquiry and observation, that the overall expertise level of accounting staff in various state agencies was not consistent, and that job requirements often did not specify applicants hold any specific accounting or governmental knowledge. We also noted that, although the Department of Finance and Administration (DFA) held GAAP conversion and accounting training courses to aid state agencies in compiling financial information, it was not a mandatory requirement and often agency personnel did not attend. Likewise, qualification and skill requirements were not consistently applied to Chief Financial Officers throughout the various state agencies.</p> <p>The lack of overall understanding and application of proper accounting standards required the centralized accounting function of the state, DFA, to prepare significant adjusting and reclassification entries in order to prevent material misstatement. While the majority of entries would not have materially misstated accounts individually, in the aggregate, without adjustment, the financials would have been materially misstated.</p>
Cause	Lack of consistently applied agency qualifications for accounting personnel.
Effect	The failure of the State to hire and retain competent staff could result in material misstatement of the financial statements.
Recommendation	We recommend the Department of Finance and Administration implement mandatory training sessions for accounting personnel and Chief Fiscal Officers. Additionally, we recommend the State of Mississippi implement minimum qualifications for Chief Financial Officers.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Views of Responsible

Officials Management at the Department of Finance and Administration concurs with the finding.

See additional information in Management's Corrective Action Plan at page 262.

SIGNIFICANT DEFICIENCY

2020-013 Controls Over Journal Entries Should Be Strengthened.

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 have been implemented, such as maintaining appropriate documentation of transactions.

Condition During our review of super transaction journal entries recorded by the Department of Finance and Administration during fiscal year 2020 with ZZ document types, we noted 29 documents totaling \$708,548,262 did not have support attached in MAGIC nor was support provided by the agency upon request. The entries were recorded by DFA to manually process statewide transactions that did not automatically post in the system due to an imbalance with various dimension elements. It should be noted the agency did reconcile cash in MAGIC to State Treasury's cash balance, which would have likely detected any errors from the ZZ documents.

Cause The entries were prepared by the Office of Fiscal Affairs, DFA, but uploaded in the system by the Office of Fiscal Management, DFA. Support used to prepare the entries was not maintained by the agency.

Effect Not maintaining supporting documentation for journal entries could result in material misstatement of the financial statements to go undetected and uncorrected.

Recommendation We recommend the Department of Finance and Administration maintain supporting documentation for journal entries recorded in the Mississippi Accountability System for Government Information and Collaboration (MAGIC), the state accounting system.

Views of Responsible

Officials Management at the Department of Finance and Administration concurs with the finding.

See additional information in Management's Corrective Action Plan at page 263.

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STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

DEPARTMENT OF HUMAN SERVICES

MATERIAL WEAKNESS

2020-008 Controls Should Be Strengthened to Ensure Proper Review Processes for Financial Reporting.

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) specifies that a satisfactory control environment is only effective when control activities exist. This includes but is not limited to the review process of transactions, proper support of transactions, proper documentation and support of methodologies used in accounting practices, proper support of information and communication within the agency, and a commitment to competence by management.

The Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 27.20.20 states that the Department of Finance and Administration Office of Financial Reporting (DFA OFR) will assist the agencies in preparing GAAP conversion entries as part of the year-end close out. As part of the GAAP Packet submission, each agency is required to submit an acknowledgement that the entries posted by DFA OFR have been reviewed and accepted by the agency.

MAAPP Manual Section 27.30.05 states that supporting schedules provide the details, which support the adjusted MAGIC balances on the GAAP Trial Balance.

MAAPP Manual Section 30.20.10 states, “While each state employee has personal responsibility for maintaining internal controls, the agency head is ultimately responsible and must assume ownership for internal control. All agency management must support the agency’s internal control philosophy, promote compliance, and maintain control within their areas of responsibility. Chief financial officers have key oversight and policy enforcement roles over fiscal matters. Other agency managers may hold lead responsibility for compliance with non-financial aspects of laws, directives, policies, procedures, and the code of ethics... Agencies are to maintain adequate written documentation for activities conducted in connection with risk assessments, internal control reviews, and follow-up actions. This documentation is to be available for review by agency management, the Office of State Auditor, and DFA.”

MAAPP manual Section 30.30.40 states, “The information and communication process entails identifying, capturing, and communicating relevant financial and non-financial information in a form and timeframe that enables employees to carry out their responsibilities. Successful communication occurs up, down, and across the agency. This process is effective if all personnel receive a clear message from top management that internal control responsibilities must be taken seriously.”

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Condition

The Mississippi Department of Human Services (MDHS) operates by dividing daily operations into different departments with different functions. During the audit for fiscal year ended June 30, 2020, we noted that the different departments do not communicate and exchange information. For example, the Grant Schedule is created using information for state fiscal year end. These accruals and expenditures are not reconciled with the TANF Programmatic Division's federal fiscal year end reporting. The agency does not have in place any overarching policies to ensure the integrity and accuracy of information between divisions. Additionally, policies and procedures in Budgets and Account and Grants Management divisions are often unwritten, or out of date. Lastly, information that was supposedly reviewed by MDHS personnel contained copious errors, miscalculations, or misstatements. These errors either indicate that staff is not competent to review the reports and transactions or personnel are merely signing off as reviewer as a formality without actually conducting the review. In the aggregate, these instances resulted in a material weakness in the agency's overall control environment. Examples of these errors include:

- Lack of communication between departments regarding the reconciliation and accuracy of reported financial information. Information about the subgrant schedule was not reconciled between the programmatic division, accounting division, and budgeting information. Personnel could not provide auditors any two lists of amounts passed to subrecipients that agreed with each other during the financial audit. Each department only reconciled information for their own purpose and use, and no intra-departmental reconciliations were performed to verify the departments were using accurate information for reporting- both programmatic and for financial statement purposes.
- Lack of controls to ensure proper review and submission of the GAAP Packet information. The agency had to revise and resubmit the Grant Schedule and Federal Subgrant Activity Schedule on multiple occasions due to errors noted by auditors. The Grant Schedule did not reconcile to other programmatic reports, and agency personnel were initially unable to assist auditors in performing reconciliations in order to verify the accuracy of those reports or Grant Schedule.
- Lack of controls to ensure proper review and approval of accounts receivables transactions and account balances. Accounts receivable account 12000001 was understated in the amount of \$1,687,406 for fiscal year 2020 due to agency personnel using the wrong FNS 209 report to calculate the totals for GAAP entries.

Additionally, there were five instances in which controls could not be verified for the calculation of accounts receivable estimates. Rates that were utilized by the agency for these estimates could not be supported by agency personnel, and there was no written methodology for how the rates were computed. Per a memorandum dated August 14, 2001 and based on conversations with the agency's accounting director, these rates have not

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

been reevaluated since 2001, almost twenty years ago.

Lastly, four instances in which MDHS could not provide adequate support to support accounts receivables calculations for entries entered into the statewide accounting system – The Mississippi Accountability System for Government Information and Collaboration (MAGIC).

- Lack of controls to ensure proper review and approval of Journal Voucher transactions. In one instance, information provided by MDHS to support journal entries recorded by the Department of Finance and Administration (DFA) could not be relied upon due to the calculations and documentation being incorrect. Initially, when MDHS staff was alerted to an issue with the journal entries entered by DFA on MDHS behalf, MDHS personnel stated that MDHS did not approve or review the entry before it was posted. However, auditors were later given a signed statement by MDHS personnel, dated August 17, 2020, where MDHS personnel stated they reviewed, approved, and took responsibility for the transaction.

Additionally, in one instance the agency miscalculated an accrual entry causing an overstatement in accounting estimates by \$13,379,990.

Overall, MDHS lacks appropriate, written methodology to support the calculations made in the financial statements. This lack of written methodology results in an overall lack of controls at the agency. Auditors identified multiple errors and were able to verify a material portion of the calculations; however, without audit intervention these amounts could have materially misstated the agency's financials.

Cause	MDHS did not possess or enforce proper internal controls structures over financial reporting. Additionally, Management has not enforced a commitment to competence at the agency, and has allowed multiple errors in financial reporting to remain undetected by agency personnel. Lack of written policies has contributed to agency personnel not performing adequate reviews over financial information. Lastly, different departments within the agency do not communicate and reconcile accounting information between them to verify the accuracy of that reported information.
Effect	Without proper internal control structures over financial reporting, erroneous financial statements and corresponding schedules could be compiled, resulting in a misrepresentation of the financial standing of MDHS.
Recommendation	We recommend management at the Department of Human Services evaluate internal control procedures over the review and approval of transactions, GAAP Packet information, and the Federal Sub-Grant Activity Schedule. Additionally, we recommend existing staff obtain the needed training to be able to accurately report and review financial information, and that the agency develop overarching policies aimed at ensuring communication about and reconciliation of financial statement information is performed regularly.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Views of Responsible

Officials MDHS is in agreement that controls should be strengthened to ensure proper review processes for financial reporting.

See additional information in Management’s Corrective Action Plan at page 272.

2020-009

Controls Should Be Strengthened to Ensure Suspected Fraud, Waste, and Abuse is Appropriately Reported and Responded to in the Agency.

Repeat Finding

Yes – 2019-012.

Criteria

The Clarifying Statements on Auditing Standards, issued by the American Institute of CPAs, AU-C 250 states, in part, “It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity’s operations are conducted in accordance with the provisions of laws and regulations...”

Government Auditing Standards, July 2018 Revision, paragraph 6.41 establishes reporting requirements related to instances of fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements.

Additionally, *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and The Green Book specify that a satisfactory control environment is only effective when there is a commitment to integrity and ethical values. This principle of “tone at the top” management serves as the foundation of all other components of internal control.

Condition

During the fiscal year 2019 audit, we noted multiple internal control deficiencies and instances in which executive management of the Mississippi Department of Human Services (MDHS) circumvented controls that resulted in an untold amount fraud, waste, and abuse. The “tone at the top” of MDHS did not embrace ethical values or an atmosphere of integrity. The former Executive Director of MDHS (JD) resigned in fiscal year 2019, and was replaced three times during fiscal year 2020. Due to this lack of a consistent leadership, and the unknown pervasiveness of the fraud, waste, and abuse, many of the lingering effects of the prior year’s leadership still remained in fiscal year 2020. In particular, we noted that the agency did not adopt a clear and concise process for subrecipients and for fraud reporting in fiscal year 2020. This lack of policies contributed to a weak control environment, including the response to suspected fraud and increased need for more thorough risk assessment of subrecipients.

We noted the following instances during the fiscal year 2020 audit:

- During fiscal year 2020, executive management failed to timely alert regulatory authorities, including the Office of the State Auditor, of additional reported fraud regarding subrecipients. In February 2020, an

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

individual with credible allegations of fraud about a third party subrecipient of MDHS reported multiple allegations of this fraud to personnel at MDHS. The individual cited specific examples of behaviors of a subrecipient that could result in material fraud, waste, and abuse. At this time, the Office of the State Auditor (OSA) was still actively auditing MDHS for fiscal year 2019. MDHS was aware at that time that the 2019 audit included multiple allegations of widespread fraud, waste, and abuse by two existing subrecipients. However, when we inquired of executive management about the existence of any other reported fraud during that time, executive management did not relay the additional allegations to any auditors.

- In particular, during the formal exit conference held on April 22, 2020 for the fiscal year 2019 audit, we inquired of any additional known potential fraud that had occurred. At this time, MDHS was aware of the potential fraud of a subrecipient that was reported on February 19, 2020. However, MDHS did not express their knowledge of the potential fraud at this time.
- During the entrance conference for the fiscal year 2020 audit on July 20, 2020, we again asked MDHS executive staff of their knowledge of potential fraud that had occurred. MDHS again stated they were not aware of any potential fraud.
- During the fraud interview process that started on August 3, 2020 it was noted that potential fraud had occurred at a subrecipient and potential other issues with several other subrecipients were discussed. This information led OSA audit staff to inquire of executive management of the potential fraud with said subrecipient(s). During this question/answer phase over the month of August, some members of executive management still did not inform auditors of the fraud, or expressed to auditors that the fraud tip was “minor” and involved an incident of an employee using a business car for personal use, and of an employee “sleeping on the job”. At two separate meetings, it was expressed by the MDHS OIG Division that MDHS was looking into the tip and that the report on the fraud was not final but the reported “tip” appeared to be “minor”.
- Due to the increased risk at MDHS for fraud, waste, and abuse, auditors requested to view a copy of the fraud complaint. Upon receiving the fraud tip form from the MDHS OIG, we noted that in addition to the personal use of the vehicle, there was also reports of an employee falsifying timesheets for employees not working at the subrecipient; bidding processes not being properly followed; portions of federal grant money being used to purchase personal items for staff and staff’s family members; and procurement card purchases with federal dollars being used for personal use. Many of the allegations of fraud in the tip were similar to issues discovered by auditors in the prior fiscal year report.
- Additionally, subrecipients Mississippi Community Education Center

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

(MCEC) and The Family Resource Center (FRC) were still being funded with federal dollars in fiscal year 2020 after the suspected fraud was reported to executive management at MDHS by OSA and individuals at other state agencies.

- MDHS has chosen not to re-evaluate the subrecipient awards made in the Temporary Assistance for Needy Families (TANF) program for fiscal year 2019 after admitting that the process in awarding those grants was heavily manipulated by the former Executive Director (JD) and that at least two of the subrecipients misused grant funds during the year. It should be noted that grants that were renewed in January 2020 were required to submit proposals.
- MDHS did not perform final grant close-out procedures for all of the MCEC and FRC grants and did not verify that the amounts paid to both subrecipients in the form of large advances were actually utilized, and that any amount unexpended was returned to MDHS for all grants. MDHS stated that these procedures were not done due to the ongoing investigation into the matter.

Cause Executive Management at MDHS was in flux during fiscal year 2020 due to the reported fraud, waste, and abuse in fiscal year 2019. The agency has still not adopted a comprehensive approach to responding to and reporting suspected fraud; additionally, the agency did not take all the needed steps to verify suspected fraud was investigated timely and misappropriated monies were returned.

Effect An organization that does not embrace ethical principles and implement a zero tolerance policy for fraud leaves itself open to fraud, waste, and abuse. Additionally, MDHS cannot restore public trust until known and suspected fraud is properly investigated and actions have been taken to replenish lost federal dollars.

Recommendation We recommend management at the Mississippi Department of Human Services implement a comprehensive fraud policy, for both individuals internal to the organization and external subrecipients. Additionally, Management needs to timely report and respond to suspected and/or reported fraud.

Views of Responsible Officials MDHS is in agreement that controls should be strengthened to ensure suspected fraud, waste, and abuse is appropriately reported and responded to in the Agency.

See additional information in Management's Corrective Action Plan at page 269.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

DEPARTMENT OF MARINE RESOURCES

MATERIAL WEAKNESS

2020-014 Strengthen Controls Over Financial Reporting.

Repeat Finding No.

Criteria Per GASB Statement 33 related to voluntary nonexchange transactions, cash and other assets that are provided in advance should be reported as deferred revenues [liabilities] by recipients until allowable costs have been incurred and any other eligibility requirements have been met.

Condition During audit testing of federal revenue, for fund 5345300000, it was noted that advance receipts were recognized as revenue when received and not deferred to match programmatic expenditures when incurred. As a result, revenues and liabilities were overstated and understated, respectively, causing the ending fund balance to be overstated by \$68,439,043 as of June 30, 2020. The adjustment required to fund 5345300000 was a Debit to Federal Revenue and a Credit to Unearned Federal Revenue in the amount of \$68,439,043.

Cause The correction was due to an error that was not identified in a timely manner.

Effect The ending fund balance of fund 5345300000 was materially overstated by \$68,439,043, and required an adjustment to correct the ending balance. The adjusted fund balance at the end of the year should be \$403,381.

Recommendation We recommend that MDMR review current procedures related to the review of prepared financial statements, and to enhance procedures (as deemed necessary) to ensure that the review identifies errors in a timely manner.

Views of Responsible Officials Management agrees with the finding.

See additional information in Management's Corrective Action Plan at page 287.

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**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)**

DEPARTMENT OF PUBLIC SAFETY

MATERIAL WEAKNESS

2020-015 Strengthen Controls Over Inventory Transactions.

Repeat Finding No.

Criteria Proper inventory accountability requires detailed records be maintained in order to properly report inventory. Management should have written policies and procedures in place to ensure accurate physical inventory count and records.

Condition There was not sufficient inventory records to substantiate the inventory transactions during the fiscal year.

Cause There are no written policies and procedures or controls in place to ensure proper authorization and accountability for all inventory transactions. There were informal procedures that were being performed; however, the procedures were not consistently being performed throughout the year.

Effect The lack of policies and procedures or controls over inventory transactions leads to unreliable information and impairs the Funds' ability to (1) know the quantity and value of assets it owns, (2) safeguard its assets from physical deterioration, theft, loss, or mismanagement, (3) prevent unnecessary storage and maintenance costs or purchase of assets already on hand.

Recommendation Management should implement written policies and procedures and controls to help ensure proper authorization and accountability for all inventory transactions.

Views of Responsible Officials DPS acknowledges the finding regarding inventory records. The agency will draft and implement written policies and procedures to ensure inventory is properly maintained.

See additional information in Management's Corrective Action Plan at page 289.

2020-016 Strengthen Controls Over Financial Reporting.

Repeat Finding No.

Criteria Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned function to prevent or detect material misstatements in the financial reporting of all funds.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Condition	<p>There were several instances of adjustments that were needed to properly state the financial statements due to lack of proper management review of key entries and accounts.</p> <ul style="list-style-type: none">• An entry of \$1,347,775 related to accounts payable created a debit balance of \$895,081 in an accounts payable account in fund 3371600000 in the GAAP Package Reporting.• An entry of \$525,000 related to bank reconciliation for variances occurring in 2013 and 2014 was recorded as current year revenue rather than a prior period adjustment.• An entry of \$485,626 related to unrecorded liabilities for amounts paid during the lapse period relating to fiscal year ended June 30, 2020. The unrecorded liabilities relate to transactions paid during the lapse period but were not accrued and the transactions only relate to the WE document type identified in the system.
Cause	<p>The current policies and procedures do not provide for sufficient detailed level of supervisory review and approval of the underling and supporting information used in the GAAP Package Reporting and key entries.</p>
Effect	<p>Audit adjustments were needed to properly state the revenue, expenditures and transfer in/out. The audit adjustments were as follows:</p> <ul style="list-style-type: none">• \$1,347,775 was made to accounts payable that crossed between the selected funds (2271100000 and 3371600000) which adjusted accounts payable and transfer in/out.• \$525,000 was made to revenue to record the revenue as a prior period adjustment.• \$485,626 was made to properly accrue expenditures paid after year-end relating to fiscal year June 30, 2020.
Recommendation	<p>Management should implement a more detailed process for the review and approval of GAAP Package Reporting and key entries. As part of the process, the supporting information should be reviewed and approved at a sufficiently detailed level to allow Management to detect and prevent errors in a timely manner.</p>
Views of Responsible Officials	<p>DPS acknowledges the finding regarding internal controls over financial reporting. The agency will implement additional procedures, which will require the Deputy Commissioner of Finance and the Commissioner of DPS to approve of the GAAP Package prior to its annual submission.</p> <p>See additional information in Management’s Corrective Action Plan at page 289.</p>

STATE OF MISSISSIPPI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 PART – 2 Financial Statement Findings (continued)

DIVISION OF MEDICAID

MATERIAL WEAKNESS

2020-011 Strengthen Controls Over the Preparation and Review of the Schedule of Expenditures of Federal Awards and Estimated Claims Payable.

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 there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

The Mississippi Agency Accounting Policies and Procedures (MAAPP) manual Section 27.30.60 states, “The Federal Grant Activity schedule supports amounts reported on the GAAP Packet for federal grant revenues, receivables, deferred revenues and expenditures. The schedule is also used for preparing the Single Audit Report required by the Single Audit Act, Office of Management and Budget Uniform Grant Guidance and the State’s audit requirements. The amounts on this schedule should be reconciled by the agency with amounts reported on federal financial reports.”

Condition During the audit of the Mississippi Division of Medicaid for fiscal year ended June 30, 2020, we became aware of ineffective processes and/or procedures relating to internal controls over financial reporting. The following exceptions were noted on the Schedule of Expenditures of Federal Awards and the Estimated Claims Payable calculation.

- One instance in which the Catalog of Federal Domestic Assistance (CFDA) number did not agree to the Agency Program Index located in the *2020 Catalog of Federal Domestic Assistance* at beta.sam.gov.
- Two instances in which the “Grant Period Start Date” per the Schedule of Expenditures of Federal Awards did not agree with the “Grant Start Date” per the Grant Award.
- Two instances in which the “Grant Period End Date” per the Schedule of Expenditures of Federal Awards did not agree with the “Grant End Date” per the Grant Award.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

- Two instances in which the amount listed in the grant award section of the Schedule of Expenditures of Federal Awards did not agree with the Grant Award.
- Five instances in which expenditures per the Schedule of Expenditures of Federal Awards did not agree to the Mississippi Accountability System for Government Information and Collaboration (MAGIC), resulting in adjustments of \$61,553,632 to the Schedule of Expenditures of Federal Awards.
- Agency does not perform a reconciliation of the Schedule of Expenditures of Federal Awards to MAGIC.
- The incorrect percentage was used for the adjustment for change in total medical service payments in the original and revised Claims Payable calculations.
- The COVID reduction in claims was calculated incorrectly in the Claims Payable calculation.
- The amount of claims payable to other state agencies was not included in the Claims Payable calculation.

The lack of adequate controls over the Schedule of Expenditures of Federal Awards and the Claims Payable calculation resulted in the following:

- Accounts Payable was understated by \$4,884,341
- Subsidies Loans and Grants was understated by \$4,884,341
- Due from Federal Government was understated by \$65,616,427
- Federal Revenue was understated by \$65,616,427

Cause	Agency did not possess or enforce proper internal control structures. Additionally, Agency did not properly review and reconcile grant schedule information and did not perform review over crucial aspects of financial reporting.
Effect	Without proper internal control structures over financial reporting, erroneous financial statements and corresponding schedules could be compiled, resulting in a misrepresentation of the financial standing of the Mississippi Division of Medicaid. Failure to properly ensure the CFDA numbers and amounts are correct on the Federal Grant Activity Schedule could result in reporting errors on the State's Single Audit Report.
Recommendation	We recommend the Mississippi Division of Medicaid strengthen controls over the preparation and review of the Schedule of Expenditures of Federal Awards and

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Claims Payable calculation to ensure all grant award information and amounts reported are accurate and correct.

**Views of Responsible
Officials**

The Division agrees with the exceptions noted on the Schedule of Expenditure of Federal Awards and the Estimated Claims Payable calculation.

See additional information in Management's Corrective Action Plan at page 299.

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**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)**

MISSISSIPPI PRISION INDUSTRIES

MATERIAL WEAKNESS

2020-001	<u>Controls Related to Maintenance of Source Documents Should be Strengthened.</u>
Repeat Finding	Yes, 2019-002 and 2018-037, Material Weakness Finding.
Criteria	A financial reporting system requires an appropriate review function to ensure that all relevant information is processed correctly and appropriately assimilated into the financial reporting process.
Condition	There were instances during our audit whereby source documentation requested was not readily available. Many of the inventory cost invoices could not be located timely. Additionally, certain travel documentation tested did not include attached receipts, description of the expense or other documentation to substantiate business purpose.
Cause	The Corporation does not have adequate processes to ensure source documents are retained and filed in a readily accessible location.
Effect	Inadequate controls over review and maintenance of source documentation could result in inaccurate accounting information.
Recommendation	We recommend policies be strengthened so that review functions and business purposes are documented and source documentation is better maintained.
Views of Responsible Officials	MPIC concurs with the finding. A financial reporting system requires an appropriate review function to ensure that all relevant information is processed correctly and appropriately assimilated into the financial reporting process.
	See additional information in Management's Corrective Action Plan at page 317.

2020-002	<u>Controls Over Inventory Should Be Strengthened</u>
Repeat Finding	Yes, 2019-003 and 2018-038, Material Weakness Finding
Criteria	Inventories held by the Corporation are an important part of its overall financial reporting system and requires appropriate controls over pricing, existence and obsolescence.
Condition	During our inventory cost testing, differences were noted whereby certain costs used to extend the inventory did not agree with recent inventory prices. It was also noted that some inventory source documents are located at remote locations rather than the administrative central office.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

Cause	The Corporation has a small staff and lacks entity level control structure that is needed to ensure that inventory is accounted for accurately.
Effect	Inadequate controls over the inventory control process could result in material misstatements.
Recommendation	We recommend policies be strengthened so that deficiencies noted above do not reoccur. The Corporation should implement policies, procedures and a review process to ensure inventory is accurately calculated and reported.
Views of Responsible Officials	MPIC concurs with the finding and is aware that the inventory controls should be strengthened to make sure no misstatements are made, and inventory is accurately stated.
	See additional information at Management’s Corrective Action Plan at page 317.

2020-003 Controls Related to Pension and Post Employment Benefit Liability Should Be Strengthened.

Repeat Finding	Yes, 2019-005 and 2018-040, Material Weakness Finding.
Criteria	Pension and postemployment benefit liabilities and related deferred inflows and outflows held by the Corporation are an important part of its overall financial reporting system and requires appropriate controls over existence and obsolescence.
Condition	To a large extent, the Corporation relies on its external auditors to calculate the Corporation’s allocation of pension and postemployment benefit liabilities. However, the external auditor cannot be considered part of an entity’s system of control. Therefore, the adjustments calculated and proposed to Corporation by the external auditor represent deficiencies in internal control.
Cause	The Corporation has a small staff and lacks the experience needed to ensure that these calculations are accounted for accurately.
Effect	Inadequate controls over pension and postemployment benefit liabilities could result in material misstatements.
Recommendation	We recommend the Corporation staff prepare the pension and postretirement calculations in the future and post the adjustments to the accounts prior to the audit.
Views of Responsible Officials	MPIC concurs with the finding. MPIC is aware that the internal accounting department was tasked with preparing the Pension and Postemployment benefits calculations internally. Going forward, the department will learn how to prepare the schedule and adjustments. See additional information at Management’s Corrective Action Plan at page 318.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART – 2 Financial Statement Findings (continued)

OFFICE OF THE STATE TREASURER

SIGNIFICANT DEFICIENCY

2020-017 Controls Should Be Strengthened to Ensure Compliance with State Law Over Cancellation of Warrants, and over Maintenance of a Proper Audit Trail.

Repeat Finding No.

Criteria *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Control Activity principal specifies, “The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.”

Section 7-7-42 of the Mississippi State Code of 1972, Annotated states, “The State Fiscal Officer shall transfer the funds reflected by the cancellation of the warrant to the Abandoned Property Fund authorized by Section 89-12-37 of the Unclaimed Property Division of the State Treasury where the funds shall remain for five (5) years. After five (5) years, if the funds are unclaimed, the State Treasurer shall transfer the funds back to the original source of funds. This section is applicable to warrants issued on and after January 1, 2000.”

Condition During our review of 10 canceled warrants, we noted one instance in which the agency did not have supporting documentation for a canceled warrant and two instances in which the agency did not return the canceled warrant funds back to the original source within five (5) years, as required by MS Code. Warrant 700059016 for \$2,470.00 and Warrant 013364455 for \$5,000.00, for a total of \$7,470 were not returned within the required five (5) years.

Cause Agency did not maintain source documentation. Agency did not process the funds back to the original source in a timely manner due to a weakness in internal controls.

Effect Without proper controls over the cancellation of warrants, the Agency could misappropriate deposits due to the lack of appropriate records, or fail to properly record all applicable deposits. Additionally, canceled warrants could be paid after the five year statute of limitations, which could result in an misstatement in canceled warrants liability.

Recommendation We recommend that the Office of the State Treasurer strengthen controls to ensure all documentation for unclaimed properties is preserved, and agency should strengthen controls to ensure all canceled warrants are returned to original source as prescribed by MS Code.

Views of Responsible Officials We concur with this finding and will strengthen controls over compliance with State Law over cancellation of warrants and maintenance of a proper audit trail.

See additional information in Management’s Corrective Action Plan at page 321.

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2020

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Introduction

This part of the Schedule of Findings and Questioned Costs presents audit findings required to be reported by *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200, Section 5.16*

Findings are grouped by federal funding agency and then organized by state agency. Findings within the state agency are listed in order by type of compliance requirement as listed in Appendix XI to the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200*.

Each finding has one of the following designations:

- ❖ **Material Weakness** – 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.
- ❖ **Significant Deficiency** – 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.
- ❖ **Material Noncompliance** – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that in the auditor’s judgment have a direct and material effect on a major federal program.
- ❖ **Immaterial Noncompliance** – Conditions representing noncompliance with the provisions of laws, regulations, contracts, or grant agreements that do not have a direct and material effect on a major federal program.

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF AGRICULTURE

Finding Number **Finding and Recommendation**

DEPARTMENT OF HEALTH

ELIGIBILITY

Material Weakness

Material Noncompliance

2020-039 Mississippi Department of Health Should Strengthen Controls Over Documentation to Ensure Compliance with Eligibility Requirements.

CFDA Number 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)

Federal Award	2014IW00345	201717WI00645	201818WI00245
	2014IW00645	201717W500345	201818WI00345
	2014IW500345	201717WI00245	201818WI00645
	201918WI00245	202019WI00245	
	201918WI00345	202019WI00345	
	201918WI00645	202019WI00645	
	201919WI00345	202020WI00345	
	201919WI00645	202020WI00645	

Questioned Costs N/A

Repeat Finding No.

Statistically Valid This sample is considered statistically valid.

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) define control activities as a component of internal control. Effective control activities dictate that sufficient supporting documentation be maintained.

Condition During audit of eligibility requirements for the WIC program at the Mississippi State Department of Health, auditor noted that the agency is not maintaining any supporting documentation for applicant's income and residency verification process. The lack of supporting documentation would not allow for supervisors to properly review applicants' eligibility information in the normal course of duty.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

	Additionally, lack of documentation also resulted in an improper audit trail. Auditor could not verify the accuracy of eligibility determinations made for any participant during fiscal year 2020.
Cause	Agency did not maintain proper supporting documentation to determine income and residency requirements.
Effect	Ineligible individuals could receive WIC benefits.
Recommendation	The Mississippi Department of Health should strengthen controls to ensure adequate documentation is maintained relating to eligibility requirement, and that proper reviews are performed and documented.
Views of Responsible Officials	Management at the Mississippi Department of Health concurs with this finding. See additional comments in the Corrective Action Plan on page 266 of this audit report. See pages 107 and 267 for Auditor's Response to Corrective Action Plan.

PROCUREMENT, SUSPENSION, DEBARMENT

Material Weakness

Material Noncompliance

2020-037	<u>The Mississippi Department of Health Should Strengthen Controls to Ensure Compliance with Procurement, Suspension, and Debarment Requirements.</u>		
CFDA Number	10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)		
Federal Award	2014CW200145	201717WI00345	201818W500345
	2014IWI00345	201717WI00645	201818WI00245
	2014IWI00645	201717W500345	201818WI00345
	2014IW500345	201717WI00245	201818WI00645
	201918WI00245	202019WI00245	
	201918WI00345	202019WI00345	
	201918WI00645	202019WI00645	
	201919WI00345	202020WI00345	
	201919WI00645	202020WI00645	
Questioned Costs	N/A		
Repeat Finding	No.		
Statistically Valid	This sample is considered statistically valid.		
Criteria	<i>The Code of Federal Regulations (2 cfr § 180.300)</i> states when the non-federal entity enters into a covered transaction with another entity or person at the next		

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

lower tier, the entity must verify that the entity or person with whom you intend to do business is not excluded or disqualified from receiving federal funds. This is accomplished by the following actions:

- a) Checking SAM Exclusions; or
- b) Collecting a certification from that person; or
- c) Adding a clause or condition to the covered transaction with that person.

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) define control activity as a component of internal control. To properly execute this component, management should review applicable award agreements, contracts, budgets, and other appropriate sources to identify potential covered transactions. Standard forms or templates are used to document verification that parties are not suspended or debarred.

Condition	During testwork for procurement, suspension, and debarment, the auditor noted that 17 out of 40 (42.5%) vendors that were tested lacked a DUNS number or other identifying information in SAM.gov. Due to the lack of identifying information, auditor was unable to verify if vendors were suspended, debarred, or otherwise excluded by the federal government from receiving federal funds. Additionally, the Mississippi State Department of Health (MSDH) allowed vendors to self-certify that they were not suspended or debarred. Lastly, MSDH did not perform satisfactory reviews to ensure all vendors were properly allowed to receive federal monies during the vendor selection process.
Cause	Agency relied on vendor's certification that they are not suspended or debarred without independently verifying status to SAM.gov.
Effect	MSDH Health could contract with vendors whom are suspended or debarred. Payments to suspended or debarred vendors would be disallowed, requiring management to terminate contract midway. Additionally, it could cause loss of federal funding for projects.
Recommendation	The Mississippi Department of Health should strengthen controls to ensure compliance regarding suspension and debarment by properly reviewing vendors before selection, and by performing required steps to ensure all vendors are not suspended and/or debarred before contracting.
Views of Responsible Officials	Management at the Mississippi Department of Health concurs with this finding. See additional comments in the Corrective Action Plan on page 265 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

REPORTING

Material Weakness

Material Noncompliance

2020-038 The Mississippi Department of Health Should Strengthen Controls to Ensure the Schedule of Federal Expenditures is Prepared with Proper and Accurate Information and that Federal Reporting Agrees with the Underlying Financial Records of the Agency.

CFDA Number 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)

93.268 Immunization Cooperative Agreements

Federal Award No.	2014CW200145	201717WI00345	201818W500345
	2014IWI00345	201717WI00645	201818WI00245
	2014IWI00645	201717W500345	201818WI00345
	2014IW500345	201717WI00245	201818WI00645
	201918WI00245	202019WI00245	2015 6NH23IP000790-05-00
	201918WI00345	202019WI00345	2015 6NH23IP000790-05
	201918WI00645	202019WI00645	2019 1NH23IP922605-01-00
	201919WI00345	202020WI00345	2019 1NH23IP922605-01
	201919WI00645	202020WI00645	

Questioned Costs N/A

Repeat Finding No.

Statistically Valid This sample is considered statistically valid.

Criteria *The Code of Federal Regulations (2 cfr §200.510(b))* states, in part “the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502.”

Code of Federal Regulations (2 cfr §200.502(a)) states, in part, “the determination of when a federal award is expended must be based on when the activity related to the Federal award occurs.”

The Code of Federal Regulations (2 cfr §200.345(a)(2)) states, in part, that the close out process of a federal award does not negate “the requirement for the non-Federal entity to return any funds due as a result of later refunds, corrections, or other transactions including final indirect cost rate adjustments.”

The Code of Federal Regulations (2 cfr §200.346) states “Any funds paid to the non-Federal entity in excess of the amount to which the non-Federal entity is finally determined to be entitled under the terms of the Federal award constitute a debt to the Federal Government.”

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

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) define control activity as one of the five components of internal control. Periodic reconciliations and reviews of information are key elements in establishing successful control over compliance of federal monies. Additionally, COSO lists another component of internal control as information and communication. Intra-agency communication between financial reporting and programmatic reporting divisions, and then the reconciliation of information between those two divisions is a vital part of any overall control environment. Additionally, good internal controls over compliance of federal monies requires that all federal reporting agree to the information contained in the agency's underlying accounting records.

Condition

Based on testing of the grant schedule, auditor noted the Mississippi Department of Health (MSDH) attempted to perform a multi-year "clean up" of the grant schedule by removing previous years "due to federal government" and "due from federal government" balances. In order to remove these existing balances from the calculated grant schedule, MSDH entered expenditures (or a credit of expenditures) in a corresponding amount to the liability and receivable balances in order to "zero out" any existing balances. However, the expenditures were not supported by the underlying financial records; nor were the expenditures factual. When auditor inquired about the expenditures, MSDH stated that they were needed to remove the due to/due from balances, and that the expenditures were not actually booked expenditures in the underlying financial records. The grants in question were closed grants that did not have any open demands. Auditor reviewed federal records and the programmatic reports created by the agency's programmatic divisions and determined that, as per federal policy, any amounts of overpayments that were paid to MSDH has been deducted from the subsequent drawdowns of the federal programs; and that no due to balances on those grants actually existed. Additionally, all closed grants with receivable balances were not allocated any additional federal monies, that the expenditures over and above the grant award were in fact state expenditures and not federal.

In summary, MSDH used the current year reporting of federal expenditures to reverse the due to and due from federal government account balance on the grant schedule, thereby over or understating current year expenditures. Total over/under stated balances included:

- Immunization Cooperative Agreements, CFDA 93.268, expenditures understated by \$109,244; and
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557, expenditures were overstated by \$2,434,837.

Due to the net overstatement of the two programs being audited, the Auditor performed a cursory review of the grant schedule to include grants with expenditures greater than \$750,000. Based on the review, MSDH improperly

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

credited total federal expenditures in the amount of \$13,457,399 and debited expenditures for \$19,374,803 for a net overstatement of expenses totaling \$5,917,404. It is important to note that the expenditures were created solely for the cleanup of the grant schedule and were not actually recorded in the underlying financial records of the agency. However, the net financial statement effect was a net overstatement of the due to federal government liability in the corresponding amount of \$5,917,404.

Cause Agency personnel applied improper accounting procedures to the schedule of expenditures of Federal awards.

Effect Grants that are overdrawn could result in federal authorities requiring the agency to refund the excess amounts or could reduce future draws against the program, requiring the state to make up the difference in funding. In addition, the current year expenses for grants are over/understated.

Recommendation The Mississippi Department of Health should strengthen controls to ensure the proper reporting of federal expenditures in their grant schedule.

Views of Responsible Officials Management at the Mississippi Department of Health concurs with this finding. See additional comments in the Corrective Action Plan on page 266 of this audit report.



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

Auditor's note to the Corrective Action Plan from Mississippi Department of Health (MSDH) Management

Department of Health – Special Tests and Provisions - *Material Weakness/Material Noncompliance*

2020-039 MSDH Should Strengthen Controls Over Documentation to Ensure Compliance with Eligibility Requirements

MSDH concurred with the finding, but stated that the USDA-FNS was aware of this and stated documentation was consistent with regulatory requirements. However, due to the lack of any type of documentation, auditor could not ensure beneficiaries were eligible based on eligibility criteria for the program. Some type of checklist or documented audit trail other than the actual documents used should be maintained to ensure eligibility can be verified for audit purposes in the future.

After consideration of the comments provided by MSDH in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and federal grantor agency for further review to determine what, if any, actions will be required of MSDH.

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STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

DEPARTMENT OF HUMAN SERVICES

ACTIVITIES ALLOWED/ALLOWABLE COSTS

Material Weakness

Material Noncompliance

2020-024 Strengthen Controls to Ensure Compliance with Subrecipient Allowable Cost Activities of the Supplemental Nutrition Assistance Program (SNAP), Child Care and Development Block Grant (CCDF), and Temporary Assistance for Needy Families (TANF) Programs.

CFDA Number 10.551 Supplemental Nutrition Assistance Program (SNAP)
 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)
 93.558 Temporary Assistance for Needy Families (TANF)
 93.575 Child Care and Development Block Grant (CCDF)
 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)
 93.667 Social Services Block Grant (SSBG)

Federal Award No.	201818Q390345	G1801MSCCDFB	G1801MSLIEAR
	12352841-B19	G1801MSCCDFC-CMIA	G1801MSLIEAW
	12352841-619	G1901MSCCDFB	G1801MSLIE4
	12352841-519	G1901MSCCDFC	G1901MSLIEAR
	12352841-B10	G2001MSCCDFC	G1901MSLIEAW
	12352841/410		G1901MSLIEA4
	12352841-610		G2001MSLIEAR
	12352841/910		
	G1801MSSORS	G1901MSTANFS-CMIA	
	G1901MSSORS	G2001MSTANFS-CMIA	
	G2001MSSORS		

Questioned Costs \$10,163,957 in total, which includes the following broken down by program:
 \$536,785 for SNAP; \$1,273,753 for CCDF; and \$8,353,419 for TANF

Background During the FY 2019 MDHS audit, Auditors found numerous issues regarding fraud, waste, and abuse at two Mississippi Department of Human Services (MDHS) subrecipients - Mississippi Community Education Center (MCEC) and Family Resource Center of North Mississippi (FRC). Due to the issues noted during the prior year audit involving MDHS' lack of adequate subrecipient monitoring, auditors determined on-site testing of subrecipients to be necessary audit procedures to ensure allowability provisions are properly monitored and reported for the FY2020 audit of MDHS. Additionally, due to the known fraud, waste, and abuse found at both MCEC and FRC during the FY 2019 audit, and the federal and state investigations into the financial operations of these entities, auditors questioned the payments made to both organizations in total for SNAP,

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

TANF, and CCDF grants for multiple years (over \$94 million). MDHS is currently undergoing a forensic audit to determine how much, if any, of the costs paid to these organizations those auditors deem appropriate. However, due to the risk involved, the on-going nature of the investigations, and the additional indictments faced by owners of MCEC for fraudulent activity for other federal grants, auditors felt it prudent to question the FY 2020 payments in total as well.

Repeat Finding Yes; 2019-030

Statistically Valid This sample is not considered statistically valid.

Criteria *The Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the United States Government Accountability Office (GAO) (Green Book) dictates that in order for organizations to have effective internal control, the organization should have an effective control environment. A component of an effective control environment is proper oversight ability, accountability and commitment to ethical values. A control environment is most effective when all five components of controls (control environment, risk assessments, information and technology, monitoring and communication, and existing control activities) are working together in tandem.*

The Code of Federal Regulations (2 cfr 200.403) states that, in order to be allowable under federal guidelines, costs must be necessary, reasonable, and adequately documented.

The Code of Federal Regulations (2 cfr 200.404) states “A cost is reasonable - if in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the entity is predominately federally funded. In determining reasonableness of a given cost, consideration must be given to: (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award. (b) The restraints or requirements imposed by such factors as: sound business practices; arm’s-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award. (c) Market prices for comparable goods or services for the geographic area. (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government. (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award’s cost.”

