



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

October 30, 2024

Single Audit Management Report

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

Dear Mr. Anderson:

Enclosed for your review are the single audit findings for the Mississippi Department of Human Services for Fiscal Year 2023. In these findings, the Auditor's Office recommends the Mississippi Department of Human Services:

Single Audit Findings

1. Strengthen Controls to Ensure Compliance with the Federal Funding Accountability and Transparency Act (FFATA) Reporting Requirements.
2. Strengthen Controls Over On-site Monitoring for the Child Care Development Fund (CCDF) and Temporary Assistance for Needy Families (TANF) Programs.
3. Strengthen Controls Over Subrecipient Monitoring Requirements for the Low Income Home Energy Assistance (LIHEAP) Program.

Please review the recommendations and submit a plan to implement them by November 8, 2024. The enclosed findings contain more information about our recommendations.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance on each major federal program and the results of that testing based on the requirements of *Office of Management and Budget's Uniform Guidance*. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink that reads "Lisa Meade". The signature is written in a cursive style with a large initial "L" and "M".

Lisa Meade, CPA

Director, Agency Federal Audit

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Department of Human Services for the year ended June 30, 2023.

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

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Department of Human Services' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi Department of Human Services for the year ended June 30, 2023.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Mississippi Department of Human Services federal programs.

Auditor's Responsibilities for the Audit of Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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). Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mississippi Department of Human Services' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mississippi Department of Human Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Mississippi Department of Human Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Mississippi Department of Human Services's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not 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 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 as items **2023-016, 2023-017, and 2023-018** 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Findings and Recommendations

REPORTING

Material Weakness
Material Noncompliance

2023-016 Strengthen Controls to Ensure Compliance with Federal Funding Accountability and Transparency Act (FFATA) requirements

ALN Number 93.558 Temporary Assistance for Needy Families (TANF)
 93.568 Low Income Home Energy Assistance (LIHEAP)
 93.489, 93.596, and 93.575 Child Care Development Fund (CCDF)

Federal Award No. G2101MSTANF G2301MSLIEA
 G2101MSCCDF G2001MSTANF

Federal Agency N/A

Pass-through Entity United States Department of Health and Human Services

Questioned Costs N/A

Criteria *The Code of Federal Regulations (2 CFR 170, Appendix A((I)(a)(2)(ii)) states for subaward information, report no later than the end of the month following the month in which the subaward was issued.*

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 entity determining which laws and regulations apply to the entity and setting objectives that incorporate these requirements.

Condition When performing testwork related to Federal Funding Accountability and Transparency Act (FFATA) Reporting as of June 30, 2023, the auditor noted the following exceptions:

Six instances out of six reports tested for Temporary Assistance for Needy Families (TANF), one instance out of one report tested for Child Care Development Fund (CCDF), and one instance out of one report tested for Low Income Energy Assistance Program (LIHEAP) in which the reports were not submitted within the required timeframe. Eight instances total shown below to include how many days late for each report.

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements

8	0	8	0	0
Dollar Amount Tested For Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$13,463,710	\$0	\$13,463,710	\$0	\$0

Cause MDHS staff failed to follow grant regulations relating to FFATA reporting.

Effect Failure to report any applicable awards and subawards in a timely resulted in MDHS being in noncompliance with federal reporting requirements.

Recommendation We recommend the Mississippi Department of Human Services strengthen controls to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) Reporting.

Repeat Finding Yes, 2022-019 and 2021-010.

Statistically Valid Yes.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2023-017 Strengthen Controls over On-Site Monitoring for the Low Income Home Energy Assistance Program (LIHEAP) and Child Care Development Fund (CCDF).

