

# Mississippi Department of Human Services

## TANF Forensic Audit: Procedures & Results

September 29, 2021

Prepared by:  
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CONSULTING



September 29, 2021

Robert. G. Anderson, Executive Director  
Mississippi Department of Human Services  
200 S. Lamar Street  
Jackson, Mississippi 39201

**RE: TANF Forensic Audit – Procedures and Results**

Dear Mr. Anderson:

CliftonLarsonAllen LLP was retained by Mississippi Department of Human Services ("MDHS") to perform a forensic audit of MDHS Temporary Assistance for Needy Families ("TANF") transactions during the period January 1, 2016 to December 31, 2019. The purpose of this report is to detail the procedures performed and results of our work.

We performed our engagement in accordance with the Statement on Standards for Forensic Services No. 1 ("SSFS No. 1") of the American Institute of Certified Public Accountants ("AICPA"). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion. The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. The professional standards promulgated by the ACFE prohibits Certified Fraud Examiners (CFEs) from expressing opinions regarding the guilt or innocence of any person or party. Therefore, CLA does not render such opinions.

Respectfully submitted,

CliftonLarsonAllen LLP

Jenny Dominguez, CPA/CFF, CFE  
Principal

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## I. Executive Summary

CliftonLarsonAllen LLP (“CLA”) was retained by Mississippi Department of Human Services (“MDHS”) to perform forensic auditing services of MDHS TANF transactions during the period from January 1, 2016 to December 31, 2019 utilizing a risk-based approach that targets higher risk transactions through analytics to identify entities (subrecipients) and transactions that required detailed testing. See Exhibit 01 for a copy of the contract between MDHS and CLA (“MDHS-CLA Contract”).

The forensic audit was undertaken by MDHS as a result of the findings in the State of Mississippi Office of the State Auditor (OSA) Single Audit for the Year Ending June 30, 2019 report. In this report, the OSA communicated single audit findings for the state, including Finding Number 2019-030 relating to the Mississippi Department of Human Services (MDHS) material weakness and material noncompliance relating to federal awards including CFDA number 93.558 Temporary Assistance for Needy Families (“TANF”). The report explained that the OSA were alerted to significant areas of fraud risk by the Governor of Mississippi on June 21, 2019. An internal audit conducted by staff at MDHS uncovered a possible fraudulent scheme involving a third-party contractor in the TANF program and the Executive Director of MDHS at the time (John Davis). Investigators from the OSA Investigative Division, after having been advised of the scheme uncovered by staff at MDHS, conducted an investigation, after which a grand jury indicted six individuals involved in a conspiracy to steal approximately \$4 million in TANF funds.

MDHS issued a Request for Information (“RFI”) to identify a firm to conduct forensic audit services of all TANF disbursements for the period January 1, 2016 to December 31, 2019. CLA responded to the RFI and other requests of MDHS and was ultimately retained by MDHS on November 2, 2020 to conduct a forensic audit of the TANF program as outlined in the MDHS-CLA Contract, with the OSA established to serve as a third party to the contract (see Exhibit 01). Through the negotiation with MDHS, it was agreed that CLA would undertake a risk-based approach to analyze disbursements from the TANF program and by subgrantees to identify higher risk transactions for testing.<sup>1</sup>

### 1. Summary of Work Performed

The detailed scope of work is included in the MDHS-CLA Contract, Attachment A to the contract (Exhibit 01) and is outlined in section *III. Scope of Services* beginning on page 16. CLA tested transactions, on a sample basis, for MDHS TANF disbursements (e.g., Subsidies, Loans, and Grants; services (contracts); salaries; travel; and equipment and commodities). CLA applied certain analytics to disbursements made for direct assistance and did not identify any high-risk transactions for testing. CLA performed analytical procedures on all 28 subgrantees awarded TANF subgrants by MDHS during the forensic audit period. To the extent a

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<sup>1</sup> The scope of work requested and approved by MDHS included only TANF related funds for the period January 1, 2016 through December 31, 2019. CLA did not test transactions related to other funds disbursed or awarded to subgrantees by MDHS.

subgrantee was evaluated as medium or high risk, and/or the subgrantee disbursed TANF funds on contracts or third tier subawards, CLA selected a sample for testing.

CLA was provided access to the OSA workpapers as part of this engagement, and CLA inquired with the OSA as needed throughout the engagement. Interviews were conducted of MDHS staff to understand the processes in place during the forensic audit period, to inquire about and obtain information and documentation for the transactions selected for testing, and to identify any concerns employees had regarding possible fraud, waste, and abuse. Relevant policies and procedure manuals were provided to CLA by MDHS for review.

The process undertaken to analyze MDHS and subgrantee TANF transactions involved obtaining and normalizing financial data and performing various analyses on the data of all entities. Financial data obtained generally included the general ledger, disbursement ledger, and other organizational documentation that was deemed relevant. CLA selected transactions for testing based on the results of the analytics, public record searches performed on parties of interest, and a review of John Davis's MDHS emails.<sup>2</sup> Detailed testing was performed on a sample basis, and CLA expanded testing where practical within time constraints and deemed necessary. The work performed by CLA is summarized in more detail in section VI. *Summary of Work Performed* beginning on page 22.

## 2. Results of Work Performed

Table 1 includes a summary of the total allowable, unallowable, and questioned costs based on the testing performed for MDHS and the 28 subgrantees during the forensic audit period (January 2016 through December 2019).<sup>3</sup>

**Table 1: Summary of Allowable, Unallowable, and Questioned Costs**

Description	MDHS	Subgrantees	Total
Allowable	\$ 15,318,958	\$ 22,574,084	\$ 37,893,042
Allowable - Needs Allocation	6,800,796	4,874,478	11,675,274
<i>Subtotal of Allowable Costs</i>	<i>22,119,754</i>	<i>27,448,562</i>	<i>49,568,316</i>
Unallowable - Insufficient Documentation	1,024,733	5,693,187	6,717,920
Unallowable - Program Does Not Serve Only Financially Needy Families	5,441,558	865,590	6,307,148
Unallowable - Program Does Not Serve Only Needy Families	-	8,447,237	8,447,237
Unallowable - Does Not Comply with CFR	1,782,414	12,868,177	14,650,591
<i>Subtotal of Unallowable Costs</i>	<i>8,248,705</i>	<i>27,874,191</i>	<i>36,122,896</i>
Questioned Costs	-	40,656,865	40,656,865
Total	\$ 30,368,459	\$ 95,979,618	\$ 126,348,077

<sup>2</sup> The parties of interest include those entities or individuals identified with questionable costs in the OSA Single Audit report due to related party contracts and/or payments directed by John Davis. Twenty-one entities/individuals were identified. CLA then performed public record searches on each entity and individual to identify other business names, relatives, and associates connected to the parties of interest. This created an expanded list of 829 entities and individuals.

<sup>3</sup> Rounding errors of up to \$1 may exist where only whole dollars are reported.

A summary of the results of work performed is included below, segregated by MDHS TANF disbursements and subgrantee TANF costs.

**a. Mississippi Department of Human Resources**

The TANF cost categories tested for MDHS disbursements included Subsidies, Loans, and Grants; direct assistance; services (contracts); salaries; travel; and equipment and commodities. In each category, CLA tested only a sample of transactions using a risk-based approach. Table 2 provides a summary of the allowability of the costs under TANF based on the results of the testing performed.<sup>4</sup>

**Table 2: Summary of MDHS Allowable and Unallowable Costs<sup>5</sup>**

MDHS Disbursement Type	Allowable	Allowable - Needs Allocation	Unallowable - Insufficient Documentation	Unallowable - Program Does Not Serve Only Needy Families	Unallowable - Does Not Comply with CFR	Total Tested/Examined	Percent of Population Tested
Subsidies, Loans, and Grants (Excluding Subgrantees)	\$6,080,076	\$ -	\$ -	\$ -	\$ -	\$ 6,080,076	68%
Services (Contracts)	9,208,742	4,779,732	998,668	5,441,558	1,702,323	22,131,023	78%
Salaries	-	1,381,425	-	-	-	1,381,425	13%
Travel	6,747	309,173	26,065	-	80,091	422,075	26%
Equipment & Commodities	23,393	330,466	-	-	-	353,860	50%
Total TANF Disbursements Tested	\$15,318,958	\$ 6,800,796	\$ 1,024,733	\$ 5,441,558	\$ 1,782,414	\$30,368,459	

Included below is a general discussion of each of the allowable and unallowable categories shown in Table 2.

- **Allowable:** Costs in this category were determined to be allowable as they included sufficient supporting documentation and CLA was able to confirm a direct correlation to TANF based on the documentation provided or the cost could reasonably be calculated to accomplish a purpose of TANF.
- **Allowable – Needs Allocation:** Costs in this category included sufficient supporting documentation; however, all or a portion of the cost was deemed to benefit other

<sup>4</sup> Payments for direct assistance are excluded from the table as it was determined that a sample did not need to be tested. During the RFP process with MDHS, it was agreed that direct assistance payments were a low-risk area and CLA would only test transactions to payees for which a possible relationship to the former Executive Director, John Davis, was identified. Based on the analysis of the direct assistance payments, there were no payees identified that had a connection to John Davis.

<sup>5</sup> Rounding errors of up to \$1 may exist where only whole dollars are reported.

programs or activities of MDHS and could not be fully allocated to TANF. Examples of these costs include:

- Purchases of goods or services that were of a general nature to MDHS, such as a membership to American Public Human Services Association, costs benefitting both SNAP and TANF, and audit services related to multiple programs.
- Payroll costs for employees working in the Economic Assistance Division for which documentation could not be provided on the specific activities the employees were performing but all payroll costs were charged directly to TANF.
- Travel costs related to conferences or trainings that were for the purpose of TANF and one or more other MDHS programs (e.g., SNAP), but the full cost of travel was charged directly to TANF.
- Vehicles, computers and equipment, and other various commodities purchased for agency-wide use.

MDHS did not have an appropriate method to allocate these costs to the TANF federal grant in accordance with the relative benefits received for the program, and MDHS did not distribute the cost proportionally using a reasonable method in accordance with 2 CFR § 200.405(a).

- **Unallowable – Insufficient Documentation:** Costs in this category either had insufficient documentation to support the transaction (e.g., missing receipts/invoices) or the documentation provided was insufficient to determine that the cost could reasonably be calculated to promote the purpose of TANF.
  - Contracts and other agreements issued by MDHS for which the nature of the services or programs could not be determined; therefore, the correlation to TANF could not be established.
  - Salary costs for which a personnel file and timecards were not available.
  - Travel costs for which an underlying detailed receipt was not available or the purpose of the travel was unknown.
- **Unallowable – Program Does Not Serve Only Needy Families:** Costs in this category include contracts or other agreements to provide services to individuals that do not qualify as a “family” or “youth” under the TANF guidelines. See section VII. *Determining Allowability Under TANF*. Examples of these costs include:
  - Contracts with universities to provide services that support college athletes.
  - Contracts with universities to provide services that support college students with intellectual disabilities.

- **Unallowable – Does Not Comply with CFR:** Costs in this category include various types of expenses that are unallowable under CFR. Examples include:
  - Contracts and other agreements for which the services or program costs are related to another program of MDHS (e.g., SNAP).
  - Entertainment costs, such as luncheons.
  - Travel costs for training unrelated to TANF and the employees attending the training do not perform any TANF related activities. Travel costs for first class airfare.

For specific details regarding the transactions tested and results in each cost category, including payee names and amounts, refer to section *VIII. Results of Forensic Audit – MDHS*.

#### **b. Subgrantees**

During the forensic audit period, MDHS awarded TANF subgrants to 28 subgrantees (see Attachment 01 for a listing of the subgrantees). CLA contacted each subgrantee directly, requested financial data and other supporting documents, conducted various analyses on the subgrantees, and assessed an overall risk score for each subgrantee. Additionally, per CLA's scope of work, the primary focus of subgrantee testing was on payments to third tier subrecipients. Based on the risk score assigned to each subgrantee and the types of expenses incurred by the subgrantee, CLA determined the extent to which a sample would be selected for testing. If the subgrantee incurred costs related to third tier subrecipients and/or contracts, a sample was selected regardless of risk score.