The Code of Federal Regulations (2 cfr 200.405 (a)) states “A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.”

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

MDHS requires each subrecipient to attest by signature that they have read and understood the *MDHS Subgrant/Contract Manual* issued by MDHS before payments on awards can be made. Additionally, each subgrant administered by MDHS is governed by the standard Subgrantee Agreement which sets out specific regulations that govern the subgrant.

The Office of Family Assistance, a Division of the Office of Administration for Children and Families and the grantor of TANF funds, states there are four tenets of the TANF program –

1. *To provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives;*
2. *End the dependence of needy parents by promoting job preparation, work, and marriage;*
3. *Prevent and reduce the incidence of out-of-wedlock pregnancies; and*
4. *Encourage the formation and maintenance of two-parent families.*

The Office of Family Assistance produced Q&A: Use of Funds, published on May 2, 2013, which clarifies the use of funds for “needy” families and is copied, verbatim, below:

“Q1: May States help the non-needy with services that are consistent with TANF purpose one or two as long as those services fall outside the definition of assistance?”

“A1: No. The first two statutory purposes (related to caring for children in their own homes and ending dependence) are expressly for the needy. Therefore, the statute envisions that States would serve only the needy when they are conducting activities or providing benefits that are reasonably calculated to accomplish TANF purpose one or two. This means that States would have to develop and apply criteria of financial need in these cases. However, States may use Federal TANF funds to help both the needy and the non-needy with benefits or services that are reasonably calculated to accomplish TANF purpose three or four (which relate to reducing out-of-wedlock pregnancies and the formation and maintenance of two-parent families). In serving the non-needy, States may use only segregated Federal TANF funds.”

The Code of Federal Regulations (2 cfr 200.450) states that the cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Additionally, paragraph (c) puts additional restrictions on nonprofit organizations, such as MCEC and FRC. Those restrictions include any costs to influence the outcome of any federal, state, or local election, referendum, initiative, or similar procedure through in-kind or cash contributions, endorsements, publicity, or similar activity is unallowable. Any legislative liaison activity, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effects of legislation is also unallowable.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

The Code of Federal Regulations Title 45. Public Welfare (45 cfr 93.100(a)) states that no appropriated funds may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

The *MDHS Subgrant/Contract Manual*, which subgrantees must attest to have read and understood prior to receiving grant awards, sets out and defines the regulations that subgrantees and lower-tier subrecipients must follow, including the “*Restrictions on Lobbying – Common Rule (P.L 101-121, Section 319)*.”

Internal Revenue Service Publication 4221-PC (Revised 3-2018) states “A public charity is not permitted to engage in substantial legislative activities (commonly known as lobbying). An organization will be regarded as attempting to influence legislation if it contacts, or urges the public to contact, members or employees of a legislative body for purposes of proposing, supporting or opposing legislation, or advocates the adoption or rejection of legislation.... a 501(c)(3) organization may...risk losing its tax-exempt status and/or be liable for excise taxes.”

Condition

During fiscal year 2020, MDHS began the year with funding commitments to both MCEC and FRC. These funding commitments were made under the prior Executive Director’s (JD) leadership and direction. Both organizations were owed monies under grants from federal fiscal years 2018 and 2019; MCEC was also owed money from federal fiscal year 2020. MDHS began the fiscal year with a new Executive Director (CF) who began in August 2019. In June of 2019, MDHS reported possible fraudulent activity to the then Governor of Mississippi, who in turn reported it to investigators and auditors. OSA began the fiscal year 2019 single audit in July 2019, and reported to MDHS personnel in August 2019 that auditors noted significant red flags with the amounts paid to MCEC and FRC. At this time, the Office of the State Auditor (OSA) and MDHS began to discuss the need for MDHS to procure a forensic audit to determine the extent of improper payments that were made by MCEC, FRC, and other possible subrecipients of TANF, SNAP, and CCDF. A Request for Proposals was drafted, and OSA and MDHS were in discussion about the process when MDHS informed OSA that they would not be procuring a forensic audit at that time. Additionally, in September 2019, OSA was informed that the Mississippi Community College Board (MCCB) had issued FRC a monitoring report detailing questionable costs, and that these concerns related to money passed through from MDHS. Due to the suspected fraud, waste, and abuse, and the intention of MDHS to not pursue a forensic audit, OSA requested copies of all MCEC and FRC financial records related to MDHS grants from MDHS personnel in order to perform risk based testing. MDHS did not have sufficient copies of information on hand to verify allowability of purchases; therefore, OSA requested the information directly from the two

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

subrecipients in October of 2019. Executive Director (CF) and personnel from OSA met in October to discuss these document requests, the alleged fraud investigation, and the audit in general. At this time, MDHS was again informed of significant concerns with MCEC and FRC grants and spending, and executive leadership was aware of an open investigation. However, it was not until December 2019 that both MCEC and FRC were alerted by MDHS that their future grant awards would be “frozen” until the FY 2019 audit was completed.

Regardless of the information provided to MDHS about the alleged fraud, waste, and abuse at MCEC and FRC, the agency performed the following grant awards and modifications:

- In September 2019, MDHS modified a 2019 grant to MCEC by an increase of \$4,822,992;
- In November 2019, MDHS modified a 2019 grant to FRC by an increase of \$1,500,000;
- MCEC was paid \$8,091,212 in grant advances and reimbursements in FY 2020;
- FRC was paid \$2,072,745 in grant advances and reimbursements in FY 2020; and,
- MCEC was awarded new grants for federal fiscal year 2020 (these were later frozen, and no monies were awarded).

Nomenclature review of the financial records of MCEC and FRC for fiscal year 2020 verified that the entities funded similar payments in FY 2020 as they had in FYs 2017, 2018, and 2019. For example, funds were paid to lobbyists, a fitness boot camp, rental payments to family members, inflated rental payments of leased space owned by the principals of MCEC, payments for private school supplies, payments for construction and renovation of property, and payments to other nonprofits owned and operated by the owners of MCEC. Both organizations also did not have any supporting methodology for the allocation of costs – both direct and indirect – among the variety of grants received.

MDHS did not require the two subrecipients to submit detailed, supporting information relating to claim reimbursements; therefore, reasonableness and allowability of all payments to MCEC and FRC in FY 2020 are unable to be determined by MDHS before payments were made in advance or reimbursement to the two subrecipients.

The following funding was issued during FY 2020:

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

	SNAP	TANF	CCDF	Total
MCEC - 2018 Grant			1,134,864	1,134,864
MCEC - 2019 Grant	468,894	6,419,563		6,888,457
MCEC - 2020 Grant	67,891			67,891
TOTALS MCEC	536,785	6,419,563	1,134,864	8,091,212
FRC - 2018 Grant			138,889	138,889
FRC - 2019 Grant		1,933,856		1,933,856
TOTALS FRC	-	1,933,856	138,889	2,072,745
GRAND TOTAL				10,163,957

Due to the aforementioned issues, payments made to MCEC and FRC resulted in total questioned costs of \$10,163,957.

Cause MDHS did not appropriately monitor or review expenditures at the subrecipient level to ensure adherence to allowable cost and activities allowed guidelines. Personnel at MDHS are not properly trained or educated in regards to allowable cost provisions. Lastly, personnel at MDHS either disregarded established policies and procedures, or were not aware policies and procedures existed.

Effect Uniform Grant Guidance includes remedies for non-compliance with federal regulations, including, but not limited to, requesting a dollar for dollar reduction in the subsequent year's grant award for any money misappropriated or misspent under the Temporary Assistance for Needy Families Grant. Additionally, the widespread fraud, waste, and abuse associated with MCEC and FRC has led to public distrust of MDHS, and a loss of integrity in the public welfare system in the State of Mississippi.

Recommendation We recommend the Mississippi Department of Human Services:

1. Strengthen existing controls to ensure non-compliance with federal regulations does not continue;
2. Procure adequate and appropriate training for all staff who are involved in any federal allowable costs and activities allowed monitoring;
3. Increase awareness and training to subrecipients of allowable cost and activities allowed regulations.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 277 of this audit report.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

2020-030	<u>Strengthen Controls 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>	
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	
Federal Award No.	G1901MSTANF 2019 G1801MSTANF 2018 G1901MSCCDF 2019	SNAP – Letter of Credit G1901MSSOSR 2019 G19B1MSLIEA 2019
Questioned Costs	N/A	
Repeat Finding	Yes – 2019-042 in 2019; 2018-046 in 2018; 2017-037 in 2017; 2016-027 in 2016; 2015-005 in 2015; 2014-017 in 2014; 2013-015 in 2013.	
Statistically Valid	This sample is considered statistically valid.	
Criteria	<p>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 of Federal Regulations (2 cfr Part 200)</i>. The <i>Code of Federal Regulations (2 cfr Part 200.331)</i> designates MDHS as a pass through entity to properly identify subgrant requirements to subrecipients, evaluate the risk of noncompliance for each subrecipient, and monitor the activities of subrecipients as necessary to ensure that subgrants are used for authorized purposes, complies with the terms and conditions of the subgrants and achieves performance goals.</p> <p>The auditor 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 subrecipient contract at least once during the subgrant period. A tracking mechanism is used to ensure all subrecipient 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 subrecipients. 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.</p>	

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

The Code of Federal Regulations (2 cfr 200.328(a)), states the non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. See also § 200.331 Requirements for pass-through entities.

The Code of Federal Regulations (2 cfr 200.328(b)(2)), states the non-Federal entity must submit performance reports using OMB-approved government-wide standard information collections when providing performance information. As appropriate in accordance with above mentioned information collections, these reports will contain, for each Federal award, brief information on the following unless other collections are approved by OMB:

- (i) A comparison of actual accomplishments to the objectives of the Federal award established for the period. Where the accomplishments of the Federal award can be quantified, a computation of the cost (for example, related to units of accomplishment) may be required if that information will be useful. Where performance trend data and analysis would be informative to the Federal awarding agency program, the Federal awarding agency should include this as a performance reporting requirement.
- (ii) The reasons why established goals were not met, if appropriate.
- (iii) Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

The Code of Federal Regulations (2 cfr 200.331(6)(b)), states: Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subgrant for purposes of determining the appropriate subrecipient monitoring described in paragraph (e) of this section.

Additionally, the *Code of Federal Regulations (45 cfr 200.62)*, states that a non-Federal entity must have internal control over compliance designed to provide reasonable assurance that;

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements and Federal reports;
 - (2) Maintain accountability over assets; and
 - (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- (b) Transactions are executed in compliance with:

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

- (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
- (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
- (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Furthermore, 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 the agency perform appropriate, multi-level reviews over the monitoring process.

Condition

During testwork performed on subrecipient on-site monitoring for 77 subgrant contracts during state fiscal year 2019, auditor noted the following exceptions:

- Based on inquiry with MDHS personnel, Former Executive Director (JD) overrode existing controls in the monitoring process of some recipients to avoid MDHS personnel scrutiny into purchases.
- Two contracts, or 3 percent, in which auditor could not verify monitoring took place due to no Initial Report, Supervisor's Checklist, Fiscal Tool, or Programmatic Tool included for the subrecipient on the FY 2019 Monitoring Reviews Smartsheet.
- Six contracts, or 7 percent, in which the Supervisor's Checklist was not included for subrecipient on the FY 2019 Monitoring Reviews Smartsheet; therefore, auditor could not verify Supervisory Review of the Monitoring process.
- Nineteen contracts, or 25 percent, in which Initial Report of Findings and Recommendations or No Findings Letter were not included for subrecipient on FY 2019 Monitoring Reviews Smartsheet, were issued before the Supervisor's Checklist was signed and approved, or auditor could not verify Supervisor's approval before Initial Report issuance.
- Thirteen contracts, or 17 percent, in which subrecipient was not monitored during grant period, or auditor could not verify monitoring due to no Initial Report or No Findings Letter included for subrecipient on FY 2019 Monitoring Reviews Smartsheet.
- Two contracts, or 3 percent, in which the Programmatic Tool was not included for subrecipient on FY 2019 Monitoring Reviews Smartsheet, or was not in format readable by auditor.
- Twenty-four contracts, or 31 percent, in which Initial Report was not issued within 30 working days of the exit conference, or auditor could not verify attribute due to Initial Report not being included on FY 2019 Monitoring Reviews Smartsheet.
- Four contracts, or 5 percent, in which Corrective Actions were not received within 30 days of Initial Report being issued, or Auditor could not determine if Corrective Actions were received within the appropriate

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

timeframe after the issuance of the Initial Report due to lack of support from subrecipient on FY 2019 Monitoring Reviews Smartsheet.

- One instance, or 1 percent, in which monitoring for a subrecipient was postponed due to a request by upper management.

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 subgrants are monitored 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.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 282 of this audit report.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2020-031 Strengthen Controls Over Subrecipient Monitoring to Ensure Compliance with OMB Uniform Guidance Auditing Requirements.

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
 93.667 Social Services Block Grant
 93.568 Low Income Home Energy Assistance Program

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

Federal Award No.	SNAP – Letter of Credit TANF – G1901MSTANF CCDF – G1801MSCCDF, G1901MSCCDF SSBG – G1901MSSOSR LIHEAP – G18B1MSLIEA, G19B1MSLIEA
Questioned Costs	N/A
Repeat Finding	Yes – 2019-043; 2018-047 in 2018; 2017-038 in 2017; 2016-028 in 2016; 2015-009 in 2015; 2014-016 in 2014.
Statistically Valid	This sample is considered statistically valid.
Criteria	<p>The <i>Internal Control - Integrated Framework</i> 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. Adequate controls would allow for a tracking system that includes all sub-recipients receiving federal funds from the agency as well as the maintenance of OMB monitoring files.</p> <p>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.</p> <p>Additionally, the <i>Code of Federal Regulations (45 cfr 200.62)</i>, states that a non-Federal entity must have internal control over compliance designed to provide reasonable assurance that;</p> <p>(a) Transactions are properly recorded and accounted for, in order to:</p> <ol style="list-style-type: none"> (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; <p>(b) Transactions are executed in compliance with:</p> <ol style="list-style-type: none"> (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

- (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

The *Code of Federal Regulations (2 cfr §200.331(f))* states all pass-through entities (PTE's) must verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements.

The *Code of Federal Regulations (2 cfr §200.332)* states that all pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subgrant is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subgrant; and that subgrant performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
- (1) Reviewing financial and performance reports required by the pass through entity.
 - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subgrant.

The *Code of Federal Regulations (2 cfr § 200.512(a)(1))* states the audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

Furthermore, MDHS' Policy regarding the Responsibilities of the Monitoring Unit Related to Uniform Guidance Audit Requirements Audits includes:

- (1) Providing an Initial Notice Letter to subrecipients to notify them of the audit requirements under the OMB Uniform Guidance Audit Requirements and providing the Subrecipient Audit Information Form to document that an audit is not required for subrecipients that expend less than \$750,000.
- (2) Issuing a Reminder Letter to subrecipients that have not submitted either an audit report or SAIF form to document that an audit was not required.
- (3) Issuing a Demand Letter to subrecipients that fail to submit an audit report or SAIF form to document that an audit was not required.
- (4) Identifying any audit findings contained in the audit reports and notifying the responsible MDHS Funding Division so that the audit findings can be resolved within the six-month deadline imposed under OMB Uniform Guidance Audit Requirements.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

- (5) Maintaining an audit file for each MDHS subrecipient which includes an archive copy of the audit report or Subrecipient Audit Information Form, the Uniform Guide for Initial Review of Audit Reports, copies of the transmittal memorandum sent to each MDHS Funding Division, copies of any reminder letters sent to the subrecipient, and the Audit Finding and Questioned Costs Tracking Record and a copy of the clearance letter issued by the MDHS Funding Division for those subrecipients with audit findings.

Finally, *MDHS Subgrant/Agreement Manual* states that all MDHS subrecipients are required to complete the MDHS Subrecipient Audit Information Form (MDHS-DPI-002). This form must be submitted to the Division of Program Integrity - Office of Monitoring no later than ninety (90) calendar days after the end of the subrecipient's fiscal year. This form is necessary to certify the sources and amounts of all Federal awards received and expended by the subrecipient.

Condition

During the audit of MDHS, auditors reviewed the Division of Program Integrity – Office of Monitoring (OM) audit files and Single Audit Tracking Document for MDHS Subrecipients for state fiscal year 2018. During the review, the auditor noted the following weaknesses:

- The SFY 2018 Single Audit Tracking System utilized by the DHS Office of Monitoring to track the status of OMB Uniform Guidance audits for DHS subrecipients does not include expenditures made by the subrecipient nor does it include all sub-recipients who received federal funds from MDHS during FY 2018. The audit requirements of the *Code of Federal Regulations (2 cfr Part 200, subpart F)* are based on expenditures of Federal awards; 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 monitoring files.
- Three instances in which the Uniform Guide for the Initial Report of Uniform Guidance Audit Reports was not included on the FY 2018 Single Audit Tracking Smartsheet; therefore, auditor could not verify the Office of Monitoring reviewed and approved the submitted SAIF form or audit reports.
- Two instances in which the FY 2018 Single Audit Tracking Smartsheet did not contain a SAIF form or audit report for the subrecipient; therefore, auditor could not verify compliance with the monitoring process.
- One instance in which auditor could not verify initial, reminder, and/or demand letters were sent to the Subrecipient due to these letters not being included on the FY 2018 Single Audit Tracking Smartsheet.
- Five instances in which the Office of Monitoring did not receive the SAIF form within 90 days of the subrecipient's fiscal year end. Average submission was 190 working days late.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Dept of Agriculture (continued)

- Twenty-nine (29) instances in which the Office of Monitoring did not receive the subrecipient audit report within 9 months after subrecipient's fiscal year end. Average submission was 32 working days late.
- Thirteen (13) instances in which MDHS did not comply with the requirements prescribed by MDHS' internal policies regarding the remedy of subrecipient audit findings. In the "Responsibilities of the Monitoring Unit Related to Uniform Guidance Audit Requirement Audits" document provided by the Office of Monitoring (OM), point #7 states: "Identifying any audit findings contained in the audit reports and notifying the responsible MDHS Funding Division so that the audit findings can be resolved within the six-month deadline imposed under OMB Uniform Guidance Audit Requirements." Also, upon OM reviewing submitted subrecipient audits, if an audit finding was noted, OM sends a memo to the Funding Division for the specific subrecipient requiring the Funding Division to "provide this office (OM) with a written corrective action plan for the finding within fifteen (15) working days." MDHS could not provide any supporting documents showing these policies were being followed, nor could they provide any documentation showing a follow-up request by OM to ensure MDHS remains compliant with their own policies, as well as with the Uniform Guidance prescribed by OMB.

Cause Staff were either unaware or did not follow identified policies and procedures for subrecipient monitoring related to Uniform Grant Guidance.

Effect Failure to properly monitor subrecipients could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in fraud, waste, and abuse within the agency.

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 that the appropriate federal audit is obtained. We further recommend that the Mississippi Department of Human Service's Office of Monitoring 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 with subrecipients in a timely to ensure compliance with audit requirements.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 283 of this audit report.

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF EDUCATION

Finding Number **Finding and Recommendation**

DEPARTMENT OF EDUCATION

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2020-032 Strengthen Controls to Ensure Compliance with On-Site Subrecipient Monitoring Requirements.

CFDA Number 84.010 Title I – Grants to Local Education Agencies
84.367 Title II – Supporting Effective Instruction State Grants

Federal Award No. S010A170024 (Title I)
S010A180024 (Title I)
S367A170023 (Title II)
S367A180023 (Title II)

Questioned Costs N/A

Repeat Finding Yes; 2019-026

Statistically Valid This sample is considered statistically valid.

Criteria The terms and conditions of the grant agreements between the Mississippi Department of Education (MDE) and the U.S. Department of Education require MDE to administer grants in compliance with the *Code of Federal Regulations (2 cfr Part 200 – Uniform Guidance)*. The *Code of Federal Regulations (2 cfr Part 200.331)* designates MDE, 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.

MDE's Office of Federal Programs Division of Compliance (OFP-DC) procedures require an on-site monitoring review of each subgrantee contract based on risk assessment level of moderate or high. A tracking mechanism is used to ensure all subgrantee contracts are properly identified and monitored. OFP-DC written procedures requires the MDE Executive Director of Federal Programs to send the monitoring report with appropriate cover letter to the Local Education Agencies

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

(LEAs). OFP-DC written policies further require the monitoring report and cover letter to be uploaded into MCAPS notifying the Superintendent, Federal Programs Director, and Business Manager, typically within 45 days. OFP-DC written procedures also require the school district to prepare a Corrective Action Plan (CAP) within 30 days of receipt of the monitoring report and require OFP-DC to follow up with the CAP to ensure it is accomplished within 12 months of the monitoring visit. Finally, the written procedures state a potential condition of approval of the school district's annual funding application is that the status of the monitoring report must be either *Closed* or *Pending Compliance with Approved Corrective Action Plan*.

Condition

During testwork performed over MDE's on-site subrecipient monitoring of 15 out of 147 Local Educational Agencies (LEAs) for 2018-2019 on-site monitoring cycle, we noted the following exceptions:

- Fifteen instances, or 100%, in which the LEA's monitoring report with cover letter was not uploaded into Mississippi Comprehensive Automated Performance-based System (MCAPS). It should be noted the OFP written procedures for 2019-2020 on-site monitoring cycle have been revised to state that following the on-site monitoring visit, the MDE OFP compliance and monitoring coordinator will email the LEA Superintendent, a copy to the Federal Programs Director and the Business Manager, the official monitoring report with appropriate cover letter, typically within 45 days of the on-site visit.
- Ten instances, or 67%, in which the LEA's monitoring instrument workpapers did not properly document identifying information (such as invoice, contract, and purchase order numbers) for all items selected by the monitoring team during on-site monitoring visit.
- Six instances, or 40%, in which the school district did not provide MDE with a CAP within 30 days of the monitoring report.
 - o CAPs were received up to 70 days from the receipt of the monitoring report, with an average of 46 days passing between the monitoring report and the district's response in the instances noted.
- One instance, or 7%, in which no documentation of a monitoring instrument was provided.

Cause

Staff were either unaware or did not follow identified policies and procedures for subrecipient on-site monitoring requirements.

Effect

MDE programmatic funding divisions rely upon on-site monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients and ensure closure of the monitoring visits in a timely manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Recommendation	We recommend the Mississippi Department of Education strengthen controls to ensure compliance with the agency’s policies and procedures for on-site subrecipient monitoring.
Views of Responsible Officials	Management at the Mississippi Department of Education concurs with this finding. See additional comments in the Corrective Action Plan on page 243 of this audit report.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2020-033	<u>Strengthen Controls to Ensure Compliance with On-Site Subrecipient Monitoring Requirements for Special Education Cluster Programs.</u>
CFDA Number	84.027 Special Education – Grants to States (IDEA, Part B) 84.173 Special Education – Preschool Grants (IDEA, Preschool)
Federal Award	H027A170108 (IDEA, Part B) H173A170113 (IDEA, Preschool) H173A180113 (IDEA, Preschool) H027A180108 (IDEA, Part B)
Questioned Costs	N/A
Repeat Finding	No.
Statistically Valid	This sample is considered statistically valid.
Criteria	<p>The terms and conditions of the grant agreements between the Mississippi Department of Education (MDE) and the U.S. Department of Education require MDE to administer grants in compliance with the <i>Code of Federal Regulations (2 cfr Part 200 – Uniform Guidance)</i>. The <i>Code of Federal Regulations (2 cfr Part 200.331)</i> designates MDE, 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.</p> <p>MDE’s Office of Special Education Bureau of Monitoring and Technical Assistance (OSE-BMTA) procedures require an on-site monitoring visit of each subgrantee contract based on a four-year rotating cycle. Each Local Education Agency (LEA) in Mississippi receives an on-site compliance monitoring visit at least once every four years. The OSE-BMTA written procedures state each monitoring visit will have a monitoring team leader who is responsible for completing the monitoring report and sending the report to the Office of Special</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Education (OSE) Bureau Director for approval. The monitoring instrument is designed to include all areas of compliance to be monitored and consists of a programmatic portion and a fiscal portion. The written procedures require the monitoring report be provided to the LEA within 30 calendar days of the monitoring visit. The written procedures further state that within 14 calendar days from the receipt of the monitoring report, the LEA must submit a response to OSE of any inconsistencies in the report along with documentation to support the findings. OSE-BMTA written procedures require the LEA to prepare and submit an Improvement Plan within 30 days of receipt of the monitoring report. The written procedures further state that all noncompliance must be corrected as soon as possible, but in no case more than 12 months from the date of the monitoring report.

Condition

The Mississippi Department of Education (MDE) did not follow written procedures during the 2018-2019 on-site monitoring cycle and did not perform on-site monitoring visits based on the four-year cycle, as required by MDE policy. MDE policy requires roughly 35 Local Education Agencies (LEAs) to be included in the cyclical on-site monitoring cycle each year. During the last completed monitoring cycle, 2018-2019, however, only three LEAs received an on-site monitoring visit. In addition, MDE utilized a rotating cycle and did not evaluate the risk of noncompliance of its subrecipients in order to perform monitoring procedures based upon identified risks, which is a requirement of *Uniform Guidance (2 cfr Part 200.331)*. It should be noted that the OSE written procedures for 2020-2021 on-site monitoring cycle have been revised to include risk based assessment of all LEAs for on-site monitoring determination.

Testwork was performed over the three LEAs that received a monitoring visit during the 2018-2019 on-site monitoring cycle, and the auditor noted the following exceptions:

- Three instances, or 100%, in which the LEAs did not receive timely notification (within 30 calendar days of an on-site monitoring visit) from MDE of all areas of non-compliance. Since these reports were not issued timely, the LEAs were not able to properly correct all areas of non-compliance within one year of identification.
 - o The monitoring reports were issued between 81 and 162 days after the on-site monitoring visit, with an average of 111 days after the on-site monitoring visit was completed.
- Two instances, or 66%, in which a monitoring instrument was not fully completed. Auditor noted in both instances that the programmatic portion of the monitoring instrument was completed, but not the fiscal portion of the monitoring instrument.
- Two instances, or 66%, in which there was no documentation of the inconsistencies report. Furthermore, an inconsistencies report was provided for one of the LEAs tested, however, the report had not been sent to OSE within the 14 calendar days, as required by MDE policy.
- Two instances, or 66%, in which the LEA improvement plan was not dated, and thus the auditor was unable to verify whether the plan had

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

been submitted within 30 calendar days of the monitoring report being issued.

- One instance, or 33%, in which the monitoring instrument and improvement plan were not provided.

Cause Staff were either unaware or did not follow identified policies and procedures for subrecipient on-site monitoring requirements

Effect MDE programmatic funding divisions rely upon on-site monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients and ensure closure of the monitoring visits 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 Education strengthen controls to ensure compliance with the agency's policies and procedures for on-site subrecipient monitoring.

Views of Responsible Officials Management at the Mississippi Department of Education concurs with this finding. See additional comments in the Corrective Action Plan on page 244 of this audit report.

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

<u>Finding Number</u>	<u>Finding and Recommendation</u>		
<u>DEPARTMENT OF HEALTH</u>			
REPORTING			
<i>Material Weakness</i>			
<i>Material Noncompliance</i>			
2020-038	<u>The Mississippi Department of Health Should Strengthen Controls to Ensure the Schedule of Federal Expenditures is Prepared with Proper and Accurate Information and that Federal Reporting Agrees with the Underlying Financial Records of the Agency.</u>		
CFDA Number	10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)		
	93.268 Immunization Cooperative Agreements		
Federal Award No.	2014CW200145	201717WI00345	201818W500345
	2014IW00345	201717WI00645	201818WI00245
	2014IW00645	201717W500345	201818WI00345
	2014IW500345	201717WI00245	201818WI00645
	201918WI00245	202019WI00245	2015 6NH23IP000790-05-00
	201918WI00345	202019WI00345	2015 6NH23IP000790-05
	201918WI00645	202019WI00645	2019 1NH23IP922605-01-00
	201919WI00345	202020WI00345	2019 1NH23IP922605-01
	201919WI00645	202020WI00645	
Questioned Costs	N/A		
Repeat Finding	No.		
Statistically Valid	This sample is considered statistically valid.		
Criteria	<i>The Code of Federal Regulations (2 cfr §200.510(b)) states, in part “the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502.”</i>		
	<i>Code of Federal Regulations (2 cfr §200.502(a)) states, in part, “the determination of when a federal award is expended must be based on when the activity related to</i>		

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

the Federal award occurs.”

The Code of Federal Regulations (2 cfr §200.345(a)(2)) states, in part, that the close out process of a federal award does not negate “the requirement for the non-Federal entity to return any funds due as a result of later refunds, corrections, or other transactions including final indirect cost rate adjustments.”

The Code of Federal Regulations (2 cfr §200.346) states “Any funds paid to the non-Federal entity in excess of the amount to which the non-Federal entity is finally determined to be entitled under the terms of the Federal award constitute a debt to the Federal Government.”

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) define control activity as one of the five components of internal control. Periodic reconciliations and reviews of information are key elements in establishing successful control over compliance of federal monies. Additionally, COSO lists another component of internal control as information and communication. Intra-agency communication between financial reporting and programmatic reporting divisions, and then the reconciliation of information between those two divisions is a vital part of any overall control environment. Additionally, good internal controls over compliance of federal monies requires that all federal reporting agree to the information contained in the agency’s underlying accounting records.

Condition

Based on testing of the grant schedule, auditor noted the Mississippi Department of Health (MSDH) attempted to perform a multi-year “clean up” of the grant schedule by removing previous years “due to federal government” and “due from federal government” balances. In order to remove these existing balances from the calculated grant schedule, MSDH entered expenditures (or a credit of expenditures) in a corresponding amount to the liability and receivable balances in order to “zero out” any existing balances. However, the expenditures were not supported by the underlying financial records; nor were the expenditures factual. When auditor inquired about the expenditures, MSDH stated that they were needed to remove the due to/due from balances, and that the expenditures were not actually booked expenditures in the underlying financial records. The grants in question were closed grants that did not have any open demands. Auditor reviewed federal records and the programmatic reports created by the agency’s programmatic divisions and determined that, as per federal policy, any amounts of overpayments that were paid to MSDH has been deducted from the subsequent drawdowns of the federal programs; and that no due to balances on those grants actually existed. Additionally, all closed grants with receivable balances were not allocated any additional federal monies, that the expenditures over and above the grant award were in fact state expenditures and not federal.

In summary, MSDH used the current year reporting of federal expenditures to reverse the due to and due from federal government account balance on the grant

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

schedule, thereby over or understating current year expenditures. Total over/under stated balances included:

- Immunization Cooperative Agreements, CFDA 93.268, expenditures understated by \$109,244; and
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA 10.557, expenditures were overstated by \$2,434,837.

Due to the net overstatement of the two programs being audited, the Auditor performed a cursory review of the grant schedule to include grants with expenditures greater than \$750,000. Based on the review, MSDH improperly credited total federal expenditures in the amount of \$13,457,399 and debited expenditures for \$19,374,803 for a net overstatement of expenses totaling \$5,917,404. It is important to note that the expenditures were created solely for the cleanup of the grant schedule and were not actually recorded in the underlying financial records of the agency. However, the net financial statement effect was a net overstatement of the due to federal government liability in the corresponding amount of \$5,917,404.

Cause	Agency personnel applied improper accounting procedures to the schedule of expenditures of Federal awards.
Effect	Grants that are overdrawn could result in federal authorities requiring the agency to refund the excess amounts or could reduce future draws against the program, requiring the state to make up the difference in funding. In addition, the current year expenses for grants are over/understated.
Recommendation	The Mississippi Department of Health should strengthen controls to ensure the proper reporting of federal expenditures in their grant schedule.
Views of Responsible Officials	Management at the Mississippi Department of Health concurs with this finding. See additional comments in the Corrective Action Plan on page 266 of this audit report.

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STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

DEPARTMENT OF HUMAN SERVICES

ACTIVITIES ALLOWED/ALLOWABLE COSTS

Material Weakness

Material Noncompliance

2020-024 Strengthen Controls to Ensure Compliance with Subrecipient Allowable Cost Activities of the Supplemental Nutrition Assistance Program (SNAP), Child Care and Development Block Grant (CCDF), and Temporary Assistance for Needy Families (TANF) Programs.

CFDA Number 10.551 Supplemental Nutrition Assistance Program (SNAP)
 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)
 93.558 Temporary Assistance for Needy Families (TANF)
 93.575 Child Care and Development Block Grant (CCDF)
 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)
 93.667 Social Services Block Grant (SSBG)

Federal Award No.	201818Q390345	G1801MSCCDFB	G1801MSLIEAR
	12352841-B19	G1801MSCCDFC-CMIA	G1801MSLIEAW
	12352841-619	G1901MSCCDFB	G1801MSLIE4
	12352841-519	G1901MSCCDFC	G1901MSLIEAR
	12352841-B10	G2001MSCCDFC	G1901MSLIEAW
	12352841/410		G1901MSLIEA4
	12352841-610		G2001MSLIEAR
	12352841/910		
	G1801MSSORS	G1901MSTANFS-CMIA	
	G1901MSSORS	G2001MSTANFS-CMIA	
	G2001MSSORS		

Questioned Costs \$10,163,957 in total, which includes the following broken down by program:
 \$536,785 for SNAP; \$1,273,753 for CCDF; and \$8,353,419 for TANF

Background During the FY 2019 MDHS audit, Auditors found numerous issues regarding fraud, waste, and abuse at two Mississippi Department of Human Services (MDHS) subrecipients - Mississippi Community Education Center (MCEC) and Family Resource Center of North Mississippi (FRC). Due to the issues noted during the prior year audit involving MDHS' lack of adequate subrecipient monitoring, auditors determined on-site testing of subrecipients to be necessary audit procedures to ensure allowability provisions are properly monitored and reported for the FY2020 audit of MDHS. Additionally, due to the known fraud, waste, and abuse found at both MCEC and FRC during the FY 2019 audit, and the federal and state investigations into the financial operations of these entities,

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

auditors questioned the payments made to both organizations in total for SNAP, TANF, and CCDF grants for multiple years (over \$94 million). MDHS is currently undergoing a forensic audit to determine how much, if any, of the costs paid to these organizations those auditors deem appropriate. However, due to the risk involved, the on-going nature of the investigations, and the additional indictments faced by owners of MCEC for fraudulent activity for other federal grants, auditors felt it prudent to question the FY 2020 payments in total as well.

Repeat Finding Yes; 2019-030

Statistically Valid This sample is not considered statistically valid.

Criteria *The Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the United States Government Accountability Office (GAO) (Green Book) dictates that in order for organizations to have effective internal control, the organization should have an effective control environment. A component of an effective control environment is proper oversight ability, accountability and commitment to ethical values. A control environment is most effective when all five components of controls (control environment, risk assessments, information and technology, monitoring and communication, and existing control activities) are working together in tandem.*

The Code of Federal Regulations (2 cfr 200.403) states that, in order to be allowable under federal guidelines, costs must be necessary, reasonable, and adequately documented.

The Code of Federal Regulations (2 cfr 200.404) states “A cost is reasonable - if in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the entity is predominately federally funded. In determining reasonableness of a given cost, consideration must be given to: (a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award. (b) The restraints or requirements imposed by such factors as: sound business practices; arm’s-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award. (c) Market prices for comparable goods or services for the geographic area. (d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal Government. (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award’s cost.”

The Code of Federal Regulations (2 cfr 200.405 (a)) states “A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.”

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

MDHS requires each subrecipient to attest by signature that they have read and understood the *MDHS Subgrant/Contract Manual* issued by MDHS before payments on awards can be made. Additionally, each subgrant administered by MDHS is governed by the standard Subgrantee Agreement which sets out specific regulations that govern the subgrant.

The Office of Family Assistance, a Division of the Office of Administration for Children and Families and the grantor of TANF funds, states there are four tenets of the TANF program –

1. *To provide assistance to needy families so that children can be cared for in their own homes or in the homes of relatives;*
2. *End the dependence of needy parents by promoting job preparation, work, and marriage;*
3. *Prevent and reduce the incidence of out-of-wedlock pregnancies; and*
4. *Encourage the formation and maintenance of two-parent families.*

The Office of Family Assistance produced Q&A: Use of Funds, published on May 2, 2013, which clarifies the use of funds for “needy” families and is copied, verbatim, below:

“Q1: May States help the non-needy with services that are consistent with TANF purpose one or two as long as those services fall outside the definition of assistance?”

“A1: No. The first two statutory purposes (related to caring for children in their own homes and ending dependence) are expressly for the needy. Therefore, the statute envisions that States would serve only the needy when they are conducting activities or providing benefits that are reasonably calculated to accomplish TANF purpose one or two. This means that States would have to develop and apply criteria of financial need in these cases. However, States may use Federal TANF funds to help both the needy and the non-needy with benefits or services that are reasonably calculated to accomplish TANF purpose three or four (which relate to reducing out-of-wedlock pregnancies and the formation and maintenance of two-parent families). In serving the non-needy, States may use only segregated Federal TANF funds.”

The Code of Federal Regulations (2 cfr 200.450) states that the cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Additionally, paragraph (c) puts additional restrictions on nonprofit organizations, such as MCEC and FRC. Those restrictions include any costs to influence the outcome of any federal, state, or local election, referendum, initiative, or similar procedure through in-kind or cash contributions, endorsements, publicity, or similar activity is unallowable. Any legislative liaison activity, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effects of legislation is also unallowable.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

The Code of Federal Regulations Title 45. Public Welfare (45 cfr 93.100(a)) states that no appropriated funds may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

The *MDHS Subgrant/Contract Manual*, which subgrantees must attest to have read and understood prior to receiving grant awards, sets out and defines the regulations that subgrantees and lower-tier subrecipients must follow, including the “*Restrictions on Lobbying – Common Rule (P.L 101-121, Section 319)*.”

Internal Revenue Service Publication 4221-PC (Revised 3-2018) states “A public charity is not permitted to engage in substantial legislative activities (commonly known as lobbying). An organization will be regarded as attempting to influence legislation if it contacts, or urges the public to contact, members or employees of a legislative body for purposes of proposing, supporting or opposing legislation, or advocates the adoption or rejection of legislation.... a 501(c)(3) organization may...risk losing its tax-exempt status and/or be liable for excise taxes.”

Condition

During fiscal year 2020, MDHS began the year with funding commitments to both MCEC and FRC. These funding commitments were made under the prior Executive Director’s (JD) leadership and direction. Both organizations were owed monies under grants from federal fiscal years 2018 and 2019; MCEC was also owed money from federal fiscal year 2020. MDHS began the fiscal year with a new Executive Director (CF) who began in August 2019. In June of 2019, MDHS reported possible fraudulent activity to the then Governor of Mississippi, who in turn reported it to investigators and auditors. OSA began the fiscal year 2019 single audit in July 2019, and reported to MDHS personnel in August 2019 that auditors noted significant red flags with the amounts paid to MCEC and FRC. At this time, the Office of the State Auditor (OSA) and MDHS began to discuss the need for MDHS to procure a forensic audit to determine the extent of improper payments that were made by MCEC, FRC, and other possible subrecipients of TANF, SNAP, and CCDF. A Request for Proposals was drafted, and OSA and MDHS were in discussion about the process when MDHS informed OSA that they would not be procuring a forensic audit at that time. Additionally, in September 2019, OSA was informed that the Mississippi Community College Board (MCCB) had issued FRC a monitoring report detailing questionable costs, and that these concerns related to money passed through from MDHS. Due to the suspected fraud, waste, and abuse, and the intention of MDHS to not pursue a forensic audit, OSA requested copies of all MCEC and FRC financial records related to MDHS grants from MDHS personnel in order to perform risk based testing. MDHS did

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

not have sufficient copies of information on hand to verify allowability of purchases; therefore, OSA requested the information directly from the two subrecipients in October of 2019. Executive Director (CF) and personnel from OSA met in October to discuss these document requests, the alleged fraud investigation, and the audit in general. At this time, MDHS was again informed of significant concerns with MCEC and FRC grants and spending, and executive leadership was aware of an open investigation. However, it was not until December 2019 that both MCEC and FRC were alerted by MDHS that their future grant awards would be “frozen” until the FY 2019 audit was completed.

Regardless of the information provided to MDHS about the alleged fraud, waste, and abuse at MCEC and FRC, the agency performed the following grant awards and modifications:

- In September 2019, MDHS modified a 2019 grant to MCEC by an increase of \$4,822,992;
- In November 2019, MDHS modified a 2019 grant to FRC by an increase of \$1,500,000;
- MCEC was paid \$8,091,212 in grant advances and reimbursements in FY 2020;
- FRC was paid \$2,072,745 in grant advances and reimbursements in FY 2020; and,
- MCEC was awarded new grants for federal fiscal year 2020 (these were later frozen, and no monies were awarded).

Nomenclature review of the financial records of MCEC and FRC for fiscal year 2020 verified that the entities funded similar payments in FY 2020 as they had in FYs 2017, 2018, and 2019. For example, funds were paid to lobbyists, a fitness boot camp, rental payments to family members, inflated rental payments of leased space owned by the principals of MCEC, payments for private school supplies, payments for construction and renovation of property, and payments to other nonprofits owned and operated by the owners of MCEC. Both organizations also did not have any supporting methodology for the allocation of costs – both direct and indirect – among the variety of grants received.

MDHS did not require the two subrecipients to submit detailed, supporting information relating to claim reimbursements; therefore, reasonableness and allowability of all payments to MCEC and FRC in FY 2020 are unable to be determined by MDHS before payments were made in advance or reimbursement to the two subrecipients.

The following funding was issued during FY 2020:

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

	SNAP	TANF	CCDF	Total
MCEC - 2018 Grant			1,134,864	1,134,864
MCEC - 2019 Grant	468,894	6,419,563		6,888,457
MCEC - 2020 Grant	67,891			67,891
TOTALS MCEC	536,785	6,419,563	1,134,864	8,091,212
FRC - 2018 Grant			138,889	138,889
FRC - 2019 Grant		1,933,856		1,933,856
TOTALS FRC	-	1,933,856	138,889	2,072,745
GRAND TOTAL				10,163,957

Due to the aforementioned issues, payments made to MCEC and FRC resulted in total questioned costs of \$10,163,957.

