

Forensic Audit Statement and Explanation of New Controls

As part of the forensic audit engagement, MDHS requested that CLA conduct an internal controls assessment of TANF awards and disbursements between January 1, 2020 and June 30, 2021. The report communicates observations made by CLA of internal control deficiencies identified for the current period as it pertains to TANF grant expenditures by MDHS. The report also provides recommendations for the consideration of MDHS to improve the internal controls where deficiencies were observed.

“We understand this audit has highlighted areas that will need continued oversight and improvement,” stated MDHS Executive Director Robert G. “Bob,” Anderson. “MDHS is committed to the process of continuous improvement of our internal controls and vigilant management of our external relations with subgrantees so that the abuses of the past will not be repeated.”

Throughout the audit, as CLA identified compliance issues, MDHS leadership took immediate action to address the highlighted compliance issues. To date, all compliance issues identified by the internal controls audit have been addressed with training, edits to operating procedures, and updating subgrant manual provisions and requirements.

CLA’s audit notes significant improvements to internal controls.

“It is CLA’s conclusion that certain expenditure categories evidenced an improvement in internal controls compared to those observed during the forensic audit period. For example, in the expenditure category for Subsidies, Loans, and Grants, CLA noted that although an RFP process was not in place during the forensic audit period one was implemented and refined during the current period.”

“Additionally, subgrantees are required to submit to MDHS monthly subgrantee expenditure reports, participant data, general ledger data, and other supporting documentation. These are some of the improvements identified; however, there were observations made by CLA during the current period internal control assessment.”

Executive Director Anderson noted that “observations in the internal controls portion of the audit do not rise to the level of actual audit findings but are merely suggestions of best practices that the agency should consider adopting.”

Mississippi Department of Human Services is committed to rebuilding the trust of the citizens of Mississippi. The department’s framework, Operation Restore Trust, established the foundation for the continued rehabilitation of the mission for MDHS moving forward.

CLA noted in the audit that no current Senior Leadership team member at MDHS previously served under prior leadership.

The Senior Leadership Team has been tasked with implementing three core values in restoring the public's trust and in changing the culture of the agency:

1. Integrity is modeled from the Executive Director's office to the county offices to encompass the entire agency.
2. Compliance is measured by full and complete agreement of our actions with our federal and state regulatory and statutory guidelines.
3. Excellence, the direction the agency is moving, is a constant journey as we seek to improve our efficiency and effectiveness in every way possible.

The implementation of these core values across the entire agency are integral parts of moving the agency forward.

The release of the audit, including this final internal controls portion of the audit, on the website helps fulfill our promise of transparency.

Operation Restore Trust encompassed the following changes at the agency:

**Operation Restore Trust:
Chief Compliance Officer**

Appointment of a Chief Compliance Officer and Creation of a New Compliance Program for MDHS. As Chief Compliance Officer, has direct oversight for the monitoring function over our TANF subgrantees and related subgrantees who were the subject of much of the TANF spending questioned by the State Auditor. Their monitoring functions have already begun recouping questioned costs from subgrantees. The Compliance Department has designed and pushed out across the entire agency a training package designed to familiarize all employees about their obligations to become familiar with and to act in compliance with all state and federal regulations pertaining to MDHS programs and explaining to them how to self-report compliance issues.

Revamped Request for Proposal and Training Directives for the TANF Program.

MDHS issued a Request for Proposals ("RFP") for new TANF subgrants and assembled a multi-agency evaluation committee to review and score those proposals. At the outset of the RFP process, leadership of MDHS had agreed to accept the scoring evaluations of the evaluation committee. Before issuing RFPs for TANF subgrants, MDHS offers specially designed training on grant-writing, subgrantee oversight, and performance guidelines to prospective subgrantees to preclude the abuses of the past.

Implemented a More Robust Subgrantee Monitoring Function. Our updated monitoring program requires that all monitoring reports with questioned costs are being followed by findings letters requesting repayment of the questioned costs. Subgrantees are offered due process in the form of administrative hearings, and recoveries have already begun to flow back to MDHS as a result of the revamped and reinvigorated monitoring program.

Strengthening the Office of Inspector General. The Office of Inspector General has strengthened its vital role in the agency fight against fraud, waste and abuse. For example, the Internal Audit Division housed within OIG has adopted an annual charter and pushes out an annual audit workload informed by senior leadership as well as issues identified by division directors and anonymous tips within the agency. Over the past year, OIG recoveries combined with monitoring recoveries of questioned costs have exceeded **\$2 million.**