Based on the results of testing, CLA determined each cost tested to be Allowable or Unallowable, with certain subcategories defined based on the type of expenses. Table 3 provides a summary of the allowability of the costs under TANF based on the results of the testing performed.<sup>6</sup> Unless otherwise specified within the detailed results sections of this report, the subgrantees and third tier subrecipients performed the services according to the terms of the agreements executed with the awarding agency. For costs categorized as "Unallowable – Program Does Not Serve Only Financially Needy Families" and "Unallowable – Program Does Not Serve Only Needy Families," CLA did not identify any costs that deviated from the approved scope of work. Any costs that did not comply with the approved scope of work are included in the "Unallowable – Does Not Comply with CFR" column; however, this was limited to only \$79,406.05 identified through CLA's testing.<sup>7</sup>

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<sup>6</sup> Only subgrantees for which unallowable costs were identified are individually listed in Table 3.

<sup>7</sup> God's House of Hope - \$680.00; Matthew 25 / Fat Rock Food Pantry - \$698.71; RTP - \$78,027.34.



**Table 3: Summary of Subgrantee Allowable and Unallowable Costs**

Subgrantee	Allowable	Allowable - Needs Allocation	Unallowable - Insufficient Documentation	Unallowable - Program Does Not Serve Only Financially Needy Families	Unallowable - Program Does Not Serve Only Needy Families	Unallowable - Does Not Comply with CFR	Questioned	Total TANF Expenses Tested for Subgrantee <sup>8</sup>
Low-Risk Subgrantees	\$ 16,200,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,200,515
100 Black Men of Jackson	232,161	-	-	-	-	223,063	-	455,224
Autism Center of North Mississippi	-	-	-	75,000	-	-	-	75,000
Family Resource Center of Northeast Mississippi	3,462,929	4,844,280	3,809,771	763,923	1,945,733	5,022,188	-	19,848,824
Heart of David Ministry	82,920	2,968	528,250	-	-	6,630	20,200	640,968
Jackson Medical Mall Foundation	-	-	-	-	10,000	11,364	-	21,364
Mississippi Alliance of Boys & Girls Club	592,841	27,230	642,169	-	-	-	-	1,262,240
Mississippi Community Education Center	1,732,872	-	708,792	26,667	3,853,119	7,604,644	40,636,665	54,562,759
Mississippi State University	-	-	-	-	1,659,806	-	-	1,659,806
Moore Community House, Inc.	269,846	-	4,205	-	140,106	288	-	414,445
The University of Southern Mississippi	-	-	-	-	838,473	-	-	838,473
<b>Total</b>	<b>\$22,574,084</b>	<b>\$ 4,874,478</b>	<b>\$ 5,693,187</b>	<b>\$ 865,590</b>	<b>\$ 8,447,237</b>	<b>\$ 12,868,177</b>	<b>\$ 40,656,865</b>	<b>\$ 95,979,618</b>

Included below is a general discussion of each of the allowable and unallowable categories shown in Table 3.

- **Allowable:** Costs in this category were determined to be allowable as they included sufficient supporting documentation and CLA was able to confirm a direct correlation to

<sup>8</sup> The \$40,636,665 of Questioned costs for MCEC was not tested by CLA due to the lack of cooperation by MCEC during the forensic audit. Therefore, CLA has included as Questioned those costs that could not be analyzed and tested.

TANF based on the documentation provided or the cost could reasonably be calculated to accomplish a purpose of TANF.

- **Allowable – Needs Allocation:** Costs in this category included sufficient supporting documentation; however, all or a portion of the cost was deemed to benefit other programs or activities of MDHS and could not be fully allocated to TANF. Examples of these costs include:
  - General accounting, bookkeeping, or payroll services provided to the subgrantee.
  - Laptops, tablets, phones, and peripherals used by the subgrantee’s staff.
  - Software licenses and subscription services that benefitted all of the subgrantee’s programs and services.
- **Unallowable – Insufficient Documentation:** Costs in this category either had insufficient documentation to support the transaction (e.g., missing receipts/invoices) or the documentation provided was insufficient to determine that the cost could reasonably be calculated to promote the purpose of TANF.
  - TANF revenues received by a subgrantee that could not be substantiated by their TANF expenses per the general ledger or disbursement ledger.
  - Disbursements by a subgrantee for which supporting documentation was not available or the documentation did not adequately document the direct correlation or benefit to the TANF program.
- **Unallowable – Program Does Not Serve Only Financially Needy Families:** Costs in this category include subgrant agreements or third tier subrecipient agreements to provide services to families without assessing financial need as required under the TANF guidelines. See section VII. *Determining Allowability Under TANF*. Examples of these costs include:
  - Grant awards to agencies to provide services to families with children with disabilities without assessing the financial need of families.<sup>9</sup>
- **Unallowable – Program Does Not Serve Only Needy Families:** Costs in this category include contracts or other agreements to provide services to individuals that do not qualify as a “family” or “youth” under the TANF guidelines. See section VII. *Determining Allowability Under TANF*. Examples of these costs include:

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<sup>9</sup> As discussed in section VII. *Determining Allowability Under TANF*, programs and services for families with children with disabilities are still required to assess financial need of the families. However, the MDHS 2018 State Plan revised the requirements for the Families First Resource Centers initiative and removed the requirement for determining financial eligibility. Supporting the needs of families with children with disabilities was one of the services provided under Families First Resource Centers.

- Grant awards to universities to provide services that support college athletes.
- Grant awards to universities to provide services that support college students with intellectual disabilities.
- Grant awards by the subgrantee to third tier subrecipients to provide training and support for women attaining employment in the construction field. The women served did not have to be a parent or caretaker relative.
- **Unallowable – Does Not Comply with CFR:** Costs in this category include various types of expenses that are unallowable under CFR. Examples include:
  - Scholarship banquets, holiday celebrations, and other activities that would be considered entertainment or recreational under CFR § 200.438.
  - Public relations and marketing costs (2 § CFR 200.421)
  - Penalties (2 CFR § 200.441)
  - Gifts (2 CFR § 200.421(e)(3))
  - Contributions, sponsorships, or donations (2 CFR § 200.434)
  - Self-rent (2 CFR § 200.465 (6))
- **Questioned:** CLA identified two subgrantees with questioned costs for which a determination of allowability could not be made. For Heart of David, this related to a program for which there is evidence that a fee was charged for participants and CLA has insufficient documentation to determine whether any program income offset program expenses (2 CFR § 200.307). For Mississippi Community Education Center, the questioned costs include the TANF funds received and expended by MCEC that could not be analyzed and tested due to the lack of cooperation by MCEC.

For specific details regarding the transactions tested and results in each cost category, including payee names and amounts, refer to section IX. *Results of Forensic Audit – Subgrantees* beginning on page 79.

#### c. Procedural Deficiencies

As part of the detailed testing, CLA requested and reviewed various types of supporting documentation to test compliance with procedural requirements. Each subsection in VIII. *Results of Forensic Audit – MDHS* discusses the specific procedural deficiencies identified in that section. Discussed here are three specific procedural deficiencies that were identified and documented throughout the testing.

- **Lack of competitive process to award contracts and grants:** Through the testing performed, CLA identified various contracts and grants awarded by MDHS and certain subgrantees for which a competitive process was not undertaken. Out of 158

contracts tested for MDHS, 26 contracts that were required to be awarded through a competitive process did not have documentation of doing so. Out of the 28 subgrantees to which MDHS awarded TANF grants during the forensic audit period, there was no evidence of a competitive process undertaken by MDHS for 26 of the subgrantees.<sup>10</sup> For seven of the subgrantees, they could not provide documentation evidencing a competitive process for some or all of their contracts and/or third tier subawards.<sup>11</sup>

CLA documented when a competitive process was not undertaken for awarding a contract or grant or procuring other goods or services, as required by 45 CFR § 200.319(a).<sup>12</sup> However, CLA did not use this procedural deficiency as a sole reason to classify a cost as unallowable. If sufficient evidence was provided to CLA to gain comfort that the cost was incurred and had a direct correlation to TANF or could be reasonably calculated to promote a TANF purpose, CLA concluded the cost to be Allowable (or Allowable – Needs Allocation).

By not undertaking a competitive process, particularly for service contracts and grant awards, MDHS and the subgrantees are unable to demonstrate that they obtained the best price for the procured goods or services, received the best value for the funds spent, and were free of any potential conflicts of interest, personal relationships, or favoritism.

As part of the testing and analysis performed, CLA actively searched for any direct relationships or connections between John Davis and the various entities receiving contracts and grants. The information available to CLA was limited to the documentation that could be provided by MDHS, the subgrantees, and certain third tier subrecipients; public record database searches; general internet searches; and John Davis's MDHS emails. Additionally, during interviews with the subgrantees and MDHS, CLA inquired about relationships with John Davis. Except where otherwise

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<sup>10</sup> For one subgrantee, Family Resource Center of Northeast Mississippi, two grants awarded had evidence of a competitive process. For another subgrantee, Mississippi Community College Board, there was no evidence of a competitive process; however, the subgrantee told CLA during an interview that it had responded to an RFP. See Attachment 02 for a list of all procedural deficiencies identified during the testing of the subgrantees.

<sup>11</sup> Not all subgrantees awarded contracts or third tier subrecipient grants.

<sup>12</sup> 45 CFR § 200.319 requires all procurement transactions for the acquisition of property or services be conducted in a manner providing full and open competition. 45 CFR § 200.320(c) - Noncompetitive Procurement, provides for specific circumstances in which noncompetitive procurement can be used: (1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold, (2) The item is available only from a single source, (3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation, (4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity, or (5) After solicitation of a number of sources, competition is determined inadequate. When one of these circumstances applied to the item tested, it was documented and not considered an exception in CLA's testing. Only those transactions that did not follow the competitive procurement process and did not meet one of these circumstances are included in the quantities communicated in this section.

noted in the *TANF Forensic Audit: Findings of Possible Fraud, Waste, and Abuse* report also issued by CLA, CLA did not identify any direct financial benefit to John Davis.

CLA was informed by MDHS personnel and certain subgrantees that John Davis directed certain contracts and grants be awarded, or certain amounts be disbursed to individuals and entities. Specifically related to the TANF grants awarded by MDHS, MDHS personnel informed CLA that John Davis directed several subgrants awarded during the forensic audit period. Although discussed further in the *TANF Forensic Audit: Findings of Possible Fraud, Waste, and Abuse* report, even if a direct financial benefit to John Davis cannot be established, his direction to MDHS staff and certain subgrantees to award certain contracts/grants or pay individuals or organizations could be viewed as an abuse of his position and power within MDHS.

- **Lack of monitoring documentation:** Through the testing performed, CLA determined that MDHS monitoring documents were missing for six subgrantees; however, three of the subgrantees told CLA that MDHS performed monitoring activities. For an additional 10 subgrantees, MDHS could provide only partial documentation of monitoring activities. With respect to the subgrantees' monitoring activities of third tier subrecipients, two of the subgrantees were unable to provide complete evidence of monitoring activities.<sup>13</sup>

Similar to the deficiencies noted with competitively awarding contracts and grants, CLA did not use this finding as a sole reason to determine a cost to be unallowable. With respect to MDHS, CLA contacted subgrantees directly, so the lack of monitoring documentation was limited to a procedural deficit. With respect to the subgrantees that did not provide complete documentation of monitoring activities for third tier subrecipients, CLA's assessment of scope and costs was limited to the documentation provided to CLA by the subgrantee.

- **Failure to require detailed supporting documentation:** MDHS did not require subgrantees to submit underlying supporting documentation (e.g., receipts, invoices, etc.) with the reimbursement claim form. For 17 of the subgrantees, there was no evidence of MDHS having obtained or retained supporting documentation beyond the reimbursement claim form. For eight of the subgrantees, there was evidence that MDHS obtained and retained supporting documentation for only some of the reimbursement claim forms. Likewise, certain subgrantees did not require third tier subrecipients to submit underlying supporting documentation with the reimbursement claim forms. These subgrantees told CLA that they did not require this of the third tier subrecipients because it was not a policy of MDHS.

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<sup>13</sup> Family Resource Center and Mississippi Alliance of Boys & Girls Club. Not all subgrantees issued subawards to third tier subrecipients; therefore, this would not be applicable to all 28 subgrantees.