Cause MDHS did not appropriately monitor or review expenditures at the subrecipient level to ensure adherence to allowable cost and activities allowed guidelines. Personnel at MDHS are not properly trained or educated in regards to allowable cost provisions. Lastly, personnel at MDHS either disregarded established policies and procedures, or were not aware policies and procedures existed.

Effect Uniform Grant Guidance includes remedies for non-compliance with federal regulations, including, but not limited to, requesting a dollar for dollar reduction in the subsequent year's grant award for any money misappropriated or misspent under the Temporary Assistance for Needy Families Grant. Additionally, the widespread fraud, waste, and abuse associated with MCEC and FRC has led to public distrust of MDHS, and a loss of integrity in the public welfare system in the State of Mississippi.

Recommendation We recommend the Mississippi Department of Human Services:

1. Strengthen existing controls to ensure non-compliance with federal regulations does not continue;
2. Procure adequate and appropriate training for all staff who are involved in any federal allowable costs and activities allowed monitoring;
3. Increase awareness and training to subrecipients of allowable cost and activities allowed regulations.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 277 of this audit report.

ACTIVITIES ALLOWED/ALLOWABLE COSTS

Material Weakness

Material Noncompliance

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

2020-025 Strengthen Controls to Ensure Compliance with Allowable Cost Requirements of the TANF Program.

CFDA Number 93.558 Temporary Assistance for Needy Families State Programs

Federal Award G1801MSTANF 2018
 G1901MSTANF 2019
 G2001MSTANF 2020

Questioned Costs \$377,852

Repeat Finding Yes; 2019-032

Statistically Valid This sample is not considered statistically valid.

Criteria *The Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the United States Government Accountability Office (GAO) Green Book* dictates that in order for organizations to have effective internal control, the organization should have an effective control environment. A component of an effective control environment is proper oversight ability, accountability and commitment to ethical values.

The Code of Federal Regulations (2 cfr 200.403) states that, in order to be allowable under federal guidelines, costs must be necessary and reasonable, and adequately documented.

The Code of Federal Regulations (2 cfr 200.404) states “A cost is reasonable – if in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the entity is predominately federally funded. In determining reasonableness of a given cost, consideration must be given to... (b) The restraints or requirements imposed by such factors as: sound business practices; arm’s-length bargaining...”

Additionally, *The Code of Federal Regulations (2 cfr 200.459(a))* states that costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non- Federal entity, are allowable, subject to paragraphs (b) and (c) when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal government.

The MDHS Subgrant/Contract Manual, which subgrants must attest to have read and understood prior to receiving grant awards, states in Section 6, under the heading “Open and Free Competition” that “all procurement transactions shall be conducted in a manner that provides maximum open and free competition consistent with...applicable federal law. Procurement procedures shall not restrict or eliminate competition...Examples of what is considered to be restrictive of

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

competition include, but are not limited to...noncompetitive contracts to consultants that are on retainer contracts...organizational conflicts of interest.

The *Mississippi Department of Human Services' Subgrant Agreement*, Section IX-COMPLIANCE WITH LAWS, RULES, AND REGULATIONS, states that, "If the Subgrantee advertises or prints brochures, flyers or any other material, printed or otherwise, relating to, or promoting, the services which it is providing through this Subgrant, it shall acknowledge that said funding for said Subgrant and for said advertising was provided by MDHS."

Condition

During the testing of allowable costs for the TANF grant for fiscal year 2020, auditors noted:

- Three instances in which the auditor was unable to determine the allowability of costs. In these instances, the former Executive Director (JD) circumvented controls and insisted MDHS grant the recipient, Heart of David, funds, and reimburse transactions without proper documentation or approval. These transactions resulted in a total questioned cost of \$199,169.
- The only required documentation for subrecipients to submit related to advanced and/or reimbursement payments are claim forms with amounts requested totaled by reporting category (Salaries, Contractual, etc.) and monthly expenditure reports by total amounts. Subrecipients do not submit invoices, receipts, or other supporting documentation to substantiate claims, or to allow MDHS to verify allowability of subgrant payments. Due to the extensive fraud, waste, and abuse found at the subrecipient level during the FY 2019 audit, auditor finds documentation as required by MDHS to be insufficient for MDHS to adequately determine the allowability of costs incurred by the subrecipients.
- MDHS updated its TANF state plan during the FY'19 audit period. However, when auditors requested a copy of the most recent state plan in fiscal year 2019 and fiscal year 2020, personnel provided OSA with the incorrect state plan. The updated state plan had updated thresholds for determining whether applicants qualified as "needy" as well as other eligibility and allowability policies and procedures. Auditors confirmed with MDHS staff on multiple occasions that the plans provided were in fact the most up to date plans, and received confirmation. Auditors were able to determine, however, that a new and updated state plan existed, and were able to obtain the copy of that state plan from the federal granting authority. It should also be noted that the incorrect state plan was also published on the MDHS webpage. It is MDHS personnel's obligation to understand the agency's most current information and internal regulations to ensure allowable cost provisions are met, and that payments to subrecipients are allowed.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

Due to the increased risk of questioned costs relating from the lack of appropriate pre and post subrecipient payment review by MDHS, the audit team conducted detailed testing for allowable cost compliance requirements at three additional TANF subrecipients for the fiscal year 2020 audit.

During this testing, the following was noted:

Subrecipient 1:

- Subrecipient maintained no written policies, procedures, and/or methodologies for determining cost allocation rates for expenditures for the agency. The auditor noted that the subrecipient received multiple grants from different agencies and programs, however, 100 percent of the items tested were charged to the TANF grant.
- 58 instances in which TANF funds expended were either for or directly related to entertainment costs; therefore, costs are unallowable.

These instances resulted in questioned costs of \$41,101.

- Two instances in which TANF funds expended were for clothing items containing business logos that were used as advertisements for the subrecipient and not the program.

These instances resulted in questioned costs of \$3,791.

- 171 instances in which auditor could not determine what funding source was used for expenditures due to subrecipient comingling funds without proper processes in place to distinguish funding sources.
- Three instances in which proper documentation supporting expenditures was not maintained by the subrecipient and auditor could not determine the allowability or reasonableness of the expenditures. These instances resulted in questioned costs of \$1,451.
- Five instances in which expenditures did not reasonably promote the objectives of the TANF program. These instances resulted in questioned costs of \$83,133.

In total, auditor noted \$129,476 of questioned costs at Subrecipient 1.

Subrecipient 2:

- Subrecipient 2 maintained no written policies, procedures, and/or methodologies for determining cost allocation rates for Salary and Fringe expenditures. Furthermore, auditor noted that costs over rent, commodities, telephone and internet, and equipment were not properly allocated.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

- Travel reimbursement expenditures relating to a Title V grant were reimbursed erroneously with TANF funds. These expenditures resulted in questioned costs of \$1,029.
- One instance in which reasonableness and accuracy of mileage reimbursement could not be determined due to employee having two residences.

In total, auditor noted \$1,029 of questioned costs at Subrecipient 2.

Subrecipient 3:

- Reimbursement for advertising expenditures in the amount of \$1,000 did not meet the advertisement requirements set forth in MDHS' Subgrant agreement.
- Reimbursement for facility rental expenditures in the amount of \$18,200 were not supported by a valid rental agreement covering the reimbursement periods. Additionally, auditor noted that subrecipient was paying the aforementioned facility rental fees to a for-profit entity comprised of the same founders and/or directors as subrecipient. Due to the relationships noted between the subrecipient and the private company, the facility rental is not considered arm's-length bargaining.
- Reimbursements for commodities in the amount of \$2,085 and Indirect costs in the amount of \$709 were not adequately supported. Therefore, the reasonableness and allowability of costs could not be determined.
- MDHS determined that "equipment" related to a reimbursement claim was unallowable; however, MDHS did not collect reimbursement for the entirety of the claim. MDHS reimbursed subrecipient \$1,414 for 30 tablets purchased. MDHS noted during monitoring of the subrecipient that 42 tablets were purchased for \$979 with TANF funds. MDHS determined these purchases to be unallowable TANF expenditures and received a refund check from the subrecipient in the amount of \$979. The remaining \$433 of the purchase was not returned to MDHS.
- Reimbursements for workforce training fees associated with a Business Technology and Office Skills program from April to June 2020 were to pay for serving 60 individuals; however, subrecipient was only able to provide support detailing 12 individuals being served beginning in May 2020.

Auditor noted that MDHS advanced \$25,751 in February 2020 for three months of startup fees, supplies, and materials. Subrecipient could not provide documentation of enrollment or attendance of individuals to the

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

Business Technology and Office Skills Program during the three months that the advancement of funds included.

Furthermore, fees associated with the Business Technology and Office Skills program offered by Subrecipient were paid a private entity composed of some of the same incorporators and/or directors as Subrecipient; therefore, auditor determined these workforce training programs to not be entered into at arm's-length bargaining.

In total, auditor noted \$48,178 of questioned costs at Subrecipient 3.

Due to the unique circumstances involving each of the questioned costs at the three subrecipients tested, it is not feasible to project the error rate of questioned costs to the entire population.

Cause	Staff were either unaware or did not follow policies and procedures related to Activities Allowed and Allowable Costs of TANF funds. The Mississippi Department of Human Services also continued to provide federal funding to subrecipients with known issues of fraud, waste, and abuse without additional scrutiny of payments.
Effect	Failure to verify expenditures are allowable and appropriately pay expenditures out of federal or private funds can lead to federal funding being withdrawn or expenditures being paid with incorrect funds. This can also lead to fraud, waste, and abuse within an agency.
Recommendation	We recommend the Mississippi Department of Human Services strengthen control procedures in order to properly verify expenditures are allowable and appropriate. We also recommend that the agency appropriately pay expenditures out of the correct federal or private funds.
Views of Responsible Officials	Management at the Mississippi State Department of Human Services partially concurs with this finding. See additional comments in the Corrective Action Plan on page 278 of this audit report. See also Auditor's Response to the Corrective Action Plan on pages 161 and 285.

CASH MANAGEMENT

Material Weakness
Material Noncompliance

2020-026	<u>Strengthen Controls to Ensure Compliance with Cash Management Requirements of the TANF program.</u>
CFDA Number	93.558 Temporary Assistance for Needy Families State Programs
Federal Award	G1801MSTANF 2018

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

	G1901MSTANF 2019 G2001MSTANF 2020
Questioned Costs	N/A
Repeat Finding	Yes; 2019-035
Statistically Valid	This sample is not considered statistically valid.
Criteria	<p>The <i>Code of Federal Regulations (2 cfr 200.514(C)(4))</i> states, “When internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in paragraph (c)(3) of this section are not required for those compliance requirements. However, the auditor must report a significant deficiency or material weakness in accordance with § 200.516 Audit findings, assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control.”</p> <p>Additionally, the <i>Code of Federal Regulations (2 cfr 200.305(b))</i> states that payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity. Advance payments are allowed provided the non-Federal entity maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. Reimbursement is the preferred method when these advance payment requirements cannot be met.</p> <p>Furthermore, the <i>Code of Federal Regulations (2 cfr 200.62)</i>, states that a non-Federal entity must have internal control over compliance designed to provide reasonable assurance that;</p> <ul style="list-style-type: none"> (a) Transactions are properly recorded and accounted for, in order to: <ul style="list-style-type: none"> (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (b) Transactions are executed in compliance with:

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

- (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
- (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
- (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition	MDHS does not require subrecipients to submit adequate supporting documentation for claims. Therefore, auditor was unable to determine the allowability of costs for some subrecipients. Additionally, auditors noted that MDHS made advanced payments to subrecipients during the fiscal year without following the appropriate federal regulations.
Cause	Staff were either unaware or did not follow identified policies and procedures for areas that impact the cash management requirements related to Uniform Guidance.
Effect	Failure to follow cash management regulations can lead to subrecipients holding federal funds and utilizing those funds for other purposes rather than the programmatic intent. Additionally, requesting drawdowns inappropriately from the federal pass through entity can cause loss of available interest payments made at the state and federal levels.
Recommendation	We recommend the Mississippi Department of Human Services strengthen controls in order ensure federal funds are drawn down in accordance with the Cash Management Information Act and are designed to minimize the time elapsing between the transfer of funds from the United States Treasury and to the disbursement of funds. Additionally, we recommend the Mississippi Department of Human Services strengthen control procedures in order to properly verify expenditures to correctly draw amounts necessary for the program.
Views of Responsible Officials	Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 280 of this audit report.

MATCHING, LEVEL OF EFFORT, EARMARKING

Significant Deficiency
Immaterial Noncompliance

2020-027 Strengthen Controls to Ensure Compliance with Matching Requirements of the CCDF Cluster.

CFDA Number 93.575 Child Care and Development Block Grant

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award	1701MSCCDF 2017 1801MSCCDF 2018 1901MSCCDF 2019 2001MSCCDF 2020
Questioned Costs	N/A
Repeat Finding	Yes; 2019-037
Statistically Valid	This sample is considered statistically valid.
Criteria	<p>Per the <i>Code of Federal Regulations (2 cfr 200 Appendix XI, Compliance Supplement)</i>, In-Kind contributions should be valued in accordance with 2 <i>cfr sections 200.306, 200.434 and 200.414</i> along with the terms and conditions of the award.</p> <p>Additionally, the <i>Code of Federal Regulations (2 cfr 200.62)</i>, states that a non-Federal entity must have internal control over compliance designed to provide reasonable assurance that;</p> <ul style="list-style-type: none"> (a) Transactions are properly recorded and accounted for, in order to: <ul style="list-style-type: none"> (1) Permit the preparation of reliable financial statements and Federal reports; (2) Maintain accountability over assets; and (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award; (b) Transactions are executed in compliance with: <ul style="list-style-type: none"> (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and (3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition. <p>Furthermore, the <i>MDHS Subgrantee Manual</i> page 26 and 27, states subrecipients should be able to provide documentation to support Matching Non-Cash Contributions. This documentation should verify that expenses reported as in-kind match were in proportion to the benefits received by the subgrant that was matched.</p>
Condition	Based on matching testwork for the CCDF program, auditors noted that MDHS was not able to provide monthly reporting worksheets of in-kind donations. Additionally, MDHS does not require subrecipients to attach supporting documentation for in-kind expenditures. Due to the lack of supporting

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

	documentation, the auditor was unable to verify the values placed of those in-kind contributions are in accordance with Uniform Grant Guidance.
Cause	MDHS does not require sub-recipients to submit supporting documentation for in-kind contributions.
Effect	Failure to require sub-recipients to submit supporting documentation regarding their claims for in-kind contributions could result in the improper valuation of in-kind contributions, inaccurate reporting of those in-kind contributions on the quarterly AFC-696 reports, and improper matching of federal funds.
Recommendation	We recommend the Mississippi Department of Human Services require subrecipients to provide supporting documentation, such as a listing of contributions and the method of the valuation of those contributions, for in-kind contributions claimed by the Mississippi Department of Human Services on its quarterly AFC-696 reports.
Views of Responsible Officials	Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 280 of this audit report.

PERIOD OF PERFORMANCE

Significant Deficiency
Immaterial Noncompliance

2020-028	<u>Strengthen Controls to Ensure Compliance with the Period of Performance for the CCDF Program.</u>
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	1801MSCCDF 2018
Questioned Costs	\$39,391
Repeat Finding	Yes; 2019-038
Statistically Valid	This sample is considered statistically valid.
Criteria	The <i>Code of Federal Regulations (45 cfr 98.60)</i> , requires both the Federal and non-Federal share of the Matching Fund be obligated in the fiscal year in which the funds are granted and liquidated no later than the end of the succeeding fiscal year.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

The *Code of Federal Regulations (2 cfr 200.62)*, states that a non-Federal entity must have internal control over compliance designed to provide reasonable assurance that;

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements and Federal reports;
 - (2) Maintain accountability over assets; and
 - (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- (b) Transactions are executed in compliance with:
 - (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
 - (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
- (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Condition	During testwork performed over Period of Performance requirements, auditor noted three instances in which the liquidation of funds totaling \$39,391 did not occur within the Period of Performance of the federal grants.
Cause	Subrecipient close-out reports were not submitted timely, and staff were either unaware of or did not follow policies and procedures to ensure expenditures made to federal awards/grants were made within the period of performance.
Effect	Expenditures were made to a federal award/grant beyond the period of performance, resulting in questioned costs.
Recommendation	We recommend the Mississippi Department of Human Services strengthen controls over the grant close-out process, as well as properly review transactions to ensure liquidations are performed during the grant period.
Views of Responsible Officials	Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 281 of this audit report.

PROCUREMENT, SUSPENSION, AND DEBARMENT

Material Weakness

Material Noncompliance

2020-029	<u>Controls Should Be Strengthened Over Procurement Policies for the Awarding of Subgrants and Contracts for the TANF Program.</u>
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STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

CFDA Number	93.558 Temporary Assistance for Needy Families State Programs
Federal Award	G1901MSTANF 2019 G2001MSTANF 2020
Questioned Costs	N/A
Repeat Finding	Yes; 2019-039
Statistically Valid	This sample is considered statistically valid.
Criteria	<p>Per the <i>Code of Federal Regulations, Title 2-Subtitle A- Subchapter D- Part 200.318</i>, The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: Rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.</p> <p>Additionally, MDHS' Evaluation Committee Guidelines state that "Each solicitation contains the scoring criteria by which the evaluation committee will score submitted applications. Evaluation committee members are tasked with initially reviewing and scoring applications individually. The evaluation committee is then convened to view the average of individual scores and comments to specifications and to collectively reach a consensus score for each solicitation requirement. Each evaluation committee member is provided a score sheet to record their scores and comments....", as well as "A score of 75 is the minimum score allowed to be considered for award."</p> <p>Furthermore, <i>MDHS' RFP Procedures Manual</i> states that MDHS will maintain copies of score sheets and any and all pertinent documentation related to the process from beginning to end.</p> <p>Finally, The <i>Internal Control – Integrated Framework</i> 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 the agency perform appropriate, multi-level reviews over the contracting process.</p>
Condition	<p>During testwork over procurement requirements of the TANF program, auditor noted:</p> <ul style="list-style-type: none"> For Procurement, Suspension, and Debarment relating to Subgrants, the Mississippi Department of Human Services did not require at least three proposal reviewers to individually score proposals received from subrecipients. Therefore, auditor was unable to determine that the proposals were evaluated by at least three reviewers, total scores per grading sheet were accurately calculated, total scores were in agreement

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

with reviewers' comments, subrecipient(s) received an actual score of at least 75, and awarding of funds was based on the ranking and recommendation of reviewers.

- For Procurement, Suspension and Debarment relating to Contractuals, auditor noted one instance in which proper controls were not followed over the contracting process for capital lease agreement(s). This capital lease was modified in 2018 and should have gone through the Administrative Review Memorandum (ARM) process; however, MDHS could not provide documentation supporting the ARM process.

Cause	Staff were not aware or did not follow policies and procedures over the procurement of contractual services, or adequate controls were not in place over granting subgrants and entering into procurement contracts.
Effect	Failure to abide by federal procurement guidelines, as well as internal policies and controls, could result in inappropriate contracts and payments as well as fraud, waste, and abuse. All of which could result in a claw-back of federal monies.
Recommendation	We recommend the Mississippi Department of Human Services strengthen controls to ensure compliance with federal regulations and internal policies over the procurement of contractual services as well as the awarding of subgrants.
Views of Responsible Officials	Management at the Mississippi Department of Human Services partially concurs with this finding. See additional comments in the Corrective Action Plan on page 281 of this audit report. See Auditor's Response to the Corrective Action Plan on pages 161 and 285.

SUBRECIPIENT MONITORING

Material Weakness
Material Noncompliance

2020-030	<u>Strengthen Controls 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>
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

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

	93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.568 Low Income Home Energy Assistance Program	
Federal Award No.	G1901MSTANF 2019 G1801MSTANF 2018 G1901MSCCDF 2019	SNAP – Letter of Credit G1901MSSOSR 2019 G19B1MSLIEA 2019
Questioned Costs	N/A	
Repeat Finding	Yes – 2019-042 in 2019; 2018-046 in 2018; 2017-037 in 2017; 2016-027 in 2016; 2015-005 in 2015; 2014-017 in 2014; 2013-015 in 2013.	
Statistically Valid	This sample is considered statistically valid.	
Criteria	<p>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 of Federal Regulations (2 cfr Part 200)</i>. The <i>Code of Federal Regulations (2 cfr Part 200.331)</i> designates MDHS as a pass through entity to properly identify subgrant requirements to subrecipients, evaluate the risk of noncompliance for each subrecipient, and monitor the activities of subrecipients as necessary to ensure that subgrants are used for authorized purposes, complies with the terms and conditions of the subgrants and achieves performance goals.</p> <p>The auditor 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 subrecipient contract at least once during the subgrant period. A tracking mechanism is used to ensure all subrecipient 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 subrecipients. 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.</p> <p><i>The Code of Federal Regulations (2 cfr 200.328(a))</i>, states the non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. See also § 200.331 Requirements for pass-through entities.</p>	

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

The Code of Federal Regulations (2 cfr 200.328(b)(2)), states the non-Federal entity must submit performance reports using OMB-approved government-wide standard information collections when providing performance information. As appropriate in accordance with above mentioned information collections, these reports will contain, for each Federal award, brief information on the following unless other collections are approved by OMB:

- (i) A comparison of actual accomplishments to the objectives of the Federal award established for the period. Where the accomplishments of the Federal award can be quantified, a computation of the cost (for example, related to units of accomplishment) may be required if that information will be useful. Where performance trend data and analysis would be informative to the Federal awarding agency program, the Federal awarding agency should include this as a performance reporting requirement.
- (ii) The reasons why established goals were not met, if appropriate.
- (iii) Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

The Code of Federal Regulations (2 cfr 200.331(6)(b)), states: Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subgrant for purposes of determining the appropriate subrecipient monitoring described in paragraph (e) of this section.

Additionally, the *Code of Federal Regulations (45 cfr 200.62)*, states that a non-Federal entity must have internal control over compliance designed to provide reasonable assurance that;

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements and Federal reports;
 - (2) Maintain accountability over assets; and
 - (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- (b) Transactions are executed in compliance with:
 - (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
 - (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
- (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

Furthermore, 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 the agency perform appropriate, multi-level reviews over the monitoring process.

Condition

During testwork performed on subrecipient on-site monitoring for 77 subgrant contracts during state fiscal year 2019, auditor noted the following exceptions:

- Based on inquiry with MDHS personnel, Former Executive Director (JD) overrode existing controls in the monitoring process of some recipients to avoid MDHS personnel scrutiny into purchases.
- Two contracts, or 3 percent, in which auditor could not verify monitoring took place due to no Initial Report, Supervisor's Checklist, Fiscal Tool, or Programmatic Tool included for the subrecipient on the FY 2019 Monitoring Reviews Smartsheet.
- Six contracts, or 7 percent, in which the Supervisor's Checklist was not included for subrecipient on the FY 2019 Monitoring Reviews Smartsheet; therefore, auditor could not verify Supervisory Review of the Monitoring process.
- Nineteen contracts, or 25 percent, in which Initial Report of Findings and Recommendations or No Findings Letter were not included for subrecipient on FY 2019 Monitoring Reviews Smartsheet, were issued before the Supervisor's Checklist was signed and approved, or auditor could not verify Supervisor's approval before Initial Report issuance.
- Thirteen contracts, or 17 percent, in which subrecipient was not monitored during grant period, or auditor could not verify monitoring due to no Initial Report or No Findings Letter included for subrecipient on FY 2019 Monitoring Reviews Smartsheet.
- Two contracts, or 3 percent, in which the Programmatic Tool was not included for subrecipient on FY 2019 Monitoring Reviews Smartsheet, or was not in format readable by auditor.
- Twenty-four contracts, or 31 percent, in which Initial Report was not issued within 30 working days of the exit conference, or auditor could not verify attribute due to Initial Report not being included on FY 2019 Monitoring Reviews Smartsheet.
- Four contracts, or 5 percent, in which Corrective Actions were not received within 30 days of Initial Report being issued, or Auditor could not determine if Corrective Actions were received within the appropriate timeframe after the issuance of the Initial Report due to lack of support from subrecipient on FY 2019 Monitoring Reviews Smartsheet.
- One instance, or 1 percent, in which monitoring for a subrecipient was postponed due to a request by upper management.

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.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

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 subgrants are monitored 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.
Views of Responsible Officials	Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 282 of this audit report.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2020-031	<u>Strengthen Controls Over Subrecipient Monitoring to Ensure Compliance with OMB Uniform Guidance Auditing Requirements.</u>
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 93.667 Social Services Block Grant 93.568 Low Income Home Energy Assistance Program
Federal Award No.	SNAP – Letter of Credit TANF – G1901MSTANF CCDF – G1801MSCCDF, G1901MSCCDF SSBG – G1901MSSOSR LIHEAP – G18B1MSLIEA, G19B1MSLIEA
Questioned Costs	N/A

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

Repeat Finding Yes – 2019-043; 2018-047 in 2018; 2017-038 in 2017; 2016-028 in 2016; 2015-009 in 2015; 2014-016 in 2014.

Statistically Valid This sample is considered statistically valid.

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. Adequate controls would allow for a tracking system that includes all sub-recipients receiving federal funds from the agency as well as the maintenance of OMB monitoring files.

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.

Additionally, the *Code of Federal Regulations (45 cfr 200.62)*, states that a non-Federal entity must have internal control over compliance designed to provide reasonable assurance that;

- (a) Transactions are properly recorded and accounted for, in order to:
 - (1) Permit the preparation of reliable financial statements and Federal reports;
 - (2) Maintain accountability over assets; and
 - (3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- (b) Transactions are executed in compliance with:
 - (1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and
 - (2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and
- (c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

The *Code of Federal Regulations (2 cfr §200.331(f))* states all pass-through entities (PTE's) must verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements.

The *Code of Federal Regulations* (2 cfr §200.332) states that all pass-through entities must:

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subgrant is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subgrant; and that subgrant performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
 - (1) Reviewing financial and performance reports required by the pass through entity.
 - (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subgrant.

The *Code of Federal Regulations* (2 cfr § 200.512(a)(1)) states the audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

Furthermore, MDHS' Policy regarding the Responsibilities of the Monitoring Unit Related to Uniform Guidance Audit Requirements Audits includes:

- (1) Providing an Initial Notice Letter to subrecipients to notify them of the audit requirements under the OMB Uniform Guidance Audit Requirements and providing the Subrecipient Audit Information Form to document that an audit is not required for subrecipients that expend less than \$750,000.
- (2) Issuing a Reminder Letter to subrecipients that have not submitted either an audit report or SAIF form to document that an audit was not required.
- (3) Issuing a Demand Letter to subrecipients that fail to submit an audit report or SAIF form to document that an audit was not required.
- (4) Identifying any audit findings contained in the audit reports and notifying the responsible MDHS Funding Division so that the audit findings can be resolved within the six-month deadline imposed under OMB Uniform Guidance Audit Requirements.
- (5) Maintaining an audit file for each MDHS subrecipient which includes an archive copy of the audit report or Subrecipient Audit Information Form, the Uniform Guide for Initial Review of Audit Reports, copies of the transmittal memorandum sent to each MDHS Funding Division, copies of any reminder letters sent to the subrecipient, and the Audit Finding and Questioned Costs

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

Tracking Record and a copy of the clearance letter issued by the MDHS Funding Division for those subrecipients with audit findings.

Finally, *MDHS Subgrant/Agreement Manual* states that all MDHS subrecipients are required to complete the MDHS Subrecipient Audit Information Form (MDHS-DPI-002). This form must be submitted to the Division of Program Integrity - Office of Monitoring no later than ninety (90) calendar days after the end of the subrecipient's fiscal year. This form is necessary to certify the sources and amounts of all Federal awards received and expended by the subrecipient.

Condition

During the audit of MDHS, auditors reviewed the Division of Program Integrity – Office of Monitoring (OM) audit files and Single Audit Tracking Document for MDHS Subrecipients for state fiscal year 2018. During the review, the auditor noted the following weaknesses:

- The SFY 2018 Single Audit Tracking System utilized by the DHS Office of Monitoring to track the status of OMB Uniform Guidance audits for DHS subrecipients does not include expenditures made by the sub-recipient nor does it include all sub-recipients who received federal funds from MDHS during FY 2018. The audit requirements of the *Code of Federal Regulations (2 cfr Part 200, subpart F)* are based on expenditures of Federal awards; 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 monitoring files.
- Three instances in which the Uniform Guide for the Initial Report of Uniform Guidance Audit Reports was not included on the FY 2018 Single Audit Tracking Smartsheet; therefore, auditor could not verify the Office of Monitoring reviewed and approved the submitted SAIF form or audit reports.
- Two instances in which the FY 2018 Single Audit Tracking Smartsheet did not contain a SAIF form or audit report for the subrecipient; therefore, auditor could not verify compliance with the monitoring process.
- One instance in which auditor could not verify initial, reminder, and/or demand letters were sent to the Subrecipient due to these letters not being included on the FY 2018 Single Audit Tracking Smartsheet.
- Five instances in which the Office of Monitoring did not receive the SAIF form within 90 days of the subrecipient's fiscal year end. Average submission was 190 working days late.
- Twenty-nine (29) instances in which the Office of Monitoring did not receive the subrecipient audit report within 9 months after subrecipient's fiscal year end. Average submission was 32 working days late.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

- Thirteen (13) instances in which MDHS did not comply with the requirements prescribed by MDHS' internal policies regarding the remedy of subrecipient audit findings. In the "Responsibilities of the Monitoring Unit Related to Uniform Guidance Audit Requirement Audits" document provided by the Office of Monitoring (OM), point #7 states: "Identifying any audit findings contained in the audit reports and notifying the responsible MDHS Funding Division so that the audit findings can be resolved within the six-month deadline imposed under OMB Uniform Guidance Audit Requirements." Also, upon OM reviewing submitted subrecipient audits, if an audit finding was noted, OM sends a memo to the Funding Division for the specific subrecipient requiring the Funding Division to "provide this office (OM) with a written corrective action plan for the finding within fifteen (15) working days." MDHS could not provide any supporting documents showing these policies were being followed, nor could they provide any documentation showing a follow-up request by OM to ensure MDHS remains compliant with their own policies, as well as with the Uniform Guidance prescribed by OMB.

Cause	Staff were either unaware or did not follow identified policies and procedures for subrecipient monitoring related to Uniform Grant Guidance.
Effect	Failure to properly monitor subrecipients could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in fraud, waste, and abuse within the agency.
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 that the appropriate federal audit is obtained. We further recommend that the Mississippi Department of Human Service's Office of Monitoring 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 with subrecipients in a timely to ensure compliance with audit requirements.
Views of Responsible Officials	Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 283 of this audit report.



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

Auditor's note to the Corrective Action Plan from Mississippi Department of Human Services (MDHS) Management

Department of Human Services – Allowable Costs - *Material Weakness/Material Noncompliance*

2020-025 Controls Should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the TANF Program.

- 1) Regarding Heart of David: MDHS cannot separate itself from the former Director JD for consideration of a findings. While JD may have initiated the transactions or manipulated the process, the MDHS organization as a whole must take responsibility for the questioned costs. Additionally, while the entries may have been entered by DFA for a conversion to modified cash basis of accounting, the payments issued were due to operations at MDHS and not DFA.

After consideration of the comments provided by MDHS in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and federal grantor agency for further review to determine what, if any, actions will be required of MDHS.

2020-029 Controls Should Be Strengthened Over Procurement Policies for the Awarding of Subgrants and Contracts for the TANF Program.

- 1) Regarding Scoresheets for TANF Procurement: During the audit, auditors requested MDHS supply copies of all scoresheets for subrecipients that submitted proposals for the TANF 2019 RFP. MDHS failed to supply copies as requested. When auditors requested MDHS sign a "Missing Document Form" to verify that documents were indeed missing from the file, MDHS refused to sign the form and stated that they could not sign a missing document form because the documents "never existed".

After consideration of the comments provided by MDHS in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and federal grantor agency for further review to determine what, if any, actions will be required of MDHS.

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STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

DIVISION OF MEDICAID

ACTIVITIES ALLOWED/ALLOWABLE COSTS

Material Weakness

Material Noncompliance

2020-041	<u>Strengthen Controls to Ensure Compliance with the Allowable Costs Requirements of the Children’s Health Insurance Program (CHIP).</u>
CFDA Number	93.767 Children’s Health Insurance Program (CHIP)
Federal Award	1805MS5021 1905MS5021 2005MS5021 2005MS5021 COVID
Questioned Costs	N/A
Repeat Finding	No.
Statistically Valid	This sample is considered statistically valid.
Criteria	<p>The <i>Code of Federal Regulations (42 cfr 457.505)</i> states, “The State plan must include a description of (a) The amount of premiums, deductibles, coinsurance, copayments, and other cost sharing imposed.”</p> <p>The <i>Code of Federal Regulations (42 cfr 457.515)</i> states, “To impose copayments, coinsurance, deductibles or similar charges on enrollees, the State plan must describe— (a) The service for which the charge is imposed; (b) The amount of the charge; (c) The group or groups of enrollees that may be subject to the cost-sharing charge.”</p> <p>Per <i>Mississippi Children’s Health Insurance Program State Plan Section 8.2.3 (State Plan Amendment MS-19-0011-CHIP)</i>, children whose annual family income is less than or equal to 150 percent of the Federal Poverty Level are not subject to any co-payments or co-insurance.</p> <p>Per <i>Mississippi Children’s Health Insurance Program State Plan Section 8.2.3 (State Plan Amendment MS-19-0011-CHIP)</i>, children whose annual family income is between 151 percent and 175 percent of the Federal Poverty Level are subject to co-payments of \$5.00 per doctor visit, \$15.00 per emergency room visit, and an out-of-pocket maximum of \$800.00.</p> <p>Per <i>Mississippi Children’s Health Insurance Program State Plan Section 8.2.3 (State Plan Amendment MS-19-0011-CHIP)</i>, children whose annual family income is between 176 percent and 209 percent of the Federal Poverty Level are</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

	subject to co-payments of \$5.00 per doctor visit, \$15.00 per emergency room visit, and an out-of-pocket maximum of \$950.00.
Condition	<p>During testwork performed over allowable costs requirements for the Children’s Health Insurance Program (CHIP) as of June 30, 2020, the auditor tested 60 total recipients and noted the following:</p> <ul style="list-style-type: none"> • 20 of the 60 (or 33.33 percent) CHIP recipients tested in which beneficiaries were not placed in the correct CHIP sub-group that determines the beneficiary’s co-payments and out-of-pocket maximums. <ul style="list-style-type: none"> ○ 10 instances (or 16.67 percent) in which the family of the beneficiary had an annual income at or below 150 percent of the Federal Poverty Level, but the beneficiary was placed in the CHIP sub-group for children whose family had an annual income between 151 percent and 175 percent of the Federal Poverty Level. ○ 10 instances (or 16.67 percent) in which the family of the beneficiary had an annual income at or below 175 percent of the Federal Poverty Level, but the beneficiary was placed in the CHIP sub-group for children whose family had an annual income between 176 percent and 209 percent of the Federal Poverty Level.
Cause	The Federal Poverty Level was not correctly entered into the computer system and co-payments and out-of-pocket expenses were not calculated correctly.
Effect	Beneficiaries paid incorrect co-payments and out-of-pocket expenses.
Recommendation	We recommend the Mississippi Division of Medicaid strengthen the controls to ensure correct calculation of co-payments and out-of-pocket expenses.
Views of Responsible Officials	Management at the Mississippi Division of Medicaid concurs with this finding. See additional comments in the Corrective Action Plan on page 302 of this audit report.

ELIGIBILITY

Material Weakness
Material Noncompliance

2020-042	<u>Strengthen Controls to Ensure Compliance with Eligibility Requirements of the Medical Assistance Program and the Children’s Health Insurance Program (CHIP).</u>		
CFDA Number	93.767 Children’s Health Insurance Program (CHIP) 93.778 Medical Assistance Program (Medicaid, Title XIX)		
Federal Award	1805MS5021	1905MS5021	2005MS5021

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

	1905MS5ADM	2005MS5ADM
	1905MS5MAP	2005MS5MAP
	1905MSIMPL	2005MSIMPL
	1905MSINCT	2005MSINCT
Questioned Costs	\$75,795	
Repeat Finding	Yes; 2019-027	
Statistically Valid	Portions of these findings were based on statistically valid samples.	
Criteria	<p>The <i>Code of Federal Regulations 42 cfr 435.945(d)</i> states, “All State eligibility determination systems must conduct data matching through the Public Assistance Reporting Information System (PARIS).”</p> <p><i>The Mississippi Division of Medicaid MAGI-Based Eligibility Verification Plan</i> states, “The state uses quarterly PARIS data matches to resolve duplicate Medicaid participation in another state and residency discrepancies.”</p> <p>Per the <i>Mississippi Medicaid State Plan Attachment 4.32-A</i>, quarterly file transmissions of Medicaid recipients active in the previous quarter are submitted for matching purposes with applicable federal databases (PARIS) to identify benefit information on matching Federal civilian employees and military members, both active and retired, and to identify duplicate participation across state lines.</p> <p><i>Miss. Code Ann (1972) Section 43-13-116.1(2)</i> states, “In accordance with Section 1940 of the federal Social Security Act (42 USCS Section 1396w), the Division of Medicaid shall implement an asset verification program requiring each applicant for or recipient of Medicaid assistance on the basis of being aged, blind or disabled, to provide authorization by the applicant or recipient, their spouse, and by any other person whose resources are required by law to be disclosed to determine the eligibility of the applicant or recipient for Medicaid assistance, for the division to obtain from any financial institution financial records and information held by any such financial institution with respect to the applicant, recipient, spouse or such other person, as applicable, that the division determines are needed to verify the financial resources of the applicant, recipient or such other person in connection with a determination or redetermination with respect to eligibility for, or the amount or extent of, Medicaid assistance. Each aged, blind or disabled Medicaid applicant or recipient, their spouse, and any other applicable person described in this section shall provide authorization (as specified by 42 USCS Section 1396w(c)) to the division to obtain from any financial institution, any financial record, whenever the division determines that the record is needed in connection with a determination or redetermination of eligibility for Medicaid assistance.”</p> <p><i>The Mississippi Division of Medicaid Eligibility Policy and Procedure Manual Section 303.03</i> states, “Section 1940 of the Social Security Act and Mississippi state law requires the verification of liquid assets held in financial institutions for purposes of determining Medicaid eligibility for applicants and beneficiaries in</p>	

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

programs with an asset test, i.e., Aged, Blind, and Disabled (ABD) Medicaid programs.

Per The Mississippi Division of Medicaid Eligibility Policy and Procedure Manual Section 303.03, implementation of MDOM's Asset Verification System (AVS) is on/after November 1, 2018. The AVS contractor will perform electronic matches with financial institutions to detect and verify bank accounts based on identifiers including Social Security Numbers for the following COEs: 010 through 015, 019, 025, 045, 062 through 066, and 094 through 096. At each application and redetermination, a request will be submitted through AVS for information on an individual's financial accounts. The AVS must be used as a primary data source when verifying resources."

The *Code of Federal Regulations (42 cfr 435.948(a)(1))* states, "The agency must in accordance with this section request the following information relating to financial eligibility from other agencies in the State and other States and Federal programs to the extent the agency determines such information is useful to verifying the financial eligibility of an individual: Information related to wages, net earnings from self-employment, unearned income and resources from the State Wage Information Collection Agency (SWICA), the Internal Revenue Service (IRS), the Social Security Administration (SSA), the agencies administering the State unemployment compensation laws, the State-administered supplementary payment programs under section 1616(a) of the Act, and any State program administered under a plan approved under Titles I, X, XIV, or XVI of the Act."

The *Code of Federal Regulations (42 cfr Part 435.949(b))* states, "To the extent that information related to eligibility for Medicaid is available through the electronic service established by the Secretary, States must obtain the information through such service, subject to the requirements in subpart C of part 433 of this chapter, except as provided for in §435.945(k) of this subpart."

The CMCS Informational Bulletin - Subject: MAGI-Based Eligibility Verification Plans states, "To the extent that information related to Medicaid or CHIP eligibility is available through the electronic data services hub established by the Secretary, states must obtain the information through this data services hub. Subject to Secretarial approval and the conditions described in §435.945(k) and 457.380(i), states can obtain information through a mechanism other than the data services hub."

Per the Mississippi Division of Medicaid MAGI based Eligibility Verification Plan, Mississippi Division of Medicaid has determined TALX and MDES to be useful electronic data sources.

Per the Mississippi Medicaid State Plan Attachment 4.32-A, applicants are submitted weekly to Mississippi Department of Employment Security (MDES) to verify wage and unemployment benefits. Renewals are submitted once per month

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

for the same data. Renewal files are processed in the month prior to the scheduled review due date.

The Mississippi Division of Medicaid Eligibility Policy and Procedure Manual Section 400.60 states, “For Medicaid purposes, an adjustment in family size is made for a pregnant woman’s or pregnant minor’s household.”

The Mississippi Division of Medicaid Eligibility Policy and Procedures Manual Section 201.03.04A requires the use of the individual’s most recent tax return to verify income for individuals considered self-employed, a shareholder in an S Corporation, a partner in a business or one who has income from a partnership, LLP, LLC or S Corporation.