ALN Number 93.568 Low Income Home Energy Assistance (LIHEAP)
93.489, 93.575, and 93.596 Child Care Development Fund (CCDF)

Federal Award No. G2102MSLIEAR G2101MSCCDF
G2101MSCCDD

Federal Agency Department of Health and Human Services

Pass-through Entity N/A

Questioned Costs N/A

Criteria The auditor evaluated MDHS’s compliance with subrecipient monitoring requirements based on written policies and procedures designed by MDHS’s Division of Program Integrity – Division of Monitoring (DM) to satisfy during-the-award monitoring requirements. DM procedures require: an on-site monitoring/desk reviews of all MDHS subgrants annually for programmatic and fiscal compliance. 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 DM supervisory personnel prior to issuance of a written report. The Division of Monitoring will issue an Initial Findings Letter within thirty (30) calendar days

after the exit conference. The monitoring report will provide a description of each finding of noncompliance, identified questioned costs, and any required corrective action(s) to be taken by the subgrantee. The subgrantee is required to provide a written response to the Division of Monitoring within thirty (30) calendar days of receipt of the Initial Findings Letter. The written response must include a statement of whether the subgrantee agrees with the finding or not, a detailed plan of how the subgrantee will correct each individual finding, and be signed by the Authorized Official or designee.

Additionally, *The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Manual* 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 and the agency ensures timely communication from the subgrantees and timely resolution of findings in order to prevent; detect; and deter fraud, waste, and abuse or the misuse of federal funds.

Condition	When performing testwork over subrecipient on-site monitoring for 125 subgrant contracts during state fiscal year 2022, we noted the following: <ul style="list-style-type: none">• two instances (or 2 percent) in which subgrant contracts were not monitored annually;• one instance (or 1 percent) in which no documentation for a corrective action plan was provided.
Cause	Staff were either unaware or did not follow identified policies and procedures for monitoring requirements.
Effect	MDHS programmatic funding divisions rely upon DM monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients in an effective manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in unresolved questioned costs.
Recommendation	We recommend the Mississippi Department of Human Services’ Division of Program Integrity – Division of Monitoring (DM) strengthen controls over subrecipient monitoring. We also recommend the Mississippi Department of Human Services’ Office of Compliance - Division of Monitoring perform monitoring reviews over subrecipients as prescribed by the Code of Federal Regulations and MDHS’ monitoring policies and procedures.
Repeat Finding	Yes, 2022-017 and 2021-013.
Statistically Valid	No.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2023-018 Strengthen Controls over Subrecipient Monitoring to Ensure Compliance with Uniform Guidance Auditing Requirements.

ALN Number 93.558 Temporary Assistance for Needy Families (TANF)
93.489, 93.575, 93.596 Child Care Development Fund (CCDF)
93.568 Low Income Household Energy Assistance Program (LIHEAP)

Federal Award No. G2101MSTANF; G2101MSCCDF; G2101MSLIEAR

Federal Agency Department of Health and Human Services

Pass-through Entity N/A

Questioned Costs None

Criteria The *Code of Federal Regulations (2 CFR 200.512(a)(1))* 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.

Additionally, per the MDHS Subgrant/Agreement Manual: All MDHS subgrantees are required to complete the MDHS Subgrantee Audit Information Form (MDHS-DPI-002). This form must be submitted to the Division of Monitoring no later than ninety (90) calendar days after the end of the subgrantee's fiscal year. This form is necessary to certify the sources and amounts of all Federal awards received and expended by the subgrantee.

Condition When performing testwork related to OMB Single Audit Monitoring as of June 30, 2023, the auditor noted 16 instances in which the Mississippi Department of Human Services (MDHS) did not ascertain whether Single Audit Requirements were being met by subgrantees.

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

Effect Failure to enforce single audit requirements could result in the misuse of federal funds.

Recommendation We recommend the Mississippi Department of Human Services' Division of Program Integrity - Division of Monitoring (DM) strengthen controls over subrecipient monitoring for Uniform Guidance audits to ensure recipients

expending \$750,000 or more in Federal funds during their fiscal year are meeting Uniform Guidance Audit requirements.

Repeat Finding Yes, 2022-018 and 2021-014.

Statistically Valid No.

End of Report