## II. Background

### Temporary Assistance for Needy Families (TANF)

Temporary Assistance for Needy Families (TANF) grant funding is issued by the United States federal government under Catalog of Federal Domestic Assistance (CFDA) number 93.558. The TANF program provides states and territories with flexibility in operating programs designed to help low-income families with children to achieve economic self-sufficiency. States use TANF to fund monthly cash assistance payments to low-income families with children as well as a wide range of services.

TANF is the cash assistance program formerly known as welfare. The TANF program was created in the 1996 welfare reform law. The federal legislation was enacted on August 22, 1996, as part of the Personal Responsibility and Work Opportunity Reconciliation Act.<sup>14</sup> Mississippi implemented its TANF program on October 1, 1996.

### MDHS TANF Program and Mississippi Office of the State Auditor

On April 22, 2020, the State of Mississippi Office of the State Auditor (OSA) issued its Single Audit for the Year Ending June 30, 2019 report. In this report, the OSA communicated single audit findings for the state, including Finding Number 2019-030 relating to the Mississippi Department of Human Services (MDHS) material weakness and material noncompliance relating to federal awards including CFDA number 93.558 Temporary Assistance for Needy Families. The report explained that the OSA was alerted to significant areas of fraud risk by the Governor of Mississippi on June 21, 2019. An internal audit conducted by staff at MDHS uncovered a possible fraudulent scheme involving a third-party contractor in the TANF program and the Executive Director of MDHS at the time. Investigators from the OSA Investigative Division, after having been advised of the scheme uncovered by staff at MDHS, conducted an investigation, after which a grand jury indicted six individuals involved in a conspiracy to steal approximately \$4 million in TANF funds.

The OSA Single Audit report communicated “during the audit of fiscal year 2019, auditors noted that the MDHS Executive Leadership (specifically the former Executive Director, JD) participated in a widespread and pervasive conspiracy to circumvent controls, state law, and federal regulations in order to direct MDHS grant funds to certain individuals and groups. Executive Director JD purposefully and willfully disregarded federal and state procurement regulations in order to award a substantial portion of grant funds from the TANF program to two specific subgrantees. These two subgrantees were granted monies under the Families First Resource Center portion of the TANF State Plan, which requires verification of eligibility criteria, defined as income at or below 300 percent of the Federal Poverty Level.” The OSA Single Audit report further concluded that the Executive Director JD circumvented internal controls set in place by MDHS in regard to procurement, monitoring, and other allowable costs controls in order to direct monies to certain subrecipients, who then directed federal monies to individuals associated with Executive Director JD. Due to high risk of additional

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<sup>14</sup> Source: <https://www.congress.gov/bill/104th-congress/house-bill/3734/text>

fraud, waste, and abuse other than what has been reported to authorities or detailed in the OSA report, the OSA questioned the entire grant award amounts totaling \$98,379,121 to subgrantees Mississippi Community Education Center (“MCEC”) and Family Resource Center of North Mississippi (“FRC”).<sup>15</sup> Management at the MDHS concurred with this finding. The questioned costs included federal funding for TANF as well as three other federal grants as listed in Table 4.

**Table 4: Questioned Costs Identified by the OSA Single Audit Report for FY 2019**

Fiscal Year	TANF	CCDF	SNAP	SSBG	Total
2017	\$ 21,941,224	\$ -	\$ -	\$ -	\$ 21,941,224
2018	34,801,286		497,987	6,900,000	42,199,273
2019	26,517,614	6,576,057	1,144,953		34,238,624
TOTAL	\$ 83,260,124	\$ 6,576,057	\$ 1,642,940	\$ 6,900,000	\$ 98,379,121

Relating to Finding Number 2019-030, the OSA Single Audit report made seven recommendations for MDHS to take swift and immediate action to re-instill trust in the public welfare system in Mississippi. Recommendation Number 3 stated, “Procure an independent certified public accounting firm to conduct a widespread forensic audit of MDHS to determine the extent of fraud, waste, and abuse in other programs, as well as the TANF program, and of MCEC and FRC to support any attestation made by MDHS of the allowability of costs, and report any suspected criminal activity to the Mississippi Office of the State Auditor.”

On April 30, 2020, to begin addressing Recommendation Number 3 made in the OSA report, MDHS publicly issued a Request for Information (RFI) for forensic audit services with responses required by June 2, 2020 (Exhibit 02).<sup>16</sup> MDHS communicated the purpose of this RFI was “seeking to identify and potentially select a firm to provide Forensic Auditing Services of MDHS relating to the federal Temporary Assistance for Needy Families (TANF) grant. The purpose of this Request for Information (RFI) is to obtain market information regarding the capabilities and qualifications of firms positioned to provide forensic auditing services of governmental agencies particularly relating to federal TANF grants and other similar federal grants.” MDHS communicated in the RFI that the period subject to the forensic audit was January 1, 2016 through December 31, 2019. MDHS provided a preliminary scope of services to serve as a guide in responding to the RFI. The scope of services was to include expenditures and payments from the TANF program. The scope of services listed in the RFI is discussed in section III. *Scope of Services* beginning on page 16.

CLA responded to the RFI and other requests of MDHS and was ultimately retained by MDHS on November 2, 2020 to conduct a forensic audit of the TANF program as outlined in the contract between MDHS and CLA, with the OSA established to serve as a third party to the contract (see Exhibit 01).

<sup>15</sup> Source: <https://www.osa.ms.gov/documents/single-audit/19sar.pdf> (Pages 101 to 172). Total questioned costs as part of Finding Number 2019-030 were \$94,164,608 while \$4,214,513 was questioned in another finding. The total amount of questioned costs was \$98,379,121 (\$94,164,608 + 4,214,513 = \$98,379,121).

<sup>16</sup> The MDHS published RFI was RFx No. 3150002847.



### MDHS State Plans

According to 42 U.S. Code § 602, to be eligible for federal TANF block grants, a state must submit to the Secretary of Health and Human Services, during the 27-month period ending with the close of the 1<sup>st</sup> quarter of the fiscal year, a State Plan containing specified information and assurances. The 2014 State Plan communicates that the development of the State Plan for the implementation of the TANF program was a two-step process. The initial State Plan was submitted to the U.S. Secretary of Health and Human Services to take effect on October 1, 1996. At the same time MDHS, in coordination with other state departments and the legislature, undertook a more comprehensive review and analysis of policy issues to develop an amended State Plan that would both meet federal TANF requirements and take full advantage of TANF's flexibility in methods of reducing welfare dependency. The amended TANF State Plan, dated March 13, 1997, to fully implement the TANF Work Program was the product of that effort.

For the period applicable to the forensic audit, January 1, 2016 to December 31, 2019, MDHS had three TANF State Plans in effect at different times during the forensic audit period. The applicable State Plans are discussed in the bullets below.

- 1) **2014 Mississippi State Plan – Temporary Assistance for Needy Families – Effective October 1, 2014 (“2014 State Plan”)**: This plan was submitted to the U.S. Department of Health and Human Services as a standalone TANF plan effective as of October 1, 2014. This State Plan was applicable to the forensic audit period of January 1, 2016 to June 30, 2016.

Part of the 2014 State Plan states, “in deciding how to best use Federal TANF funds for low-income families, MDHS developed strong collaborative relationships with businesses, local agencies, faith-based groups, and community organizations for the delivery of services. Continuation and/or expansion of these initiatives are subject to availability of funding and the justification of need. MDHS may contract with public and private entities to provide services under TANF initiatives to assist families end welfare dependency and become self-sufficient.” The initiatives and eligibility criteria included in the 2014 State Plan are listed in Table 5.

**Table 5: 2014 State Plan Initiatives/Programs and Corresponding Eligibility Criteria<sup>17</sup>**

Subsection	Initiative/Programs	Eligibility Criteria
III (c)(24) (a)	Intensive youth supervision program	Must be at or below 200 percent of Federal Poverty Level
III (c)(24) (b)	Childcare enhancements	For children in the TANF program and income eligible working families at risk of going onto TANF
III (c)(24) (c)	Responsible fatherhood initiative	Financial eligibility is not required
III (c)(24) (d)	Post-employment assistance programs	Must be at or below 200 percent of Federal Poverty Level
III (c)(24) (e)	TANF Prevention/Intervention program	Financial eligibility is not required

<sup>17</sup> As stated in the 2014 State Plan Section III - Family Assistance Plan, subsection C – Other Provisions.



Subsection	Initiative/Programs	Eligibility Criteria
III (c)(24) (f)	"Healthy Choices, Brighter Future" Initiative	Financial eligibility is not required
III (c)(25)	TANF Summer Enrichment	Youth between ages of 10 and 17
III (c)(26)	TANF Work Program Services	Strategy for accomplishing the goals and objectives must include utilizing case management approach
III (c)(27)	Crisis Prevention Program	Must be below 150 percent of the Federal Poverty Level

The 2014 State Plan additionally mentions that based on availability of TANF funds, the programs listed in Table 6 may be implemented through legislative appropriation:<sup>18</sup>

**Table 6: Programs Implemented through Legislation<sup>19</sup>**

Subsection	Program	Eligibility Criteria
III (c)(28)(a)	Funds may be made available to the Attorney General to implement programs that serve unmet needs of "at risk" youth in the state	Eligibility criteria was not stated
III (c)(28)(b)	TANF Funds may be used for temporary care (not to exceed 45 days) of children in foster care	Must be below 300 percent of the Federal Poverty Level
III (c)(28)(c)	TANF funds may be used for the expansion of the Families First Resource Centers	Must be at or below 300 percent of the Federal Poverty Level
III (c)(28)(d)	TANF funds may be used to provide family preservation services to families with dependent children	Must be at or below 300 percent of the Federal Poverty Level
III (c)(28)(e)	TANF funds may be made available to the state coalition of the Young Men's Christian Association (YMCA) for the purpose of developing and implementing statewide programs that serve the unmet needs of youth by way of the Adolescent Offenders and Teen Leadership programs	Must be at or below 300 percent of the Federal Poverty Level

- 2) **WIOA Combined State Plan effective July 1, 2016 ("2016 State Plan"):** The Workforce Innovations and Opportunity Act of 2014 (WIOA), which supersedes the Workforce Investment Act of 1998 (WIA), was signed into law on July 22, 2014. WIOA is designed to help job candidates access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in a global economy. In 2016, the State of Mississippi opted to submit to the U.S. Departments of Labor, Education, and Health and Human Services a Combined Plan to meet the requirements of WIOA. This combined plan was built around Mississippi Governor Phil Bryant's pledge that every Mississippian who wants a job should be able to find a job. Mississippi's combined plan for 2016 included the six required state programs, including TANF. This State Plan was applicable to the forensic audit period of July 1, 2016

<sup>18</sup> The State Plan mentions that these programs may be implemented through the legislative process, which is based on the action taken by the state legislature to authorize the expenditure of a designated amount of public funds for a specific purpose.

<sup>19</sup> As stated in the 2014 State Plan Section III - Family Assistance Plan, subsection C – Other Provisions.

to June 30, 2018. The 2016 State Plan had some changes in the initiatives and programs as described in Table 7.

**Table 7: Changes to 2016 State Plan Initiatives and Programs**

Subsection	Initiative/Program	Eligibility Criteria	2016 Plan Change
III (c)(24) (a)	2014 State Plan Initiative: Intensive youth supervision program	Must be at or below 200 percent of federal poverty level	Eliminated
III (c)(28)(e)	2014 State Plan Program: TANF funds may be made available to the state coalition of the Young Men's Christian Association (YMCA) for the purpose of developing and implementing statewide programs that serve the unmet needs of youth by way of the Adolescent Offenders and Teen Leadership programs	Must be at or below 300 percent of the Federal Poverty Level	Eliminated
Page 218 (e)	2016 State Plan Program: TANF funds may be used for the purpose of developing and implementing a statewide program that serve the unmet needs of youth	Must be below 300 percent of the Federal Poverty Level	Added

- 3) **WIOA 2018 State Plan for the State of Mississippi ("2018 State Plan"):** On March 30, 2018, Mississippi submitted a modification to the program year 2016 WIOA combined State Plan to the U.S. Departments of Labor, Education, and Health and Human Services for approval. On July 10, 2018, ACF communicated to the State of Mississippi that it had reviewed the TANF-Specific portion of the combined State Plan and had determined it to be complete. This State Plan was applicable to the forensic audit period of July 1, 2018 to December 31, 2019. The combined State Plan subsumes the individual TANF State Plan; thus, the state was not required to submit a separate TANF State Plan. No changes were made in the State's TANF initiatives; however, a change was made to one of the programs to eliminate the eligibility criteria that was previously included in both the 2014 and the 2016 State Plans. This update is described in Table 8.