Condition

During testwork performed over eligibility requirements for the Medical Assistance Program and the Children’s Health Insurance Program (CHIP) as of June 30, 2020, the auditor tested 300 total recipients (180 Modified Adjusted Gross Income (MAGI) recipients and 120 aged, blind, and disabled (ABD) recipients) and noted the following:

- Mississippi Division of Medicaid (MDOM) did not use federal tax and/or state tax data to verify income, including self-employment income, out-of-state income, and various types of unearned income. The Medicaid State Plan requires the verification of all income for MAGI-based eligibility determinations, and MDOM’s *Eligibility Policy and Procedure Manual (Section 201.03.04a)* requires the use of an individual’s most recent tax return to verify self-employment income. This section further states, if tax returns are not filed, not available, or if there is a change in income anticipated for the current tax year, refer to Chapter 200, Net Earnings from Self-Employment at 200.09.08, for policy on estimating net earnings from self-employment. The MDOM’s State Plan does not allow for accepting self-attested income. Therefore, if an applicant indicates zero for self-employment income, the amount of zero must be verified like any other income amount.
- On 14 of the 180 MAGI recipients (or 7.78 percent), self-employment income, out-of-state income, or unearned income was reported on the recipient’s Mississippi income tax return, but the income was not reported on the recipient’s application. Of the 14 instances, nine instances (or 64.29 percent) were noted in which the total income per the most recent tax return available at the time of determination exceeded the applicable income limit for the recipient’s category of eligibility.

Due to MDOM’s failure to verify self-employment income on the applicant’s tax return, MDOM was not aware income exceeded eligibility limits, and did not request any additional information that might have explained why income was not self-reported; therefore, auditor could not determine with certainty that individuals are, in fact, ineligible. However, information that MDOM used at the time of the eligibility determination did not support eligibility. The auditor

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

acknowledges that the self-employment income reported on the income tax returns does not, in and of itself, make the nine cited recipients ineligible, it does indicate that they had self-employment income during the year of eligibility determination that was, potentially, not accurately reported on their application. Furthermore, MDOM did not perform any procedures to verify that the self-employment income reported on the applications was accurate.

MDOM's policy requires the use of the individual's most recent tax return to verify income for individuals considered self-employed, a shareholder in an S Corporation, or a partner in a business or one who has income from a partnership, LLP, LLC or S Corporation. Due to the timing of tax returns filings, including allowable extensions, MDOM requires the use of prior year income verification in these circumstances. For determinations from July 2019 to February 2020, the most recent tax return information available would have been the 2018 return if no tax extensions were filed, and the applicant filed his or her return before the tax deadline. Due to the COVID-19 pandemic, the due date for Mississippi tax returns was extended past the end of the fiscal year 2020; therefore, in most cases the 2018 tax return was still the most recent tax return required or filed. Additionally, due to the pandemic, MDOM was restricted from removing individuals from receiving benefits, and no redeterminations were performed for existing beneficiaries. Again, in those instances, the most recent tax return that would have been available for determination was the 2018 tax return.

The fiscal year payments for these nine recipients that might not have been eligible to receive the benefits totaled \$35,345 of questioned costs.

Based on the error rate calculated using the capitation payments of our sample, the projected amount of capitation payments made to recipients who it is reasonably possible were ineligible would fall between \$127,698,080 (projected costs based on actual month payment sampled) and \$144,369,372 (projected costs based on average monthly payments sampled).

The following is a breakdown of these costs by category:

CHIP: Between \$5,604,505 (average monthly) to \$5,654,410 (actual monthly)
MAGI Managed Care: Between \$119,625,411 (average monthly) to \$120,103,866 (actual monthly)
MAGI Fee for Service: \$1,939,804 (actual monthly) to \$19,139,456 (average monthly)

- On two of the 180 MAGI recipients (or 1.11 percent), self-employment income was incorrectly reported on the application as wages; therefore, MDOM did not request a tax return from the recipient.
- For eight of the 180 MAGI recipients (or 4.44 percent), it could not be determined if income was verified through Work Number – Equifax

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

Verification (TALX) at the time of redetermination.

- Of the eight instances, seven instances (or 87.50 percent) in which income was not verified through Department of Employment Security (MDES) at the time of redetermination, resulting in questioned costs of \$16,332. Questioned costs were not projected for this item due to the inability to statistically validate the sample.
- Three of the 180 MAGI recipients (or 1.67 percent) in which the recipient was assigned to the incorrect category of eligibility (COE).
 - Two instances in which family size was not updated at redetermination for a pregnancy, or the birth of a child, that occurred before the redetermination date, resulting in questioned costs of \$1,280. Questioned costs were not projected for this item due to the inability to statistically validate the sample.
 - One instance in which incorrect countable income and incorrect family size were used to determine eligibility, resulting in questioned costs of \$655. Questioned costs were not projected for this item due to the inability to statistically validate the sample.
- Two of the 180 MAGI recipients (or 1.11 percent) in which incorrect countable income was used to determine eligibility.
- 25 of 120 ABD recipients (or 20.83 percent), in which resources were not verified through Asset Verification System (AVS) at the time of redetermination.
 - Of the 25, one instance in which countable resources exceeded the applicable limit, resulting in questioned costs of \$12,769. Questioned costs were not projected for this item due to the inability to statistically validate the sample.
- 277 out of 300 recipients (or 92.33 percent) were not included on all of the required quarterly Public Assistance Reporting Information System (PARIS) file transmissions for fiscal year 2020.
 - Of the 277 recipients, 220 recipients were not included on any quarterly PARIS file transmissions during fiscal year 2020.
- Based on inquiry during the audit, MDOM informed auditors of two instances that were identified as possible fraud cases by MDOM's Program Integrity Division. In both cases, recipients reported false earnings on their applications. Both recipients reported self-employment earnings at substantially lower amounts than the reported income on the Mississippi income tax returns. In one instance, the individual reported less than 1 percent of the actual self-

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

employment earnings. The individual's taxable self-employment income exceeded \$300,000. In the other instance, the individual's taxable self-employment income exceeded \$100,000. In both instances, based on the verified income on the tax return, the individuals would not be eligible for MDOM services as the individuals are receiving MAGI benefits. Further, auditors were able to verify that both individuals own homes with fair market values exceeding \$1,000,000. According to MDOM's policy, both individuals should have been required to supply the most recent tax return during the redetermination process since self-employment income was reported, albeit at false levels. MDOM personnel failed to require copies of the returns, and instead used photo images of check stubs to verify income. If proper policies and procedures had been followed, neither individual would have been initially deemed eligible for benefits. Both individuals are still receiving benefits as of the date of this audit report and have been receiving benefits for over a year. It should be noted that, as stated earlier, MDOM identified both cases as possible fraud risks and is currently investigating.

The fiscal year payments for these two instances that might not have been eligible to receive the benefits totaled \$9,414 of questioned costs. These instances were not discovered during a statistically valid sample; therefore, an error rate cannot be reasonably calculated and projected.

Cause	MDOM did not have adequate internal controls to ensure compliance with eligibility requirements. Additionally, MDOM did not have policies in place to verify certain types of income on applicant's tax returns, as required by its own policy and procedures, for eligibility determinations.
Effect	Failure to comply with eligibility requirements could result in ineligible recipients being determined eligible, resulting in questioned costs and the possible recoupment of funds by the federal granting agency.
Recommendation	We recommend the Mississippi Division of Medicaid strengthen controls to ensure compliance with eligibility requirements of the Medical Assistance Program and the Children's Health Insurance Program (CHIP).
Views of Responsible Officials	Management at the Mississippi Division of Medicaid does not concur with this finding. See additional comments in the Corrective Action Plan on page 302 of this audit report and see Auditor's Response to the Corrective Action Plan on pages 181 and 311.

SPECIAL TEST AND PROVISIONS

Material Weakness
Material Noncompliance

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

2020-043	<u>Strengthen Controls to Ensure Compliance with the Provider Eligibility Requirements of the Children’s Health Insurance Program CHIP.</u>
CFDA Number	93.767 Children’s Health Insurance Program (CHIP)
Federal Award	1805MS5021 1905MS5021 2005MS5021 2005MS5021 COVID
Questioned Costs	N/A
Repeat Finding	No.
Statistically Valid	This sample is not considered statistically valid.
Criteria	<p><i>Medicaid Provider Enrollment Compendium Section 1.4.1.A.1.a</i> states, “Under the requirement at 438.602, State Medicaid Agencies (SMAs) may delegate screening activities required under Part 455 Subpart E to a network plan. However, based upon privacy and security concerns including data breaches that include personally identifiable information (PII), we are not allowing SMAs to delegate the collection of disclosures under Subpart B in a manner that results in a single provider entity disclosing the information to more than one entity. A provider that is providing services on behalf of the state Medicaid plan should not be required to disclose PII to multiple entities with which the SMA contracts. In an effort to mitigate the risk that PII will be compromised in a data breach, we further believe the SMA should store PII in the fewest number of locations necessary to meet the requirement of the regulations at Subparts B and E.”</p> <p><i>Medicaid Provider Enrollment Compendium Section 1.5.B</i> states, “A SMA may, but is not required to, delegate screening activities required under 455 Subpart E to third parties, including networks. (See section 1.4.1.A.1.a. for limitations on delegating the collection of disclosures under Subpart B). In the event the SMA opts to delegate screening under Subpart E, the SMA should make sure third parties are carrying out activities consistently and should make sure redundant screening is not conducted for a provider participating in multiple networks. In addition, the SMA should make sure the third party is documenting screening.”</p> <p>For those states delegating screening activities to third party entities, the State should consider any conflicts of interest that may arise. For example, some managed care entities (MCEs) may have delegated credentialing agreements that allow providers to “credential themselves” and submit the appropriate certification needed to participate in a MCE plan. Once the provider attests and submits they have completed all credentialing requirements, the MCE determines whether they will approve of the provider’s participation in the plan. This arrangement is not permissible in complying with the screening requirements at 455 Subpart E as it not only creates a conflict of interest but also we do not believe it allows the state to maintain appropriate oversight of the screening activities.</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

Medicaid Provider Enrollment Compendium Section 1.5.3.B.1 states, “For the provider screening requirements under Subpart E and based on the disclosures under Subpart B, to the extent that a SMA delegates responsibility for provider screening and enrollment to a contractor, the SMA remains fully responsible for compliance with the requirements at Subpart B and Subpart E.”

Code of Federal Regulations (42 §455.414) states “The State Medicaid agency must revalidate the enrollment of all providers regardless of provider type at least every 5 years.”

Code of Federal Regulations (42 §438.364(c)) states “(1) The State must contract with a qualified external quality review organization (EQRO) to produce and submit to the State an annual EQR technical report in accordance with paragraph (a) of this section. The State must finalize the annual technical report by April 30th of each year. (2) The State must ... (i) Post the most recent copy of the annual external quality review (EQR) technical report on its required website by April 30th of each year.”

Condition

For the Medicaid Assistance Program, the Mississippi Division of Medicaid (MDOM) performs the screening of providers for both the fee-for-service program and the managed care programs. However, for the Children’s Health Insurance Program (CHIP), MDOM delegates the screening of providers to each of the CHIP managed care organizations (MCOs). During fiscal year 2020, MDOM had contracts with three CHIP managed care organizations (MCOs). United Health Care (United) was a provider for the entire year, and Molina replaced Magnolia on November 1, 2019. Due to MDOM performing the screening for Medicaid programs, providers potentially were required to disclose personally identifiable information (PII) to multiple entities. As noted above, federal regulations require that MDOM limit this disclosure of PII to only one entity for credentialing in order to reduce the possibility of data breaches, and to eliminate redundant screening being conducted for a provider participating in more than one CHIP MCO and/or the Medicaid Assistance Program.

As required by regulations, MDOM contracts with an External Quality Review Organization (EQRO) vendor to review MCO credentialing files. This report from the EQRO is due to be filed each year by April 30th. For fiscal year 2020, the EQRO did not begin reviewing MDOM’s MCO’s until October 2020 (Initial notice was sent to MCO’s in July 2020), and the final report was not filed until May 26, 2021. Additionally, the fiscal year EQRO report for fiscal year 2020-2021 noted multiple findings regarding provider eligibility and provider requirements, including, but not limited to:

- Errors in member benefit information documented in member and provider materials were noted for Magnolia and United. Note, this was a repeat finding for United;
- Missing verification of malpractice insurance coverage and expired provider licensure at the time of the re-credentialing decision date.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

Furthermore, during testwork auditors noted the following:

- Twenty-three providers have re-credentialing dates longer than 5 years in the data provided by the MCO; and
- Nineteen thousand, six hundred and three (19,603) providers did not have a credentialing date listed in the data.

The EQRO did require the MCO's to submit Corrective Action Plans (CAPs) that were reviewed and accepted by the EQRO; however, due to the timing of the report, none of these corrective actions could have been fully implemented during the year under audit.

MDOM stated that the MCO's are reviewed through the monthly Reporting Manual review and through reviews of MCO communications, educational materials, vendor contract reviews, network status, quality metrics, etc. However, when auditors requested information on how provider eligibility is reviewed, auditors were provided a copy of the EQRO and provided no further documentation.

The number of findings the EQRO noted in its review of providers indicate MDOM is not maintaining sufficient oversight of the MCO's. Furthermore, if additional reviews are being performed by MDOM, sufficient documentation should be maintained to support these reviews.

Cause	MDOM staff felt that the documented EQRO demonstrated sufficient oversight. Also, the outsourcing of the CHIP provider eligibility screening caused redundant screening from providers.
Effect	Payments could be made to ineligible providers, resulting in unallowable costs. Redundant screening can place PII at risk for data breaches.
Recommendation	We recommend the Mississippi Division of Medicaid strengthen controls to ensure compliance with the provider requirements of the Children's Health Insurance Program (CHIP) by eliminating redundant reviews and documenting the monitoring of managed care organizations throughout the year.
Views of Responsible Officials	Management at the Mississippi Division of Medicaid does not concur with this finding. See additional comments in the Corrective Action Plan on page 305 of this audit report and see Auditor's Response to the Corrective Action Plan on pages 182 and 311.

SPECIAL TESTS AND PROVISIONS

Material Weakness

Material Noncompliance

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

2020-044 Strengthen Controls to Ensure Compliance with Utilization Control and Program Integrity Requirements.

CFDA Number 93.778 Medical Assistance Program (Medicaid; Title XIX)

Federal Award	1905MS5001	2005MS5001
	1905MS5ADM	2005MS5ADM
	1905MS5MAP	2005MS5MAP
		2005MS5MAP COVID
	1905MSIMPL	2005MSIMPL
	1905MSINCT	2005MSINCT

Questioned Costs N/A

Repeat Finding No.

Statistically Valid This sample is not considered statistically valid.

Criteria The *Code of Federal Regulation (42 cfr 456.22-23)*, requires the State Medicaid Agency to promote the most effective and appropriate use of available services and facilities. Additionally, the Medicaid agency must have procedures for the on-going evaluation, on a sample basis, of the need for, the quality of, and timeliness of Medicaid services.

Lastly, the State Medicaid Agency is required to have a post payment review process that:

- a. Allows State personnel to develop and review:
 - i. Beneficiary utilization profiles;
 - ii. Provider service profiles; and
 - iii. Exceptions criteria; and
- b. Identifies exceptions so that the agency can correct mis-utilization practices of beneficiaries.

Medicaid State Plan p. 47 requires that the Medicaid agency have a system in place that meets the requirements of *42 cfr 456, Subpart C*, control of the utilization of inpatient hospital services. Furthermore, the Medicaid agency must have utilization and medical reviews that are performed by a Utilization and Quality Control Peer Review Organization, designated under *42 cfr 462* that has a contract with the agency to perform these reviews.

Per *Section 1.4 of Mississippi Medicaid Provider Billing Handbook*, Alliant Health Solutions is the fee-for-service (FFS) Utilization Management and Quality Improvement Organization (UM/QIO) contracted with the Division of Medicaid to review FFS services except for Advanced Imaging Services provided to

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

Medicaid beneficiaries in the State of Mississippi. Under this contract, Alliant Health Solutions assures that all Medicaid services meet medical guidelines for medical necessity, appropriateness and length of service.

Condition

The Mississippi Division of Medicaid (MDOM) contracted with a Utilization Management/Quality Improvement Organization (UM/QIO) to provide methods and procedures to safeguard against unnecessary or improper utilization of care and services.

On February 1, 2019, MDOM contracted with a new UM/QIO. Per *RFP #20170811, section 1.9.2.*, upon commencing the operations phase, the contractor must be fully capable and prepared to perform the responsibilities described in this RFP. Additionally, the RFP required that there be no lapse in services performed during the transition with the new UM/QIQ. The operation phase of the contract began on September 1, 2019 per the RFP. However, during fiscal year 2020, the following ongoing reviews were not performed by Mississippi Division of Medicaid (MDOM) nor the contracted Utilization Management/Quality Improvement Organization (UM/QIO):

- Durable Medical Equipment reviews were not performed for the months of July 2019 thru January 2020.
- Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) Quality of Care reviews were not performed for the months of July 2019 thru May 2020.
- Private duty nursing reviews were not performed during the months of July 2019 thru March 2020.
- Independent verification and validation (IV&V) reviews to determine if services were medically necessary and appropriate for the diagnosis and condition of the patient for inpatient hospital services were not performed during fiscal year 2020.
- Quality of care reviews were not performed during the months of July 2019 thru February 2020 or the months April 2020 thru June 2020.

Federal requirements require “ongoing” reviews of each type listed above. For context, the former UM/QIQ were contracted to perform a minimum five (5) percent sample of all certifications and reviews performed by the Contractor, unless otherwise instructed in writing by MDOM. The new UM/QIQ was contracted to perform a minimum representative sample of all authorizations and reviews performed by the Contractor, unless otherwise instructed in writing by MDOM. It is important to also note that neither MDOM or the current UM/QIQ could provide any type of sampling methodology to justify the reasonableness of the number of reviews performed.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

	Personnel at MDOM stated that there is no lapse in reviews for dates of service during the transition due to the requirement for reviews be only “ongoing” with no time frame referenced. However, auditors could not verify that sufficient reviews were performed during the audit period to qualify as ongoing monitoring.
Cause	MDOM staff feel that the post payment review process performed by the UM/QIQ is adequate and meets federal requirements.
Effect	Lack of ongoing post-payment reviews could result in the unnecessary or inappropriate use of Medicaid services and excess payments.
Recommendation	We recommend the Mississippi Division of Medicaid strengthen controls to ensure compliance with Utilization Control and Program Integrity requirements.
Views of Responsible Officials	Management at the Mississippi Division of Medicaid does not concur with this finding. See additional comments in the Corrective Action Plan on page 307 of this audit report and see Auditor’s Response to the Corrective Action Plan on pages 182 and 312.

SPECIAL TESTS AND PROVISIONS

Material Weakness

Material Noncompliance

2020-045	<u>Strengthen Controls to Ensure Compliance with Automatic Data Processing (ADP) Risk Analysis and System Security Review Requirements.</u>	
CFDA Number	93.778 Medical Assistance Program (Medicaid; Title XIX)	
Federal Award	1905MS5ADM	2005MS5ADM
	1905MS5MAP	2005MS5MAP
	1905MSIMPL	2005MSIMPL
	1905MSINCT	2005MSINCT
Questioned Costs	N/A	
Repeat Finding	Yes; 2019-028 in 2019; 2018-060 in 2018; 2017-034 in 2017; and 2016-033 in 2016.	
Statistically Valid	This sample is not considered statistically valid.	
Criteria	The <i>Code of Federal Regulations (45 cfr 95.621)</i> states, “State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system	

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

changes occur. State agencies shall review the ADP system security of installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. ...The State agency shall maintain reports of their biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site review.”

The Mississippi Division of Medicaid (MDOM)’s *Risk Analysis Policy* states, “In the case of ADP systems involved in the administration of Health and Human Services (HHS) programs, MDOM will follow the MARS-E 2.0 Risk Assessment (RA-3) Control which requires the Administering Entities (AEs) to conduct, document, annually review, and disseminate a Risk Assessment of the security and privacy of the systems, and review the Service Organization Control (SOC) reports annually or whenever provided by fiscal agent.”

Condition	The Mississippi Division of Medicaid (MDOM) is not in compliance with <i>45 cfr 95.621</i> and its own Risk Analysis Policy; each requires a Risk Analysis Report be produced every 2 years. MDOM provided no evidence of a biennial risk analysis of all ADP Systems involved in the administration of HHS programs. The agency did submit a risk analysis for Mod MEDS, a subsystem of Medicaid Management Information System (MMIS) in compliance with MARS-E v.2 Security and Privacy Controls framework; however, a risk analysis was not performed on the MMIS.
Cause	The agency has not implemented the corrective action plan for the prior year finding.
Effect	Failure to properly establish and maintain a process for conducting periodic risk analyses could result in the compromise of the confidentiality, integrity and reliability of the data associated with HHS programs.
Recommendation	We recommend Mississippi Division of Medicaid strengthen controls to ensure compliance with the Automatic Data Processing (ADP) risk analysis and system security review requirements.
Views of Responsible Officials	Management at the Mississippi Division of Medicaid concurs with this finding. See additional comments in the Corrective Action Plan on page 309 of this audit report.

SPECIAL TESTS AND PROVISIONS

Immaterial Noncompliance

2020-046	<u>Ensure Compliance with Medicaid National Correct Coding Initiative (NCCI) Confidentially Agreement Requirements.</u>
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STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

CFDA Number 93.778 Medical Assistance Program (Medicaid, Title XIX)

Federal Award	1905MS5ADM	2005MS5ADM
	1905MS5MAP	2005MS5MAP
	1905MSIMPL	2005MSIMPL
	1905MSINCT	2005MSINCT

Questioned Costs N/A

Repeat Finding No.

Statistically Valid This sample is not considered statistically valid.

Criteria *The Medicaid National Correct Coding Initiative (NCCI) Technical Guidance Manual, Section 7.1.1* states, “Access to the complete quarterly Medicaid NCCI edit files that are posted on the Medicaid Integrity Institute (MII) on the RISSNET portal is limited to a state’s Medicaid agency. These state Medicaid NCCI edit files contain information that is not included in the Medicaid NCCI edit files that are available to the public on the Medicaid NCCI webpage. ... A state Medicaid agency may share these quarterly state Medicaid NCCI edit files which are posted on the MII on the RISSNET portal with the contracted fiscal agent that processes its fee-for service claims or with any of its contracted Medicaid managed-care entities that is using the Medicaid NCCI methodologies in its processing of claims or encounter data, if appropriate confidentiality agreements are in place. ... Contracted Parties is defined as a fiscal agent that has a contract with the state Medicaid agency for processing its claims, or any Medicaid managed care entities, its contractor or subcontractor (including COTS software vendors) which assist with implementation of claims processing or encounter data, and who must use these edit files for processing purposes.”

The Medicaid National Correct Coding Initiative (NCCI) Technical Guidance Manual, Section 7.1.2 states, “At a minimum, the following elements must be included in the confidentiality agreements for any contracted party using the Medicaid NCCI files posted on the Medicaid Integrity Institute (MII):

- Disclosure shall be limited to only those responsible for the implementation of the quarterly state Medicaid NCCI edit files. Disclosure shall not be made prior to the start of the new calendar quarter.
- After the start of the new calendar quarter, a Contracted Party may disclose only non-confidential information contained in the Medicaid NCCI edit files that is also available to the general public found on the Medicaid NCCI webpage.
- The Contracted Party agrees to use any non-public information from the quarterly state Medicaid NCCI edit files only for any business purposes

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs – US Department of HHS (continued)

directly related to the implementation of the Medicaid NCCI methodologies in the particular state.

- New, revised, or deleted Medicaid NCCI edits shall not be published or otherwise shared with individuals, medical societies, or any other entities unless it is a Contracted Party prior to the posting of the Medicaid NCCI edits on the Medicaid NCCI webpage.
- Implementation of New, revised, or deleted Medicaid NCCI edits shall not occur prior to the first day of the calendar quarter.
- Only a state Medicaid agency has the discretion to release additional information for selected individual edits or limited ranges of edits from the files posted on the MII.
- State Medicaid agencies must impose penalties, up to and including loss of contract, for violations of any confidentiality agreement relating to use of the MII edit files.”

Condition	The Mississippi Division of Medicaid’s confidentiality agreement with the contracted fiscal agent does not contain any of the minimum elements required per the Medicaid National Correct Coding Initiative Technical Guidance Manual.
Cause	Mississippi Division of Medicaid (MDOM) does not utilize separate confidentiality agreements with MDOM’s fiscal agent, related to the NCCI edit files. The Legal Department of the Division of Medicaid (MDOM) determined that existing comprehensive confidentiality agreements were sufficient. They have advised, <i>“In the 2005 RFP, incorporated in the 2006 Contract, the 2010 Contract, and the 2014 Emergency Contract, we had confidentiality requirements for Conduent.”</i>
Effect	Without all parties agreeing to the required confidentiality agreement elements, non-public Medicaid NCCI data could be released. In addition, the lack of a confidentiality agreement with Conduent could result in Conduent using non-public information from the quarterly state Medicaid NCCI edit files for non-business purposes without any penalties being imposed.
Recommendation	We recommend the Mississippi Division of Medicaid ensure compliance with Medicaid National Correct Coding Initiative confidentiality agreement requirements.
Views of Responsible Officials	Management at the Mississippi Division of Medicaid partially concurs with this finding. See additional comments in the Corrective Action Plan on page 310 of this audit report and see Auditor’s Response to the Corrective Action Plan on pages 183 and 313.

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

Auditor's note to the Corrective Action Plan from Mississippi Division of Medicaid (MDOM) Management

Division of Medicaid – Eligibility - *Material Weakness/Material Noncompliance*

2020-042 Strengthen Controls to Ensure Compliance with Eligibility Requirements of the Medical Assistance Program and the Children's Health Insurance Program.

- 1) Regarding Uses of Available Data Sources: The Medicaid State Plan requires the verification of all income for MAGI-based eligibility determinations, and MDOM's *Eligibility Policy and Procedure Manual (Section 201.03.04a)* requires the use of an individual's most recent tax return to verify self-employment income. This section further states, if tax returns are not filed, not available, or if there is a change in income anticipated for the current tax year, refer to Chapter 200, Net Earnings from Self-Employment at 200.09.08, for policy on estimating net earnings from self-employment. The MDOM's State Plan does not allow for accepting self-attested income. Therefore, if an applicant indicates zero for self-employment income, the amount of zero must be verified like any other income amount. While it is true that MDOM cannot obtain copies of tax returns directly from the Department of Revenue due to restrictions in statute, MDOM is still responsible for verifying income and can do so by requesting the applicant supply a copy of their most recent tax return. This process is defined in MDOM's own policy and procedures.
- 2) Regarding Current Income Evaluation: Based on MDOM's own policy, the applicant's most recent tax return should be used to verify eligibility. When performing the testwork, auditors verified the most recent determination or redetermination date in the individual's case file, and analyzed the tax return that would have been the most recent tax return available when making the eligibility decision. Due to the timing of the tax filing requirements, in some cases a 2020 redetermination would require a 2018 tax return to verify income. If MDOM feels that this information is not current, they should consider revising their policies. OSA would like to reiterate that auditors followed MDOM's own policies, procedures, and recommendations in the approved State Plan to perform this testwork. Disagreements about the validity of those policies is not the matter under discussion; it is MDOM's noncompliance with its own policies that is the point of concern. Lastly, MDOM's argument that the verification does not meet the standard of reasonable compatibility is flawed. The concept of reasonable compatibility requires the comparison of sworn attestations to available electronic data sources. MDOM is not requiring any verification of sworn attestations of self-employment income – regardless of whether electronic data sources would confirm or deny the attestation. OSA would also like to remind MDOM that by not verifying self-employment income as state-approved processes require, they are already risking the possibility of a federal audit finding by CMS or other federal auditors.
- 3) Regarding Two Individuals with Incorrect Income Reporting: The finding detail does not state that MDOM incorrectly identified the income; the applicant misidentified the income as wages and not self-employment income; therefore, the required additional steps that should have been taken by MDOM were not taken.

- 4) Regarding the TALX Verification: MDOM could not provide any documentation to support that the individuals were verified through the TALX system before eligibility decision. Without a reliable audit trail, the verification cannot be proven.
- 5) Regarding Projected Questioned Costs: Projected questioned costs are based on statistical analysis based on error rates, confidence levels, and proven statistical methods. The report does not say these questioned costs exist, but rather there is a statistical possibility they do. Without intervention from MDOM to verify all sources of income, these conditions will continue to exist in the population.

After consideration of the comments provided by MDOM in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and CMS for further review to determine what, if any, actions will be required of MDOM.

Division of Medicaid – Special Tests - *Material Weakness/Material Noncompliance*

2020-043 Strengthen Controls to Ensure Compliance with the Provider Eligibility Requirements of the Children’s Health Insurance Program.

- 1) Regarding Requirement for Redundant Screenings: As stated in the finding, there is a requirement that providers must not be screened by multiple CCO’s (or MCO’s). Regardless of the reason MDOM stated in the corrective action plan that it is a requirement that all providers be screened multiple times to meet other federal requirements, they are still in violation of the *Medicaid Provider Enrollment Compendium*. Additionally, MDOM stated in the Corrective Action Plan that they began in late summer of 2020 to correct this issue; therefore, by MDOM’s actions, it appears that they do, in fact, concur with their noncompliance in this area.
- 2) Regarding Requirement for Redundant Screenings: Corrective Action plans are prospective, and not retrospective. The fact that corrective action plans for the CCO/MCO’s were supplied to the EQRO after the errors were found and reported on by the EQRO does not mean that the problems did not exist, as MDOM’s Corrective Action Plan implies. While the errors may have been addressed prior to the OSA audit, they existed during the fiscal year under audit.

MDOM did not provide any documentation to support their statements that additional oversight was conducted by the organization, despite numerous opportunities to do so. In fact, contradictory information was provided to auditors about these additional measures to monitor providers. In lieu of those facts and due to the lack of supporting documentation, OSA does not believe the existing documentation provided supports the lack of overall monitoring of provider eligibility.

After consideration of the comments provided by MDOM in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and CMS for further review to determine what, if any, actions will be required of MDOM.

Division of Medicaid – Special Tests - *Material Weakness/Material Noncompliance*

2020-044 Strengthen Controls to Ensure Compliance with Utilization Control and Program Integrity Requirements.

- 1) Regarding Durable Medical Equipment Reviews: As stated in the finding, OSA does not consider the minimal reviews performed during the fiscal year to meet the compliance requirements as outlined by federal governing authorities. MDOM states that the review process and approval of said process occurred after September 1, 2019; however, these processes should have been part of the implementation phase that

occurred from February 2019 through August 2019, in which Alliant was paid \$600,556 for “readiness review approval”. Additionally, Alliant was paid \$1,433,942 from September through January for provider and payment reviews, among other services.

- 2) Regarding Private Duty Nursing Reviews: As stated in the finding, OSA does not consider the minimal reviews performed during the fiscal year to meet the compliance requirements as outlined by federal governing authorities.
- 3) Regarding Quality of Care Reviews: As stated in the finding, OSA does not consider the minimal reviews performed during the fiscal year to meet the compliance requirements as outlined by federal governing authorities.
- 4) Regarding Inpatient Hospital Post Payment Reviews: As stated in the finding, OSA does not consider the minimal reviews performed during the fiscal year to meet the compliance requirements as outlined by federal governing authorities. Additionally, these reviews were not performed during the fiscal year. The standards require “ongoing” reviews which the auditor defined as procedures and reviews to be performed during each fiscal year. Untimely reviews can allow incorrect processes to remain unchecked, which can result in fraud, waste, and abuse.
- 5) Regarding Sample Methodology: Auditors requested this information from the Office Director of Medical Services on two separate occasions, once in writing. No evidence of sampling methodology was ever provided to auditors from those multiple inquiries.

After consideration of the comments provided by MDOM in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and CMS for further review to determine what, if any, actions will be required of MDOM.

Division of Medicaid – Special Tests - *Material Weakness/Material Noncompliance*

2020-046 Ensure Compliance with Medicaid National Correct Coding Initiative Confidentiality Agreements

- 1) Regarding the Effect of the Noncompliance: Auditor believes that without the required language to ensure confidentiality, MDOM is allowing the possibility of Conduent using the data for non-business purposes.

After consideration of the comments provided by MDOM in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and CMS for further review to determine what, if any, actions will be required of MDOM.

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOMELAND SECURITY

Finding Number **Finding and Recommendation**

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

SUBRECIPIENT MONITORING

Significant Deficiency

Immaterial Noncompliance

2020-023 Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements.

CFDA Number 97.036 – Disaster Grants – Public Assistance Program

Federal Award	DR-MS-1604	DR-MS-4081	DR-MS-4314
	DR-MS-4175	DR-MS-4295	DR-MS-4101
	DR-MS-4350	DR-MS-1794	
	DR-MS-4248	DR-MS-4268	

Questioned Costs N/A

Repeat Finding Yes; 2019-025

Statistically Valid This sample is not considered statistically valid.

Criteria *Code of Federal Regulations (2 cfr §200.331(f))* states all pass-through entities must verify that every subrecipient is audited as required by Subpart F - Audit Requirements when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501.

Code of Federal Regulations (2 cfr §200.501) states that a non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit.

Condition During our audit of the Mississippi Emergency Management Agency (MEMA), we reviewed the agency's process for monitoring their subrecipients' audit requirements. Based on inquiry with agency management and review of the agency's tracking log, MEMA did not ensure subrecipients were audited as required by federal regulations, nor did the agency timely review audit reports received from subrecipients to ensure compliance with audit requirements in the *Code of Federal Regulations (2 cfr 200 Subpart F)* during state fiscal year 2020.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Additionally, we noted the following exceptions:

- The agency's tracking log for subrecipients' fiscal year 2018 audit reports was not completed timely. The log was compiled and review began after fiscal year end due date.
- The tracking log consisted of 21 subrecipients, of which six audit reports were not received, and there was no correspondence on file for the subrecipients that had not submitted an audit report.
- The audit reports that were received were not reviewed and findings were not cleared timely.

Cause The agency has not fully implemented the corrective action plan from the prior year finding over subrecipient monitoring.

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 Emergency Management Agency strengthen controls over subrecipient monitoring to ensure recipients expending \$750,000 or more in federal funds during their fiscal year are appropriately monitored and an audit is obtained.

Views of Responsible Officials Management at the Mississippi Emergency Management Agency concurs with this finding. See additional comments in the Corrective Action Plan on page 315 of this audit report.

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF LABOR

Finding Number **Finding and Recommendation**

DEPARTMENT OF EMPLOYMENT SECURITY

ELIGIBILITY

Material Weakness

Material Noncompliance

2020-036 Strengthen Controls to Ensure Compliance with Eligibility Requirements.

CFDA Number 17.225 – Unemployment Insurance

Federal Award N/A

Questioned Costs N/A

Repeat Finding No.

Statistically Valid This sample is considered statistically valid.

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 control activities, such as authorization, approval, verification, and adherence to policy and procedures are implemented and followed. These activities are essential to minimizing the risk of fictitious claims and misstated financial position.

The Mississippi State Code Annotated (1972) §71-5-511 states that one is eligible to receive benefits that “has been unemployed for a waiting period of one (1) week”; “participates in reemployment services, such as job search assistance services, if, in accordance with a profiling system established by the department, it has been determined that he is likely to exhaust regular benefits and needs reemployment services”; “is able to work, available for work and actively seeking work”.

The Mississippi State Code Annotated §71-5-505(1) states “For weeks beginning on or after July 1, 1991, each eligible individual who is totally unemployed or part totally unemployed in any week shall be paid with respect to such week a benefit in an amount equal to his weekly benefit amount less that part of his wages, if any, payable to him with respect to such week which is in excess of Forty Dollars (\$40.00).”

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

The *Mississippi State Code Annotated §71-5-513* describes reason for separation that disqualifies the individual as “(a) For the week, or fraction thereof, which immediately follows the day on which he left work voluntarily without good cause, if so found by the department, and for each week thereafter until he has earned remuneration for personal services performed for an employer, as in this chapter defined, equal to not less than eight (8) times his weekly benefit amount, as determined in each case; however, marital, filial and domestic circumstances and obligations shall not be deemed good cause within the meaning of this subsection. Pregnancy shall not be deemed to be a marital, filial or domestic circumstance for the purpose of this subsection. (b) For the week, or fraction thereof, which immediately follows the day on which he was discharged for misconduct connected with his work, if so found by the department, and for each week thereafter until he has earned remuneration for personal services performed for an employer, as in this chapter defined, equal to not less than eight (8) times his weekly benefit amount, as determined in each case. (c) The burden of proof of good cause for leaving work shall be on the claimant, and the burden of proof of misconduct shall be on the employer.”

Unemployment Insurance Program Letter Number 13-20, Change 1, Attachment 1, Question 2 states that a state *must demonstrate* steps it has taken or will take to implement three elements, including (i) suspending the waiting week, (ii) modifying or suspending the work search requirements, and (iii) non-charging employers. For each of the three elements, the minimum requirement is to modify, suspend, or waive **for individuals or employers directly impacted by COVID-19 due to an illness in the workplace or direction from a public health official to isolate or quarantine workers** (emphasis added by auditor).

Unemployment Insurance Program Letter Number 28-20 states that the Department of Labor (DOL) included program integrity language in all of the major pieces of guidance associated with the state implementation of the CARES Act programs and provisions. *Unemployment Insurance Program Letter 13-20* states that program Integrity requirements for the regular unemployment program and unemployment programs authorized by the CARES Act were to operate in tandem, and CARES Act program requires that states must ensure that only eligible individuals receive benefits. Both UIPL letters 13-20 and 28-20 specify that the states must make efforts to rapidly and proactively prevent, detect, and investigate fraudulent activity; establish and recover fraud overpayments; and pursue criminal and civil prosecution to deter fraud. Specifically, states were strongly encouraged to implement the following measures to minimize fraud in the unemployment system:

- 1) Social Security Administration Cross Match
- 2) Systematic Alien Verification for Entitlement
- 3) Incarceration cross matches
- 4) Internet Protocol Address checks
- 5) Data Analytics to cross reference claims for indicators of fraud.

Unemployment Insurance Program Letter Number 10-20 states that DOL has a longstanding legal interpretation of federal unemployment law that

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

“unemployment” includes a reduction of both work hours and earnings; therefore, an individual who is not working, but has not experienced a reduction in income (including earnings, paid sick leave, and paid family leave), is not eligible to receive unemployment benefits.

Condition

The Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted by the federal government in response to the COVID-19 pandemic required state unemployment agencies to increase the amount of benefits paid to claimants.

Additionally, claimants were able to collect unemployment payments for an expanded time frame, and claimants who would otherwise not qualify for benefits (such as independent contractors and self-employment persons) were able to qualify for benefits. In order to process the multitude of claims in an expeditious manner, MDES opted to override the existing controls designed in the internal control system. Proven and tested controls over Unemployment Insurance claims were altered or disregarded for the periods of March 2020 through December 2020. MDES did not implement any compensating controls or additional verifications to ensure that the override of controls would not adversely affect claims paid. By overriding and disregarding controls, MDES did not adequately safeguard the federal program against fraud, waste, and abuse. Controls altered for the claims submitted in the noted timeframes were:

- Waived; One week waiting period; March 8, 2020 – December 26, 2020;
- Waived; Work Search Requirements; March 8, 2020 – August 8, 2020;
- Waived; Able to work, Available to work, and Actively Seeking Work (A&A); March 8, 2020 – September 26, 2020;
- Altered; Weekly Earning Allowance increased from \$40 to \$200; May 3, 2020 – September 26, 2020; and
- Altered; Reason for separation from *ALL* employers in base period changed to separation from *MOST RECENT* employer; March 8, 2020 - September 26, 2020.

Additionally, claims were approved without social security number verification during the period March 2020 – May 2020.

Due to these controls being ignored or overridden, MDES was unable to properly monitor the immense influx of claims and to properly vet those claims for fraud. During fiscal year 2020, total unemployment benefit claims increased from \$59,639,208 (fiscal year 2019) to \$2,146,060,996, a 3,498% increase. Included in that total was \$117,948,403 identified as overpayments. These payments include:

- Payments made to individuals who never lost or had a reduction in wages;
- Fraudulent payments due to stolen identity;
- Payments made to incarcerated individuals;

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

- Payments to individuals out of state; and
- Payments made to international unemployment fraud.

In particular, MDES inadvertently allowed incarcerated individuals to receive payment when the control that required claimants to verify that they were “actively seeking work” was waived. Incarcerated individuals were then able to apply for benefits and receive approval without any additional verification from MDES.

Additionally, MDES stated that there were some individuals who never lost or had a reduction in wages and still received unemployment benefits due to the definition on unemployed in Mississippi State Law – a definition that has since been changed. In order to best explain this circumstance, it would result from an employer “voluntarily” paying his workers their normal pay even though the business was closed due to the pandemic. While an individual might have been able to receive these payments and not have the payments classified as an “overpayment” under Mississippi law, federal law would have precluded these individuals from receiving unemployment payments under Pandemic Unemployment Assistance.

MDES personnel were initially overwhelmed by the influx of claims and were unable to accurately report the amount of increased loss the State was subject too, and were unable to adequately monitor the fraud that was reported by individuals when they received notification of benefits received.

Federal guidance that required the easing of pre-pandemic conditions for receiving unemployment state that the State is required to implement the minimum requirements to modify, suspend, or waive for individuals or employers directly impacted by COVID-19 due to an illness in the workplace or direction from a public health official to isolate or quarantine workers; however, MDES chose to waive or suspend requirements for the waiting week, work search requirements, and non-charging employees as additional measures. During testing of UI benefits paid during fiscal year 2020, the auditor tested 60 recipients and noted that individuals applying for unemployment during the pandemic were indeed not subject to work search requirements, or the waiting week for benefits. Additionally, auditor noted that the following:

- Nineteen instances where the claimant’s social security verification could not be determined by the auditor. Six instances were during the waived period March 2020 – May 2020;
- Five instances where benefits were not properly authorized or reviewed by MDES personnel; and
- Two instances where claimant voluntarily quit their job and was unemployed at their own fault. Both instances were during waived period March 8, 2020 – September 26, 2020.

Regardless of the federal requirements or Executive Orders issued, MDES is still responsible for ensuring the accuracy of unemployment claims. In order to assure the accuracy of those claims, MDES should have implemented compensating

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

controls to safeguard the unemployment trust fund when other controls were waived or overrode. The ultimate responsibility to ensure that unemployment payments were accurately paid out and that overpayments were kept to a minimum is the responsibility of MDES personnel.

Cause

Policies and procedures for Eligibility determinations were not followed.

MDES did not have proper internal controls in place due to overriding or waiving existing controls. This caused MDES the inability to verify that unemployment claims were paid to proper claimants.

The Social Security Administration (SSA) application for verifying Social Security numbers was down for period of time between March 2020 and May 2020. The Unemployment Insurance system would “verify” the numbers automatically and approve the claim when unable to connect to the SSA’s application. Claimants were not recertified until several months after receiving payments due to the increase in volume of claims, which allowed errors to go undetected.

Effect

Failure to properly enable controls and follow policies and procedures increases the risk of fraud and misappropriation of liabilities which can result in material misstatements of financial statements. Failure to maintain supporting documentation for eligibility determination could result in questioned costs and recoupment of costs by the federal granting agency. The waiver of strict controls on Unemployment Insurance benefits resulted in an increase of known overpayments of 79.10% from FY 2019 to FY 2020.

Recommendation

We recommend the Mississippi Department of Employment Security strengthen controls over policies and procedures to ensure internal controls are never disabled or circumvented. Additionally, we recommend further analysis of the overpayments of unemployment claims is performed in order to maximize the potential for recovery of fraudulent payments.

Views of Responsible Officials

Management at the Mississippi Department of Employment Security does not concur with this finding. See additional comments in the Corrective Action Plan on page 253 of this audit report and see Auditor’s Response to the Corrective Action Plan on pages 193 and 259.

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

Auditor's note to the Corrective Action Plan from Mississippi Department of Employment Security (MDES) Management

Department of Employment Security – Eligibility – *Material Weakness/Material Noncompliance*

2020-036 Controls Should be Strengthened over Unemployment Insurance Benefits Paid.

The Office of the State Auditor (OSA) acknowledges that the Mississippi Department of Employment Security (MDES) was faced with an unexpected and staggering task to ensure unemployment benefits were paid to individuals during the pandemic. OSA also acknowledges that certain federal guidelines were provided that MDES had to comply with in order to receive additional federal unemployment funds.

However, while MDES did receive federal guidance on making unemployment payments more accessible to those directly impacted by the pandemic, the options provided by the federal government were to either modify or suspend the work search requirements for individuals or employers directly impacted by COVID-19 due to an illness in the workplace or direction from a public health official to isolate or quarantine workers. States were also given the flexibility to respond to the COVID-19 emergency in a broader way, **if they chose to do so** (emphasis added by auditor). (*Unemployment Insurance Program Letter Number 13-20, Change 1, Attachment 1, Question 2*). MDES chose to suspend the requirement for all unemployment claims, and not only those that arose from an illness in the workplace or from an order to isolate or quarantine workers. The decision to implement broader flexibility and completely waive work search requirements were made by MDES. By MDES' own admission in other auditee responses to OSA, MDES stated that they requested the Governor's Office waive the specific requirements. Additionally, in each Executive Order (1462, 1481, 1502, and 1510), MDES was given flexibility to reassess and modify these measures prior to their expiration date in the orders.

Additionally, The Department of Labor (DOL) included program integrity language in all of the major pieces of guidance associated with the state implementation of the CARES Act programs and provisions (*Unemployment Insurance Program Letter Number 28-20*). Program Integrity requirements for the regular unemployment program and unemployment programs authorized by the CARES Act were to operate in tandem, and CARES Act program requires that states must ensure that only eligible individuals receive benefits (*Unemployment Insurance Program Letter Number 23-20*). Both UIPL letters 23-20 and 28-20 specify that the states must make efforts to rapidly and proactively prevent, detect, and investigate fraudulent activity; establish and recover fraud overpayments; and pursue criminal and civil prosecution to deter fraud. Specifically, states were strongly encouraged to implement the following measures to minimize fraud in the unemployment system:

- 1) Social Security Administration Cross Match
- 2) Systematic Alien Verification for Entitlement
- 3) Incarceration cross matches
- 4) Internet Protocol Address checks
- 5) Data Analytics to cross reference claims for indicators of fraud.

Furthermore, many of the most effective tools to deter and detect fraud were available to MDES in the Integrity Data Hub (IDH), and were available to states for well over a year. These included:

- 1) Interstate Suspicious Actor Repository to match claims across states
- 2) Foreign IP Address verification to receive flags on claims filed from IP addresses outside of the United States
- 3) Data Analytic tools
- 4) Fraud Alert Systems
- 5) Identify Verification for fraud scoring information, including flagging synthetic identities.

MDES has stated that they utilize the IDH; however, auditors cannot determine how effectively these programs were utilized considering the high amount of overpayments that were made during fiscal year 2020. Additionally, one of the specific fraud risks the UIPL, incarceration cross matches, were not performed by MDES, and resulted in overpayments to incarcerated individuals. These incarcerated individuals were able to apply for benefits when MDES overrode or turned off the automated controls and did not implement any compensating controls to ensure payments were proper.

Lastly, the Corrective Action Plan provided by MDES stated that there were some individuals who never lost or had a reduction in wages and still received unemployment benefits due to the definition on unemployed in Mississippi State Law – a definition that has since been changed. In order to best explain this circumstance, it would result from an employer “voluntarily” paying his workers their normal pay even though the business was closed due to the pandemic. However, federal unemployment regulations have long stated that individuals are unemployed when they are “separated” from their positions. In fact, DOL has a longstanding legal interpretation of federal unemployment law that “unemployment” includes a reduction of both work hours and earnings; therefore, an individual who is not working, but has not experienced a reduction in income (including earnings, paid sick leave, and paid family leave), is not eligible to receive unemployment benefits (*Unemployment Insurance Program Letter Number 10-20*). While an individual might have been able to receive these payments and not have them classified as an “overpayment” under Mississippi law, federal law would have precluded these individuals from receiving unemployment payments under Pandemic Unemployment Assistance.

Regardless of the federal requirements or Executive Orders issued, MDES is still responsible for ensuring the accuracy of unemployment claims. In order to assure the accuracy of those claims, MDES should have implemented compensating controls to safeguard the unemployment trust fund when other controls were waived or overrode. The ultimate responsibility to ensure that unemployment payments were accurately paid out and that overpayments were kept to a minimum is the responsibility of MDES personnel.

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF TRANSPORTATION

Finding Number **Finding and Recommendation**

DEPARTMENT OF TRANSPORTATION

SUBRECIPIENT MONITORING

Significant Deficiency

Immaterial Noncompliance

2020-035 Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements.

CFDA Number 20.205 – Highway Planning and Construction

Federal Award All Current Active Grants

Questioned Costs N/A

Repeat Finding Yes; 2019-020

Statistically Valid This sample is not considered statistically valid.

Criteria The *Code of Federal Regulations (2 cfr §200.331(f))* states all pass-through entities (PTE's) must verify that every subrecipient is audited as required by Subpart F - Audit Requirements when it is expected that the subrecipient's Federal awards expended during the fiscal year equaled or exceeded the threshold—a non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted—set forth in § 200.501 *Audit requirements*.

Code of Federal Regulations (2 cfr § 200.512(a)(1)) states the audit must be completed and the data collection form and reporting package must be submitted within the **earlier of** 30 calendar days after receipt of the auditor's report(s), **or** nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

Code of Federal Regulations (2 cfr § 200.512(a)(2)(b)) states the Federal Audit Clearinghouse (FAC) is the repository of record for Subpart F – Audit Requirements reporting packages and the data collection form. All Federal agencies, pass-through entities and others interested in a reporting package and data collection form must obtain it by accessing the FAC.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

As required by the Mississippi Department of Transportation’s (MDOT) *Project Development Manual* (PDM) for Local Public Agencies (LPA) Section 1.2, “... the MDOT must ensure that the LPA meets the audit requirements of Subpart F of the uniform guidance... The uniform guidance requires that if the LPA expends \$750,000 or more in federal funds during its fiscal year, the LPA must have a single audit performed in accordance with the uniform guidance. If the LPA meets this requirement, a request for the submission of the audit report will be made by the MDOT. The due date of submission for the audit report to the MDOT is within the earlier of 30 days after receipt of the CPA’s audit report or nine months after the end of the audit period (the LPA’s fiscal year).”

Per MDOT’s 2019 Corrective Action Plan, MDOT is utilizing a single audit certification letter to monitor the LPA audit reports for the year ended September 30, 2018. The single audit certification letter will document if an LPA is required to have a federal audit.

Condition

MDOT is not verifying that every subrecipient that expends \$750,000 or more in federal awards during the respective fiscal year is having a single audit or program specific audit performed.

During review of LPAs receiving federal funds from MDOT for 2018 federal year, we noted the following:

- Twelve instances in which MDOT did not send LPAs required certification letter to determine if subrecipient expended \$750,000 or more in federal funds for 2018 federal year; and
- Three instances in which MDOT did not verify LPAs with no response from MDOT’s certification letter were exempt or required to have a federal audit for 2018 federal year.

Cause

MDOT is currently not reviewing Mississippi universities and community colleges due to inclusion with Mississippi Institute of Higher Learning or Mississippi Community College Board. MDOT was not performing efficient procedures to verify LPAs were exempt from required federal audits when receiving no response to MDOT’s certification letter.

Effect

Subrecipients could be in noncompliance with 2 *cfr* § 200.501, Audit requirements, and go undetected by MDOT. In addition, MDOT could lose federal funding for not properly monitoring their subrecipients. Without proper monitoring of their federal reports, subrecipients may participate in unallowable activities that go undetected by MDOT, the grantor.

Recommendation

We recommend that the Mississippi Department of Transportation strengthen controls to ensure compliance with the Subrecipient Monitoring requirements.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Views of Responsible

Officials Management at the Mississippi Department of Transportation concurs with this finding. See additional comments in the Corrective Action Plan on page 293 of this audit report.

SPECIAL TEST & PROVISIONS – WAGE RATE

Material Weakness

Material Noncompliance

2020-034 Strengthen Controls to Ensure Compliance with Wage Rate Requirements.

CFDA Number 20.205 – Highway Planning and Construction

Federal Award No. All Current Active Grants

Questioned Costs N/A

Repeat Finding Yes; 2019-021

Statistically Valid This sample is not considered statistically valid.

Criteria *Code of Federal Regulations (29 cfr § 3.3(b) Labor)* requires each contractor or subcontractor engaged in the construction, prosecution, completion, or repair of any public building or public work, or building or work financed in whole or in part by loans or grants from the United States, shall furnish each week a statement with respect to the wages paid each of its employees engaged on work covered by part 3 and part 5 of this title during the preceding weekly payroll period. This statement shall be executed by the contractor or subcontractor or by an authorized officer or employee of the contractor or subcontractor who supervises the payment of wages, and shall be on the back of Form WH 347, “Payroll (For Contractors Optional Use)” or on any form with identical wording.

Code of Federal Regulations (29 cfr § 3.4(a) Labor) requires each weekly statement required under §3.3 shall be delivered by the contractor or subcontractor, within seven days after the regular payment date of the payroll period, to a representative of a Federal or State agency in charge at the site of the building or work, or, if there is no representative of a Federal or State agency at the site of the building or work, the statement shall be mailed by the contractor or subcontractor, within such time, to a Federal or State agency contracting for or financing the building or work.

Condition Mississippi Department of Transportation (MDOT) is not requiring contractors or subcontractors to submit within seven days after the regular payment date of the payroll period a statement with respect to the wages paid to each of its employees engaged in federal projects.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

During review of 40 payroll submissions, we identified 32 instances in which payrolls were submitted to MDOT's Project Office after the seven-day submission requirement. Nineteen instances were submitted 14 days after noted payroll week ending date. The latest submission was noted to be 32 days after contractor's payroll week ending date.

Cause MDOT's current standard practice of requiring payroll submissions to be current by the first week of monthly estimates allows contractor submissions to be later than the seven-day submission requirement.

Effect Failure to review contractor or subcontractor submitted payroll forms timely may result in improper payment of wage rates, work performed, and/or abuse of federal funds.

Recommendation We recommend the Mississippi Department of Transportation strengthen controls to ensure compliance with federal wage rate requirements.

Views of Responsible Officials Management at the Mississippi Department of Transportation does not concur with this finding. See additional comments in the Corrective Action Plan on page 291 of this audit report and see Auditor's Response to the Corrective Action Plan on pages 199 and 297.



**STATE OF MISSISSIPPI
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Auditor's note to the Corrective Action Plan from Mississippi Department of Transportation (MDOT) Management

Department of Transportation – Special Tests and Provisions - *Material Weakness/Material Noncompliance*

2020-034 Controls Should Be Strengthened to Ensure Compliance with Wage Rate Requirements

MDOT did not concur with the finding; however, the detailed response includes corrective actions to attempt to collect payroll information before payment is issued and MDOT concurs that the Contract Administration Division has control over issuing warrants to contractors. The requirement to provide payroll statements within seven days after the regular date of payroll is not a state or MDOT policy, but a federal requirement, and MDOT concurs that the information was not obtained based on the language of the corrective action plan. It appears MDOT is stating it does not concur that it should be required to perform this step; not that they do not concur with the actual finding that it was not performed.

After consideration of the comments provided by MDOT in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and federal grantor agency for further review to determine what, if any, actions will be required of MDOT.

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STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF VETERAN AFFAIRS

Finding Number Finding and Recommendation

VETERAN AFFAIRS BOARD

REPORTING

Material Weakness

Material Noncompliance

2020-040 Strengthen Controls Over the Preparation, Recording, and Review of the Schedule of Expenditures of Federal Awards.

CFDA Number 64.015 Veterans State Nursing Home Care

Federal Award N/A

Questioned Costs N/A

Repeat Finding No.

Statistically Valid This sample is considered statistically valid.

Criteria *The Code of Federal Regulations (2 cfr §200.510(b))* states, in part “the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502.”

Code of Federal Regulations (2 cfr §200.502(a)) states, in part, “the determination of when a federal award is expended must be based on when the activity related to the Federal award occurs.”

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 there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

the accuracy of financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

The Mississippi Agency Accounting Policies and Procedures (MAAPP) manual Section 27.30.60 states, “The Federal Grant Activity schedule supports amounts reported on the GAAP packet for federal grant revenues, receivables, deferred revenues and expenditures. The schedule is also used for preparing the Single Audit Report required by the Single Audit Act, Office of Management and Budget Uniform Grant Guidance and the State’s audit requirements. The amounts on this schedule should be reconciled by the agency with amounts reported on federal financial reports.”

Condition

During the audit of Mississippi Veterans Affairs (MVA) for fiscal year ended June 30, 2020, auditors noted that MVA recorded federal monies in state assigned fund classification (the three funds) rather than the federal assigned fund classification (the five funds) in the statewide accounting system, the Mississippi Accountability System for Government Information and Collaboration (MAGIC). Due to this misclassification of funds, the Mississippi Department of Finance and Administration (DFA) was unaware the MVA was receiving federal monies, and did not include the agency on the Statewide Schedule of Federal Activity (SEFA), and did not require MVA to prepare a grant schedule during the financial close out period. The statewide SEFA is prepared using agency prepared grant schedule activity reports, and a system of internal controls exists to ensure all federal monies are included in the SEFA and that all agencies that have federal monies prepare grant schedules. By misclassifying the funds, MVA inadvertently circumvented the control system and DFA was not alerted to the need for the inclusion of the funds in the SEFA. During other collaboration between the agencies, MVA and DFA realized the error and alerted the auditor to the error and the need for a revised statewide SEFA. Due to the designation as a Major Program under Uniform Grant Guidance Subpart F, MVA required an audit for fiscal year 2020. During this audit, auditors found that no agency specific SEFA nor grant schedule had been prepared by MVA. MVA prepared and submitted grant information to the auditors that required material adjustment in order for the grant activity to accurately reflect MVA’s underlying accounting records. It should be noted that MVA’s underlying financial accounting records were materially correct; however, the SEFA and grant schedule did not accurately reflect those records.

Cause

Management at MVA is relatively new and continued recording money in the same funds it had historically been recorded in and did not realize the federal monies received required the agency to prepare a SEFA. Additionally, the misclassification of funds in the three fund did not alert DFA to the receipt of federal funds.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Effect	Failure to properly ensure the CFDA numbers and amounts are reported correctly in MAGIC and that the SEFA agrees with the underlying financial records could result in inaccurate reporting to both the state and federal oversight organizations.
Recommendation	We recommend Mississippi Veterans Affairs strengthen controls over the preparation and review of the Schedule of Expenditures of Federal Awards to ensure all grant award information and amounts reported are accurate and correct, and that the information agrees with the underlying financial records.
Views of Responsible Officials	Management at the Mississippi Veterans Affairs concurs with this finding. See additional comments in the Corrective Action Plan on page 319 of this audit report.

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II. SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS



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STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

Instructions to Management

Each state grantee agency included in the prior year Single Audit Report for the State of Mississippi prepared a summary schedule of prior federal audit findings as required by *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200, Section 5.11*. In order to provide a systematic approach for reporting, agencies were asked to follow the format listed below.

For each prior year federal audit finding, the agency should include the following: (1) finding identification including finding number, finding heading, *Catalog of Federal Domestic Assistance* (CFDA) number and program name, (2) current status, and (3) planned corrective action, if required. These items are discussed below:

- (1) Each finding number, finding heading, CFDA number and program name should be listed in the same sequence as presented in the prior year Single Audit Report.
- (2) The current status should be identified with one of the following terms:
 - a. “Fully Corrected” - All corrective action has been taken.
 - b. “Partially Corrected” - Some, but not all, corrective action has been taken.
 - c. “Not Corrected” - Corrective action has not been taken.
 - d. “Not Valid” - Finding is no longer valid and does not warrant further action.
- (3) Corrective action should be noted for findings that are not identified as “Fully Corrected.”
 - a. When audit findings are “Partially Corrected” or “Not Corrected,” describe the planned corrective action as well as any partial corrective action taken.
 - b. When audit findings are “Not Valid,” describe the reasons the findings are no longer considered valid or do not warrant further action.

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STATE OF MISSISSIPPI

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

INDEX LISTED BY FINDING NUMBER

<u>FINDING NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>	<u>PAGE NUMBER</u>
2019-010	Department of Education	211
2019-026 ^{*a}	Department of Education	211
2019-008	Department of Health	213
2019-029	Department of Health	213
2019-012 ^{*b}	Department of Human Services	221
2019-013	Department of Human Services	221
2019-030 ^{*c}	Department of Human Services	215
2019-031	Department of Human Services	215
2019-032 ^{*d}	Department of Human Services	216
2019-033	Department of Human Services	216
2019-034	Department of Human Services	216
2019-035 ^{*e}	Department of Human Services	216
2019-036	Department of Human Services	217

*a The agency indicates the finding is partially corrected; finding 2020-032 was written to report current year problems noted.

*b The agency indicates the finding is fully corrected; finding 2020-009 was written to report current year problems noted.

*c The agency indicates the finding is fully corrected; finding 2020-024 was written to report current year problems noted.

*d The agency indicates the finding is fully corrected; finding 2020-025 was written to report current year problems noted.

*e The agency indicates the finding is partially corrected; finding 2020-026 was written to report current year problems noted.

Summary of Prior Year Status
Continued

2019-037 ^{*f}	Department of Human Services	217
2019-038 ^{*g}	Department of Human Services	217
2019-039 ^{*h}	Department of Human Services	217
2019-040	Department of Human Services	217
2019-041	Department of Human Services	218
2019-042 ^{*i}	Department of Human Services	218
2019-043 ^{*j}	Department of Human Services	218
2019-044	Department of Human Services	218
2019-020	Department of Transportation	223
2019-021	Department of Transportation	223
2019-022	Department of Transportation	223
2019-027 ^{*k}	Division of Medicaid	225
2019-028 ^{*l}	Division of Medicaid	225
2019-029	Division of Medicaid	226
2019-023	MS Emergency Management Agency	229
2019-024	MS Emergency Management Agency	229

*f The agency indicates the finding is fully corrected; finding 2020-027 was written to report current year problems noted.

*g The agency indicates the finding is fully corrected; finding 2020-028 was written to report current year problems noted.

*h The agency indicates the finding is fully corrected; finding 2020-029 was written to report current year problems noted.

*i The agency indicates the finding is fully corrected; finding 2020-030 was written to report current year problems noted.

*j The agency indicates the finding is fully corrected; finding 2020-031 was written to report current year problems noted.

*k The agency indicates the finding is partially corrected; finding 2020-042 was written to report current year problems noted.

*l The agency indicates the finding is partially corrected; finding 2020-045 was written to report current year problems noted.

Summary of Prior Year Status
Continued

2019-025	MS Emergency Management Agency	229
2018-062	Military Department	231
2019-018	Military Department	231
2019-019	Military Department	231

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MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.
State Superintendent of Education

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS For the Year Ended June 30, 2020

2019-010 Controls Should Be Strengthened over MAGIC Segregation of Duties,
Business Role Assignments and Quarterly Security Certification Process

FULLY CORRECTED

2019-026 Controls Should Be Strengthened to Ensure Compliance with On-Site
Subrecipient Monitoring Requirements

84.010 Title I - Grants to Local Education Agencies

84.367 Title II - Supporting Effective Instruction State Grants

PARTIALLY CORRECTED

The MDE has continued to review submitted documentation that mitigated the questioned cost amount and has collected some of the questioned cost amounts. The MDE will continue to follow-up with LEAs to mitigate or collect questioned cost by the established deadline of June 30, 2021. As a part of our annual review, the MDE will continue to strengthen the sub-recipient monitoring process and protocol to ensure compliance with the agency's policies and procedures.

A handwritten signature in black ink, reading "Carey M. Wright".

Signed: _____

Carey M. Wright, Ed.D., State Superintendent of Education

Date: October 2, 2020

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MISSISSIPPI STATE DEPARTMENT OF HEALTH

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS For the Year Ended June 30, 2020

2019-008 Strengthen Controls Over the Cutoff of Loan Related Receivables and Payables

Drinking Water Systems Improvements Revolving Loan Fund 5331500000, 6330300000, 6331B00000 and 6331C00000 – 67998000: Prior Year Expense

FULLY CORRECTED

2019-029 Controls Should Be Strengthened to Ensure Compliance over Subrecipient Monitoring

93.777 State Survey Certification of Health Care Providers and Suppliers (Title XIX)
Medicare

PARIALLY CORRECTED

This finding was on track to be totally corrected as of March 2020, as MS had done 83 of the 203 surveys in 5 ½ month, including the largest facilities in the State. All done from October 2019 – March 2020 were well within the 15.9 average. CMS suspended all survey activity on March 17, 2020 due to the COVID 19 Federal Pandemic Declaration Waiver which suspended Recertification or Annual Surveys. Therefore, this was partially corrected, and it was not possible to 'Fully Correct' the findings due to the Federal Emergency Pandemic Declaration which changed the focus of Survey Activity. All MSDH survey staff was deployed to work in COVID related Call Centers, at Testing Facilities, and to work with the National Guard conducting COVID testing in Long Term Care Facilities. Additionally, CMS changed the focus of the survey activity to conduct Focused Infection Control surveys and COVID specific surveys (in lieu of Annual Recertification Surveys) - of which the MSDH State Survey Agency conducted 100 %.

DocuSigned by:
Signed: Sharon Dowdy
934EA9B32F8A490...
Sharon Dowdy, CPA, CFE, CPM
Chief Administrative Officer / Chief Financial Officer

Date: 5/18/2021 | 9:17 AM CDT

DocuSigned by:
Signed: Thomas E. Dobbs
A5250T6E91BF427...
Thomas E. Dobbs III, M.D., M.P.H.
State Health Officer

Date: 5/18/2021 | 9:22 AM CDT

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

December 11, 2020

Dear Auditor White:

Enclosed for your review is the agency's official response and correlating corrective action plans to the prior year audit for the year ending on June 30, 2019.

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2019

2019-030	<u>The Mississippi Department of Human Services Should Strengthen Controls to Ensure Compliance with Subrecipient Allowable Cost Activities.</u>	
	10.551	Supplemental Nutrition Assistance Program (SNAP)
	10.561	State Administration Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)
	93.558	Temporary Assistance for Needy Families (TANF)
	93.575	Child Care and Development Block Grant (CCDF)
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)
	93.667	Social Services Block Grant (SSBG)

This finding has been fully corrected. MDHS provided adequate and appropriate training for all staff who monitor any federal allowable costs and activities. MDHS also established an Office of Compliance, which works in tandem with the Office of Inspector General. The Office of Compliance is responsible for the quality control functions involving both SNAP and TANF along with the monitoring functions involving subrecipients in those programs. Competitive procurement procedures will be used for TANF subgrants and MDHS will provide technical assistance for subgrants, with subgrantee attendance at an annual training performed by MDHS. Lastly, a new Executive Director was appointed and leadership changes were made to address the effective and efficient use of state and federal funds.

2019-031 Strengthen Controls to Ensure Compliance with Allowable Cost Requirements of the Supplement Nutrition Assistance Program (SNAP).

10.551 Supplemental Nutrition Assistance Program (SNAP)

This finding has been fully corrected. MDHS has terminated the SNAP E&T agreement with MCEC effective February 10, 2020.

2019-032 Controls Should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the TANF Program.

93.558 Temporary Assistance for Needy Families State Programs (TANF)

This finding has been fully corrected. MDHS has held training for MDHS staff and MDHS subgrantees concerning allowable TANF cost and activities. MDHS also updated its Subgrant Manual and subgrant process.

2019-033 Controls Should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the CCDF Cluster.

93.575 Child Care and Development Block Grant (CCDF)

93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)

This finding has been fully corrected. The Division of Early Childhood Care and Development worked with the Office of Inspector General to establish a dedicated team of three staff reviewers and one supervisor who conducts 150 monthly case reviews as part of the standard operating procedures. Note this is now a function that falls under the Office of Compliance. Additionally, monthly meetings are held with childcare supervisors, Office of Inspector General employees, and Office of Compliance employees to discuss staff errors, missing documentation and any improper payments.

2019-034 Strengthen Controls Over Review of Computations and Data for Allowable Cost Activity Used in the Manual Cost Allocation Process and Review of Indirect Costs Allocated to Federal Programs.

10.551 Supplemental Nutrition Assistance Program (SNAP)

93.558 Temporary Assistance for Needy Families State Programs (TANF)

93.658 Title IV-E Foster Care

This finding has been fully corrected. MDHS implemented new procedures to include automated cost allocation. Currently MDHS is working with DFA to get the electronic allocation uploaded directly to MAGIC.

2019-035 Controls Should Be Strengthened to Ensure Compliance with Cash Management Requirements of the TANF Program.

93.558 Temporary Assistance for Needy Families State Programs (TANF)

This finding has been fully corrected. MDHS provided adequate and appropriate training for all staff who monitor any federal allowable costs and activities. MDHS also established an Office of Compliance, which works in tandem with the Office of Inspector General. The Office of Compliance is responsible for the quality control functions involving both SNAP and TANF along with the monitoring functions involving subrecipients in those programs. Competitive procurement procedures will be used for TANF subgrants and MDHS will provide technical assistance for subgrants, with subgrantee attendance at an annual training performed by MDHS.

- 2019-036 Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the CCDF Cluster.
93.575 Child Care and Development Block Grant (CCDF)
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)

This finding has been fully corrected. The Division of Early Childhood Care and Development worked with the Office of Inspector General to establish a dedicated team of three staff reviewers and one supervisor who conducts 150 monthly case reviews as part of the standard operating procedures. Note this is now a function that falls under the Office of Compliance. Additionally, monthly meetings are held with childcare supervisors, Office of Inspector General employees, and Office of Compliance employees to discuss staff errors, missing documentation and any improper payments.

- 2019-037 Controls Should Be Strengthened to Ensure Compliance with Matching Requirements of the CCDF Cluster.
93.575 Child Care and Development Block Grant (CCDF)
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)

This finding has been fully corrected. The CCDF Cluster entered into subgrant agreement also called slot agreements in 2015. The agreement requires a 25% match. The Division of Early Childhood Care and Development request supporting documents from current slot providers. The slot agreements expired on August 31, 2020, and MDHS did not issue any new slot programs.

- 2019-038 Controls Should Be Strengthened to Ensure Compliance with the Period of Performance for the CCDF Program.
93.575 Child Care and Development Block Grant (CCDF)
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)

This finding has been fully corrected. Correspondence was sent to all subgrants that fit the category that new procedures will be implemented concerning subgrantee closeouts to be submitted in a shorter timeframe for the agency to adequately meet liquidation period.

- 2019-039 Strengthen Controls Over Procurement Policies and Awarding Subgrants for the TANF Program.
93.558 Temporary Assistance for Needy Families State Programs (TANF)

The anticipated implementation date for this finding is December 31, 2020. MDHS plans to have all procurement staff trained and certified through the Mississippi Department of Finance & Administration's Office of Personal Service Contract Review Board by December 31, 2020 or as soon as possible based on the Office of Personal Service Contract Review Board training schedule. Due to COVID-19 the in-person training has been suspended and virtual training has been limited.

- 2019-040 Controls Should Be Strengthened Over Procurement of Subrecipients for SNAP.
10.551 Supplemental Nutrition Assistance Program (SNAP)
10.561 State Administration Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)

This finding has been fully corrected. MDHS has written standard policies and procedures for the procurement process for the Skills2Work program.

- 2019-041 Controls Should Be Strengthened Over the Submission of Required Federal Reports for the TANF Program.
 93.558 Temporary Assistance for Needy Families State Programs (TANF)

This finding has been fully corrected. MDHS established new procedures to ensure multiple employees know the process of submitting reports.

- 2019-042 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.
- | | |
|--------|---|
| 10.551 | Supplemental Nutrition Assistance Program (SNAP) |
| 93.558 | Temporary Assistance for Needy Families State Programs (TANF) |
| 93.667 | Social Services Block Grant (SSBG) |
| 93.575 | Child Care and Development Block Grant (CCDF) |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF) |
| 93.568 | Low Income Home Energy Assistance Program (LIHEAP) |

This finding has been fully corrected. MDHS provided adequate and appropriate training for all staff who monitor any federal allowable costs and activities. MDHS also established an Office of Compliance which works in tandem with the Office of Inspector General. The Office of Compliance is responsible for the quality control functions involving both SNAP and TANF and the monitoring functions involving subrecipients in those programs.

- 2019-043 Strengthen Controls over Subrecipient Monitoring to Ensure Compliance with OMB Uniform Guidance Auditing Requirements.
- | | |
|--------|---|
| 10.551 | Supplemental Nutrition Assistance Program (SNAP) |
| 93.558 | Temporary Assistance for Needy Families State Programs (TANF) |
| 93.575 | Child Care and Development Block Grant (CCDF) |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF) |
| 93.667 | Social Services Block Grant (SSBG) |
| 93.568 | Low Income Home Energy Assistance Program (LIHEAP) |

This finding has been fully corrected. MDHS provided adequate and appropriate training for all staff who monitor any federal allowable costs and activities. MDHS also established an Office of Compliance which works in tandem with the Office of Inspector General. Also, internal risk assessment have been performed on all subrecipients.

- 2019-044 Controls Should Be Strengthened over the Review of Foster Care Maintenance Payment Rates and the Calculation of Foster Care Maintenance Payments.
- | | |
|--------|------------------------|
| 93.658 | Foster Care Title IV-E |
|--------|------------------------|

This finding has been fully corrected. MDCPS put a secondary review in place to ensure a multi-level review of the rates being entered into MACWIS. MDCPS also put at least one annual test of MACWIS in place to ensure the system is processing payments correctly.

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 Hadley Eisenberger, Inspector General, at 601-359-4939.

Respectfully,



Robert G. Anderson
Executive Director

RA: HE: KW

Cc: Sandra Griffith, Chief Compliance Officer
Hadley Gable Eisenberger, Inspector General

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December 10, 2020

FINANCIAL AUDIT FINDINGS

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

Dear Auditor White:

Enclosed for your review is the agency's official responses and corrective action plans to the Financial Audit Findings in the Single Audit Management Report as outlined in the Mississippi Department of Human Services audit performed for the Fiscal Year 2019:

Financial Audit Findings:

2019-012 Controls Should Be Strengthened to Ensure Management's "Tone at the Top" Does Not Allow for the Circumventing of Policies, Procedures, State Law, and/or Federal Regulations.

This finding has been fully corrected. A new Executive Director was appointed and leadership changes were made to address the "tone at the top" culture as well as the effective and efficient use of state and federal funds.

2019-013 Controls Should Be Strengthened over MAGIC Segregation of Duties, Business Role Assignments and Quarterly Security Certification Process.

This finding has been fully corrected. MDHS currently reviews the role assignments quarterly to ensure segregation of duties and has made significance progress over prior year's audit findings.

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 Hadley Eisenberger, Inspector General, at 601-359-4939.

Respectfully,



Robert G. Anderson
Executive Director

RA:HE:KW

pc: Sandra Griffith, Chief Compliance Officer
Hadley Gable Eisenberger, Inspector General

Melinda L. McGrath
Executive Director

P. O. Box 1850
Jackson, MS 39215-1850
Telephone (601) 359-7249
FAX (601) 359-7050
GoMDOT.com



Brian D. Ratliff
Deputy Executive Director/Chief Engineer
Lisa M. Hancock
Deputy Executive Director/Administration
Willie Huff
Director, Office of Enforcement
Charles R. Carr
Director, Office of Intermodal Planning

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the year ended June 30, 2020

2019-020 Controls Should Be Strengthened to Ensure Compliance with Subrecipient Monitoring Requirements.

CFDA # 20.205 Highway Planning and Construction

CFDA # 20.219 Recreational Trail Program (**The cited finding is not applicable to this program**)

FULLY CORRECTED

2019-021 Controls Should Be Strengthened to Ensure Compliance with Wage Rate Requirements

CFDA # 20.205 Highway Planning and Construction

CFDA # 20.219 Recreational Trail Program (**The cited finding is not applicable to this program**)

FULLY CORRECTED

2019-022 Controls Should Be Strengthened Over Special Test Requirements Related to the Quality Assurance Program

CFDA # 20.205 Highway Planning and Construction

CFDA # 20.219 Recreational Trail Program (**The cited finding is not applicable to this program**)

FULLY CORRECTED

Signed: _____

Melinda L. McGrath, PE
Executive Director

Date: _____

3/23/2021

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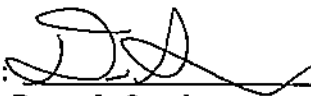
December 30, 2020

Attachment A

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2020

- 1) 2019-027, Controls Should Be Strengthened to Ensure Compliance with Eligibility Requirements of the Medical Assistance Program and the Children's Health Insurance Program (CHIP).
 - 2) 93.767 – Children's Health Insurance Program (CHIP)
93.778 – Medical Assistance Program (Medicaid; Title XIX)
 - 3) Partially Corrected
 - 4) DOM maintains that for determining eligibility, it is in compliance with the approved state plan. Using the approved CMS MAGI Base Verification plan, the state sought to verify the reported income to the standard of reasonable compatibility through all available electronic data sources. Of the four cases that OSA questioned, all have been determined to have been eligible based on the attested information in their application and verified through available electronic data sources. While DOM is only required to use tax return information in certain circumstances, the agency continues to pursue the authority to review state and/or federal tax return information. To date, DOM has not been provided statutory authority to access MS Department of Revenue information, but the updated completion date for the IRS data is estimated to be March 2021. DOM plans to continue to follow the approved federal/state plan for eligibility determination as it has done, and as additional resources are authorized for DOM's use, the agency will also begin to use those resources as well.
-
- 1) 2019-028, Controls Should Be Strengthened to Ensure Compliance with Automatic Data Processing (ADP) Risk Analysis and System Security Review Requirements.
 - 2) 93.778 Medical Assistance Program (Medicaid: Title XIX)
 - 3) Partially Corrected
 - 4) The security officer started at the Division of Medicaid (DOM) September 1, 2020.

- 1) 2019-029, Controls Should Be Strengthened to Ensure Compliance with Provider Health and Safety Standards Requirements.
- 2) 93.796 – State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid
- 3) Corrected
- 4) Implemented July 1, 2019

Signed: 
Drew L. Snyder
Executive Director

Date: 12/30/2020

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2020

2019-027 Controls Should Be Strengthened to Ensure Compliance with Eligibility Requirements of the Medical Assistance Program and the Children's Health Insurance Program (CHIP)

93.767 Children's Health Insurance Program (CHIP)
93.778 Medical Assistance Program (Medicaid; Title XIX)

PARTIALLY CORRECTED

Although the agency does not concur with the finding, DOM continues to work to access IRS data. DOM added a contract amendment with its fiscal agent CONDUENT to include the use of IRS income, which is estimated to be March 2021 to gain access. See CAP in Attachment A for further explanation.

2019-028 Controls Should Be Strengthened to Ensure Compliance with Automatic Data Processing (ADP) Risk Analysis and System Security Review Requirements

93.778 Medical Assistance Program (Medicaid: Title XIX)

PARTIALLY CORRECTED

The security officer started his contract at the agency September 1, 2020. He is working to perform an agency wide risk assessment annually. DOM has selected a vendor AT&T to perform SOC/SIEM monitoring, which iTECH is working with ITS to help procure these services. Both the assessment and the monitoring are estimated to be performed and implemented on or before June 30, 2021.

2019-029 Controls Should Be Strengthened to Ensure Compliance with Provider Health and Safety Standards Requirements

93.796 State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid

FULLY CORRECTED

Signed: _____

Drew L. Snyder
Executive Director

Date: 12/30/2020

Attachment C

Division of Medicaid

- 2019-027 Controls Should Be Strengthened to Ensure Compliance with Eligibility Requirements of the Medical Assistance Program and the Children's Health Insurance Program (CHIP).
- 93.767 Children's Health Insurance Program (CHIP)
- 93.778 Medical Assistance Program (Medicaid; Title XIX)
- 2019-028 Controls Should Be Strengthened to Ensure Compliance with Automatic Data Processing (ADP) Risk Analysis and System Security Review Requirements.
- 93.778 Medical Assistance Program (Medicaid; Title XIX)
- 2019-029 Controls Should Be Strengthened to Ensure Compliance with Provider Health and Safety Standards Requirements.
- 93.796 State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid



State of Mississippi

TATE REEVES
Governor

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

STEPHEN C. McCRANEY
EXECUTIVE DIRECTOR

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended June 30, 2019

2019-023 Controls Should be Strengthened to Ensure Federal Costs are Properly Reviewed, Approved and Eligible Prior to Reimbursement

CFDA #97.039, Hazard Mitigation Grant Program

FULLY CORRECTED – pending FEMA approval

2019-024 Controls Should be Strengthened to Ensure Compliance with Federal Revenue Draw Requirements

CFDA #97.039, Hazard Mitigation Grant Program

FULLY CORRECTED – pending FEMA approval

2019-025 Controls Should be Strengthened to Ensure Compliance over Subrecipient Monitoring of OMB Uniform Guidance Audits

CFDA #97.039, Hazard Mitigation Grant Program

FULLY CORRECTED – pending FEMA approval

Signed: _____

Stephen C. McCraney, Executive Director

Date: _____

3-16-2021

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STATE OF MISSISSIPPI MILITARY DEPARTMENT



THE ADJUTANT GENERAL'S OFFICE
POST OFFICE BOX 5027
JACKSON, MISSISSIPPI 39296-5027

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS For the Year Ended June 30, 2020

2018-062 The Department did not prepare the OMB Standard Form 270 for reimbursement requests

CFDA 12.400, National Guard Military Construction

Fully Corrected

In cooperation with federal partners, this item was fully corrected effective October 1, 2019

2019-018 State's Military Department not reviewing the suspension and debarment status of vendors as required by Federal regulations

CFDA 12.400, National Guard Military Construction

Fully Corrected

Using the SAMs.gov website, we are reviewing the status of vendors as required by Federal regulations.

2019-019 The Department did not prepare the OMB Standard Form 270 for reimbursement requests (Repeat Finding 2018-062)

CFDA 12.400, National Guard Military Construction

Fully Corrected

In cooperation with federal partners, item was fully corrected effective October 1, 2019. Timing of FY18 audit report and corrections resulted in a repeat finding, for the period July 1, 2019 – September 30, 2019.

Signed: _____

Amos P. Parker, Director State Resources

Date: _____

13 Jul 21

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III. MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS



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STATE OF MISSISSIPPI

**MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2020
Instructions to Management**

In order to provide a systematic approach for agencies to respond to audit findings, the management of each agency was requested to follow the instructions listed below in preparation of the formal response to single audit findings and the corrective action plan.

For each AUDIT FINDING, the agency should include the following: (1) *Catalog of Federal Domestic Assistance* (CFDA) number and program name, (2) type of compliance requirement, (3) audit finding number and finding heading, (4) response, and (5) corrective action plan. These items are discussed below:

1. Each CFDA number and program name should be listed in the same sequence presented in the management letter. The entire finding is not required to be repeated.
2. Each type of compliance requirement should be listed in the same sequence as presented in the management letter.
3. Each audit finding number and finding heading should be listed separately in the same sequence as presented in the management letter. The entire finding is not required to be repeated.
4. Responses of the agency to audit findings should be included directly below each audit finding heading. For each response, the agency should state whether they concur or do not concur with the individual finding and recommendation and the reasons why.
5. After an audit finding heading has been listed along with the corresponding agency response, the plan for corrective action should be listed using the following format:
 - a. Specific steps to be taken to correct situation.
 - b. Name(s) of the contact person(s) responsible for corrective action.
 - c. Anticipated completion date for corrective action.
 - d. Specific reasons why corrective action is not necessary, if applicable.

OMB Uniform Guidance, Section 200.521 requires audit findings to be resolved between federal agencies and audited agencies within six months after the receipt of the single audit report by the federal government. Audited agencies should maintain permanent files on all correspondence with the federal government during the audit resolution process. Federal agencies may ask for additional information pertaining to audit findings.

On the following pages, we have compiled the formal response to the findings and recommendations and the corrective action plan of each agency's management.