**Table 8: Program Updates Made in the 2018 State Plan**

Subsection	Program	Eligibility Criteria
Page 249 (c)	TANF funds may be used for the expansion of the Families First Resource Centers	Eligibility Requirements are waived for families and services are free of charge

### III. Scope of Services

CLA performed forensic auditing services of MDHS TANF transactions during the period from January 1, 2016 to December 31, 2019 utilizing a risk-based approach that targets higher risk transactions through analytics to identify entities (subrecipients) and transactions that required detailed testing. Through the contract negotiation process, MDHS confirmed its desire to have all areas of TANF expenditures tested and agreed to using a risk-based approach to perform the forensic audit so that 100% of transactions did not have to be detail tested. CLA anticipated performing detailed testing on all transactions and entities where risk was not determined to be low.

The forensic auditing services provided included the following analysis and testing for TANF payments from MDHS to subrecipients and third tier subrecipients:<sup>20</sup>

- 1) Conduct testing to determine whether MDHS payments made to TANF subrecipients during the audit period were allowable pursuant to federal requirements, state law, MDHS policies and procedures, and the applicable agreement scope (see item 3.1.3 in the MDHS-CLA Contract)
- 2) Assess authenticity of the 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 (see item 3.1.4 in the MDHS-CLA Contract)
- 3) Conduct testing to determine allowability of TANF subgrant/contract scopes as compared against TANF requirements, state law, MDHS policies and procedures, and federal guidelines (see item 3.1.5 in the MDHS-CLA Contract)
- 4) Review 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 (see item 3.1.6 in the MDHS-CLA Contract)
- 5) Review subrecipient general ledgers for all grants awarded to Mississippi Community Education Center (“MCEC”) and Family Resource Center (“FRC”) under any MDHS TANF-funded program (see item 3.1.7 in the MDHS-CLA Contract)
- 6) Conduct testing to determine allowability of subawards issued by TANF subrecipients to third tier subrecipients pursuant to MDHS requirements, policies and procedures, and applicable federal requirements, including analysis of whether any eligibility determinations were required or were ignored in making such awards to TANF subgrantees or to third tier subrecipients (see item 3.1.8 in the MDHS-CLA Contract)

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<sup>20</sup> The MDHS-CLA Contract refers to the direct subgrantees of MDHS as “subrecipients.” Throughout this report, any reference to a direct subgrantee of MDHS will be referred to as a subgrantee. TANF funds awarded and paid by a subgrantee to a third-party as a grant are referred to as a third tier subrecipient.

- 7) Any analysis of all TANF-funded subgrants/contracts and subsequent payments executed and issued at the direction of the former MDHS Executive Director (John Davis) during the subject audit period (see item 3.1.9 in the MDHS-CLA Contract)
- 8) Any other issues identified during the course of the forensic audit related to TANF subgrant awards during the subject time

The forensic auditing services provided included the following analysis and testing for all other TANF related disbursements by MDHS (e.g., contracts, direct assistance, travel, etc.):<sup>21</sup>

- 1) Conduct testing for TANF Subsidies, Loans, and Grants payments to compare against TANF requirements, state law, MDHS policies and procedures, and federal guidelines (see step 4.d. of Attachment A in the MDHS-CLA Contract)
- 2) Conduct testing for disbursements made for direct assistance to recipients to determine sufficiency of supporting information and eligibility (see step 4.e. of Attachment A in the MDHS-CLA Contract)
- 3) Conduct testing for payments made by MDHS for services (contracts) other than direct assistance to recipients to determine allowability pursuant to federal requirements, state law, and MDHS policies and procedures; and existence of appropriate supporting documentation (see step 4.f. of Attachment A in the MDHS-CLA Contract)
- 4) Conduct testing for salary disbursements made to determine payment was made to a legitimate employee, for legitimate hours worked, and in accordance with the employment contract (see step 4.g. of Attachment A in the MDHS-CLA Contract)
- 5) Conduct testing for payments related to travel to determine payment was for a legitimate purpose, allowability, advance approval, and sufficiency of support (see step 4.h. of Attachment A in the MDHS-CLA Contract)
- 6) Conduct testing for payments related to purchases of equipment/commodities to determine payment was for a legitimate purpose, allowability, advance approval, sufficiency of support, and receipt of goods (see step 4.i. of Attachment A in the MDHS-CLA Contract)

CLA performed various other procedures to accomplish the scope of services outlined above. The specific work steps are detailed in Attachment A in the MDHS-CLA Contract. Additional detailed explanation of the procedures performed are summarized in section VI. *Summary of Work Performed* beginning on page 22.

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<sup>21</sup> Through the RFI process with MDHS, it was communicated to CLA that MDHS wanted all TANF related disbursement categories (cost categories) to be subject to the forensic audit procedures, including MDHS costs for Subsidies, Loans, and Grants; disbursements made for direct assistance; services (contracts); salaries; travel; and equipment and commodities. CLA designed the workplan procedures based on the general scope of work communicated by MDHS. These procedures were approved by MDHS and incorporated into the MDHS-CLA Contract.

CLA did not test the expenditures related to the other funding sources from MDHS to subgrantees. However, to the extent unallowable costs were identified for other funding sources during the testing, that information will be reported within the results section.

#### **IV. Professional Standards Followed by CliftonLarsonAllen, LLP**

The overall scope of work and approach was conducted utilizing standards in accordance with the Statement on Standards for Forensic Services No. 1 (“SSFS No. 1”) of the American Institute of Certified Public Accountants (“AICPA”). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion.

Because of the unique nature of fraud, and because our engagement was limited to the matters described in the MDHS-CLA Contract, fraud and/or financial irregularities may exist within the organization that we may not have identified during the performance of our procedures. However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated such matters to MDHS and OSA.

The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. Therefore, CLA does not render such opinions.

## V. Information about CliftonLarsonAllen, LLP

Established on January 2, 2012, as the nation's newest top 10 accounting firm, CLA is well positioned with knowledge, insight, and industry-specific accounting, tax, and consulting services. CLA is the result of a union between Clifton Gunderson and LarsonAllen, both established more than 60 years ago. CLA has a national forensic and governmental practice.

According to Accounting Today, CLA is the 8th largest accounting firm by revenue. With a nationwide network of experienced professionals, clients include law firms, school districts, CEOs, leaders in education, municipalities, governmental agencies, the law enforcement community, commercial businesses, and not-for-profit agencies. The CLA Forensic Services team is a highly respected and sought-out authority in fraud prevention, detection, and investigation. Our multi-disciplined team is comprised of Certified Public Accountants, Certified Fraud Examiners, and professionals Certified in Financial Forensics.

William A. Early, Jr., CPA, is a principal in CLA's governmental practice and was responsible for the oversight of this engagement. Bill has over 22 years of experience as the engagement principal and quality review principal for a wide range of large, complex governmental audit engagements. During his career Bill has developed a specialty for state and local government audit and accounting services. He is also well versed in OMB Uniform Guidance (UG) compliance audits, and has managed, planned, and performed single audits for a variety of governmental agencies.

Sean Walker, CPA, CFE, CGFM, CGMS, is the Eastern region state and local government leader and has been serving regulated industries clients since 1999. Sean assisted the engagement team on technical aspects related to TANF. He is one of the few practitioners within the governmental auditing field that currently serves as a principal on a state-wide financial and single audit. Sean specializes in providing accounting, financial auditing, and consulting to large and complex governmental audit engagements. He is involved in the government industry on a national basis and is a frequent speaker on government accounting, auditing, and single audits for professional associations around the country. Sean also serves as a consulting technical partner on CLA's clients on government accounting and auditing, including OMB Uniform Guidance.

Jenny Dominguez, CPA/CFF, CFE, is a principal in the Forensic Services practice of CLA and was responsible for the overall execution of this engagement. Her practice areas include accounting and auditing, fraud investigations and examinations, forensic accounting, internal control review and analysis, and litigation support. Her experience includes seven years with Ernst & Young as a fraud investigator and forensic accountant, three years with Kroll as a financial fraud investigator, and two years as an independent consultant in the field of forensic accounting and litigation support before joining CLA at a management position 11 years ago.

Ana Rodriguez, CPA, CFE, is a manager in the Forensic Services practice of CLA. Ana was responsible for supervising the field work and assisted Jenny throughout this engagement. Her practice areas include accounting and auditing, fraud investigations and examinations,

forensic accounting, internal control review and analysis, and litigation support. Ana has over seven years of experience in the forensic accounting and fraud investigation fields.

Aires Coleman, CPA, is a director in CLA's governmental practice and assisted the engagement team with technical aspects of TANF. Aires has more than 20 years of experience with auditing and accounting services; mainly focusing on *Government Auditing Standards*. She is recognized as one of CLA's single audit technical professionals. Aires manages single audits for state and local governmental entities as well as performs presentations and trainings on the OMB *Uniform Guidance (UG)*. Aires provides extensive knowledge, skills, and experience with federal compliance requirements as well as value-added best practices.



## VI. Summary of Work Performed

The following sections provide additional detail related to the specific procedures performed by CLA per the approved scope of work in the MDHS-CLA Contract (Exhibit 01).

### 1. Assessment and Planning

#### a. Planning and meeting with MDHS and OSA

At the commencement of the forensic audit, CLA held various meetings with MDHS management and OSA staff to discuss and agree on processes for providing information and documentation to CLA, communication expectations, timeframe of the project, and various other project administration details.

#### b. Meetings with the OSA to discuss Single Audit findings

CLA held meetings with representatives of the OSA to review and discuss the Single Audit report and findings and the OSA workpapers supporting the Single Audit report. As needed, CLA requested meetings with the OSA to inquire about specific testing procedures, available supporting documentation, and conclusions reached.

### 2. Interviews and Analytics

#### a. Obtain and review the OSA Single Audit report, workpapers, and documentation

The OSA served as a third party to the contract between MDHS and CLA with respect to certain measures including “providing [CLA] with electronic access to any OSA working papers, OSA Single Audits of MDHS, and any other documentation relevant to the subject audit period to assist [CLA] in narrowing and tailoring the forensic audit scope and to prevent unnecessary duplication of audit functions previously performed by OSA.”

On November 6, 2020, the OSA provided CLA with a ProSystem fx Engagement binder package containing all of its electronic work papers, including its report, for the Single Audit conducted of MDHS for the fiscal year 2019.<sup>22</sup> Through the remainder of November and December 2020, the OSA provided CLA additional documentation including transaction supporting documentation it had obtained from MCEC and FRC, which included contracts, expense reimbursement requests, bank statements, and other documentation the OSA had reviewed.

CLA reviewed the OSA Single Audit report to understand the transactions related to the findings presented in its report. CLA used the OSA working papers to identify the transactions at the disbursement ledger level for both MCEC and FRC. CLA then created a workpaper to cross reference between the OSA Single Audit report and the

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<sup>22</sup> ProSystem fx Engagement is an audit software used by the OSA and also CLA to store work papers and documents completed and review of work as part of an engagement. A binder package is a copy of the audit engagement binder that contains all of the electronic work papers for an audit.