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STATE OF MISSISSIPPI
MISSISSIPPI DEPARTMENT OF CORRECTIONS
Burl Cain, Commissioner

FINANCIAL AUDIT FINDINGS

May 11, 2021

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

Dear Mr. White:

The Mississippi Department of Corrections has received Financial Audit from Carr, Riggs & Ingram, LLC for fiscal year end June 30, 2020. In my capacity as the Commissioner of MDOC, I have conducted staff meetings with our executive team in order to adequately address any deficiencies and/or instances of non-compliance revealed in the audit. MDOC has worked tirelessly since February to address and has already corrected many of the findings stated in your report. MDOC has established its new vision as an honorable, innovative, and fiscally responsible professional organization.

With respect to your Financial Audit of the Mississippi Department of Corrections (MDOC), we offer the following comments:

Finding 2020-018

Repeat Finding: 2018

Finding Type: Material Weakness in Internal Controls Over Financial Reporting – GAAP Package

There were several instances of adjustments that were needed to properly state the financial statements due to lack of proper management review of key entries, accounts, and supporting worksheets used in Fund's GAAP Package Reporting process.

The Funds' process related to the accrual process for medical services accounted for in the Medical

Fund does not provide sufficient detail to support the accrual amount recorded. The accrual is determined at a point in time based on certain information; however, the information is not maintained. Additionally, complicating the accrual process is a significant lag time of receipt of the medical bills related to the services being performed. In reviewing the medical bills, the invoices related to medical services were posted sometimes four months from when the services were performed.

The Funds have several contractual relationships related to inmate services and the GAAP Packages did not accrue these invoices related to these services in the Private Prison Fund and Regional Prison Fund. The accrual process incorrectly indicated that these invoices were related to budget period 2021 as a result of a Senate Bill indicating that there were funds appropriated in 2021 to fund 2020 expenditures and therefore not included in the GAAP Package accruals. The Funds do not have documented evidence of controls over review of the monthly reporting package by management for all funds.

Additionally, the recordkeeping and organizational system of the underlying calculations and worksheets used in the GAAP Package Reporting process is disorganized and not conducive to easy supervisory review and approval.

Agency and Corrective Action Plan

Management has already changed the process for completing transactions in MAGIC. Support documentation will consist of all line items associated with transactions and support the total amount of the transaction prior to approval. The Director of Fiscal Affairs will be the final approval on these transactions and ensure supporting detail is attached in MAGIC.

The Accounting Department will work with the Medical Compliance Department to develop a monthly report identifying all offenders' incurring medical bills on a monthly basis. The Accounts Payable Team will cross-reference the monthly report with monthly payments to identify outstanding invoices for research and follow-up. This will ensure invoices are processed timely.

The agency has implemented a process in which all fund transfers are reconciled and processed on a monthly basis with support documentation uploaded in MAGIC.

Finding 2020-019

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls Over Financial Reporting –Premier Supply Link, LLC

The Funds has contracted with Premier Supply Link, LLC (Premier) to provide canteen services to the Funds' inmates statewide. The contract is a net-of-fee contract whereby Premier provides canteen services and the Fund is compensated based on a determined percentage of the retail sales of canteen items to the Funds' inmates. The Funds rely on Premier invoices and supporting documentation related to retail sales to determine the Funds' compensation accounted for in the Inmate Welfare Fund. There is no review of Premier's monthly calculation of the Funds' compensation and verification of the retail sales and supporting documentation.

Agency and Corrective Action Plan

The agency will enforce MDOC Policy 02-10, Canteen Operations, which stipulates canteen funds will be independently audited and require annual financial status report. The agency will look into amending the terms of the contract with Premier Supply Link, LLC to include sufficient language stipulating the agency's discretion to audit financial records and require retention of such records for a specified period of time. The agency is in the process of hiring an internal auditor whose duties will include a monthly review of the review of canteen services compensation and annual financial status report.

The agency will consider requirement of the Service Organization Control (SOC) 1 report to provide independent verification of adequacy of vendor's system of controls.

Finding 2020-020

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls over Financial Reporting and Noncompliance with State Laws – Contractual Services

The Fund has contracted with several different entities to provide residential services to the Funds' inmates. The contract fee is based on inmates assigned to the facility as established by the Midnight Strength Report. The contract fees allow for a minimum guarantee based on levels of inmate population as established by the contract and then additional fee for populations being serviced over the population covered by the minimum guarantees.

We reviewed several invoices related to the contractual payments and noted the following discrepancies, while these items were not material, they indicate lack of detailed review to provide assurance that payments were proper for the Private Prison Fund and Regional Prison Fund:

- The total fee on the invoices for a facility was based on daily inmate population at a determined per diem rate except for the 14th day on the invoice that had a different per diem rate.
- Several invoices did not calculate that the total amount correctly but were still paid at the amount due on the invoice.
- Invoices that the check was written for an amount more than the total amount due on the invoice without any adjustment noted on the invoice indicating a different amount was due.
- Invoices based on inmate populations that were different then the Midnight Strength Report.
- Invoice which noted the inmate population was for the period April 2020 but the detail of the inmate population by day had dates of March 2020.

In addition, we reviewed all the contracts utilized by the Funds and noted the Funds did not issue a purchase order for a contractual purchase to ensure final payment of invoice. Utilizing purchase orders is a requirement in the MAAPP Manual and also serves as a control in the statewide accounting system (MAGIC) to ensure contracts are not overpaid.

Agency and Corrective Action Plan

MDOC has addressed finding through staff training. Accounts Payable staff will be required to reference contract number on vendor invoice, verify mathematical computations, initial and date invoice indicating verification of rates consistent with contract per diem and/or minimum guarantee rates; verify funds are available on contract and attach the verified invoice in MAGIC.

The agency will enforce its discretion to audit financial records on an annual basis and require retention of such records for a specified period of time. The agency is in the process of hiring an internal auditor whose duties include audit of contractors' financial records and annual financial status report.

Finding 2020-021

Finding Type: Material Weakness in Internal Controls Over Financial Reporting -Segregation of Duties

The accounting director for the Funds' has the ability to set up a new vendor and authorize a payment.

Agency Response and Corrective Action Plan

MDOC has reviewed accounting procedures and strengthened controls to ensure proper segregation of duties over the cash disbursements process.

Finding 2020-022

Repeat Finding: No

Finding Type: Material Weakness in Internal Controls over Financial Reporting and Noncompliance with State Law - QuickBooks

Condition

MDOC utilizes QuickBooks accounting software for funds received as well as transfers made between funds. QuickBooks is utilized as a clearing account by MDOC to record receipt transactions and then checks are cut to the State Treasury to move the funds from a MDOC account into a State Treasury account. The account currently has \$27,148 balance and for fiscal year June 30, 2020 had approximately \$8.2 million of receipts, \$8.1 million of checks cut to State Treasury and \$117,000 of checks cut to various vendors. The checks cut to vendors do not specify the fund to which the activity is related nor is it easily determinable whether the activity has been recorded into MAGIC. The Funds reconcile amounts entered into QuickBooks accounting software to MAGIC monthly; however, there were several months that the activity was not recorded into MAGIC timely. The Funds, year-end GAAP adjustments were noted to be large transactions summarizing the detailed transactions input into QuickBooks. These large transactional journal entries do not contain sufficient detail to adequately describe and define the accounting transactions, and do not provide an adequate audit trail for the recording of assets and transactions.

Agency Response and Corrective Action Plan

MDOC will identify agency managed bank accounts that will serve as depository for self-generated funds or custodial funds not required by law to be deposited in the State Treasury in accordance with Mississippi Code Annotated Section 7-7-59; and collection or clearing account for funds required by law to be deposited in the State Treasury in accordance with Mississippi Code Annotated Section 7-9-12. The agency will submit the appropriate Agency Bank Account Request Form to the Department of Finance and Administration for approval on all agency managed bank accounts and update change requests as necessary. The agency ensure all transactions are reconciled on a monthly basis.

Sincerely,



Burl Cain, Commissioner

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MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.
State Superintendent of Education

FINANCIAL AUDIT FINDINGS

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

March 24, 2021

Dear Mr. White:

In accordance with Financial Audit Management Audit Report dated March 16, 2021, the Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the financial audit finding for the fiscal year ending June 30, 2020.

AUDIT FINDING:

2020-012 Controls Should Be Strengthened over the Preparation of the Federal Grant Activity Schedule.

Response: Although the MDE concurs with the finding, the MDE does not agree that a "lack of appropriate personnel oversight" was the cause of the finding.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation.

The Executive Director of Accounting and the Executive Director of Grants Management will ensure controls are strengthen over the preparation and review process of the Schedule of Federal Awards and Subgrant Schedule form 27.30.70.

B. Name of the contact person responsible for corrective action.

Sheila Franklin-Buie, Executive Director of Accounting
Elisha Campbell, Executive Director of Grants Management

C. Anticipated completion date for correction action.

August 31, 2021

If you have any questions, please contact Dr. Felicia Gavin at 601-359-5254.

Sincerely,

A handwritten signature in black ink that reads "Carey M. Wright".

Carey M. Wright, Ed.D.
State Superintendent of Education

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MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.
State Superintendent of Education

SINGLE AUDIT FINDINGS

June 22, 2021

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

Dear Mr. White:

The Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the single audit finding for the fiscal year ending June 30, 2020.

AUDIT FINDINGS:

84.010 Title I – Grants to Local Education Agencies
84.367 Title II – Supporting Effective Instruction State Grants

Subrecipient Monitoring

2020-032 Strengthen Controls to Ensure Compliance with On-Site Subrecipient Monitoring Requirements

Response:

The MDE concurs with the audit finding; however, the agency has continued to work with subrecipients to follow the established procedures and update monitoring procedures to ensure efficiency and effectiveness.

Corrective Action Plan:

- A. The MDE will continue to strengthen the subrecipient monitoring process and protocol to ensure compliance with the agency's policies and procedures.
- B. Judy Nelson, Executive Director of Federal Programs

C. June 30, 2022

84.027 Special Education – Grants to States (IDEA, Part B)

84.173 Special Education – Preschool Grants (IDEA, Preschool)

Subrecipient Monitoring

2020-033 Strengthen Controls to Ensure Compliance with On-Site Subrecipient Monitoring Requirements for Special Education Cluster Programs

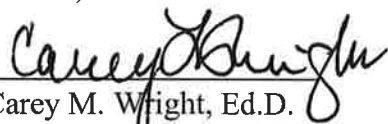
Response:

The MDE concurs with the audit finding; however, the agency has continued to work to incorporate significant changes to the subrecipient monitoring procedures and made a significant investment in building the capacity of new OSE management team members to monitor subrecipient compliance and ensure that subawards are used for the authorized purposes.

Corrective Action Plan:

- A. The MDE will continue to strengthen the subrecipient monitoring process and protocol to ensure compliance with the agency's policies and procedures.
- B. Robin Lemonis, Executive Director of Special Education
- C. June 30, 2022

Signed: _____


Carey M. Wright, Ed.D.
State Superintendent of Education



MISSISSIPPI DEPARTMENT *of* EMPLOYMENT SECURITY

OFFICE OF THE GOVERNOR
JACQUELINE A. TURNER
EXECUTIVE DIRECTOR

FINANCIAL AUDIT FINDINGS

April 2, 2021

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

Dear Mr. White:

The Mississippi Department of Employment Security (hereafter MDES) team has reviewed the financial findings and have the following responses:

2020-005 Controls should be strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, and Quarterly Security Certification Process.

Response:

MDES concurs with the finding.

Corrective Action Plan:

MDES has reviewed the role assignments and the segregation of duties have been corrected.

2020-006 Controls should be strengthened over the reconciliation of the State's Financial Accounting System to the Third Party Unemployment Software - ReEmployUSA.

Response:

MDES concurs with the finding.

Corrective Action Plan:

MDES will strengthen controls over financial reporting by establishing a claims payable report in the system with predefined parameters for each program. MDES will also have the report's data approved by a knowledgeable Information Technology staff member before reporting on the GAAP Packet Reports.

2020-007 Controls should be strengthened over Unemployment Insurance Benefits Paid

Response:

Other than to acknowledge that a number of overpayments and improper payments occurred, MDES respectfully disagrees with Finding 007 in its entirety, both in scope and holding. MDES properly complied with emergency measures enacted by both the federal government and the State of Mississippi in response to the COVID-19 pandemic. In order to explain the actions of MDES during this unprecedented pandemic, it is necessary to place the actions described in the audit finding in context, so that proper perspective, understanding, and appreciation can be ascertained.

On March 13, 2020, President Trump declared the COVID-19 pandemic a national emergency. On March 14, 2020, Governor Tate Reeves issued a Proclamation declaring a State of Emergency in the State of Mississippi. Because the COVID-19 pandemic was declared a national emergency both at the federal and state level, any resulting State or Federal Executive Order, or federal or state legislation, became law, and thus controlled the procedures of MDES. This new “emergency law” supplanted existing current state and federal law in many areas including certain state unemployment insurance statutes. Thus, normal agency measures, controls, practices, and other criteria, as referenced in Finding 007, conflicted with duly enacted Executive Orders and certain legislation, and therefore had to be adjusted. This need to adjust procedures clearly distinguishes 2020 from any other year in recent memory, and explains and supports the fact that MDES did not “waive” state law, rather, it followed all emergency law measures, which included the temporary suspension of certain eligibility requirements to expeditiously deliver much-needed relief to hundreds of thousands of Mississippians.

SUSPENSION OF ELIGIBILITY MEASURES

In order to adequately explain MDES’s decision to temporarily suspend certain unemployment insurance eligibility measures, and to modify other unemployment insurance statutes such as the weekly earnings allowance, it is necessary to review pertinent federal pandemic relief legislation enacted during the early stages of the pandemic. On March 18, 2020, President Trump signed the Families First Coronavirus Response Act (FFCRA), specifically Division D, the Emergency Unemployment Insurance Stabilization and Access Act of 2020 (EUISAA). Per the United States Department of Labor’s (DOL) guidance, “the EUISAA sets out requirements for emergency

administrative grants to states, and authorizes emergency flexibility allowing states to temporarily modify certain aspects of their unemployment compensation (UC) laws.”

In order to receive the emergency administrative grants under Section 903(h)(3)(B), SSA, (42 U.S.C. §1103(h)(3)(B)) pursuant to EUISAA, each state must show the “steps it has taken, ..., to ease eligibility requirements and access to UC, including: modifying or suspending work search requirements and the waiting week.”

In compliance with this statutory requirement, Mississippi then executed a series of Executive Orders which specifically addressed the directive to temporarily suspend the work search requirement and the one-week waiting period as well as provide flexibility in the interpretation of the able and available requirement.

Executive Orders also included a provision that temporarily increased the weekly earnings allowance, encouraging employers to retain employees in the face of the most generous temporary unemployment benefits measures in history. This modification proved highly successful, especially in the food industry. Another provision, although flagged by Finding 007, was also authorized by Executive Order, and allowed MDES to determine UI eligibility based on job separation from the most recent employer, rather than from all previous employers in the employee’s base period, as is the normal procedure. This measure expedited UI services to thousands of claimants filing for benefits en masse and at a most critical time. MDES temporarily modified its controls in order to comply with the provisions of EUISAA. In compliance with EUISAA, all of these modifications to Mississippi law were temporary. After these Executive Orders expired, MDES returned to its normal pre-COVID procedures.

The measures taken by MDES during the most severe part of the pandemic were necessary, proper under the circumstances, narrowly targeted in scope and time, and authorized by federal and state law. However, finding 007 indicates that MDES simply “opted to override existing controls” without support in state or federal law. Further, the report implies that the actions of MDES were the sole cause of the significant increase in claims and subsequent overpayments.

As explained herein, the requirements of the new federal unemployment provisions coupled with the unprecedented mass unemployment crisis, dictated the actions taken by MDES during the audit period in 2020. When the entire state shut down, except for essential services, for a number of weeks, claims naturally increased. Therefore, statistically speaking, it follows that the number of overpayments increased as a result of the increase in unemployment claims filed.

It is MDES’ position that the numerical figures from the relevant time period are more accurate: 94.5% of UI benefit payments went to eligible claimants, and resulted in identified overpayments of only 5.5%. Moreover, MDES would contend that the one-week waiting period, the work search requirements, and more flexibility in the able and available criteria are not, in fact, controls, but existing state law. MDES is unaware of any statutes which defines these state laws as controls.

When the Executive Order changed the law concerning these eligibility measures, MDES complied accordingly.

VERIFICATION AND OVERPAYMENTS DISCUSSION

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES) which created new unemployment compensation programs. Because of the economic devastation created by the pandemic, the CARES Act specifically required MDES to pay claims for all applicants to these new federal pandemic unemployment insurance programs before fully verifying their identities and then establishing an overpayment in the event of an improper payment. The normal procedure mandates claimant identity verification first, before the payment of benefits.

The audit finding states that claims were approved without social security verification during the period March 2020 to May 2020, and that this procedure led to an increase in claims and prevented MDES from vetting those claims for fraud. This finding further remarks that the resulting overpayment total was comprised of different categories, specifically: fraudulent payments, payments to incarcerated and deceased individuals, and verification issues. However, overpayments and verification issues in these categories were a direct result of the pandemic. Specifically:

1. System and technical difficulties (including the Social Security verification issue) caused by the unprecedented number of UI claims being filed at the onset of the pandemic.
2. Suspension of eligibility measures mandated by federal and/or state law, which caused payment to incarcerated and deceased individuals.
3. Creation of new unemployment insurance programs, such as Pandemic Unemployment Assistance, which allowed the disbursement of unemployment benefits to categories of claimants that would otherwise be ineligible to receive benefits. This includes independent contractors and other individuals who would not normally be eligible to receive benefits under the UI system. This resulted in an increase in fraudulent payments.

Another category mentioned in the finding was payments made to individuals who never lost or had a reduction in wages. It is important to clarify that under the then-current Mississippi Employment Security Law, this type of payment was not defined as an overpayment. State law did not prohibit claimants from receiving voluntary payments from their employers in addition to the receipt of Unemployment Insurance benefits because the individual was not considered “unemployed.” Mississippi, however, has recently passed legislation that directly addresses this issue. The revised statute denies payment of unemployment insurance benefits to claimants who receive voluntary payments, up to the full amount of their wages, from their employers for the

same period covered by their unemployment insurance benefits. This prevents such an occurrence from ever happening again.

It is worth repeating that the total percentage of identified overpayments for 2020 was 5.5%. This overpayment total includes all of the categories listed in Finding 007. This means that 94.5% of all payments were valid, eligible claims that helped hundreds of thousands of Mississippians at a time of crisis. This is an incredible percentage considering the circumstances.

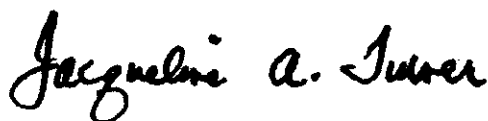
CONCLUSION

During a pandemic, difficult issues arise that require prompt and decisive action. In normal non-pandemic times, if MDES had received an audit report finding such as Finding 007, it would have simply taken note and made the recommended changes. In this instance, however, MDES respectfully disagrees with this finding because it does not acknowledge or allow for the existence of this pandemic, or the radically new and different federal programs implemented during the disaster. 2020 was not just a regular year, and MDES respectfully disagrees with the conclusion of Finding 007 that MDES failed to follow policies and procedures because the normal rules and procedures were changed by state and federal law. MDES went to great lengths to follow the new, authorized rules and procedures that were put in place by Federal and State emergency declarations. Moreover, MDES will pursue all measures available to recoup all overpayments and improper payments incurred during the pandemic.

The audit report also recommended that MDES never disable or circumvent internal controls again in the future, however, should the same circumstances as those that occurred during the pandemic arise again, MDES would again follow state and federal law.

MDES appreciates the opportunity to respond to this Finding 007.

Sincerely,

A handwritten signature in black ink that reads "Jacqueline A. Turner". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

Jacqueline A. Turner
Executive Director

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

Auditor's note to the Corrective Action Plan from Mississippi Department of Employment Security (MDES) Management

Department of Employment Security – *Material Weakness/Material Noncompliance*

2020-007 Controls Should be Strengthened over Unemployment Insurance Benefits Paid.

The Office of the State Auditor (OSA) acknowledges that the Mississippi Department of Employment Security (MDES) was faced with an unexpected and staggering task to ensure unemployment benefits were paid to individuals during the pandemic. OSA also acknowledges that certain federal guidelines were provided that MDES had to comply with in order to receive additional federal unemployment funds.

However, while MDES did receive federal guidance on making unemployment payments more accessible to those directly impacted by the pandemic, the options provided by the federal government were to either modify or suspend the work search requirements for individuals or employers directly impacted by COVID-19 due to an illness in the workplace or direction from a public health official to isolate or quarantine workers. States were also given the flexibility to respond to the COVID-19 emergency in a broader way, **if they chose to do so** (emphasis added by auditor). (*Unemployment Insurance Program Letter Number 13-20, Change 1, Attachment 1, Question 2*). MDES chose to suspend the requirement for all unemployment claims, and not only those that arose from an illness in the workplace or from an order to isolate or quarantine workers. The decision to implement broader flexibility and completely waive work search requirements were made by MDES. By MDES' own admission in other auditee responses to OSA, MDES stated that they requested the Governor's Office waive the specific requirements. Additionally, in each Executive Order (1462, 1481, 1502, and 1510), MDES was given flexibility to reassess and modify these measures prior to their expiration date in the orders.

Additionally, The Department of Labor (DOL) included program integrity language in all of the major pieces of guidance associated with the state implementation of the CARES Act programs and provisions (*Unemployment Insurance Program Letter Number 28-20*). Program Integrity requirements for the regular unemployment program and unemployment programs authorized by the CARES Act were to operate in tandem, and CARES Act program requires that states must ensure that only eligible individuals receive benefits (*Unemployment Insurance Program Letter Number 23-20*). Both UIPL letters 23-20 and 28-20 specify that the states must make efforts to rapidly and proactively prevent, detect, and investigate fraudulent activity; establish and recover fraud overpayments; and pursue criminal and civil prosecution to deter fraud. Specifically, states were strongly encouraged to implement the following measures to minimize fraud in the unemployment system:

- 1) Social Security Administration Cross Match
- 2) Systematic Alien Verification for Entitlement
- 3) Incarceration cross matches
- 4) Internet Protocol Address checks
- 5) Data Analytics to cross reference claims for indicators of fraud.

Furthermore, many of the most effective tools to deter and detect fraud were available to MDES in the Integrity Data Hub (IDH), and were available to states for well over a year. These included:

- 1) Interstate Suspicious Actor Repository to match claims across states
- 2) Foreign IP Address verification to receive flags on claims filed from IP addresses outside of the United States
- 3) Data Analytic tools
- 4) Fraud Alert Systems
- 5) Identify Verification for fraud scoring information, including flagging synthetic identities.

MDES has stated that they utilize the IDH; however, auditors cannot determine how effectively these programs were utilized considering the high amount of overpayments that were made during fiscal year 2020. Additionally, one of the specific fraud risks the UIPL, incarceration cross matches, were not performed by MDES, and resulted in overpayments to incarcerated individuals. These incarcerated individuals were able to apply for benefits when MDES overrode or turned off the automated controls and did not implement any compensating controls to ensure payments were proper.

Lastly, the Corrective Action Plan provided by MDES stated that there were some individuals who never lost or had a reduction in wages and still received unemployment benefits due to the definition on unemployed in Mississippi State Law – a definition that has since been changed. In order to best explain this circumstance, it would result from an employer “voluntarily” paying his workers their normal pay even though the business was closed due to the pandemic. However, federal unemployment regulations have long stated that individuals are unemployed when they are “separated” from their positions. In fact, DOL has a longstanding legal interpretation of federal unemployment law that “unemployment” includes a reduction of both work hours and earnings; therefore, an individual who is not working, but has not experienced a reduction in income (including earnings, paid sick leave, and paid family leave), is not eligible to receive unemployment benefits (*Unemployment Insurance Program Letter Number 10-20*). While an individual might have been able to receive these payments and not have them classified as an “overpayment” under Mississippi law, federal law would have precluded these individuals from receiving unemployment payments under Pandemic Unemployment Assistance.

Regardless of the federal requirements or Executive Orders issued, MDES is still responsible for ensuring the accuracy of unemployment claims. In order to assure the accuracy of those claims, MDES should have implemented compensating controls to safeguard the unemployment trust fund when other controls were waived or overrode. The ultimate responsibility to ensure that unemployment payments were accurately paid out and that overpayments were kept to a minimum is the responsibility of MDES personnel.

June 20, 2021

SINGLE AUDIT FINDINGS

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

Dear Mr. White:

Enclosed for your review are the Mississippi Department of Employment Security's responses to the single audit findings for Fiscal Year 2020.

AUDIT FINDINGS:

CFDA Number 17.225 – Unemployment Insurance

Material Weakness

Material Noncompliance

2020-036 - Strengthen Controls to Ensure Compliance with Eligibility Requirements

Response:

In order to explain the actions of MDES during one of the worst pandemics in the history of the United States, and certainly the worst pandemic since the advent of the Unemployment Insurance program in our country, it is necessary to place the actions described in the audit finding in context, so that proper perspective, understanding, and appreciation can be ascertained. An explanation of what happened in 2020 will better explain the measures taken by MDES to combat the disaster, and will also clearly distinguish 2020 from an ordinary, non-pandemic year.

On March 13, 2020, President Trump declared the COVID-19 pandemic a national emergency. On March 14, 2020, Governor Tate Reeves issued a Proclamation declaring a State of Emergency in the State of Mississippi. Because the COVID-19 pandemic was declared a national emergency both at the federal and state level, any resulting State or Federal Executive Order, or federal or state legislation,

became law, and thus controlled the procedures of MDES. This new “emergency law” supplanted existing current state and federal law in many areas including certain state unemployment insurance statutes. This included normal agency measures, controls, practices, and other criteria, if those measures and practices conflicted with duly enacted Executive Orders or legislation. This clearly distinguishes 2020 from any other year in recent memory, and explains and justifies why MDES followed all emergency law measures, which included the waiver of certain eligibility requirements to expeditiously deliver much-needed relief to hundreds of thousands of Mississippians.

SUSPENSION OF ELIGIBILITY MEASURES

In order to adequately explain MDES’s decision to temporarily suspend certain unemployment insurance eligibility measures, and to modify other unemployment insurance statutes such as the weekly earnings allowance, it is necessary to review pertinent federal pandemic relief legislation enacted during the early stages of the pandemic.

On March 18, 2020, President Trump signed the Families First Coronavirus Response Act (FFCRA), specifically Division D, the Emergency Unemployment Insurance Stabilization and Access Act of 2020 (EUISAA). Per the United States Department of Labor’s (DOL) guidance, “the EUISAA sets out requirements for emergency administrative grants to states, and authorizes emergency flexibility allowing states to temporarily modify certain aspects of their unemployment compensation (UC) laws.” In order to receive the emergency administrative grants under Section 903(h)(3)(B), SSA, (42 U.S.C. §1103(h)(3)(B)) pursuant to EUISAA, each state must show the “steps it has taken, ..., to ease eligibility requirements and access to UC, including: modifying or suspending work search requirements and the waiting week.”

In compliance with this statutory requirement, Mississippi then executed a series of Executive Orders which specifically addressed the directive to temporarily suspend the work search requirement and the one-week waiting period as well as provide flexibility in the interpretation of the able and available requirement.

These Executive Orders also included a provision that temporarily increased the weekly earnings allowance. This directly encouraged individuals to retain employment in the face of the most generous temporary unemployment benefits in history. This modification proved highly successful, especially in the food industry. Mississippi was possibly the only state that utilized this innovative measure. Another provision was authorized by the Governor’s Executive Orders and allowed MDES to determine UI eligibility based on the separation from the most recent employer, rather than from all previous employers in the employee’s base period, as is the normal procedure. This measure expedited unemployment insurance services to thousands of claimants filing for benefits en masse and at a most critical time. In compliance with EUISAA, **all these modifications to Mississippi law were temporary. Once these Executive Orders expired, MDES returned to its normal procedures.**

The measures taken by MDES during the most severe part of the pandemic were necessary, proper under the circumstances, narrowly targeted in scope and time, and authorized by federal and state law. However, the Single Audit Finding states that “[b]y overriding and disregarding controls, MDES did not adequately safeguard the federal program against fraud, waste, and abuse.” (*Single Audit Findings*, Page 5). The use of such language communicates an improper action on the part of MDES without support in

state or federal law. Further, the report implies that the actions of MDES were the sole cause of the significant increase in claims and subsequent overpayments as well.

As explained herein, the requirements of the new federal unemployment statutes coupled with the unprecedented mass unemployment crisis dictated the actions taken by MDES during the audit period in 2020. With all due respect, claims increased because the entire state of Mississippi (except essential services) was locked down overnight by Executive Order because of the pandemic. It stands to reason that this would serve as a major contributor to the increase in the number of claims filed and, subsequently, the number of overpayments.

MDES feels it is more accurate to suggest that 94.5% of unemployment insurance benefit payments went to eligible claimants, and resulted in identified overpayments of only 5.5%. Moreover, MDES would contend that the one-week waiting period, the work search requirements, and more flexibility in the able and available criteria are not, in fact, controls, but rather best practice measures.

VERIFICATION AND OVERPAYMENTS DISCUSSION

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES) which created new unemployment compensation programs. Because of the economic devastation created by the pandemic, the CARES Act specifically required MDES to pay claims for all applicants to these new federal pandemic unemployment insurance programs before fully verifying their identities and then establishing an overpayment in the event of an improper payment. The normal procedure under other unemployment insurance programs mandates claimant identity verification first, before the payment of benefits.

The audit finding states that claims were approved without social security verification during the period March 2020 to May 2020, and that this procedure led to an increase in claims and prevented MDES from vetting those claims for fraud. This finding further remarks that the resulting overpayment total was comprised of different categories, specifically: fraudulent payments, payments to incarcerated and deceased individuals, and verification issues. However, overpayments and verification issues in these categories were a direct result of the pandemic. Specifically:

1. System and technical difficulties (including the Social Security verification issue) caused by the unprecedented number of UI claims being filed at the onset of the pandemic.
2. Suspension of eligibility measures mandated by federal and/or state law, which caused payment to incarcerated and deceased individuals.
3. Creation of new unemployment insurance programs, such as Pandemic Unemployment Assistance, which allowed the disbursement of unemployment benefits to categories of claimants that would otherwise be ineligible to receive benefits. This includes independent contractors and other individuals who would not normally be eligible to receive benefits under the UI system and resulted in an increase in fraudulent payments.

Another category mentioned in the finding was payments made to individuals who never lost or had a reduction in wages. It is important to clarify that under the then-current Mississippi Employment Security Law, this type of payment was not defined as an overpayment. State law did not prohibit claimants from receiving voluntary payments from their employers in addition to the receipt of Unemployment Insurance benefits because the individual was not considered “unemployed.”

Mississippi, however, has recently passed legislation that directly addresses this issue. The revised statute denies payment of unemployment insurance benefits to claimants who receive voluntary payments up to the full amount of their wages from their employers for the same period covered by their unemployment insurance benefits. This prevents such an occurrence from ever happening again.

It is worth repeating that the total of identified overpayments percentage for 2020 was 5.5%. This overpayment total includes all of the categories listed in Finding 007. This means that 94.5% of all payments were valid, eligible claims that helped hundreds of thousands of Mississippians at a time of crisis. This is an incredible percentage considering the circumstances.

ADDITIONAL NOTES

During the testing of UI benefits paid during FY2020, the auditor tested sixty (60) recipients and noted the following:

- *That there were nineteen (19) instances where the claimant's social security verification could not be determined by the auditor, and that six (6) instances were during the waived period March 2020-May 2020.*

MDES has multiple security functions within the ReEmployMS program to prevent fraudulent activities. MDES collaborates with the Social Security Administration data base and the Department of Public Safety to cross-match data to verify customer's identity. In the matter of the 19 instances found, all were validated either in a previous Initial or New Benefit Year (NBY) Claim, which is the normal process during a claims filing series. The social security number validation is not listed on an additional initial claim such as those mentioned in this case, as they were previously validated. The social security number validation flag is not displayed due to security and Social Security Administration compliance.

The State ID verification is the DPS/ Driver's license verification. It is not a verification or validation of the customer's Social Security Number. The 19 instances referenced are not displaying the latest information. The information reviewed in the display is mapped from the Initial Claim or NBY Claim that is active. On NBY claims, it is a continuation of the claim and it is created by the system and will not contain any SSN validation nor DPS validation.

On all Driver's licenses, whenever there is a "No Response", "Invalid credentials", "Out of State", the system generates a report for the Integrity Department staff to verify manually. Of the 19 cases referenced above, none were generated on the report for a manual verification because the social security number had been validated during the Social Security Administration data base. In July 2020, MDES began to automatically add "stops" on all adverse DPS responses, and our Integrity Department began working on these cases. Prior to July 2020, the report was generated for the Integrity Department staff to process manually.

- *That there were five (5) instances where benefits were not properly authorized or reviewed by MDES personnel.*

MDES properly investigated these claims, determined that they were due to a lack of work, and found that they were properly paid in accordance with MDES law and CARES ACT Guidance.

- *That there were two (2) instances where a claimant voluntarily quit their job and was unemployed at their own fault.*

MDES properly determined, after thorough investigations based on finding of facts from the claimant and the separating employer, that these two individuals were separated due to voluntarily quitting for medical reasons not attributable to the employer. In both cases the claimants indicated that their illness was due to COVID-19. Under MDES Law, quitting work for medical reasons is considered good cause and is not attributable to the employer.

CONCLUSION

During a pandemic, difficult issues arise that require prompt and decisive action. In normal non-pandemic times, if MDES had received a recommendation that it strengthen our controls over policies and procedures to ensure internal controls are never disabled or circumvented, it would have simply taken note and made the recommended changes. In this instance, however, MDES respectfully disagrees with this finding because it does not acknowledge or allow for the existence of this pandemic or the radically new and different federal programs. 2020 was not just a regular year, and MDES respectfully disagrees with the conclusion of the Single Audit Finding that MDES failed to follow policies and procedures because the normal rules and procedures were changed by state and federal law. MDES went to great lengths to follow the new, authorized rules and procedures that were put in place by Federal and State emergency declarations.

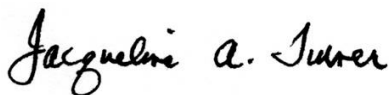
Corrective Action Plan:

MDES will pursue all measures available to recoup all overpayments and improper payments incurred during the pandemic.

The audit report also recommended that MDES never disable or circumvent internal controls again in the future; however, should the same circumstances as those that occurred during the pandemic arise again, MDES would again follow state and federal law.

Sincerely,

MISSISSIPPI DEPARTMENT OF EMPLOYMENT SECURITY



Jacqueline A. Turner
Executive Director

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

Auditor's note to the Corrective Action Plan from Mississippi Department of Employment Security (MDES) Management

Department of Employment Security – Eligibility – *Material Weakness/Material Noncompliance*

2020-036 Controls Should be Strengthened over Unemployment Insurance Benefits Paid.

The Office of the State Auditor (OSA) acknowledges that the Mississippi Department of Employment Security (MDES) was faced with an unexpected and staggering task to ensure unemployment benefits were paid to individuals during the pandemic. OSA also acknowledges that certain federal guidelines were provided that MDES had to comply with in order to receive additional federal unemployment funds.

However, while MDES did receive federal guidance on making unemployment payments more accessible to those directly impacted by the pandemic, the options provided by the federal government were to either modify or suspend the work search requirements for individuals or employers directly impacted by COVID-19 due to an illness in the workplace or direction from a public health official to isolate or quarantine workers. States were also given the flexibility to respond to the COVID-19 emergency in a broader way, **if they chose to do so** (emphasis added by auditor). (*Unemployment Insurance Program Letter Number 13-20, Change 1, Attachment 1, Question 2*). MDES chose to suspend the requirement for all unemployment claims, and not only those that arose from an illness in the workplace or from an order to isolate or quarantine workers. The decision to implement broader flexibility and completely waive work search requirements were made by MDES. By MDES' own admission in other auditee responses to OSA, MDES stated that they requested the Governor's Office waive the specific requirements. Additionally, in each Executive Order (1462, 1481, 1502, and 1510), MDES was given flexibility to reassess and modify these measures prior to their expiration date in the orders.

Additionally, The Department of Labor (DOL) included program integrity language in all of the major pieces of guidance associated with the state implementation of the CARES Act programs and provisions (*Unemployment Insurance Program Letter Number 28-20*). Program Integrity requirements for the regular unemployment program and unemployment programs authorized by the CARES Act were to operate in tandem, and CARES Act program requires that states must ensure that only eligible individuals receive benefits (*Unemployment Insurance Program Letter Number 23-20*). Both UIPL letters 23-20 and 28-20 specify that the states must make efforts to rapidly and proactively prevent, detect, and investigate fraudulent activity; establish and recover fraud overpayments; and pursue criminal and civil prosecution to deter fraud. Specifically, states were strongly encouraged to implement the following measures to minimize fraud in the unemployment system:

- 1) Social Security Administration Cross Match
- 2) Systematic Alien Verification for Entitlement
- 3) Incarceration cross matches
- 4) Internet Protocol Address checks
- 5) Data Analytics to cross reference claims for indicators of fraud.

Furthermore, many of the most effective tools to deter and detect fraud were available to MDES in the Integrity Data Hub (IDH), and were available to states for well over a year. These included:

- 1) Interstate Suspicious Actor Repository to match claims across states
- 2) Foreign IP Address verification to receive flags on claims filed from IP addresses outside of the United States
- 3) Data Analytic tools
- 4) Fraud Alert Systems
- 5) Identify Verification for fraud scoring information, including flagging synthetic identities.

MDES has stated that they utilize the IDH; however, auditors cannot determine how effectively these programs were utilized considering the high amount of overpayments that were made during fiscal year 2020. Additionally, one of the specific fraud risks the UIPL, incarceration cross matches, were not performed by MDES, and resulted in overpayments to incarcerated individuals. These incarcerated individuals were able to apply for benefits when MDES overrode or turned off the automated controls and did not implement any compensating controls to ensure payments were proper.

Lastly, the Corrective Action Plan provided by MDES stated that there were some individuals who never lost or had a reduction in wages and still received unemployment benefits due to the definition on unemployed in Mississippi State Law – a definition that has since been changed. In order to best explain this circumstance, it would result from an employer “voluntarily” paying his workers their normal pay even though the business was closed due to the pandemic. However, federal unemployment regulations have long stated that individuals are unemployed when they are “separated” from their positions. In fact, DOL has a longstanding legal interpretation of federal unemployment law that “unemployment” includes a reduction of both work hours and earnings; therefore, an individual who is not working, but has not experienced a reduction in income (including earnings, paid sick leave, and paid family leave), is not eligible to receive unemployment benefits (*Unemployment Insurance Program Letter Number 10-20*). While an individual might have been able to receive these payments and not have them classified as an “overpayment” under Mississippi law, federal law would have precluded these individuals from receiving unemployment payments under Pandemic Unemployment Assistance.

Regardless of the federal requirements or Executive Orders issued, MDES is still responsible for ensuring the accuracy of unemployment claims. In order to assure the accuracy of those claims, MDES should have implemented compensating controls to safeguard the unemployment trust fund when other controls were waived or overrode. The ultimate responsibility to ensure that unemployment payments were accurately paid out and that overpayments were kept to a minimum is the responsibility of MDES personnel.



STATE OF MISSISSIPPI
GOVERNOR TATE REEVES

DEPARTMENT OF FINANCE AND ADMINISTRATION

LIZ WELCH
EXECUTIVE DIRECTOR

FINANCIAL AUDIT FINDINGS

Shad White
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

April 19, 2021

Dear Mr. White,

In reference to your letter dated March 18, 2021, we submit the following responses and corrective action plans to the financial audit findings for the Department of Finance and Administration (DFA) for the fiscal year ended June 30, 2020.

AUDIT FINDINGS:

MATERIAL WEAKNESSES

Finding Number

2020-004

Response:

Finding Description

Strengthen controls over change logs in SPAHRS

We acknowledge the finding.

Turning on the Natural Security logs would require a major upgrade to SPAHRS and would introduce functionality that has never been utilized. This would be a major change with high risks to consider. DFA/MMRS is in the process of planning the HR/Payroll implementation of MAGIC and does not want to take on the risk of doing a major change to SPAHRS at this time.

DFA/MMRS is in process of upgrading the Adabas version to 8.5. This project, with assistance from ITS (MS Information Technology Services), will allow for Natural Security logging of the administrative application by authorized users from the TSO nucleus. Our planned logging implementation will incorporate a review of the logs

with signoff. This logging does not include processes ran in batch. DFA/MMRS is currently in the first Phase of implementation of the HR/Payroll MAGIC Project. This project implementation will move us off SPAHRS/Legacy systems.

Corrective Action:

- A. DFA is working on the MAGIC Phase II implementation.
- B. Michael Gonzalez is the contact person for this corrective action.
- C. The anticipated completion date of Phase II is June 1, 2023.
- D. N/A

2018-024

CFO qualifications and attend mandatory training

Response:

We acknowledge this finding.

The Department of Finance and Administration (DFA) is the primary agency responsible for state government financial and administrative operations, and we fully accept and embrace the magnitude of that responsibility. However, while DFA is the executive branch control agency over governmental accounting and financial reporting, and in particular, the completion of the annual comprehensive annual financial report, we rely heavily on the cooperation and input of every other state agency to successfully accomplish that task.

We acknowledge that Section 7-7-3 of Miss. Code Ann. (1972) requires DFA to conduct training seminars on a regular basis to ensure that agencies have access to persons proficient in the correct use of the state accounting system. Before implementation of the new statewide system and since that time, we have provided class training, one-on-one personalized training and detailed assistance via the call center to agency personnel to help them understand the processes required for daily workflow. We have training material, work instructions and job aids available on the internet that are easily accessible. In

addition to providing training on the state accounting system, we also provide training on GAAP reporting for financial statement preparation. While we have clearly stated that these training sessions are necessary, we continue to have agencies that do not attend.

The finding specifically calls into question the lack of qualifications and skill requirements of agency accounting personnel, and specifically mentions the lack of qualified personnel serving as Chief Fiscal Officers. While we have the responsibility to provide systems to facilitate the financial reporting and operations of the state and to provide training to employees that use these systems, we do not have the oversight of the hiring or selection of agency employees. Hiring of qualified employees is the responsibility of each state agency head.

Corrective Action:

- A. The audit finding recommendation is for DFA to implement mandatory training sessions for accounting personnel and chief fiscal officers.

DFA will continue to provide training opportunities for accounting personnel and chief fiscal officers, and will pursue and provide additional training as funding allows. DFA will also consider requiring attendance, however enforcement of that will be difficult.

- B. Reginald Welch is the contact person responsible for this corrective action.

- C. The corrective action will be implemented during fiscal year 2021.

- D. N/A

SIGNIFICANT DEFICIENCIES

2020-013

Strengthen Controls over Journal Entries

Response:

We concur with this finding.

Corrective Action:

- A. Financial Affairs will attach support for the requested postings by 06/30/2021. Additionally, OFA will begin reviewing our postings for support on no less than a

quarterly basis to ensure support is attached.

- B. Marcus Moore is the contact person responsible for this corrective action.
- C. The anticipated completion date is June 30, 2021.
- D. N/A

Sincerely,

A handwritten signature in blue ink, appearing to read "Liz Welch". The signature is fluid and cursive, with the first name "Liz" and last name "Welch" clearly distinguishable.

Liz Welch
Executive Director



MISSISSIPPI STATE DEPARTMENT OF HEALTH

SINGLE AUDIT FINDINGS

July 20, 2021

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

Dear Mr. White:

We have reviewed the audit findings below in reference to the Mississippi State Department of Health 2020 fiscal year audit. Listed below is our individual response and plan for corrective action:

Audit Findings:

CFDA Number: 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)

Requirement: Procurement, Suspension, Debarment

2020-037 The Mississippi Department of Health Should Strengthen Controls to Ensure Compliance with Procurement, Suspension, and Debarment Requirements

Response: The agency concurs we do not obtain the DUNS number for contractual agreements. We only obtain the DUNS number for subgrant agreements. However, all agency standard contracts and subgrant agreements contain a certification page where the vendor certifies they are not suspended or debarred from receiving federal funds.

Corrective Action: MSDH will review the contracting process and determine how to best capture the DUNS number and determine if vendors are suspended or debarred.

Name of contact person responsible for corrective action: Sharon Dowdy

Anticipated completion date of corrective action: December 2021

CFDA Number: 10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)
93.265 Immunization Cooperative Agreements

Requirement: Reporting

2020-038

The Mississippi Department of Health Should Strengthen Controls to Ensure the Schedule of Federal Expenditures is Prepared with Proper and Accurate Information and that Federal Reporting Agrees with the Underlying Financial Records of the Agency.

Response:

The agency concurs we were adjusting federal expenditures on the grant schedule in order to remove closed grants from the schedule.

Corrective Action:

MSDH will review the process of preparing the grant schedule. We will consult with the Department of Finance and Administration on how to remove closed grants from the schedule, if necessary.

Name of contact person responsible for corrective action: Sharon Dowdy

Anticipated completion date of corrective action: December 2021

CFDA Number:

10.557 Special Nutritional Assistance program for Women, Infants, and Children (WIC)

Requirement:

Eligibility

2020-039

The Mississippi Department of Health Should Strengthen Controls Over Documentation to Ensure Compliance with Eligibility Requirements.

Response:

The agency concurs we do not maintain the supporting documentation reviewed to verify an applicant's income and residency. However, USDA-FNS is aware of this and has stated our documentation and retention is consistent with regulatory requirements. They have also acknowledged that if a State deems it impractical to scan and retain the actual documents in the case file (SPIRIS), then a notation in the case file is acceptable.

Corrective Action:

MSDH will review the eligibility process and determine how we can retain the supporting documentation reviewed.

Name of contact person responsible for corrective action: Diane Hargrove

Anticipated completion date of corrective action: December 2021

Should you have any questions regarding our response or corrective action plan, please feel free to contact Sharon Dowdy, 601-576-7359.

Sincerely,

DocuSigned by:

Thomas Dobbs

A525016E91BF427...
Thomas E. Dobbs III, M.D., M.P.H.
State Health Officer



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

Auditor's note to the Corrective Action Plan from Mississippi Department of Health (MSDH) Management

Department of Health – Special Tests and Provisions - *Material Weakness/Material Noncompliance*

2020-039 MSDH Should Strengthen Controls Over Documentation to Ensure Compliance with Eligibility Requirements

MSDH concurred with the finding, but stated that the USDA-FNS was aware of this and stated documentation was consistent with regulatory requirements. However, due to the lack of any type of documentation, auditor could not ensure beneficiaries were eligible based on eligibility criteria for the program. Some type of checklist or documented audit trail other than the actual documents used should be maintained to ensure eligibility can be verified for audit purposes in the future.

After consideration of the comments provided by MSDH in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and federal grantor agency for further review to determine what, if any, actions will be required of MSDH.

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March 30, 2021

FINANCIAL AUDIT FINDINGS

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

Dear Auditor White:

Enclosed for your review is the agency's official response and corrective action plan to the financial audit findings in the "Financial Audit Management Report" as outlined in the Mississippi Department of Human Services (MDHS) financial audit performed for the Fiscal Year 2020.

FINANCIAL AUDIT FINDINGS:

2020-009 **Controls should be strengthened to ensure suspected fraud, waste, and abuse is appropriately reported and responded to in the Agency.**

MDHS Response: MDHS is in agreement that controls should be strengthened to ensure suspected fraud, waste, and abuse is appropriately reported and responded to in the Agency.

Corrective Action Plan: MDHS has established methods for both internal and external reporting of suspected fraud, waste, and abuse which includes a public facing form, a hotline, and email address. MDHS OIG receives tips weekly concerning alleged fraud, waste, and abuse that stems from the Federal and State programs administered by MDHS. MDHS currently has a manual process for tracking these tips. However, MDHS is working at this time with ITS on obtaining a case management system to better prioritize tips in an effort to respond to the alleged fraud in a more timely manner.

Additionally, MDHS has established an Office of Compliance, which has recently completed a concerted effort in establishing standard operating procedures for all divisions. Thus, MDHS OIG has also established standard operating procedures on the investigative process and has also started working jointly with our Federal counterparts concerning investigations that involve

Federal funds. The Office of Compliance has conducted training of agency employees on how to confidentially report potential compliance issues and continues to build out the compliance function for the agency as a whole, as discussed in more detail below.

MDHS understands that the former Executive Director (JD) created a tone at the top, failed to embrace ethical values, and fostered an atmosphere that lacked integrity. Thus, when the Executive Director Anderson was appointed he prioritized initiating a Request for Information for a Forensic Audit to be completed concerning every Temporary Assistance for Needy Families (TANF) transaction from January 1, 2016 through December 30, 2020 during the tenure of the former Executive Director (JD). The Request for Information for the Forensic Audit was issued on April 30, 2020, a full two months prior to the end of the State Fiscal Year that this report addresses. Furthermore, the Office of the State Auditor (OSA) was a third -part to the RFI and is a third-party to the contract that MDHS entered into with an independent auditing firm to conduct the forensic audit.

Specifically, the services of the Forensic Audit are briefly listed below:

1. Current MDHS internal controls related to processing TANF agreements (subgrants/contracts) and MDHS issued payments to TANF subrecipients;
2. MDHS internal controls during the subject audit period from January 1, 2016 to December 31, 2019 related to processing TANF agreements (subgrants/contracts) and MDHS issued payments to TANF subrecipients and an analysis of whether and how these controls failed and/or were circumvented by MDHS personnel, including but not limited to the former Executive Director;
3. MDHS payments made to TANF subrecipients during the subject audit period were allowable pursuant to federal requirements, State law, MDHS policies and procedures and the applicable agreement scope;
4. Authenticity of TANF subrecipient payment requests and that such requests included appropriate supporting documentation in accordance with policies and procedures in existence at the time of the requests;
5. Allowability of TANF subgrant/contract scopes as compared against TANF requirements, State law, MDHS policies and procedures and federal guidelines;
6. TANF subrecipient general ledgers and financial records for agreement periods occurring within the subject audit period to identify any accounting irregularities not in compliance with federal regulations;
7. Subrecipient general ledgers for all grants awarded to Mississippi Community Education Center and Family Resource Center under any MDHS TANF-funded program;

8. Allowability of subawards issued by TANF Subrecipients to third-tier subrecipients pursuant to MDHS requirements, policies and procedures and applicable federal requirements; and
9. Any analysis of all TANF-funded subgrants/contracts and subsequent payments executed and issued at the direction of the MDHS Executive Director during the subject audit period.
10. Any other issues identified during the course of the audit related to TANF subgrant awards during the subject time.

MDHS is waiting for the completion of the Forensic Audit before a close-out is performed for MCEC. MDHS received a letter from OSA directly on or about December 27, 2019, which stated that, "...they have discovered evidence that one of the recipients of grant money from DHS may have spent money on unallowable costs." OSA further elaborates, "...it is important that you know there are likely serious findings on the horizon around the use of TANF grant money..." MDHS is concerned about the authenticity of MCEC documents due to submission of numerous versions of the same request in a monitoring visit. MDHS is unable to validate the authenticity of the submitted records and claims to be paid to MCEC for a closeout to occur. This inability to validate MCEC's records is further complicated by the fact that the principals of MCEC are currently under indictment and essentially unavailable to MDHS to review any further documentation or answer questions. Once the Forensic Audit, which OSA is a party, is complete, MDHS will then finalize said close-outs with MCEC and FRC.

Furthermore, in January 2020, MDHS implemented a Request for Proposal process to award all future TANF subgrants. There is an individual scoring committee for the TANF RFP comprised of employees of MDHS and other agencies. Since October 2020, MDHS also offers training to awarded TANF partner organizations that covers the MDHS Subgrant Manual, as well as, proper submission of claim forms and supporting documentation, fiscal monitoring process and compliance, and property management. MDHS has also offered general grant-writing training to prospective subgrantees to educate and inform them on the type of subgrantee partners that MDHS is seeking to implement its TANF subgrant.

Finally, on May 1, 2020, Executive Director Anderson appointed the agency's first Chief Compliance Officer, who set about creating *ex nihilo* an agency-wide compliance function. Among the various aspects of that compliance function are included more robust subgrant monitoring functions, expanded programmatic quality control review functions, amendments to the agency's Subgrant Manual, and training of all agency employees on compliance as noted

above. The Chief Compliance Officer was recently designated as the Principal Deputy Executive Director of MDHS. Thus, the Executive Director has established and reiterated that the agency is committed to integrity, compliance, and moving the agency toward excellence.

Bridgette Bell, Deputy Executive Director of Procurement and Finance is the responsible party for implementing the Corrective Action Plan. The anticipated completion date is September 30, 2021.

2020-008

Controls should be strengthened to ensure proper review processes for financial reporting.

MDHS Response: MDHS is in agreement that controls should be strengthened to ensure proper review processes for financial reporting.

Corrective Action Plan:

MDHS acknowledges weaknesses in some of its controls regarding review and submission of its GAAP packet. MDHS has implemented additional SOPs to fill the gaps between units within B&A. MDHS will work to increase the communication within B&A, implement further levels of review, and reach out to our cognizant agency for training related to the Subgrant Federal Activity Schedule.

To begin, the Grant Schedule was revised in respect to the Federal Subgrant Activity Schedule. The Grant Schedule is prepared using Federal expenditure reports at June 30 cumulative expenses. The line item accruals were not reconciled to the TANF programmatic federal fiscal year end reporting since they are estimates based on one month. The TANF funding code was used on the line item accrual entries, as it has been in the past; however, this was corrected and split between several funding streams instead of one. MDHS B&A has policies in place for GAAP preparation and submission; however, additional levels of review to include a combined review from both units were added to strengthen safeguards. The OFR accrual certification process will go through a more rigorous three level review process.

Additionally, in the instance in which the accounts receivable transaction were miscoded to account 1200000, MDHS agrees that an adjustment is needed to correct the balance. MDHS will take the necessary corrective action to ensure that the correct rates are used to make the entries in future GAAP adjustments.

Furthermore, MDHS implemented a two-level review for documentation required for the accounts receivable entry. MDHS agrees that rates used for account receivable estimates did not have updated or a written methodology.

MDHS updated the methodology and added the written process to the unit's SOPs.

Lastly, MDHS will foster better communication within the divisions to ensure the accuracy in calculating the estimated accruals. MDHS will verify that all formulas are tested before submitting the entries to OFR. MDHS will be updating the SOPs to reflect the verification process.

Bridgette Bell, Deputy Executive Director of Procurement and Finance is the responsible party for implementing the Corrective Action Plan. The anticipated completion date is July 1, 2021.

We appreciate the courtesy and professionalism demonstrated by Emily Mathis and her field staff throughout the audit. Should you have any questions regarding our responses or corrective action plan, please do not hesitate to contact Hadley Eisenberger, Inspector General, at 601-359-4939.

Respectfully,



Robert G. Anderson
Executive Director

pc: Sandra Griffith, Chief Compliance Officer
Bridgette Bell, Deputy Executive of Finance and Procurement
Patrick Black, General Counsel
Hadley Eisenberger, Inspector General

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March 30, 2021

FINANCIAL AUDIT FINDINGS

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

Dear Auditor White:

Enclosed for your review is the agency's official response and correlating corrective action plans to the Financial Audit Management Report for the State Fiscal Year ending on June 30, 2019.

FINANCIAL AUDIT FINDINGS-OTHER CONTROL DEFICIENCY

OTH-20-01

Controls Should Be Strengthened over MAGIC Segregation of Duties, Business Role Assignments and the removal of MAGIC access for separated employees.

MDHS Response: MDHS is in agreement that it should strengthen its' policies and procedures to ensure that duties and business role assignments in MAGIC are segregated and that controls are strengthened regarding the removal of MAGIC access for separated employees.

Corrective Action Plan:

The agency will continue to review and monitor employee approval levels in MAGIC to provide the highest level of security access that will allow us to perform our jobs in an effective manner. Except for supervisory employees, MDHS has eliminated the instances where an employee's MAGIC access allows them to prepare a transaction and provide all levels

of approval. MDHS budgets and accounting policies and procedures require supervisory review of subordinates' work. MDHS employees understand that under normal operation situations, they should follow stated policies and procedures. All documents are review by the governing agency, Department of Finance and Administration (DFA), and unsupported documents by anyone are returned.

DFA maintains and establishes all role functions within MAGIC. Definitions are provided according to what DFA supplies on their MAGIC Roles and Definitions. Some roles have other underlying roles that are not visible to the Agencies but populate as a result of an assigned role. Thus, it binds the agency due to DFA implementing roles without consultation of the agency.

Additionally, concerning the one (1) active MAGIC access for an employee no longer associated with the agency, said account will be removed from MAGIC. MAGIC Security Administrators will continue to express to all the divisions the importance of notifying MAGIC Security Administrators when an employee is no longer with the agency. Additionally, MAGIC Security Administrators will continue to monitor the list of employees who are no longer associated with the agency. This will be done once the payroll reports are available. Bridgette Bell, Deputy Executive Director of Procurement and Finance is the responsible party for implementing the Corrective Action Plan. The anticipated completion date is July 1, 2021.

We appreciate the courtesy and professionalism demonstrated by Emily Mathis and her field staff throughout the audit. Should you have any questions regarding our responses or corrective action plan, please do not hesitate to contact Hadley Eisenberger, Inspector General, at 601-359-4939.

Respectfully,



Robert G. Anderson
Executive Director

pc: Sandra Griffith, Chief Compliance Officer
Bridgette Bell, Deputy Executive of Finance and Procurement
Patrick Black, General Counsel
Hadley Eisenberger, Inspector General

SINGLE AUDIT FINDINGS

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

June 28, 2021

Dear Auditor White:

Enclosed for your review is the agency's official response to the single audit findings and other findings as outlined in the Mississippi Department of Human Services (MDHS) Fiscal Year 2020 Single Audit Management Report, along with the corrective action plan to be implemented.

SINGLE AUDIT FINDINGS:

2020-024 The Mississippi Department of Human Services Should Strengthen Controls to Ensure Compliance with Subrecipient Allowable Cost Activities.

Response: MDHS concurs that it should strengthen controls to ensure compliance with subrecipient allowable cost activities of the Supplemental Nutrition Assistance Program (SNAP), Child Care Development Fund (CCDF), and Temporary Assistance for Needy Families (TANF) programs.

Additionally, MDHS concurs with the following specific recommendations of the OSA and incorporates those recommendations as the foundation for the MDHS Corrective Action Plan (CAP) related to this finding:

Corrective Action Plan:

- 1) Strengthen existing controls to ensure non-compliance with federal regulations does not continue.
 - a. MDHS provides the following trainings to MDHS employees: initial purchasing process training, follow-up purchasing process training, subgrantee training for TANF subgrantees, procurement training for division directors, budgets training, fact sheet training, internal Budgets and Accounting training that includes Department of Finance and Administration (DFA) training with contract, payroll, accounts payable and account receivable units, internal audit training on identifying and conducting risk assessments for the division directors and other trainings. Additionally, MDHS has strengthened procedures

Page 1 of 7

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- for tracking procurement requests, invoices, travel costs, and bank reconciliations. MDHS also published an Internal Audit Plan for 2021 to regularly audit higher risks in the agency. A specific audit work plan will be developed and audits conducted on an annual basis.
- b. Responsible Party; Executive Director, Robert G. Anderson
 - c. Anticipated completion date: This is an ongoing process as the specified trainings occur on a more frequent cycle.
- 2) Ensure adequate and appropriate training for all staff involved in monitoring any federal allowable costs and activities:
- a. Effective May 1, 2020, MDHS established an Office of Compliance, which has both an internal and external compliance function. One duty of the new Office of Compliance is to educate subrecipients regarding the monitoring review process including allowable cost and activities allowed under the subgrant agreement and existing state and federal regulations. The Office of Compliance has updated standard operating procedures and implemented a team approach to the review of subgrantee findings. The Office of Compliance has also assumed responsibility for the quality control functions involving subrecipients while the Office of Inspector General (OIG) focuses on internal audits, investigations, benefit recovery and administrative hearings.
 - b. Responsible Parties: Executive Director, Robert G. Anderson and Chief Compliance Officer, Sandra Griffith.
 - c. Completion date: This Corrective Action has been implemented.
- 3) Provide training to subrecipients to increase awareness of allowable costs and activities.
- a. MDHS has revised the Subgrant Manual to include the approval of lower-tiered subrecipients, and only allow sixty (60) days of cash advance with submission of monthly general ledgers and supporting documentation. Internal risk assessments are performed on all subgrantees to identify high, medium, or low risk. If a subgrantee is considered a high risk, the Division of Monitoring conducts a technical assistance visit. All MDHS subgrantees are required to attend training conducted by MDHS.
 - b. Responsible Parties: Executive Director, Robert G. Anderson and Chief Compliance Officer, Sandra Griffith
 - c. Completion Date: This Corrective Action has been implemented.

2020-025 Controls Should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the TANF Program.

Response: MDHS partially concurs with Heart of David, concurs with subrecipient insufficient documentation, concurs with incorrect state plan, and concurs with TANF subrecipients detailed testing for allowable cost compliance requirements.

Corrective Action Plan: Heart of David

- a. MDHS partially agrees there was a lack of controls with the subgrantee, Heart of David, due to processes manipulated by JD. MDHS would like to point out that the list of three (3) transactions are GAAP entries from Fiscal Year 20 that were executed by the Department of Finance and Administration and not by MDHS. Please refer to MDHS response 2020-024 as to all measures already taken by MDHS and all future corrective actions.
- b. Responsible Party: Division Director of Procurement, Bryan Wardlaw and Chief Financial Officer, Debra Dixon.
- c. Anticipated Completion Date: This is an ongoing process; the specified trainings will occur on a more frequent cycle.

Correction Action Plan: Subrecipient Insufficient Documentation

- a. MDHS has updated the Standard Operating Procedures for reviewing expenditures claimed for reimbursement. Please also refer to MDHS response 2020-024 as to all measures already taken by MDHS and all future corrective actions.
- b. Responsible Party: Deputy Administrator, Mark Williamson and Division Director for Workforce Development, Kimberly Smith
- c. Completion Date: This Corrective Action has been implemented.

Corrective Action Plan: Incorrect State Plan Provided

- a. All requests for State Plans will be forwarded to the Deputy Director of the respective division to ensure correct and updated plans are submitted.
- b. Responsible Party: Director of Internal Audit, Christopher Rand
- c. Anticipated Completion Date: June 30, 2021

Corrective Action Plan: TANF Subrecipients Detailed Testing for Allowable Cost Compliance Requirements – Subrecipient 1.

- a. MDHS TANF Subgrantee Training will be held annually or when there is a Subgrantee Manual update. Trainings will also be performed at the request of the MDHS Programmatic Division. Please also refer to MDHS response 2020-024 as to all measures already taken by MDHS and all future corrective actions.
- b. Responsible Parties: Division Director of Procurement, Bryan Wardlaw and Sandra Griffith, Chief Compliance Officer
- c. Anticipated Completion Date: This is an ongoing process; training will occur on a more frequent cycle.

Corrective Action Plan: TANF Subrecipients Detailed Testing for Allowable Cost Compliance Requirements – Subrecipient 2.

- a. MDHS TANF Subgrantee Training will be held annually or when there is a Subgrantee Manual

update. Trainings will also be performed at the request of the MDHS Programmatic Division. Please also refer to MDHS response 2020-024 as to all measures already taken by MDHS and all future corrective actions.

- b. Responsible Parties: Division Director of Procurement, Bryan Wardlaw and Sandra Griffith, Chief Compliance Officer
- c. Anticipated Completion Date: This is an ongoing process; training will occur on a more frequent cycle.

Corrective Action Plan: TANF Subrecipients Detailed Testing for Allowable Cost Compliance Requirements – Subrecipient 3.

- a. MDHS TANF Subgrantee Training will be held annually or when there is a Subgrantee Manual update. Trainings will also be performed at the request of the MDHS Programmatic Division. Please also refer to MDHS response 2020-024 as to all measures already taken by MDHS and all future corrective actions.
- b. Responsible Parties: Division Director of Procurement, Bryan Wardlaw and Sandra Griffith, Chief Compliance Officer
- c. Anticipated Completion Date: This is an ongoing process; training will occur on a more frequent cycle.

2020-026 Controls Should Be Strengthened to Ensure Compliance with Cash Management Requirements of the TANF Program.

Response: MDHS concurs that controls should be strengthened to ensure compliance with cash management requirement of the TANF Program.

Corrective Action Plan:

- a. MDHS agrees with the finding. To correct this issue, all subgrantees are paid using a cost reimbursement model. All subgrantees are now required to complete a program report and submit the report with each claim reimbursement. Additionally, MDHS has eliminated the use of matching funds by subgrantees.
- b. Responsible Parties: Division Director for Workforce Development, Kimberly Smith and Deputy Director of Economic Programs, Mark Williamson and Chief Financial Officer, Debra Dixon.
- c. Anticipated Completion Date: This corrective action has been implemented.

2020-027 Controls Should Be Strengthened to Ensure Compliance with Matching Requirements of the CCDF Cluster.

Response: MDHS concurs that controls should be strengthened to ensure compliance with the matching requirement of the CCDF Cluster.

Corrective Action Plan:

- a. The CCDF Cluster executed subgrant agreements called slot agreements under an RFP issued in 2015. All slot agreements expired on August 31, 2020. All subgrantees are paid using a cost reimbursement model. All subgrantees are also required to complete a program report and submit the report with each claim reimbursement.
- b. Responsible Parties: Division Directors for DECCD, Chad Allgood & Vicki Lowery and Chief Financial Officer, Debra Dixon.
- c. Completion Date: This Corrective Action Plan has been implemented.

2020-028 Controls Should Be Strengthened to Ensure Compliance with the Period of Performance for the CCDF Program.

Response: MDHS concurs that controls should be strengthened to ensure compliance with the period of performance for the CCDF program.

Corrective Action Plan:

- a. MDHS will notify all relevant subgrantees that new procedures will be implemented concerning shorter closeout timeframes to meet liquidation periods more adequately. Also, please refer to MDHS response in 2020-024 as to all measures already taken by MDHS.
- b. Responsible Parties: Division Director of DECCD, Chad Allgood & Vicki Lowery, and Chief Financial Officer, Debra Dixon.
- c. Completion date: This Corrective Action Plan has been implemented.

2020-029 Controls Should Be Strengthened Over Procurement Policies for the Awarding of Subgrants and Contracts for the TANF Program.

Response: MDHS partially concurs that controls should be strengthened over procurement policies for the awarding of subgrants and contracts for the TANF Program.

Corrective Action Plan: Procurement, Suspension, and Debarment relating to Subgrants

- a. MDHS does not concur. As requested by Office of State Auditor (OSA), MDHS provided individual scoresheets for all subrecipients that submitted a proposal in response to the TANF 2019 Request for Proposals (RFP). Each subrecipient scoresheet reflects consensus scoring and comments of the committee members. Consensus scoring operated within the committee meeting whereby each committee member offered their response to each requirement to collectively arrive at a consensus score for the specified requirement.

An RFP process for awarding TANF funds had not been utilized by MDHS since 2015. In August of 2019, the decision was made to award future TANF funds through an RFP process. This circumstance posed a very condensed time frame for implementing the RFP

process for a very large-scale project. Since the 2019 RFP, MDHS continues to refine and improve its RFP process to reflect the essential components of openness, competitiveness, and fairness in awarding TANF funds. The rules adopted and the processes implemented are applied uniformly to all potential subgrantees.

Since the 2019 TANF RFP, MDHS refined the TANF RFP process to reflect individual evaluator scores that factor into the consensus scoring for the TANF RFP specifications and requirements therein. The evaluation committee completes scoring and provides a recommendation for award to MDHS Executive Director. Furthermore, the MDHS Executive Director has no involvement in the evaluation, scoring, or award recommendation process for any potential TANF subgrant agreements. If a potential subgrantee fails to meet the selection/scoring criteria put in place, the Executive Director cannot override the decision of the evaluation committee to make an award of a subgrant.

- b. Responsible Party: Division Director of Procurement, Bryan Wardlaw
- c. Completion Date: This Corrective Action Plan has been implemented.

Corrective Action Plan: Procurement, Suspension, and Debarment relating to Contractual

- a. MDHS agrees that the capital lease should have been reviewed through the Administrative Review Memorandum (ARM) process. The 2018 capital lease modification was exclusively handled by MDHS Executive leadership. During this time, the MDHS Contracts Unit was not included in the modification process until after execution. Since that time, MDHS implemented and reinforced use of the Administrative Review Memorandum (ARM) process for appropriate reviews of MDHS agreements prior to executing and entering into agreements or modifications/amendments. Prior to processing an agreement through the ARM process, MDHS requires and utilizes an Initiation Process (IP). The IP requires internal review of the project (proposed/anticipated agreement) from a procurement, finance, and executive level perspective. Through the ARM process, an agreement is reviewed by the MDHS Funding Division, Procurement Division, Finance Division, the Office of Compliance, Legal (Attorney General), and Executive Leadership. Signature approval at each level is required for MDHS to enter into any agreement. This multiple level review process was designed as a process of checks and balances to ensure the agreement aligns with Agency policies as well as governing laws, rules, and regulations.
- b. Responsible Party: Division Director of Procurement, Bryan Wardlaw
- c. Completion Date: This Corrective Action Plan has been implemented.

2020-030 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.

Response: MDHS concurs that controls should be strengthened over On-Site monitoring for SNAP, TANF, CCDF, LIHEAP, and SSBG Programs.

Corrective Action Plan:

- a. Please refer to MDHS response in 2020-024 as to measures already taken by MDHS and future corrective actions. Monitoring controls have been strengthened and made robust.
- b. Responsible Party: Chief Compliance Officer, Sandra Griffith.
- c. Completion Date: This Corrective Action Plan has been implemented.

2020-031 Strengthen Controls Over Subrecipient Monitoring to Ensure Compliance with OMB Uniform Guidance Auditing Requirements.

Response: MDHS concurs that it needs to strengthen controls over subrecipient monitoring to ensure compliance with Office of Management and Budget (OMB) Uniform Guidance auditing requirements.

Corrective Action Plan:

- a. Please refer to MDHS response in 2020-024 as to measures already taken by MDHS and all future corrective actions.
- b. Responsible Party: Chief Compliance Officer, Sandra Griffith.
- c. Completion Date: This Corrective Action Plan has been implemented.

The Mississippi Department of Human Services would like to emphasize that of all findings listed in this report, only two findings include questioned costs, and both are carryover findings from the previous year. This demonstrates that Executive Leadership at MDHS has taken seriously its duty to strengthen all internal controls and is continuing to make improvements. MDHS appreciates the courtesy and professionalism demonstrated by your field staff throughout this audit. Should you have any questions regarding our responses or corrective action plan, please do not hesitate to contact Hadley Eisenberger, Inspector General, at 601-359-4939. We thank you also for granting us an extension of time to submit the agency's response.

Sincerely,



Robert G. Anderson
Executive Director

RGA

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

Auditor's note to the Corrective Action Plan from Mississippi Department of Human Services (MDHS) Management

Department of Human Services – Allowable Costs - *Material Weakness/Material Noncompliance*

2020-025 Controls Should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the TANF Program.

- 1) Regarding Heart of David: MDHS cannot separate itself from the former Director JD for consideration of a findings. While JD may have initiated the transactions or manipulated the process, the MDHS organization as a whole must take responsibility for the questioned costs. Additionally, while the entries may have been entered by DFA for a conversion to modified cash basis of accounting, the payments issued were due to operations at MDHS and not DFA.

After consideration of the comments provided by MDHS in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and federal grantor agency for further review to determine what, if any, actions will be required of MDHS.

2020-029 Controls Should Be Strengthened Over Procurement Policies for the Awarding of Subgrants and Contracts for the TANF Program.

- 1) Regarding Scoresheets for TANF Procurement: During the audit, auditors requested MDHS supply copies of all scoresheets for subrecipients that submitted proposals for the TANF 2019 RFP. MDHS failed to supply copies as requested. When auditors requested MDHS sign a "Missing Document Form" to verify that documents were indeed missing from the file, MDHS refused to sign the form and stated that they could not sign a missing document form because the documents "never existed".

After consideration of the comments provided by MDHS in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and federal grantor agency for further review to determine what, if any, actions will be required of MDHS.

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STATE OF MISSISSIPPI

Tate Reeves
Governor

MISSISSIPPI DEPARTMENT OF MARINE RESOURCES

Joe Spraggins, Executive Director

FINANCIAL AUDIT FINDINGS

March 9, 2021

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

Dear Mr. White:

The Mississippi Department of Marine Resources has received the drafted audit report and drafted finding for the FY20 agency audit. Please find our response below to finding 2020-014 as well as our corrective action plan.

AUDIT FINDINGS:

2020-014 Correction of an Error

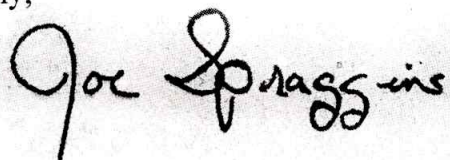
Response: The Department of Marine Resources recognizes revenue on a cash basis. All funds are recorded in full as they are received by the agency. Originally in FY18, the funds in the finding were set up in a non-federal fund because it was not deemed federal grant money. In FY19, during the lapse period, the agency was informed by ONRR that the funds were deemed federal money. A new fund was established so that the entries moving forward would be recorded in the correct fund. Discussions with DFA included what to do with the funding that was already recorded and housed in the initial fund. No corrective could be taken at the time due to the close of lapse period. Subsequently, at the close of FY20, we learned from the Mississippi State Auditor's Office that these funds were in fact not deemed federal assistance and needed to be transferred to a different fund. After transferring the revenue to the appropriate fund, the Department of Finance made a transfer to move the cash balance to the appropriate fund as well. In doing so those funds got transferred to a revenue account instead of a transfer from one cash account to another cash account. The result was an overstatement of revenue by \$40,965,429 which we were unable to correct. Although this entry does need to be made

to correct this error and adjust the books, the Mississippi Department of Marine Resources does not feel this error is a material weakness in our internal control. We do, however, recognize that revenue, for GAAP purposes, should be deferred if not earned by fiscal year end.

Corrective Action Plan:

- A. To reclassify any revenue that has not been earned by the end of the fiscal year to an unearned revenue account.

Sincerely,

A handwritten signature in black ink that reads "Joe Spraggins". The signature is written in a cursive style with a large, looped "J" and "S".

Joe Spraggins
Executive Director
Mississippi Department of Marine Resources



STATE OF MISSISSIPPI
TATE REEVES, GOVERNOR
DEPARTMENT OF PUBLIC SAFETY
SEAN J. TINDELL, COMMISSIONER

FINANCIAL AUDIT FINDINGS

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

February 12, 2021

Dear Mr. White:

Please see our response and corrective action plan for the financial audit findings related to the June 30, 2020 financial statement audit.

AUDIT FINDINGS:

2020-015 Inventory - Material Weakness In Internal Control

Response: The State of Mississippi Department of Public Safety concurs with the audit finding.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation: The State of Mississippi Department of Public Safety will draft and implement written policies and procedures to ensure inventory is properly maintained.
- B. Name of the contact person responsible for corrective action: Alison Brown, Comptroller
- C. Anticipated completion date for corrective action: June 30, 2021

2020-016 Financial Reporting - Material Weakness In Internal Control

Response: The State of Mississippi Department of Public Safety concurs with the audit finding.

Corrective Action Plan:

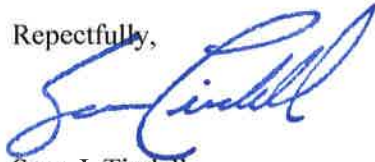
- A. Specific steps to be taken to correct the situation: The State of Mississippi Department of Public Safety will implement additional procedures which will require the Deputy Commissioner of Finance and the Commissioner of the State of Mississippi Department of Public Safety to approve the generally accepted accounting principal package prior to its annual submission to the State of Mississippi Department of Finance and Administration for recording the year end adjustments.

Shad White, State Auditor
Office of the State Auditor
Page 2 of 2

February 12, 2021

- B. Name of the contact person responsible for corrective action: Steven McDevitt, Deputy Commissioner, Finance
- C. Anticipated completion date for corrective action: June 30, 2021

Repectfully,



Sean J. Tindell
Commissioner
MS Department of Public Safety



SINGLE AUDIT FINDINGS

June 29, 2021

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

Dear Mr. White:

We have received the Single Audit Management Report and the following details our response to the Audit Findings for fiscal year 2020:

AUDIT FINDINGS:

CFDA

Number 20.205 – Highway Planning and Construction

Compliance

Requirement Special Test & Provisions – Wage Rate

2020-034 **Controls Should Be Strengthened to Ensure Compliance with Wage Rate Requirements**

Response: MDOT does not concur with this finding.

While MDOT's Contract Administration Division (CAD) does not have control when the contractors or subcontractors submit their weekly statement(s), Contract Administration Division does have control over the issuance of warrants to contractors. Contract Administration Division has complied with its previous 2019 corrective action plan to ensure no estimate is processed for payment with delinquent payrolls outstanding. See the 2020 corrective action plan below.

Corrective Action Plan:

- A. Contract Administration Division is preparing two (2) flyers outlining the requirements for timely payroll submissions to the department. One flyer will be sent to all Prime Contractors with their executed contracts, reminding them of their contractual requirements to timely submit payrolls each week (no later than seven (7) days from the end of each payroll period). It will also
- Transportation: The Driving Force of a Strong Economy*

remind Prime Contractors that they are responsible for the timely submission of all payrolls from their subcontractors as well.

The second flyer will be sent to all Project Engineers with each project they are assigned. It will remind them of their responsibility to require the Prime Contractors to submit their weekly payrolls in a timely manner (no later than seven (7) days from the end of each payroll period) and to keep their project records up to date.

In addition, the CAD Contract Compliance Officer will include the following statement in correspondence with the Project Engineers and/or their payroll designees when contacting MDOT staff regarding payrolls.

As required in Section 110 of the Standard Specifications and the FHWA-1273, Prime Contractors are required to submit their weekly payrolls to you weekly (no later than seven (7) days) from the end of each payroll period. The Prime Contractor is responsible for the timely submission of all payrolls by its subcontractors. If the Prime Contractor is not in compliance with these requirements, please notify them in writing that they are out of compliance with the state specifications and federal regulations. Failure to comply with the requirements may result in suspension of work and/or withholding of payment until they are in compliance with the requirements.

B. All Project Engineers and/or their Payroll Designees
Paul Campbell, Compliance Officer

C. August 1, 2021

D. Under current practices, in every instance, including the 40 that were denoted in the findings, there were no instances where employees were paid a wage less than the minimum required by Davis Bacon. Additionally, there were no instances of abuse of federal funds since Contract Administration Division does not pay a contractor if payrolls are delinquent per the definition in Section 110 of the Mississippi Standard Specification for Road & Bridge Construction.

MDOT Standard Specifications, 2017 Edition

110.02.1--Statements and Payrolls. The Contractor and Subcontractors shall submit weekly copies of all payrolls to the Project Engineer and meet the requirements of U. S. Department of Transportation Form FHWA 1273, on projects constructed in whole or in part with Federal funds.

The Contractor shall make all efforts necessary to submit this information to the Project Engineer weekly. The Engineer will have the authority to suspend the work wholly or in part and to withhold payments if the Contractor fails to submit the required information. Submission of forms and payrolls shall be current through the first full week of the month for the estimate period in order for the Project Engineer to process an estimate.

It should be noted that the Contract Administration Division does not have the authority to suspend the work of the Contractor or to withhold payments. Only the Project Engineer has this authority and they report to a District Engineer which Contract Administration Division has no authority over as well.

CFDA
Number **20.205 – Highway Planning and Construction**

Compliance
Requirement **Subrecipient Monitoring**

2020-035 **Strengthen Controls to Ensure Compliance with Subrecipient Monitoring Requirements**

Response: MDOT concurs with this finding.

Corrective Action Plan:

- A. To monitor LPA audit reports for the year ended September 30, 2019 and forward, MDOT has developed an electronic Single Audit Certification letter. The electronic version will require an acknowledgment from the LPA on whether or not a single audit is required based on their incurred federal expenditures and the results of their audit. If a single audit is required, the certification letter will indicate that support showing the audit has been accepted by the federal audit clearinghouse (FAC) within the earlier of 30 days after receipt of the CPA's audit report or nine months after the end of the audit period (LPA's fiscal year) should be attached. Sub-award agreement documents and the Project Development Manual has been revised accordingly.

MDOT worked closely with the Federal Highway Administration (FHWA) division office to develop this certification letter.

- B. Emily Harrington, CPA – Director of Internal Audit and Lee Frederick, PE – State LPA Engineer

- C. The electronic certification letter has been implemented and the monitoring process has been completed.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jeffrey C. Altman", with a large, sweeping loop at the end.

Jeffrey C. Altman, P.E.
Acting Executive Director

JCA: trb

cc: Lisa Hancock, CPA - Deputy Executive Director/Administration
Brian Ratliff, PE - Deputy Executive Director/Chief Engineer

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

Auditor's note to the Corrective Action Plan from Mississippi Department of Transportation (MDOT) Management

Department of Transportation – Special Tests and Provisions - *Material Weakness/Material Noncompliance*

2020-034 Controls Should Be Strengthened to Ensure Compliance with Wage Rate Requirements

MDOT did not concur with the finding; however, the detailed response includes corrective actions to attempt to collect payroll information before payment is issued and MDOT concurs that the Contract Administration Division has control over issuing warrants to contractors. The requirement to provide payroll statements within seven days after the regular date of payroll is not a state or MDOT policy, but a federal requirement, and MDOT concurs that the information was not obtained based on the language of the corrective action plan. It appears MDOT is stating it does not concur that it should be required to perform this step; not that they do not concur with the actual finding that it was not performed.

After consideration of the comments provided by MDOT in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and federal grantor agency for further review to determine what, if any, actions will be required of MDOT.

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FINANCIAL AUDIT FINDINGS

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

March 31, 2021

Dear Mr. White:

We have reviewed the single audit findings in reference to our fiscal year 2020 audit. Listed below are our individual responses and plans for corrective action:

AUDIT FINDINGS:

2020-011 Controls Should Be Strengthened Over the Preparation and Review of the Schedule of Expenditures of Federal Awards and Estimated Claims Payable.

Response:

The Division agrees with the exceptions noted on the Schedule of Expenditures of Federal Awards and the Estimated Claims Payable calculation.

Corrective Action Plan:

- A. The Division understands the importance of this information and will strengthen controls over the preparation and review of the year end reports. The Office of Financial Reporting is now fully staffed and trained and has an additional Budget Director reporting to the Comptroller. This will allow the responsibility for creation and review of the GAAP packet and associated entries, the agency budget, and the federal expenditure reports, which are all due at the end of July, to be better allocated across staff.

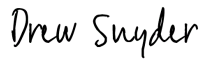
To provide further controls over the preparation of these reports, the Division is creating a schedule of GAAP reporting duties, allowing those to be assigned and completed earlier and providing for a thorough review and rework, if necessary. Additionally, the agency has

identified reports that can be used from the Payment Management System (PMS) to ensure all grant information is correct prior to submission of the grant schedule.

B. Christine Woodberry

C. June 30, 2021

Sincerely,

A handwritten signature in black ink that reads "Drew Snyder". The script is cursive and fluid.

Drew L. Snyder
Executive Director



Attachment B

SINGLE AUDIT FINDINGS

July 23, 2021

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

Dear Auditor White:

Thank you for providing the Single Audit Findings for the Mississippi Division of Medicaid for our review and response, which we received on July 20, 2021. Our responses are below.

Sincerely,

Drew Snyder
Executive Director
Mississippi Division of Medicaid

AUDIT FINDINGS:

93.767 Children's Health Insurance Program (CHIP)

Allowable Costs

2020-041 Strengthen Controls to Ensure Compliance with the Allowable Costs Requirements of the Children's Health Insurance Program (CHIP).