MCEC/FRC ledgers for easy identification of the transactions questioned in the OSA Single Audit report. The purpose of this review was to identify those transactions for which the OSA had reached a definite conclusion based on complete documentation. CLA then assessed OSA's conclusions to determine whether additional testing would be performed on certain transactions.<sup>23</sup> This was done in preparation for receiving the initial document request from subgrantees, including MCEC and FRC, and making a sample selection for testing.

b. Conduct interviews of MDHS staff

CLA conducted approximately ten interviews of MDHS current and former staff to understand processes and procedures used at MDHS during the forensic audit period, as well as to more thoroughly understand the concerns of fraud, waste, and abuse described in the OSA Single Audit report. Table 9 lists the names and titles of the individuals interviewed and the date of the interview.<sup>24</sup>

**Table 9: List of MDHS Staff Interviews**

No.	Name	Title	Date
1	Bridgette Bell	Former Chief Financial Officer <sup>25</sup>	11/18/2020
2	David Barton	Former Deputy Executive Director for Economic Programs <sup>25</sup>	11/19/2020
3	Marie McLaurin	Subgrant Claims Unit Director	11/20/2020
4	Bryan Wardlaw	Former Chief Procurement Officer <sup>25</sup>	11/20/2020
5	Carla Conyers	Subgrant Agreements Unit Director	11/23/2020
6	Hadley Eisenberger	Inspector General	11/23/2020
7	Jacob Black	Former Executive Director of Programs <sup>26</sup>	11/24/2020
8	Kimberly Smith	Director for Workforce Development	12/7/2020
9	Debra Dixon	Chief Financial Officer (Former Budgets, Cost Allocation, and Grants Management Director)	12/7/2020
10	Sandra Griffith	Chief Compliance Officer	12/8/2020

As necessary throughout the forensic audit, CLA had additional contact and discussions with the individuals interviewed. Additionally, CLA was in contact with additional individuals who were identified as the points of contact to provide CLA with the necessary access to documents, reports, and/or data.

Attachment 03 includes a list of all individuals and entities CLA interviewed and or communicated with throughout this engagement.

<sup>23</sup> As stated in the MDHS-CLA contract, the purpose was to avoid "unnecessary duplication of audit functions previously performed by OSA."

<sup>24</sup> Individual titles listed represent the title of the individual as of the date of the interview.

<sup>25</sup> This individual was employed by MDHS in the specified position at the time of the interview.

<sup>26</sup> Jacob Black was no longer employed by MDHS at the time of his interview.

c. Obtain, review, and summarize MDHS procedures manuals

CLA received from MDHS the Budgets and Accounting policies and procedures, travel policy, and subgrant manual. CLA reviewed these documents and summarized the information within as CLA prepared the testing criteria against which selected transactions would be tested.

CLA received directly from the Administration for Children and Families the State Plans in effect during the period of the forensic audit. These were the 2014, 2016, and the 2018 State Plans. CLA reviewed and summarized the State Plans as it prepared the criteria against which selected transactions would be tested for compliance with the applicable State Plan.

d. Obtain, review, and normalize MDHS financial data

CLA requested and obtained from MDHS the following sets of financial data:

- General ledger for TANF transactions only
- Disbursement ledger
- Vendor master list<sup>27</sup>
- Report of payments made using the one-time vendor number<sup>28</sup>
- Quarterly cost allocation reports and supporting detail
- Quarterly 196R reports and supporting detail<sup>29</sup>

CLA “normalized” the data in order to analyze the data by payee and other relevant categories.<sup>30</sup>

e. Perform analytical review on MDHS financial data

CLA performed various analyses on the financial data of MDHS in order to summarize and trend the TANF related transactions. Based on the results of the analyses, CLA identified significant fluctuations in trends and other anomalies that provided a basis for the sample selections. The analyses performed are described further below.

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<sup>27</sup> CLA also requested a vendor master list change report that would identify changes made to the vendor master list. However, MDHS indicated that this report was too large to download and provide to CLA.

<sup>28</sup> The one-time vendor number is a vendor number that does not have a static payee name and address and is generally used by organizations to make one-time, low dollar payments to non-recurring vendors or to process refunds. The report provided to CLA included only payments made in FY2018 and FY2019. CLA agreed to analyze the payments for FY2018 and FY2019, then determine whether the details in the one-time vendor number for prior fiscal years was necessary. Additionally, the report for FY2018 included only payments greater than \$1,000.

<sup>29</sup> The 196R report is a required financial reporting document that MDHS must submit to the U.S. Department of Health and Human Services, Administration for Children and Families, on a quarterly basis. The report includes program and financial data related to administering the TANF program.

<sup>30</sup> Data normalization is a process whereby the data is standardized to allow for query and analysis.

- **Disbursement Ledger:** CLA extracted TANF disbursements using the TANF grant numbers provided by MDHS and identified in the Mississippi Accountability System for Government Information and Collaboration (“MAGIC”).<sup>31</sup> To ensure completeness of the TANF disbursements, CLA reconciled the TANF disbursements by quarter to the quarterly 196R reports.<sup>32</sup> Additionally, CLA reconciled the TANF disbursement ledger to the cost allocation reports by quarter.<sup>33</sup>

CLA compared the TANF payee names to the 829 individuals and entities identified from the public record searches performed on the parties of interest listed in Table 10 included on page 31. Any matches were identified, and a sample was selected for testing in the appropriate cost category discussed in section VIII. *Results of Forensic Audit - MDHS* beginning on page 47.<sup>34</sup>

CLA performed a Benford’s Law analysis on all TANF disbursements.<sup>35</sup> The disbursement transactions that fell outside of the predictable rate included payroll and travel (specifically, hotel charges). CLA used the results of the Benford’s Law analysis to assist in selecting the transactions for testing in these two cost categories.

The TANF disbursements were then separated by cost category (subgrants; contractual services; travel; Subsidies, Loans, and Grants; equipment and commodities; and direct assistance). Within each cost category, CLA summarized the TANF disbursements by payee (vendor), by general ledger account, and by grant. CLA also identified, if applicable, any transactions already tested by the OSA. Transactions within each cost category were selected for testing based on the results of these analyses.

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<sup>31</sup> MAGIC was used to access and evaluate records and documents MDHS stored online. CLA primarily used two of the MAGIC online systems: the e-Grants Application, which stored information related to the subgrant awards, and the Enterprise Central Component, which stored information related to accounts payable reports.

<sup>32</sup> For variances identified, CLA selected a sample of the quarters to inquire with MDHS and obtain an explanation or supporting documentation for the variances. An example of a variance includes adjustments made for Child Protective Services’ (CPS) portion of TANF funds. MDHS reports on the 196R reports the portion of TANF allocated to CPS; however, the allocation does not appear in the disbursement ledger.

<sup>33</sup> CLA identified variances greater than \$100,000 and obtained an explanation or supporting documentation from MDHS and noted the variances appeared reasonable.

<sup>34</sup> Five matches were identified in this comparison and all were included in the sample testing. Three matches related to contracts and two matches related to subgrantees.

<sup>35</sup> The Benford’s Law principle describes how in any large, randomly produced set of natural numbers (such as a disbursement ledger) certain digits will occur more frequently than others, at a predictable rate. This principle is used to analyze a set of natural numbers to identify any sequences or patterns that fall outside of the predictable rate. The Benford’s Law principle is used in forensic audits and investigations to identify potentially questionable transactions for further review.

- **General Ledger:** MDHS provided to CLA the TANF general ledger detail for the forensic audit period. To gain comfort regarding the completeness of the general ledger detail, CLA compared the total of each expense account to the trial balance for each period, without exception. Additionally, for one period, CLA reconciled the expense activity in the general ledger to the 196R report.<sup>36</sup>

CLA summarized and analyzed the TANF general ledger detail to identify anomalies or other unusual patterns to aid in the sample selection process. CLA analyzed the general ledger detail by TANF grant number, expense account, vendor/payee name, system users, and cost categories. For example, CLA trended general ledger activity by payee to identify unusual fluctuations in payments by month and/or year and to identify the largest payees. Additionally, the general ledger data was summarized by payee and cost category to identify those payees that were allocated to multiple cost categories. The results of these various analyses were used to aid in the selection of the sample for testing. For example, CLA identified 46 different usernames that posted entries to the TANF general ledger. CLA ensured that at least one transaction from each username was selected for inclusion in the sample for testing.<sup>37</sup>

CLA compared the general ledger data to the disbursement ledger data to identify and assign a cost category to each transaction. CLA then trended the total expenses by cost category and month/year to identify unusual trends. CLA selected transactions where significant increases in costs were identified.

- **Payroll Detail:** MDHS provided to CLA the TANF payroll transaction listing for the forensic audit period, which contained over 28,500 rows of transactions. According to MDHS, TANF payroll was included in fund 3651. CLA extracted and summarized the payroll transactions by employee and year for fund 3651 only, which totaled approximately \$8.7 million. CLA identified unusual fluctuations to assist in selecting a sample for testing.

CLA compared the TANF payroll names to the parties of interest to identify any potential matches.<sup>38</sup> Three name matches were identified and included in the sample for testing.

- **Vendor Master List:** CLA obtained the vendor master list, which included over 75,000 vendors. CLA compared the vendor names and addresses to the

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<sup>36</sup> The primary purpose of the general ledger was for analysis and to aid in the selection of the samples from the disbursement ledger for testing. CLA relied primarily on the completeness testing of the disbursement ledger and, therefore, performed limited testing on the completeness of the general ledger.

<sup>37</sup> CLA's understanding from MDHS is that an individual's username begins with their initials. There were no usernames in the general ledger activity that began with John Davis's initials (JD or DJ).

<sup>38</sup> CLA compared the TANF payroll names to the list of 829 parties of interest compiled from the public record searches and John Davis's emails. See section VI.4.a. for additional details.

parties of interest identified in Table 10 included on page 31.<sup>39</sup> Any matches were identified and compared to the TANF disbursements to determine whether TANF funds were disbursed to a party of interest. The address comparison resulted in 14 matches of which none received TANF funds.

CLA identified duplicate names, addresses, and Tax IDs in the vendor master list and further analyzed the vendors. CLA isolated the TANF payments to vendors with duplicate names, addresses, and Tax IDs. For all duplicate vendor names and Tax IDs, CLA confirmed that the vendor names associated with the duplicate Tax IDs were different iterations of the same vendor (for example, “MNJ Technologies Direct” and “MNJ Technologies Direct Inc”). For all duplicate vendor addresses, CLA isolated those vendors for which there were different vendor names for the same address. For any vendors with a duplicate address that received more than \$1,000 in TANF funds during the forensic audit period, CLA ensured at least one transaction for each vendor was selected in the respective cost category.

CLA compared the TANF disbursements to the vendor master list to identify any TANF payees not included in the vendor master list. CLA identified 28 TANF payees not included in the vendor master list from which a sample was selected for testing in the appropriate cost categories.

- **One-Time Vendor Payments:** CLA obtained the detail for payments made using the one-time vendor number for FY2018 and FY2019. CLA normalized the payee names for ease of comparison. CLA then compared the names of payees in the one-time vendor account to the names of payees paid with TANF funds.<sup>40</sup>

CLA identified only one match between the one-time vendor payments for FY2018/FY2019 and TANF disbursements (Rebecca Martin for \$688.34). The amount paid was minimal; therefore, CLA did not perform additional testing or review. Additionally, CLA did not request the one-time vendor payment activity for prior to FY2018.

f. Obtain, review, and normalize subgrantee financial data

For each subgrantee, CLA requested the following financial data and other documentation:

- General ledger<sup>41</sup>
- Disbursement ledger
- Cash receipt ledger, if applicable

<sup>39</sup> For the 21 parties of interest in Table 10, CLA identified 331 associated addresses.

<sup>40</sup> The TANF disbursements were compared to the full list of 829 parties of interest; therefore, the one-time vendor payments were indirectly compared to the 829 parties of interest.

<sup>41</sup> If the subgrantee used QuickBooks, CLA requested a QuickBooks backup file.

- Payroll journal, if applicable
- Approved subgrant budget
- TANF grant agreements with MDHS
- Claim requests, closeout reports, and other supporting documentation provided to MDHS
- Grant application
- Organization chart
- Monitoring reports
- Third tier subrecipient contracts

If necessary, CLA “normalized” the data in order to analyze the data by payee and other relevant categories.<sup>42</sup>

g. Perform analytical review on subgrantee financial data

CLA performed various analytical procedures in order to assess each subgrantee as low, medium, or high risk. Based on the level of risk for each subgrantee, and the nature of the grant costs incurred, CLA selected a sample of costs for testing. The analytical procedures included, but were not limited to, the following:

- Reviewed the TANF agreement between the subgrantee and MDHS to identify the purpose of the grant.
- Conducted an interview of a representative of the subgrantee to understand the programs funded by the TANF grant(s), how the subgrantee became aware of the availability of TANF funds, whether the subgrantee worked with John Davis in obtaining the grant(s), whether the subgrantees programs existed prior to obtaining a TANF grant(s), how eligibility was determined, how the subgrantee ensured the TANF funds were used on only TANF qualifying activities/programs, whether MDHS performed any monitoring procedures, and to confirm the number and amounts of TANF grants received by the subgrantee.<sup>43</sup>
- Conducted an Internet search of the subgrantee to understand the purpose of the organization, confirm it had an established presence, and identify the executives and/or board members.

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<sup>42</sup> Data normalization is a process whereby the data is standardized to allow for query and analysis.

<sup>43</sup> Other questions may have been asked of individual subgrantees based on their responses and other information provided.

- Identified TANF related revenues and expenses in the subgrantee general ledger.<sup>44</sup> Trended revenues and expenses by funding source (e.g., TANF, SBBG, etc.).
- If the subgrantee provided their complete general ledger (not just TANF revenues and expenses), assessed the overall financial health of the subgrantee. For example, through the yearly trend analysis, did the subgrantees revenues equal or exceed expenses (it was not operating at a loss).
- Summarized TANF expenditures by cost category (e.g., payroll, travel, equipment and commodities, etc.) and assessed whether the types of expenditures appeared reasonable based on the purpose of the grant(s). Identified whether any costs were incurred for contracts or Subsidies, Loans, and Grants (the two areas to be tested based on the scope of work – 4.I.).
- Compared the reported TANF revenue per the subgrantee’s general ledger to the MDHS TANF grant agreement and to the disbursements reported by MDHS. Identified any variances.
- Compared the reported TANF expenses per the subgrantee’s general ledger to the TANF award amount and the claim requests/reports provided to MDHS. Identified any variances.
- Trended subgrantee disbursements by expense type, payee, and year.
- Reviewed TANF expense details and identified any obviously unallowable costs (e.g., lobbying activities, alcohol, etc.).
- Performed Benford’s Law analysis on disbursements to identify any disbursements not conforming to expectations.<sup>45</sup>
- Compared the names of the individuals included in the organization chart of the subgrantee to the list of parties of interest in Table 10 on page 31. Identified any matches. Compared the payee names on the subgrantee’s disbursement ledger to the same list of parties of interest.
- Identified any third tier subrecipients issued by the subgrantee.

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<sup>44</sup> If TANF revenues/expenses were not clearly segregated or identified in the subgrantee general ledger, CLA contacted the subgrantee to provide additional information or data.

<sup>45</sup> The Benford’s Law principle describes how in any large, randomly produced set of natural numbers (such as a disbursement ledger) certain digits will occur more frequently than others, at a predictable rate. This principle is used to analyze a set of natural numbers to identify any sequences or patterns that fall outside of the predictable rate. The Benford’s Law principle is used in forensic audits and investigations to identify potentially questionable transactions for further review.



- If possible, compared the names of employees on the third tier subrecipient organization chart to the list of parties of interest.
- h. Review and supervision

Throughout the engagement, the designated managers and principals held meetings with the CLA team to discuss various aspects of the project and were available to answer questions. All work papers were reviewed by a manager and principal.

### 3. Systems Evaluations

- a. Document current MDHS internal controls related to processing TANF<sup>46</sup>
- b. Test a sample of transactions to validate the current processes related to TANF<sup>46</sup>
- c. Document MDHS internal controls during the forensic audit period related to processing TANF agreements<sup>46</sup>
- d. Obtain and organize all supporting documentation for MDHS and subgrantees

Throughout the engagement, CLA received numerous files and documents from MDHS and the subgrantees. CLA received over 12,000 files, not including the workpapers and documents provided by OSA.

- e. Prepare testing workpaper templates

For each testing area listed in section VI.4. *Testing, Validation, and Examination* included below, CLA prepared a workpaper template that identified the various testing attributes and the source of the criteria (e.g., 2 CFR 200; MDHS policy; etc.). The testing attributes are provided as Attachments to this report, as referenced in the respective area in section VI.4. *Testing, Validation, and Examination*.

- f. Review and supervision

Throughout the engagement, the designated managers and principals held meetings with the CLA team to discuss various aspects of the project and were available to answer questions. All work papers were reviewed by a manager and principal.

### 4. Testing, Validation, and Examination

- a. Perform public record searches

CLA identified the individuals and entities of interest based on the results communicated in the OSA Single Audit report due to related party contracts and/or

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<sup>46</sup> As requested by MDHS, the procedures performed and results of testing related to internal controls for the forensic audit period and current period are documented in the report titled "*TANF Forensic Audit: Internal Controls Assessment*."

payments directed by John Davis. Twenty-one names were identified for which CLA performed public records searches to identify addresses, companies/organizations, family member names, and known or possible business associates. CLA referred to these twenty-one individuals and entities as parties of interest.

**Table 10: Parties of Interest for Public Record Searches**

Number	Individual/Entity Name
1	John Davis
2	Nancy New
3	Zach New
4	Ted DiBiase
5	Brett DiBiase
6	Jess New
7	Jason Crabb
8	Ann McGrew
9	Latimer Smith
10	Marcus Dupree (Dupree Foundation)
11	Austin Smith
12	Paul Lacoste
13	Stephen Group
14	Law of 16/Priceless Ventures LLC
15	Avalon Holdings
16	Magnolia Strategies
17	204 Key, LLC
18	Cirlot Advertising Agency
19	Heart of David Ministry
20	100 Black Men of Jackson
21	Brian J Smith

From the public records searches, CLA identified addresses, relatives, and known or possible associates. These details were compared to the TANF related disbursements for MDHS and the disbursements for the 28 subgrantees to identify transactions for testing. CLA also identified dates of birth for the individuals of interest in order to compare names to MDHS TANF payroll and direct assistance payments.

Combining the names obtained through public records searches with the names identified through the review of John Davis's emails, CLA compiled a list of 829 names (and variations of names) of individuals and entities that were compared to MDHS and subgrantee TANF related disbursements. See Attachment 04 for a list of these individuals and entities. This list was compared to the TANF disbursements of MDHS and the 28 subgrantees. The names included in Attachment 04 do not reflect recipients of TANF payments but merely the names used to compare against disbursements. The actual matches to disbursements were much fewer. For example, for MDHS disbursements, there were only three matches within contractual disbursements. Those matches are listed in the respective section of this report. To the extent there were any matches to the list of 829 names, those payments were selected for testing and the results included throughout this report.

b. Review of email and electronic documents

CLA obtained from MDHS the Personal Storage Table (PST) file containing the email communications and calendar of the former MDHS Executive Director, John Davis. The PST file included data from 2008 through 2019 and contained 280,337 items. CLA conducted key word searches on the email communications spanning from 2015 to 2019. The results of those email searches were reviewed, and potentially relevant email communication was identified.<sup>47</sup>

CLA identified the names of individuals included in potentially relevant emails. Those names were then compared to the TANF related disbursements for MDHS and the disbursements for the 28 subgrantees to identify transactions for testing.

Additionally, for transactions selected for testing where CLA had need for additional information that was not available from MDHS or the Subgrantees, CLA conducted additional searches within the email communication of the former Executive Director to determine if the email communications contained any evidence of involvement by or possible personal benefit to the former Executive Director.

c. Conduct testing for payments made by MDHS to TANF subgrantees

CLA tested the payments made by MDHS to the TANF subgrantees that were awarded TANF grants during the forensic audit period.<sup>48</sup> The purpose of this testing was to determine the allowability of the payment pursuant to federal requirements, state law, and MDHS policies and procedures; the existence of appropriate supporting documentation; and the authenticity of TANF subgrantee payment requests. A list of the specific attributes tested by CLA is included in Attachment 05.

d. Conduct testing for TANF Subsidies, Loans, and Grants

CLA tested a sample of payments made by MDHS for TANF Subsidies, Loans, and Grants. The purpose of this testing was to compare the costs against TANF requirements, state law, MDHS policies and procedures, and federal guidelines. A list of the specific attributes tested by CLA is included in Attachment 06.

e. Conduct testing for disbursements made for direct assistance

CLA was to test a sample of payments made by MDHS for TANF direct assistance. The purpose of this testing was to determine the sufficiency of supporting information and eligibility by the recipient. It was agreed that CLA's testing would be limited to identifying direct assistance disbursements made to family members, relatives, or other known associates of John Davis. CLA did not identify any direct assistance

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<sup>47</sup> CLA was unable to obtain a copy of John Davis's MDHS computer hard drive as it was in the possession of the OSA Investigative Division. Additionally, the scope of work limited CLA's review of emails to include only John Davis's MDHS emails. If other electronic evidence had been made available to CLA, additional information not currently known to CLA could impact the findings communicated in this report.

<sup>48</sup> January 1, 2016 through December 31, 2019.

disbursements that required testing; therefore, testing attributes were not developed.

- f. Conduct testing for payments made by MDHS for services (contracts) other than direct assistance

CLA tested a sample of payments made by MDHS for TANF services (contracts) other than direct assistance. The purpose of this testing was to determine allowability pursuant to federal requirements, state law, and MDHS policies and procedures, as well as the existence of appropriate supporting documentation. A list of the specific attributes tested by CLA is included in Attachment 07.

- g. Conduct testing for salary disbursements

CLA tested a sample of payments made by MDHS for TANF salaries. The purpose of this testing was to determine that payment was made to a legitimate employee for legitimate hours work and was in accordance with the employment contract. A list of the specific attributes tested by CLA is included in Attachment 08.

- h. Conduct testing for payments related to travel

CLA tested a sample of payments made by MDHS for TANF travel. The purpose of this testing was to determine that the travel was for a legitimate purpose, was allowable, had advance approval, and had sufficient supporting documentation. A list of the specific attributes tested by CLA is included in Attachments 09 and 10.

- i. Conduct testing for payments related to purchases of equipment and commodities

CLA tested a sample of payments made by MDHS for the purchase of TANF equipment and commodities. The purpose of this testing was to determine if the cost was for a legitimate purpose, was allowable, had advance approval, had sufficient supporting documentation, and had evidence of receipt of goods. A list of the specific attributes tested by CLA is included in Attachment 11.

- j. Conduct a review of the financial records of TANF subgrantees

CLA conducted a review of the financial records of the TANF subgrantees for the agreement periods occurring in the forensic audit period to identify any accounting irregularities not in compliance with federal regulations. A list of the specific attributes tested by CLA is included in Attachment 12.

- k. Conduct a review of subgrantee general ledgers

CLA conducted a review of the TANF subgrantee general ledgers to identify all grants awarded by the subgrantees to MCEC or FRC under any MDHS TANF-funded program.

- l. Conduct testing of subawards issued by TANF subgrantees to third tier subrecipients

CLA tested a sample of subawards issued by the TANF subgrantees to third tier subrecipients. The purpose of this testing was to assess allowability of the subaward pursuant to MDHS requirements, policies and procedures, and applicable federal requirements. The focus of the testing of subgrantee costs was on subawards to third tier subrecipients; however, CLA also tested a sample of contractual payments to ensure all possible subawards had been identified. For certain subgrantees, CLA may have also tested payments in other cost categories based on the results of the analytical procedures for the subgrantee. The detailed attributes tested were dependent on the cost category and are listed in Attachments 13 through 18.

- m. Conduct analysis to identify whether any TANF-funded subgrants/contracts were issued at the direction of the former Executive Director

Through the review of John Davis's emails (discussed in section VI.4.b. *Review of email and electronic documents*, starting on page 31), CLA searched for any evidence of John Davis directing subgrants or contracts being awarded. In interviews with MDHS staff, CLA inquired about the process for awarding subgrants and contracts. Additionally, during the interviews with the subgrantees, CLA inquired about the subgrantees' interactions with the former Executive Director, John Davis.

- n. Conduct testing as needed for any other issues identified

Where necessary, and as time permitted, CLA requested additional documentation for transactions based on the results of the sample testing performed.

- o. Review and supervision

Throughout the engagement, the designated managers and principals held meetings with the CLA team to discuss various aspects of the project and were available to answer questions. All work papers were reviewed by a manager and principal.

## 5. Reporting

- a. Prepare and provide monthly progress reports

CLA prepared a written monthly progress report beginning in December 2020 and continuing through August 2021. The written progress report was issued in conjunction with the first status meeting of the month with the Forensic Audit Committee.<sup>49</sup> Each written progress report contained the status of document requests to MDHS, OSA, and the subgrantees; a list of interviews performed of MDHS staff; other procedures performed during the prior month; next steps for the projects; project obstacles; and the total hours and costs incurred compared to budget as of the most recent invoices issued by CLA.