DOM Response:

DOM Concurs. The CHIP co-payment table, which is a part of the Wholesale Change Packet (WCP) that includes all updates required when Federal Poverty Levels (FPL) change, was inadvertently left out of the WCP sent to the DOM fiscal agent during a time of staff turnover in fiscal year 2020. However, DOM has already provided its fiscal agent with the updated household size and FPL limits used for the CHIP co-payment determinations. The fiscal agent already completed the required updates and notified DOM that the updates were completed. DOM Information Technology (iTech) staff assigned to the Eligibility Program Area already verified the update for completeness and accuracy. DOM has opened a change of service request (CSR) to ensure the WCP contains all the required updates, including automation of the calculation of the table/values needed for CHIP co-payment determinations. The CHIP co-payments will also be added to the required annual accuracy testing performed by DOM prior to the March production run by the fiscal agent.

DOM Corrective Action Plan:

Based on the above response, DOM has largely corrected this issue and will ensure CHIP co-pay testing is part of the annual testing done by the iTech Program Area each March prior to the production run sent to the fiscal agent. This correction is anticipated to be completed by 2022, and ongoing annually thereafter.

.....

93.767 Children's Health Insurance Program (CHIP)

93.778 Medical Assistance Program (Medicaid, Title XIX)

Eligibility

2020-042 Strengthen Controls to Ensure Compliance with Eligibility Requirements of the Medical Assistance Program and the Children's Health Insurance Program (CHIP).

DOM Response:

DOM Does Not Concur. It appears that OSA has attempted to evaluate DOM eligibility determinations using standards that are not approved by CMS and a data source unavailable to DOM under current state law. DOM maintains that for determining eligibility, it has complied with the CMS-approved state plan. Using the approved CMS MAGI Based Verification plan in effect during the audit time period, the state sought to verify the reported income to the standard of reasonable compatibility, as defined by CMS, through all **available** electronic data sources. While DOM is only required to use tax return information in certain circumstances, the agency

DOM Single Audit Responses

continues to pursue the authority to review state and/or federal tax return information. To date, DOM has not been provided statutory authority to access Mississippi Department of Revenue tax information and is still awaiting IRS approval of the Safeguard Security Risks document. Once approval is received and all required testing is completed, DOM “go live” access for this IRS data should occur in September 2021. DOM plans to continue to follow the approved federal/state plan for eligibility determination as it has done, and as additional resources are authorized for DOM’s use, the agency will also begin to use those resources as well.

DOM Does Not Concur. According to 42 CFR 435.603(h) and the CMS-approved state plan, DOM is required to base eligibility on **current** income and family size for new applicants and current beneficiaries. The tax information used by OSA in its audit procedures is from a time period more than a year prior to the application for eligibility determination. Financial information that far out of date may not accurately reflect the current circumstances of applicants.

While tax returns can be used as one form of verification, as required by federal regulations and the approved state plan, income attestations reflective of the client’s present situation must be considered. Further, tax return information does not solely determine eligibility for applicants or current beneficiaries. This information, along with all other available data sources, is used as a part of the standard of reasonable compatibility. DOM has not been granted access to either state tax data or IRS tax data for the time period being audited; therefore, these options are not currently available electronic data sources.

In addition, not following state-approved processes, including the reasonable compatibility standard, can result in a federal audit finding by CMS or other federal auditors.

Since DOM was presented the extrapolated questioned costs fewer than 72 hours before the response deadline, DOM is still reviewing calculations based on the methodology OSA provided.

DOM Does Not Concur. DOM did not incorrectly identify self-employment income as wages as the finding states. A review of each record indicates no self-employment income was reported at applications or renewal after 2015. Each case indicates the income source was a job with wages that were verified by an employer.

DOM Does Not Concur. All eight cases identified were in fact verified through TALX; none of the recipients had income information returned that was applicable to the review period. In these cases, TALX is not designed to document the request beyond a screenshot that would not contain a date or time stamp.

DOM Concurs. Of the seven cases identified, two cases were verified through the Mississippi Department of Employment Security (MDES). One was a COVID-19 batch reinstatement for the OSA review period of May 9, 2020 and did not require an MDES request or response. Another was a redetermination with an OSA review date of April 23, 2019. The vendor included the request for parental income on the file sent to MDES on February 11, 2019. No response was received from MDES.

DOM Single Audit Responses

As it relates to MDES requests, DOM regularly requests income verification on applicants and beneficiaries. In the past, DOM was always aware that MDES did not include any person(s) on their response file who did not have information in their system. DOM understands that this gave the appearance that no verification was performed on some recipients. Going forward, MDES will ensure all recipients listed in the request file from DOM will be returned in the response file regardless of whether MDES has information on the client or not. This will provide DOM documentation to show that each person in DOM's request file was processed by MDES.

To alleviate future omissions, DOM's third-party vendor is changing the criteria used to pull individuals into the outgoing request file sent to MDES for income verification. Additionally, DOM's third-party vendor will provide an automated verification to DOM when the outgoing request file has been sent to MDES and another when the MDES response file has been received by the vendor.

DOM Concurs. In both instances that were cited, the tax dependent information was not entered into the system when a newborn was added to the case as a deemed eligible infant. When actions were later taken on other household members, the tax dependent information was not updated. As a result, the correct COE was not assigned because the family size did not include the newborn in the budgeting process.

Eligibility staff has been reminded in writing of the need to ensure that newborn information is updated prior to processing an application or redetermination for any other household members. In addition, Eligibility is working with the vendor on a system change to alert the case worker that a newborn is included in the case being processed. A warning message that must be acknowledged by the employee processing the case will be displayed when the relationship or tax dependent status on a newborn is missing and a budget is being processed for any household member; thus, allowing for correction prior to processing eligibility.

DOM Concurs. Staff members were reminded in writing of the steps for the handling of wages, as well as, ensuring correct family size when eligibility is being determined. Eligibility is working with the vendor on a system change to alert the worker that a newborn is included in the case being processed. A warning message that must be acknowledged by the employee processing the case will be displayed when the relationship or tax dependent status on a newborn is missing and a budget is being processed for any household member; thus, allowing for correction prior to processing eligibility.

DOM Concurs. An Asset Verification System (AVS) geo search was initiated for the time period under review on the 25 recipients identified above. Twenty-four of the responses did not affect eligibility of the beneficiary.

In June 2020, the eligibility system change request list was updated to include asset checks within the system processing workflow to eliminate the manual request process and facilitate asset verification through AVS. This system change is in process.

Meanwhile, all staff members have received a written reminder about the resource policy and AVS requirements. In addition, new hires will receive resource training using a curriculum that includes the AVS process. This curriculum will also be used in annual AVS refresher training for all staff.

DOM Concurs. This resulted from incorrect criteria being used by DOM's third-party vendor to pull the population for the outgoing PARIS files. DOM provides specific parameters to the vendor to ensure that the appropriate beneficiaries are included in the report to be sent to the Mississippi Department of Human Services (MDHS) for the PARIS upload. The parameters requested by DOM for the outgoing PARIS file were not implemented correctly by the vendor resulting in the above beneficiaries being omitted from the file prior to transmission to MDHS.

To ensure that DOM knows that all beneficiaries are reported, DOM has implemented the following:

- Elimination of parameters – The vendor has removed all filters from the PARIS quarterly file beginning with the file on August 1, 2021. Therefore, the outgoing request file will contain all cases that are active in the month of July 2021. The recipients noted above will also be included with the August 1, 2021, PARIS outgoing file request.
- Confirmation –
 1. The vendor will provide written confirmation to DOM when the PARIS outgoing file is sent to MDHS. They will provide DOM with written confirmation whether responses were received.
 2. MDHS will provide DOM with written confirmation when the DOM PARIS outgoing file has been received and processed or notify DOM immediately if no file or an empty file is received from DOM. DOM will eliminate the parameters from the PARIS quarterly file to ensure that an updated file containing all beneficiaries is provided to MDHS prior to the required PARIS upload. Additionally, if MDHS fails to process the DOM PARIS file, an explanation will be provided to DOM from MDHS.

DOM does not comment on open investigations.

DOM Corrective Action Plan:

Based on the above response, including actions already underway, DOM believes no other corrective action is needed for these findings. DOM is following approved guidelines and has sufficient controls in place, which include ongoing and periodic training, as necessary.

93.767 Children's Health Insurance Program (CHIP)

Provider Eligibility

2020-043 Strengthen Controls to Ensure Compliance with the Provider Eligibility Requirements of the Children's Health Insurance Program CHIP.

DOM Response:

DOM Does Not Concur. Per the CCO/DOM contract Section 7.E., Provider Credentialing and Qualifications, to meet federal, state, and agency mandates, coordinated care organizations

DOM Single Audit Responses

(CCOs) are required to ensure that the credentialing and qualifications screening process includes a review of certain databases for each provider enrolled or seeking to enroll as a CHIP provider. Because there had been no federal exception for providers that enroll with different CCOs, providers may have been screened by multiple CCOs to meet all other federal requirements.

In May 2018, DOM sought clarity from CMS. The CMS representative stated that “CHIP providers would not need to enroll directly with the state if the CCO is conducting all required screening pursuant to 42 CFR 455 Subparts B and E. If screening is not fully completed for any provider, the state would be the entity held accountable in the event of a review finding.” The Medicaid Provider Enrollment Compendium (MPEC) has been revised since that time, with the most recent effective date of March 22, 2021. It states that all references to the Medicaid Program in this compendium are inclusive of CHIP.

In late summer 2020, as a part of its continuous internal reviews and comparisons of changes to Federal laws, rules, and regulations, DOM identified the issue of duplicate screenings for providers participating in multiple networks as an issue needing to be addressed. DOM immediately began the process of making changes to the provider screening requirements. As DOM worked with a third-party vendor to centralize the screening and credentialing process, the updated requirements were included in that work in the fall of 2020. DOM continues to work with the vendor to design, develop, and implement the new integrated system, and plans to begin the new process prior to the end of State Fiscal Year 2022.

DOM Concurs. The individual CCO EQR technical reports were completed prior to April 30, 2021; however, the annual comprehensive technical report was not finalized and posted to the DOM website until May 26, 2021. In a meeting with the EQRO on June 21, 2021, DOM requested that the review schedule be adjusted to ensure that in the future the comprehensive report is finalized by April 30th annually to comply with federal regulations.

DOM Does Not Concur. The findings listed in the EQRO report were addressed in CCO corrective action plans based on the EQR reports of CCO audits conducted between June 2020 and May 2021. According to the EQRO, “all deficiencies were addressed in the health plans’ Corrective Action Plans, and all Corrective Action Plans have been reviewed and accepted. Follow-up is conducted for all deficiencies during quarterly CAP follow-ups and during the next EQR.” DOM continues to work with the EQRO to review and test the CAP issues to ensure mitigation. Further, DOM considers these to have been addressed prior to the beginning of the OSA audit based on the accepted CAP responses and follow-up efforts.

However, while the EQRO report was provided at the request of the auditors, additional documentation was available that supports DOM CCO oversight and was offered during management response. A DOM Managed Care Reporting Manual is maintained for CCO reports with monthly, quarterly, and annual deliverables; including Provider Credentialing Report, Provider Investigations and Complaints, Provider Complaints and Appeals Logs, Provider Satisfaction Survey Results, Claims Denials, as well as Member reports and Quality Reports. As member, provider, claims, encounter, and other issues are identified, they are referred to an appropriate DOM program area for response and needed corrective action on an on-going basis.

DOM Single Audit Responses

Additionally, since 2015, the DOM requires the CCOs to submit CHIP Provider data to our fiscal agent. This information is uploaded into the DOM MMIS system and converted into usable data and reports, which provide additional insight into CHIP provider services. DOM uses all the data mentioned above to communicate to the EQR vendor-specific areas of concern that require more detailed review.

DOM also reviews policies submitted by the CCOs prior to implementation for approval or disapproval, which include quality, clinical, and reimbursement policies. DOM reviews Member and Provider communications for approval or disapproval. DOM meets regularly with CCOs to discuss problems, issues of concerns, policy changes, improvements and corrections required, and CMS updates. These include the CCO Monthly Management Meetings, Quality Task Force Meetings, Quality Leadership Meetings, CCO Executive Meetings, and Ad Hoc meetings.

DOM Corrective Action Plan:

With the following exception, DOM believes that based on the responses above, no additional corrective action is needed at this time: Prior to the implementation of the centralized credentialing program, DOM will review a process to verify providers who are enrolled in both the Medicaid and CHIP programs to ensure that the disclosure forms and screenings are limited to DOM capturing this information. This centralized credentialing program is expected to be completed in 2022 and will be managed by Provider Solutions.

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93.778 Medical Assistance Program (Medicaid; Title XIX)

Special Test Utilization Control and Program Integrity

2020-044 Strengthen Controls to Ensure Compliance with Utilization Control and Program Integrity Requirements.

DOM Response:

DOM Does Not Concur. Four Durable Medical Equipment (DME) provider type reviews were initiated by DOM Program Integrity between the months of July 2019 through January 2020. Additionally, each month, and as an additional oversight function, DOM's Office of Medical Services conducts program area claim/utilization reviews including, but not limited to, DME claims, providers, and services. Further, when DME is authorized through a 1915(c) waiver, prepayment reviews are conducted by a DOM Program Manager prior to payment.

The prior third-party vendor whose contract was ending stopped its post-payment and quality reviews in May 2019 because the reviews required providers be notified in writing of the document requests and the document submission would have fallen outside the end of the first vendor contract. The new vendor began the operational phase of their contract on September 1, 2019. After the vendor developed a review process and received DOM approval for these processes, quality reviews of DME began in February 2020 (for January claims), the reviews continued throughout the rest of the fiscal year.

DOM Single Audit Responses

DOM Concurs. It is accurate that the first ICF/IID reviews were performed by the new vendor in June 2020 during the fiscal year that ended June 30, 2020. DOM procured a vendor to conduct the ICF/IID reviews to ensure reviews were conducted according to federal regulations. The new vendor began the operational phase of their contract on September 1, 2019, which included implementation of the ICF/IID reviews, but required time to adequately set up policies, procedures, their system, and enroll providers in their web portal. ICF/IID reviews were a new requirement under the UM/QIO contract, with the challenge being that it was also a new process for the providers and required training prior to final implementation. The vendor began a soft review in June of 2020 and full reviews in July 2020 after training was completed.

DOM has met with the vendor regularly to set up policies and procedures, and currently conducts monthly ICF/IID Quality of Care Issues meetings to discuss any concerns with quality of care. In addition, DOM and its vendor contact each other via e-mail or telephone frequently for any questions or concerns that come up prior to the standing monthly ICF/IID Quality of Care Issues meeting and a general standing meeting to discuss all issues with the vendor.

DOM Does Not Concur. Seven Private Duty Nursing (PDN) reviews were initiated between the months of July 2019 through March 2020. However, the Public Health Emergency (PHE) impacted the care-giver engagement and quality of care reviews. DOM did not conduct any PDN reviews from April through June 2020 due to the PHE.

DOM Does Not Concur. Quality of Care reviews were performed during FY 2020. Program Integrity reviews are performed by the vendor at DOM's request to determine appropriate coding, quality of care, medical necessity, etc. DOM sent seven quality of care requests (consisting of hundreds of claims) in March 2020 to the vendor who then performed the reviews.

As required by 42 CFR 456.23, DOM and its third-party vendor have post-payment review procedures that allow state personnel to develop and review beneficiary utilization profiles, provider service profiles, exceptions criteria, and identifies exceptions throughout the year, so that DOM can correct misutilization practices of beneficiaries and providers. Also, as required, DOM ensures that each CCO with which it contracts is evaluated annually on quality, timeliness, and access to the health care services by an external quality review organization (EQRO) and ensures that the EQRO conducting such reviews is competent and independent. Further, DOM works with the EQRO throughout the year, including in the planning, selection, and implementation of the EQRO work effort.

DOM Does Not Concur. There has been no lapse in inpatient hospital post-payment review coverage for dates of service during the transition from one vendor to another. The CFR cited in the finding does not speak to required time frames for conducting in-patient hospital post-payment reviews (daily, weekly, monthly, etc.), but only requires that procedures be in place to ensure on-going, sample-based evaluations. Both DOM and the third-party vendor have viable processes in place for on-going, sample-based evaluations and have worked to ensure continuous reviews based on inpatient hospital dates of service. While there may have been a transition period from one vendor to another for the new vendor's reviews to start, there was no lapse in review coverage or DOM oversight of such reviews.

DOM Single Audit Responses

Federal regulations cited have no frequency specification for “ongoing reviews” as referenced in 42 CFR 456.22 – 23. As such, DOM distinguishes the difference between the time of the audit and the period being audited. DOM maintains that there is no deficiency on the period being audited or in the annual completion of the audits. DOM has internal quality assurance processes that require DOM review and approval prior to the vendor beginning its work. DOM believes it is reasonable for a new vendor to develop and test comprehensive and reliable processes to ensure audit coverage is sufficient throughout the life of the contract and for DOM to evaluate and approve such processes and procedures.

DOM Concurs that no IV and V reviews occurred during fiscal year 2020. However, the new vendor processes have been approved, the reviews have been implemented and are underway. Additionally, even though there was a break in IV and V field work, there has been no lapse in audit coverage.

DOM Does Not Concur. OSA requested via email and interviews information about processes and procedures, DOM has no documentation where methodology was requested. Had there been requests for methodology, DOM and the third-party vendor would have supplied that information. This information is still available for review.

DOM Corrective Action Plan:

Based on the management response above, DOM does not believe any additional corrective action is needed because lapses in the audit timing have been mitigated since the new vendor became fully operational. DOM maintains appropriate oversight over these reviews to ensure they are occurring properly.

.....

93.778 Medical Assistance Program (Medicaid; Title XIX)

Special Test ADP Risk Analysis and System Security Review

2020-045 Strengthen Controls to Ensure Compliance with Automatic Data Processing (ADP) Risk Analysis and System Security Review Requirements.

DOM Response:

DOM Concurs. DOM hired a Chief Security Officer (CSO) in September 2020, filling a vacancy of over a year. In January 2021, the CSO performed an enterprise-wide risk assessment ensuring the security and privacy of DOM systems. Although the risk assessment was not completed during the time period being audited, upon hiring the CSO, the assessment was performed and will continue to be conducted annually, thus satisfying the requirements of 45 CFR 95.621 and DOM’s Risk Analysis Policy.

DOM Corrective Action Plan:

Based on the management response above, there is no additional corrective action needed.

.....

DOM Single Audit Responses

93.778 Medical Assistance Program (Medicaid; Title XIX)

Special Test & Provisions

2020-46 Ensure Compliance with Medicaid National Correct Coding Initiative (NCCI) Confidentially Agreement Requirements.

DOM Response:

DOM Does Not Concur. DOM acknowledges that the confidentiality provision in place with the contracted fiscal agent does not contain all of the elements listed in the Technical Guidance Manual. However, DOM does contest the Auditor's findings of the Effect. The Auditor has acknowledged that the contract existing between DOM and its fiscal agent contains a contractual confidentiality provision which requires the fiscal agent to maintain the confidentiality of DOM's confidential information, which would include the NCCI edit materials. In addition, that contract between DOM and the fiscal agent contains penalty provisions in the event the fiscal agent breaches the contract, including the confidentiality provision. Thus, the lack of all elements listed in the Technical Guidance Manual does not extinguish the fiscal agent's duty to maintain the confidentiality of these materials, nor does it prohibit penalties against the fiscal agent if any such breach of confidentiality occurs. However, to achieve all elements listed in the technical manual, DOM will enter into a separate confidentiality agreement with the fiscal agent and any other affected parties for purposes of the NCCI materials that expressly includes those terms.

DOM Corrective Action Plan:

Even though DOM does not concur, the agency will create and execute a separate confidentiality agreement with the fiscal agent and any other affected parties to include the specific elements required in *The Medicaid National Correct Coding Initiative (NCCI) Technical Guidance Manual, Section 7.1.2.*



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

Auditor's note to the Corrective Action Plan from Mississippi Division of Medicaid (MDOM) Management

Division of Medicaid – Eligibility - *Material Weakness/Material Noncompliance*

2020-042 Strengthen Controls to Ensure Compliance with Eligibility Requirements of the Medical Assistance Program and the Children's Health Insurance Program.

- 1) Regarding Uses of Available Data Sources: The Medicaid State Plan requires the verification of all income for MAGI-based eligibility determinations, and MDOM's *Eligibility Policy and Procedure Manual (Section 201.03.04a)* requires the use of an individual's most recent tax return to verify self-employment income. This section further states, if tax returns are not filed, not available, or if there is a change in income anticipated for the current tax year, refer to Chapter 200, Net Earnings from Self-Employment at 200.09.08, for policy on estimating net earnings from self-employment. The MDOM's State Plan does not allow for accepting self-attested income. Therefore, if an applicant indicates zero for self-employment income, the amount of zero must be verified like any other income amount. While it is true that MDOM cannot obtain copies of tax returns directly from the Department of Revenue due to restrictions in statute, MDOM is still responsible for verifying income and can do so by requesting the applicant supply a copy of their most recent tax return. This process is defined in MDOM's own policy and procedures.
- 2) Regarding Current Income Evaluation: Based on MDOM's own policy, the applicant's most recent tax return should be used to verify eligibility. When performing the testwork, auditors verified the most recent determination or redetermination date in the individual's case file, and analyzed the tax return that would have been the most recent tax return available when making the eligibility decision. Due to the timing of the tax filing requirements, in some cases a 2020 redetermination would require a 2018 tax return to verify income. If MDOM feels that this information is not current, they should consider revising their policies. OSA would like to reiterate that auditors followed MDOM's own policies, procedures, and recommendations in the approved State Plan to perform this testwork. Disagreements about the validity of those policies is not the matter under discussion; it is MDOM's noncompliance with its own policies that is the point of concern. Lastly, MDOM's argument that the verification does not meet the standard of reasonable compatibility is flawed. The concept of reasonable compatibility requires the comparison of sworn attestations to available electronic data sources. MDOM is not requiring any verification of sworn attestations of self-employment income – regardless of whether electronic data sources would confirm or deny the attestation. OSA would also like to remind MDOM that by not verifying self-employment income as state-approved processes require, they are already risking the possibility of a federal audit finding by CMS or other federal auditors.
- 3) Regarding Two Individuals with Incorrect Income Reporting: The finding detail does not state that MDOM incorrectly identified the income; the applicant misidentified the income as wages and not self-employment income; therefore, the required additional steps that should have been taken by MDOM were not taken.

- 4) Regarding the TALX Verification: MDOM could not provide any documentation to support that the individuals were verified through the TALX system before eligibility decision. Without a reliable audit trail, the verification cannot be proven.
- 5) Regarding Projected Questioned Costs: Projected questioned costs are based on statistical analysis based on error rates, confidence levels, and proven statistical methods. The report does not say these questioned costs exist, but rather there is a statistical possibility they do. Without intervention from MDOM to verify all sources of income, these conditions will continue to exist in the population.

After consideration of the comments provided by MDOM in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and CMS for further review to determine what, if any, actions will be required of MDOM.

Division of Medicaid – Special Tests - *Material Weakness/Material Noncompliance*

2020-043 Strengthen Controls to Ensure Compliance with the Provider Eligibility Requirements of the Children’s Health Insurance Program.

- 1) Regarding Requirement for Redundant Screenings: As stated in the finding, there is a requirement that providers must not be screened by multiple CCO’s (or MCO’s). Regardless of the reason MDOM stated in the corrective action plan that it is a requirement that all providers be screened multiple times to meet other federal requirements, they are still in violation of the *Medicaid Provider Enrollment Compendium*. Additionally, MDOM stated in the Corrective Action Plan that they began in late summer of 2020 to correct this issue; therefore, by MDOM’s actions, it appears that they do, in fact, concur with their noncompliance in this area.
- 2) Regarding Requirement for Redundant Screenings: Corrective Action plans are prospective, and not retrospective. The fact that corrective action plans for the CCO/MCO’s were supplied to the EQRO after the errors were found and reported on by the EQRO does not mean that the problems did not exist, as MDOM’s Corrective Action Plan implies. While the errors may have been addressed prior to the OSA audit, they existed during the fiscal year under audit.

MDOM did not provide any documentation to support their statements that additional oversight was conducted by the organization, despite numerous opportunities to do so. In fact, contradictory information was provided to auditors about these additional measures to monitor providers. In lieu of those facts and due to the lack of supporting documentation, OSA does not believe the existing documentation provided supports the lack of overall monitoring of provider eligibility.

After consideration of the comments provided by MDOM in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and CMS for further review to determine what, if any, actions will be required of MDOM.

Division of Medicaid – Special Tests - *Material Weakness/Material Noncompliance*

2020-044 Strengthen Controls to Ensure Compliance with Utilization Control and Program Integrity Requirements.

- 1) Regarding Durable Medical Equipment Reviews: As stated in the finding, OSA does not consider the minimal reviews performed during the fiscal year to meet the compliance requirements as outlined by federal governing authorities. MDOM states that the review process and approval of said process occurred after September 1, 2019; however, these processes should have been part of the implementation phase that

occurred from February 2019 through August 2019, in which Alliant was paid \$600,556 for “readiness review approval”. Additionally, Alliant was paid \$1,433,942 from September through January for provider and payment reviews, among other services.

- 2) Regarding Private Duty Nursing Reviews: As stated in the finding, OSA does not consider the minimal reviews performed during the fiscal year to meet the compliance requirements as outlined by federal governing authorities.
- 3) Regarding Quality of Care Reviews: As stated in the finding, OSA does not consider the minimal reviews performed during the fiscal year to meet the compliance requirements as outlined by federal governing authorities.
- 4) Regarding Inpatient Hospital Post Payment Reviews: As stated in the finding, OSA does not consider the minimal reviews performed during the fiscal year to meet the compliance requirements as outlined by federal governing authorities. Additionally, these reviews were not performed during the fiscal year. The standards require “ongoing” reviews which the auditor defined as procedures and reviews to be performed during each fiscal year. Untimely reviews can allow incorrect processes to remain unchecked, which can result in fraud, waste, and abuse.
- 5) Regarding Sample Methodology: Auditors requested this information from the Office Director of Medical Services on two separate occasions, once in writing. No evidence of sampling methodology was ever provided to auditors from those multiple inquiries.

After consideration of the comments provided by MDOM in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and CMS for further review to determine what, if any, actions will be required of MDOM.

Division of Medicaid – Special Tests - *Material Weakness/Material Noncompliance*

2020-046 Ensure Compliance with Medicaid National Correct Coding Initiative Confidentiality Agreements

- 1) Regarding the Effect of the Noncompliance: Auditor believes that without the required language to ensure confidentiality, MDOM is allowing the possibility of Conduent using the data for non-business purposes.

After consideration of the comments provided by MDOM in its Corrective Action Plan, OSA does not feel any adjustments should be made to the finding, and that it should be routed to the federal cognizant agency and CMS for further review to determine what, if any, actions will be required of MDOM.

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State of Mississippi

TATE REEVES

Governor

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

STEPHEN C. McCRAVEY
EXECUTIVE DIRECTOR

Single Audit Findings

June 24, 2021

Honorable Shad White, State Auditor
Office of the State Auditor
State of Mississippi
Attn: Jason Ashley
P. O. Box 956
Jackson, MS 39205-0956

Dear Mr. White:

We have reviewed the audit findings below in reference to the Mississippi Emergency Management Agency 2020 fiscal year audit. Listed below is our individual response and plan for corrective action:

Findings:

SUBRECIPIENT MONITORING

2020-023 Controls Should be Strengthened to Ensure Compliance over Subrecipient Monitoring of OMB Uniform Guidance Audits.

CFDA Number 97.036 – Disaster Grants – Public Assistance Program

Federal Award No.	DR-MS-1604	DR-MS-4081	DR-MS-4314
	DR-MS-4175	DR-MS-4295	DR-MS-4101
	DR-MS-4350	DR-MS-1794	
	DR-MS-4248	DR-MS-4268	

Federal Agency U.S Department of Homeland Security

Pass Through Entity N/A

Questioned Costs None

Response: Concur

Corrective Action Plan:

The Agency was in the process of responding to the COVID-19 Pandemic. As the lead Agency for purchasing and procurement for the COVID-19 Pandemic, the Office of Support Services became very busy, very quickly. Staff was pulled in many directions to get items processed timely to respond properly to the pandemic while trying to maintain daily duties and requirements. The timing of the audit and the many disasters going on during the time period, we feel, contributed to the finding.

The Mississippi Emergency Management Agency is consistently updating and amending its processes to ensure compliance with the *Code of Federal Regulations* 2 CFR 200 Subpart F, audit requirements. The Agency is dedicated to building a stronger reporting and monitoring system for Single Audits. The Accounting and Finance Office will monitor and review all Single Audits.

The Mississippi Emergency Management Agency would like to express our thanks for the courtesy and professionalism demonstrated by Virginia Anderson while conducting the audit. Should you have any questions regarding our response, corrective action or need further information, please do not hesitate to contact Crystal Thompson, Chief Financial Officer, at 601-933-6603.

Respectfully,



Stephen C. McCraney
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

October 8, 2020

Dear Mr. White,

Below is a summary of the MPIC responses to the 6/30/20 FY audit findings.

AUDIT FINDINGS:

2020-001 Material Weakness in Maintenance of Source Documents

Response: MPIC concurs with the finding. A financial reporting system requires an appropriate review function to ensure that all relevant information is processed correctly and appropriately assimilated into the financial reporting process.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – The accounting department is enforcing stronger controls to make sure every receipt and expense report has the proper set of documentation attached. If the employee does not adhere to the policy, they will be moved to an out of pocket and reimbursement style of purchasing only.
- B. Name(s) of the contact person(s) responsible for corrective action-Ryan Ratcliff, Controller and Bradley Lum, CEO
- C. Anticipated completion date for corrective action: 10/31/2020 **COMPLETED**

2020-002 Material Weakness over Inventory Controls

Response: MPIC concurs with the finding and is aware that the inventory controls should be strengthened to make sure no misstatements are made, and inventory is accurately stated.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – We have begun implementing the inventory software (Fishbowl Inventory) that is currently in place. Each shop has established a month-end



reconciling system in which they send accounting daily inventory tracking tickets that tie back to a master spreadsheet. Accounting will start matching these tracking tickets against customer sales orders that get billed.

- B. Name(s) of the contact person(s) responsible for corrective action-Ryan Ratcliff, Controller and Bradley Lum, CEO
- C. Anticipated completion date for corrective action: 12/31/2020 **IN PROCESS**

2020-003 Material Weakness in Pension and Postemployment Benefit Liability Controls

Response: MPIC concurs with the finding. MPIC is aware that the internal accounting department was tasked with preparing the Pension and Postemployment benefits calculations internally. Going forward, the department will learn how to prepare the schedule and adjustments.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – The accounting department will take the steps to learn how to prepare and calculate the allocation entry for pension and post-employment benefits without the assistance of the CPA audit firm.
- B. Name(s) of the contact person(s) responsible for corrective action-Ryan Ratcliff, Controller and Bradley Lum, CEO

Anticipated completion date for corrective action: 6/30/2021

Bradley Lum, CEO

Ryan Ratcliff, Controller



SINGLE AUDIT FINDINGS

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

7/20/21

Dear Mr. White:

I would like to thank you and your team for their diligent work in preparing MSVA's portion of the Fiscal Year 2020 single audit. Your team, managers, and directors consistently displayed the courtesy, professionalism, and attention to detail the Office of the State Auditor is known for across the state.

AUDIT FINDINGS

CFDA Number(s) and Program Name(s)

64.015 Veterans state Nursing Home Care

Type of Compliance Requirement

Material Weakness and Material Noncompliance

Audit Finding Heading

Strengthen Controls over the Preparation, Recording, and Review of the Schedule of Expenditures of Federal Awards

660 NORTH STREET, SUITE 200 • JACKSON, MS 39202 • PHONE: 601-576-4850 • FAX: 601-576-4870

STACEY E. PICKERING
Executive Director

JAMES H. GARNER
Chairman
Biloxi,
Fifth Congressional District

MENDAL G. KEMP
Vice-Chairman
Madison,
At Large

DEBORAH WALLEY COLEMAN
Madison,
At Large

MICHAEL J. McGREVEY
Decatur,
Third Congressional District

DAVID H. McELREATH
Oxford,
First Congressional District

319 JAMES (MAX) FENN, JR
Summit,
Fourth Congressional District

GEORGE E. IRVIN, SR.
Jackson,
Second Congressional District

Response:

MSVA concurs with the finding.

Corrective Action Plan:

With the assistance of the state legislature, MSVA will be hiring an internal auditor to ensure compliance with the preparation of MSVA's grant schedule. A timely and more accurately prepared grant schedule will lead to more accurate reporting on the SEFA. The failure of previous administrations to report data for the SEFA will not continue under the current administration.

Signed



Stacey E. Pickering
Executive Director-MSVA



FINANCIAL AUDIT FINDINGS

March 29, 2021

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

Dear Mr. White:

In accordance with your correspondence dated March 16, 2021, the Office of the State Treasurer (OST) is providing the following responses for the financial audit findings for the fiscal year Ended June 30, 2020.

AUDIT FINDINGS:

2020-017 Controls Should Be Strengthened to Ensure Compliance with State Law over Cancellation of Warrants, and over Maintenance of a Proper Audit Trail.

Response: We concur with this finding and will strengthen controls over compliance with State Law over cancellation of warrants and maintenance of a proper audit trail.

Corrective Action Plan:

- A. OST has strengthened controls to ensure compliance with state law over cancelled warrants by reviewing OST's processes, updating original IMS fund information and Business Areas to match updated MAGIC funds and Business Areas allowing for processing of cancelled warrants received prior to the implementation of MAGIC.
- B. Laura Law-Director of Accounting & Bonds
- C. July 1, 2021

OTH-20-03 Controls Should Be Strengthened over Accruals to Properly Record Transfers in the Correct Fiscal Year.

Response: We concur with this finding and will strengthen controls over accruals to properly record transfer in the correct fiscal year.

Corrective Action Plan:

- A. OST has strengthened controls to ensure accruals are processed in the correct fiscal year. In the event there is a delayed, or lapse transaction recorded in July or a month following the end of a fiscal year, OST staff will escalate to appropriate internal and external Agency leadership to confirm effective date and correct fiscal year.
- B. Justin Smith – Director of Investments, Cash Management, & Collateral
- C. July 1, 2021

OTH-20-04 Controls Should Be Strengthened to Ensure Arbitrage Calculations are Performed in a Timely Manner.

Response: We concur with the finding and will strengthen controls over Arbitrage Calculations.

Corrective Action Plan:

- A. OST has worked to strengthen controls to ensure all bonds are monitored for the timing of arbitrage calculations and rebate submissions happen in accordance with the Internal Revenue Service Regulations. We will further strengthen controls in the upcoming year.
- B. Laura Law - Director of Accounting & Bonds
- C. July 1, 2021

OTH-20-02 Controls Should Be Strengthened to Ensure Compliance with State Laws over the Public Depository Information.

Response: We concur with this finding and will strengthen controls to ensure compliance with state laws over the public depository information.

Corrective Action Plan:

- A. OST has strengthened controls to ensure compliance with state laws by enhancing the annual review of qualified public depositors' applications to include a comparison of reported data to the Federal Deposit Insurance Corporation (FDIC). An audit trail for all monthly safekeeper reconciliations has been established to ensure all proper documentation has been collected and completed.
- B. Justin Smith – Director of Investments, Cash Management, & Collateral
- C. July 1, 2021

Sincerely,

A handwritten signature in black ink, appearing to read "David McRae", with a stylized, cursive script.

David McRae
Treasurer
State of Mississippi

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IV. INDICES



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STATE OF MISSISSIPPI

**INDEX OF FINANCIAL STATEMENT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (by finding number)

<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>
2020-001	95	MS Prison Industries
2020-002	95	MS Prison Industries
2020-003	96	MS Prison Industries
2020-004	77	Department of Finance and Administration
2020-005	71	Department of Employment Security
2020-006	67	Department of Employment Security
2020-007	69	Department of Employment Security
2020-008	81	Department of Human Services
2020-009	84	Department of Human Services
2020-010	77	Department of Finance and Administration
2020-011	91	Division of Medicaid
2020-012	65	Department of Education
2020-013	79	Department of Finance and Administration
2020-014	87	Department of Marine Resources
2020-015	89	Department of Public Safety
2020-016	89	Department of Public Safety
2020-017	97	Office of State Treasurer
2020-018	57	Department of Corrections
2020-019	59	Department of Corrections
2020-020	60	Department of Corrections
2020-021	62	Department of Corrections
2020-022	63	Department of Corrections

MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS (by State Agency)

Corrections: Page 235

Education: Page 241

Employment Security: Page 245

Auditors Response to Employment Security Corrective Action Plan: 251

Finance and Administration: Page 261

Human Services: Page 269

Marine Resources: Page 287

Public Safety: Page 289

Medicaid: Page 299

MS Prison Industry: Page 317

Office of the State Treasurer: Page 321

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STATE OF MISSISSIPPI

**INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2020**

1. U.S. Department of Agriculture: Page 101
2. U.S. Department of Commerce: None
3. U.S. Department of Defense: None
4. U.S. Department of Housing and Urban Development: None
5. U.S. Department of the Interior: None
6. U.S. Department of Justice: None
7. U.S. Department of Labor: Page 187
8. U.S. Department of Transportation: Page 195
9. U.S. Department of Treasury: None
10. Appalachian Regional Commission: None
11. General Services Administration: None
12. National Foundation on the Arts and Humanities: None
13. Small Business Administration: None
14. U.S. Department of Veterans Affairs: Page 201
15. Environmental Protection Agency: None
16. U.S. Department of Energy: None
17. U.S. Department of Education: Page 123
18. Gulf Coast Ecosystem Restoration Council: None
19. National Archives and Records Administration: None
20. U.S. Department of Health and Human Services: Page 129
21. Corporation for National and Community Service: None
22. Executive Office of the President: None
23. Social Security Administration: None
24. Department of Homeland Security: Page 185

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STATE OF MISSISSIPPI

**INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY STATE GRANTEE AGENCY
FOR THE YEAR ENDED JUNE 30, 2020**

1. Agriculture and Commerce: None
2. Animal Health: None
3. Archives and History: None
4. Arts Commission: None
5. Attorney General: None
6. Board for Community and Junior Colleges: None
7. Central Mississippi Residential Center: None
8. Corrections: None
9. Education: Pages 123-127
10. Emergency Management: Pages 185-186
11. Employment Security: Pages 187-191
12. Environmental Quality: None
13. Finance and Administration: None
14. Forestry Commission: None
15. Gaming Commission: None
16. Governor's Office: None
17. Health: Pages 101-106; Pages 129-131
18. Human Services: Pages 109-122; Pages 135-160
19. Insurance: None
20. Library Commission: None
21. Marine Resources: None
22. Medicaid: Pages 163-179
23. Mental Health: None
24. Military Department: None
25. Mississippi Development Authority: None
26. Oil and Gas Board: None
27. Pharmacy: None
28. Public Safety: None
29. Public Service Commission: None
30. Rehabilitation Services: None
31. Soil and Water Conservation Commission: None
32. Supreme Court: None
33. Transportation: Pages 195-198
34. Treasury: None
35. Veterans Affairs: Pages 201-203
36. Wildlife, Fisheries and Parks: None

Note: If findings and recommendations related to an agency appear on more than one page in a sequence, only the first page is indicated in the above reference.

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STATE OF MISSISSIPPI

**INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY FINDING NUMBER
FOR THE YEAR ENDED JUNE 30, 2020**

<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>
2020-023	185	Emergency Management
2020-024	109; 135	Department of Human Services
2020-025	140	Department of Human Services
2020-026	145	Department of Human Services
2020-027	147	Department of Human Services
2020-028	149	Department of Human Services
2020-029	150	Department of Human Services
2020-030	115; 152	Department of Human Services
2020-031	118; 156	Department of Human Services
2020-032	123	Department of Education
2020-033	125	Department of Education
2020-034	197	Department of Transportation
2020-035	195	Department of Transportation
2020-036	187	Department of Employment Security
2020-037	102	Department of Health
2020-038	104; 129	Department of Health
2020-039	101	Department of Health
2020-040	201	Veterans Affairs
2020-041	163	Division of Medicaid
2020-042	164	Division of Medicaid
2020-043	170	Division of Medicaid
2020-044	173	Division of Medicaid
2020-045	176	Division of Medicaid
2020-046	177	Division of Medicaid

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STATE OF MISSISSIPPI

**INDEX OF MANAGEMENT RESPONSES TO FEDERAL AWARD FINDINGS
AND CORRECTIVE ACTION PLANS
LISTED BY STATE GRANTEE AGENCY
FOR THE YEAR ENDED JUNE 30, 2020**

1. Agriculture and Commerce: None
2. Animal Health: None
3. Archives and History: None
4. Arts Commission: None
5. Attorney General: None
6. Board for Community and Junior Colleges: None
7. Central Mississippi Residential Center: None
8. Corrections: None
9. Education: Page 244
10. Emergency Management: Page 315
11. Employment Security: Page 253
12. Environmental Quality: None
13. Finance and Administration: None
14. Forestry Commission: None
15. Gaming Commission: None
16. Governor's Office: None
17. Health: Page 265
18. Human Services: Page 277
19. Insurance: None
20. Library Commission: None
21. Marine Resources: None
22. Medicaid: Page 301
23. Mental Health: None
24. Military Department: None
25. Mississippi Development Authority: None
26. Oil and Gas Board: None
27. Pharmacy: None
28. Public Safety: None
29. Public Service Commission: None
30. Rehabilitation Services: None
31. Soil and Water Conservation Commission: None
32. Supreme Court: None
33. Transportation: Page 291
34. Treasury: None
35. Veterans Affairs: Page 319
36. Wildlife, Fisheries and Parks: None

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V. ACKNOWLEDGMENTS



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ACKNOWLEDGMENTS

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