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<sup>49</sup> The Forensic Audit Committee included William ("Bill") Root, Bridgette Bell, Nathan Wilson, Brett Robinson, and Kameron Harris. Additional MDHS staff participated in the Forensic Audit Committee meetings as needed or requested by MDHS.

b. Prepare and provide status updates

At the beginning of this engagement, CLA met every Friday with the Forensic Audit Committee to provide a status update and discuss any items of importance. Beginning in approximately February 2021, the meetings with the Forensic Audit Committee were changed to every other Friday. CLA had various discussions with William (“Bill”) Root and other MDHS representatives, as needed, in between the meetings with the Forensic Audit Committee.

When requested, CLA met with the OSA to provide updates and status of the work performed. Beginning in July 2021, a representative from the OSA began attending the bi-weekly meetings with the Forensic Audit Committee.

c. Prepare a report on the forensic audit procedures and results

This report communicates the procedures and results for the forensic audit.

d. Prepare a report on the internal control assessment

As requested by MDHS, the procedures performed and results of testing related to internal controls for the forensic audit period and current period are documented in the report titled *“TANF Forensic Audit: Internal Controls Assessment.”*

e. Prepare a report to identify indicators of fraud, waste, and abuse

As requested by MDHS, an aggregate listing of any funds which have been potentially embezzled, misappropriated or obtained under false pretenses or by potential fraud is documented in the report titled *“TANF Forensic Audit: Findings of Possible Fraud, Waste, & Abuse.”* This report (*“TANF Forensic Audit: Procedures & Results”*) includes a listing of all funds spent on questioned or unallowed purchases by vendor, contractor, and subrecipient.

## 6. Project Oversight and Administration

a. Internal CLA team meetings

CLA held weekly internal team meetings to discuss the progress, status, and results of work. These meetings were also used to communicate new critical information to the CLA team.

b. CLA team preparation for field work

The CLA team reviewed various documents in preparation for the testing and other field work. These documents included, but were not limited to, the OSA Single Audit Management Report related to MDHS TANF, 2019 Compliance Supplement, 2019 TANF Cluster Part 4, MDHS State Plans for the relevant time period, relevant sections of the Code of Federal Regulations, and MDHS Subgrant Manual.

## VII. Determining Allowability Under TANF

The primary attribute assessed by CLA for all transactions selected for testing relates to the allowability of the expense under TANF. In the following sections, CLA provides the general guidance relied upon from the Code of Federal Regulations (“CFR”) to assess each expense. Certain expense types and the related CFR or other guidance from the U.S. Department of Health & Human Services (“DHHS”) are discussed below as they specifically relate to expenses tested by CLA. The Administration for Children and Families (“ACF”) a component of DHHS, administers the program. Not all applicable guidance applied during our testing is discussed below; therefore, this report may report conclusions of allowability for expenses not specifically mentioned in this section. Where appropriate, CLA has referenced the applicable guidance when identifying an expense as unallowable.

### 1. Allowability Based on the Code of Federal Regulations

In order to assess allowability under TANF, CLA relied on the following documents and guidance:

1. Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Part 200, (2 *CFR* § 200) Appendix XI Compliance Supplement, Part 3-Compliance Requirements<sup>50</sup>
2. 2 *CFR* § 200, Appendix XI Compliance Supplement, Part 4, DHHS CFDA 93.558 Temporary Assistance for Needy Families (TANF Cluster)<sup>51</sup>
3. Code of Federal Regulations, Title 45, Subtitle B, Chapter 2, Part 260 – General Temporary Assistance for Needy Families (TANF) Provisions<sup>52</sup>
4. “Helping Families Achieve Self-Sufficiency: A Guide on Funding Services for Children and Families through the TANF Program” published by the Administration for Children and Families (Exhibit 03), hereinafter referred to as the “Helping Families Guide”
5. TANF “Q&A: Use of Funds” published by DHHS (Exhibit 04)<sup>53</sup>
6. TANF Policy Announcements, Information Memoranda and other guidance published by DHHS<sup>54</sup>

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<sup>50</sup> Source: <http://www.whitehouse.gov/omb/management/office-federal-financial-management>. The Compliance Supplement lists selected items of cost along with a brief description of their allowability. CLA did not rely exclusively on the summary included in the Compliance Supplement but placed primary reliance of the referenced 2 CFR part 200 text. Information for background purposes: The Uniform Guidance, that includes 2 CFR 200, was effective December 2014. Prior to this time, the guidance was provided in OMB Circular A-133.

<sup>51</sup> Source: <http://www.whitehouse.gov/omb/management/office-federal-financial-management>

<sup>52</sup> <https://www.ecfr.gov/current/title-45/subtitle-B/chapter-II/part-260>

<sup>53</sup> <https://www.acf.hhs.gov/ofa/faq/q-use-funds>.

<sup>54</sup> <https://www.acf.hhs.gov/ofa/programs/tanf/policy>

The statutory purpose of the TANF program is to:<sup>55</sup>

1. Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
2. End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
3. Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and
4. Encourage the formation and maintenance of two-parent families.

The ACF communicates in general that state, local, and Tribal TANF agencies, may use federal TANF funds in one of three fundamental ways:<sup>56</sup>

1. **For the purposes of TANF:** Under this provision, allowable expenditures for particular activities, benefits, or services consist of those that are “in any manner reasonably calculated to accomplish” any one of the four purposes of the TANF program. Activities, benefits, or services that are reasonably calculated to accomplish a TANF purpose are those that directly lead to (or can be expected to lead to) achievement of a TANF purpose.<sup>57</sup> This language includes all activities that are obviously related to a purpose. It also includes activities whose relationship to a purpose may not be obvious, but for which there is evidence that it achieves a purpose. For example, there is clear statistical relationship between staying in school and lower pregnancy rates. Thus, ACF would conclude that special initiatives to keep teens in school are reasonably related to the third purpose of TANF – to reduce out-of-wedlock pregnancies.
2. **Previously authorized activities:** This statutory provision allows states to use federal TANF funds for specific activities that had been previously authorized based on approved title IV-A or IV-F plan and using the same eligibility criteria contained in the approved plan.<sup>58</sup> While the purposes of the TANF program are very broad, some activities that are not now permissible had been included in a state’s approved AFDC plan, JOBS plan, or supportive services plan as of September 30, 1995 (or at state option, as of August 21, 1996). Examples of such activities are juvenile justice and certain state child welfare and foster care activities that were included in many states’ approved plans. A state may continue to provide these services or benefits that were previously authorized, notwithstanding the prohibitions in PRWORA.

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<sup>55</sup> 45 CFR § 260.20.

<sup>56</sup> Helping Families Guide (Exhibit 03). Also located at: <https://files.eric.ed.gov/fulltext/ED449307.pdf>.

<sup>57</sup> As communicated in 42 U.S. Code § 604 – Use of Grants (a) (1) “in any manner that is reasonably calculated to accomplish the purpose of this part.”

<sup>58</sup> As communicated in 42 U.S. Code § 604 (a) (2) “in any manner that the State was authorized to use amounts received under part A or F.”



3. **Transfers:** A state may transfer a total of up to 30% of its TANF funds for a fiscal year to the Child Care Development Fund (CCDF) and the Social Services Block Grant program (SSBG). However, it may transfer no more than 10% of the grant amount for a fiscal year to the SSBG. Once a state transfers funds to either program, it must use the funds in accordance with the rules of the receiving program.<sup>59</sup>

### Eligibility Based on Financial Need

According to guidance published by the Administration for Children and Families (“ACF”), the first two statutory purposes of TANF (caring for children in their own homes and ending the dependence of needy parents) are “expressly for the needy” and states must “develop and apply criteria of financial need in these cases.” States can use TANF funds to help both needy and non-needy families with respect to statutory purpose three and four (reducing out-of-wedlock pregnancies and the formation and maintenance of two-parent families). See question and answer number one in Exhibit 04. In the same document, ACF concludes that “needy” for TANF purposes means “financial deprivation, i.e., lacking adequate income and resources.” See question and answer number 30 in Exhibit 04.

The ACF requires that states use “objective criteria for determining eligibility and benefits. However, they may decide the income and resource standards that they will use to determine eligibility, and they may set different financial eligibility criteria for different benefits or services.”<sup>60</sup>

Although states have flexibility to determine the specific criteria to assess for eligibility, the first two purposes of TANF, which generally relate to assistance, requires a financial eligibility component so that only needy families are benefitting from the federal TANF funds.

### Assisting Families

The ACF concludes that states have flexibility to use TANF resources to develop programs to provide essential support families need to “get a job, succeed at work, and move out of poverty.”<sup>61</sup> ACF states, “As a general rule, States (or local governments and other agencies where decision-making has devolved from the State agency) must use the available funds for eligible, needy families with a child and for one of the four purposes of the TANF program” (emphases added) as outline above.<sup>62</sup>

States have the flexibility to use TANF funds for a variety of programs and services; however, the beneficiaries of these services must be a family unit (families with a child). “Only a financially needy family that consists of, at a minimum, a minor child living with a parent or other caretaker relative, or a pregnant woman may receive TANF ‘assistance’...regardless of

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<sup>59</sup> As communicated in 42 U.S. Code § 604 (d) “... a State may use not more than 30 percent of the amount of any grant made to the state... to carry out a State Program” pursuant to certain provisions.

<sup>60</sup> Helping Families Guide, page 6 (Exhibit 03).

<sup>61</sup> Helping Families Guide, page 5 (Exhibit 03).

<sup>62</sup> Helping Families Guide, page 6 (Exhibit 03).

the TANF purpose that the expenditure is reasonably calculated to accomplish. The child must be less than 18 years old, or, if a full-time student in a secondary school (or the equivalent level of vocational or technical training), less than 19 years old.”<sup>63</sup>

There are limited exceptions provided in the CFR and guidance from DHHS/ACF that allows TANF funds to be spent on programs/services that are not for a family unit or when a child may not be present in the home. It is CLA’s conclusion that, unless there is specific guidance that allows for an exception, TANF funds cannot be used for an adult individual without a child.

#### Pregnancy Prevention Services

A state may use federal TANF funds to serve non-needy families or individuals under the third statutory purpose of TANF, to “prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies.” According to the Helping Families Guide, examples of services and activities that could be provided for this purpose include, but are not limited to, “abstinence programs, visiting nurse services, and programs and services for youth such as counseling, teen pregnancy prevention campaigns, and after-school programs that provide supervision when school is not in session.” Funding can also be used for “media campaigns for the general population on abstinence or preventing out-of-wedlock childbearing.”<sup>64</sup>

As communicated in the applicable State Plans, the initiatives implemented by MDHS that generally fall under the third statutory purpose includes the TANF Prevention/Intervention Program; *Healthy Choices, Brighter Future*; the Summer Enrichment Program; and other general programs to serve the unmet needs of “at risk” youth.

#### Formation and Maintenance of Two-Parent Families

A state may use federal TANF funds to serve non-needy families (including non-custodial parents) under the fourth statutory purpose of TANF, to “encourage the formation and maintenance of two-parent families.” According to the Helping Families Guide, examples of services and activities that could be provided for this purpose include, but are not limited to, “parenting skills training, premarital and marriage counseling, and mediation services; activities to promote parental access and visitation; job placement and training services for noncustodial parents; initiatives to promote responsible fatherhood and increase the capacity of fathers to provide emotional and financial support for their children; and crisis or intervention services.”

As communicated in the applicable State Plans, the initiatives implemented by MDHS that generally fall under the fourth statutory purpose includes the Responsible Fatherhood Initiative and the Healthy Marriage Initiative.

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<sup>63</sup> CFDA 93.558, Section E. Eligibility, 1.a(1).

<sup>64</sup> Helping Families Guide, page 19 (Exhibit 03).

### Families with Children with Disabilities

According to the Helping Families Guide, states can use TANF funds to “arrange for the State’s vocational rehabilitation agency or similar provider to provide assessment, evaluation, assistive technology and equipment, and vocational rehabilitation services to needy individuals who have physical or mental disabilities, but would not otherwise receive services (such services may also be important to parents or caretakers who receive SSI, while their children receive TANF).”<sup>65</sup>

According to this guidance, TANF funds can be used to address physical or mental disabilities of “needy individuals.” Financial need is still required to be assessed, and it is CLA’s understanding that “individual” is referring to the individual within the family unit (parent or child) with the disability. The use of TANF funds to assist families with children with disabilities is intended to help reduce the barriers to employment that some families face when the parent has a disability or is caring for a child with a disability, or to provide flexibility to a parent regarding the work requirements under TANF when taking care of a child with a disability. Services provided to disabled individuals must still meet the “needy family” requirements of TANF.

### Promoting Job Preparation and Work

Under the second statutory purpose of TANF, programs and activities can be funded to “end the dependence of needy parents on government benefits by promoting job preparation, work, and marriage.” According to the Helping Families Guide, “a State could help any needy parent, including a noncustodial parent or a working parent, by providing employment, job preparation, or training services. Examples of potential services include job or career advancement activities, marriage counseling, refundable earned income tax credits, child care services, and employment services designed to increase the noncustodial parent’s ability to pay child support.”<sup>66</sup>

Programs and activities intended to promote job preparation or training services are limited to needy families.

### Training

Costs related to trainings and conferences, including food services expenses, are allowable if the primary purpose of the conference or meeting is the dissemination of technical information related to TANF. “ACF considers a topic related to TANF if imparting this information is reasonably calculated to further a purpose of TANF. Examples of topics related to TANF include housing, child welfare, and other issues impacting vulnerable families. The meeting or conference could be a meeting intended to provide technical information to program participants, staff, community partners, or others, so long as it is furthering a TANF

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<sup>65</sup> Helping Families Guide, page 29 (Exhibit 03).

<sup>66</sup> Helping Families Guide, page 18 (Exhibit 03)

purpose.” See TANF question and answer number 36 at Exhibit 04. Examples offered for food service expenses that are allowed for TANF-specific meetings or conferences include:

- Catered meals during an all-day employment-related training for TANF clients
- Orientation for new TANF clients
- Catered meals during an annual “TANF Outreach Meeting” for administrators and staff from other TANF programs and other local social service providers

### Entertainment

2 CFR § 200.438 states, “Entertainment costs including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval of the federal awarding agency.”

Examples of unallowed uses related to entertainment include:

- Catered parties (e.g., holiday parties for TANF staff and/or clients)
- Lunch provided during a “Family Day” at the Fair for TANF clients
- Catered lunches at “Grand Opening” events in the community
- Youth award dinners
- Mother’s Day lunch for TANF clients at a local restaurant

See TANF question and answer number 36 at Exhibit 04.<sup>67</sup>

### Other

CFR identifies other specific types of costs that cannot be paid with TANF funds, which includes, but is not limited to:

- Indirect cost rates for facilities and administration (2 CFR § 200.413)
- Costs of advertising and public relations designed solely to promote the non-federal entity (2 CFR § 200.421)
- Contributions and donations (2 CFR § 200.434)<sup>68</sup>
- Construction and capital improvement, if not approved by the funding agency in advance (2 CFR § 200.439)

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<sup>67</sup> Note that the CFR mentioned in the TANF question and answer document refers to the OBM Circular 2 CFR § 225, Appendix B, Section 14. The 2 CFR § 200.438 reference used here is from the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Uniform Guidance at 2 CFR Part 200 is the consolidation of grant management requirements and were published in December 2014. Prior to the Uniform Guidance, federal grant management requirements governing administrative requirements, cost principles, and audit requirements were found in eight separate OMB Circulars that included Cost Principles A-87 (2 CFR Part 225), which was referenced in the Questions and Answers document.

<sup>68</sup> In this category, CLA has included as unallowable any cash sponsorships of other organizations.

- Costs associated with inherently religious activities, including worship, religious instruction, or proselytization (42 USC 604a(j); 45 CFR § 260.34(c))
- Costs of lobbying (2 CFR § 200.450)
- Self-paid rent (2 CFR § 200.465 (6))<sup>69</sup>
- Any cost that cannot be sufficiently supported (2 CFR § 200.53(b))<sup>70</sup>
- Marketing costs (2 CFR § 200.467)<sup>71</sup>

## 2. Allowability Based on MDHS State Plan

To be eligible for the TANF block grant, a state must periodically submit a State Plan containing specified information and assurances. As stated previously, MDHS had three TANF State Plans in effect at different times during the forensic audit period:

- 1) 2014 Mississippi State Plan – Temporary Assistance for Needy Families – Effective October 1, 2014 (“2014 State Plan”)<sup>72</sup>
- 2) WIOA Combined State Plan effective July 1, 2016 (“2016 State Plan”)<sup>73</sup>
- 3) WIOA State Plan for the State of Mississippi FY-2018 effective July 1, 2018 (“2018 State Plan”)<sup>74</sup>

For the 2016 State Plan, ACF sent a letter to MDHS communicating that the TANF-specific portion of the combined State Plan was reviewed and determined to be complete. The letter specifically states, “...the Secretary of Health and Human Services makes a finding of plan completeness but does not approve or disapprove a plan. Therefore, the determination of completeness should not be construed as an approval of any particular activity, or as a determination that any particular expenditure is an allowable use of TANF/maintenance-of-effort (MOE).” See Exhibit 08, which includes a copy of the letter. Similar language was included in the letter from ACF for the 2018 State Plan submitted by MDHS.

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<sup>69</sup> 2 CFR § 200.465 (6) states, “The rental of any property owned by any individuals or entities affiliated with the non-federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.” Rent that is not paid to a third-party entity but is allocated or assessed against the grant on property owned by the subgrantee or third tier subrecipient. For CLA’s purposes, if the cost was reasonably similar in amount to a mortgage held by the organization for the property, the cost was considerable allowable.

<sup>70</sup> 2 CFR § 200.53 (b) defines, “Improper payments includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.”

<sup>71</sup> 2 CFR § 200.467 states, “Costs of selling and marketing any products or services of the non-federal entity (unless allowed under § 200.421) are unallowable, except as direct costs, with prior approval by the Federal Awarding Agency when necessary for the performance of the award.”

<sup>72</sup> Exhibit 05 includes a copy of the 2014 State Plan.

<sup>73</sup> Exhibit 06 includes a copy of TANF-related excerpts from the 2016 State Plan.

<sup>74</sup> Exhibit 07 includes a copy of TANF-related excerpts from the 2018 State Plan.

Included at Attachment 19 is a matrix of the various TANF services provided and eligibility requirements indicated in the respective State Plans. Additionally, the following sections outline certain other components of MDHS' TANF programs and services, and eligibility requirements, provided for in each State Plan.

### 2014 State Plan

In the 2014 State Plan, MDHS stated that it “will provide services to families, residing in the state, with dependent children (under the age of 18 years), who meet the TANF income and resources criteria and deprivation outlined in the plan” (emphasis added). MDHS will also use TANF funds to “conduct a program designed to provide allowable work activities that will serve all political subdivisions (counties) in the State with emphasis on providing assistance to needy families with children and providing parents with job preparation, work, and support services to enable them to leave the program and become self-sufficient to the degree that State and local resources allow” (emphasis added). Where available, MDHS will coordinate services “with public and private entities...to allow TANF families with barriers (i.e., little or no work experience, domestic violence, limited English proficiency, learning disabilities, mental, physical disabilities and/or substance abuse) an opportunity to gain access to services and resources needed to obtain the highest level of self-sufficiency within the constraints of the TANF time-limits. Special screening and referral procedures will be used to identify and refer the individual for the appropriate service” (emphasis added).

The MDHS State Plan confirms the need to serve families with dependent children. With respect to job preparation and other work-related support services, the MDHS State Plan outlines that services will be provided to parents to enable them to leave the program and become self-sufficient. Additionally, services related to English proficiency, learning disabilities, mental and physical disabilities, and substance abuse will be provided to TANF families so they can obtain the highest level of self-sufficiency within the constraints of the TANF time-limits. It would be reasonable to conclude that a TANF family is a needy family currently receiving TANF assistance.

The following services and programs will be provided without the determination of financial eligibility.

- Responsible Father Initiative: “To encourage the formation and maintenance of two-parent families and prevent and reduce out-of-wedlock pregnancies, MDHS may provide comprehensive services that support and educate fathers on the importance of responsible parenthood.”
- TANF Prevention/Intervention Program: “To develop projects in community-based settings to prevent and reduce at-risk behaviors among youth and their families to prevent, or break the cycle of welfare dependence.”
- *Healthy Choices, Brighter Future* Initiative: “To involve community, faith-based organizations, schools and families within the State’s four congressional districts (counties) in the establishment of educational and training programs on youth leadership development and teenage pregnancy prevention.”
- Summer Enrichment Program: “Designed to fund projects in community-based settings to prevent and reduce at-risk behaviors...among youth between the ages of 10 and 17.”

- Healthy Marriage Initiative: “To promote the well-being of children in Mississippi by encouraging the involvement of mothers and fathers in their lives.”

The State Plan provided for, through legislative appropriation, the expansion of the Families First Resource Centers.<sup>75</sup> “MDHS will advance the development, expansion and enhancement of a statewide network of community-based, prevention focused, parent resource centers that offer assistance to families. To encourage the formation and maintenance of two-parent families and reduce out-of-wedlock pregnancies the centers will:

- Provide early comprehensive support for parents,
- Promote the development of parenting skills,
- Promote the independence of families,
- Increase family stability,
- Improve family access to resources and opportunities for assistance,
- Focus on prevention of teenage pregnancy while supporting teen parents,
- Support the needs of families with children with disabilities, and
- Provide a safe place for supervised visitation.

Families eligible for this program are not required to be TANF eligible, but must be at or below 300 percent of the Federal Poverty Level.”

Under the same subsection in the 2014 State Plan, it states, “Funds may be made available to the Attorney General to implement programs that serve unmet needs of ‘at risk’ youth in the state.” The programs shall be designed to attain the four statutory purposes of TANF. There were no financial eligibility requirements indicated.

#### 2016 State Plan

The following modification was made to the TANF program in the 2016 State Plan:

- The Intensive Youth Supervision Program was removed.

No other significant modifications were made to the TANF portion of the 2016 State Plan that were relevant to CLA’s analysis and conclusions.

#### 2018 State Plan

The following modifications were made to the TANF program in the 2018 State Plan:

- The eligibility requirement for Families First Resource Centers was removed. Specifically, the 2018 State Plan states, “The Families First Resource Centers have strategically braided all available resources therefore eligibility requirements are

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<sup>75</sup> 2014 State Plan, page 27 (Exhibit 05). There is no evidence that funds were allocated through legislative appropriation to fund the expansion of Families First Resource Centers. FRC and MCEC received subgrants from MDHS to accomplish this objective.



waived for families and services are free of charge.” The specific activities/goals of the Families First Resource Centers were not revised from those listed above.

No other significant modifications were made to the TANF portion of the 2018 State Plan that were relevant to CLA’s analysis and conclusions.

### 3. Alignment with the Approved Grant Agreement

Throughout the testing performed, CLA verified that the services provided by a subgrantee or third tier subrecipient aligned with the agreement approved by MDHS (for subgrantees) or with the agreement approved by the subgrantee (third tier subrecipient). Unless otherwise specified within this report, the services provided by a subgrantee or third tier subrecipient aligned with their approved grant agreement.

### 4. Definitions of Allowable and Unallowable Categories Used by CLA

Within sections *VIII. Results of Forensic Audit – MDHS* and *IX. Results of Forensic Audit – Subgrantees*, CLA determined the allowability of costs based on the supporting documentation provided. CLA used the following metrics for categorization:

- **Allowable:** Transactions with sufficient supporting documents pursuant to federal requirements, state law, and MDHS policies and procedures; the cost could reasonably be calculated to accomplish a purpose of TANF.
- **Allowable – Needs Allocation:** Transactions with sufficient supporting documents pursuant to federal requirements, state law, and MDHS policies and procedures; however, all or a portion of the transaction was deemed to benefit other works of MDHS or the subgrantee and could not be fully allocated to the TANF award.<sup>76</sup>
- **Unallowable – Insufficient Documentation:** Transactions with insufficient supporting documents pursuant to federal requirements, state law, and MDHS policies and procedures. Generally, this included transactions for which supporting documentation could not be provided, such as contracts, invoices, and/or receipts. Or the documentation provided was insufficient to determine that the cost could reasonably be calculated to accomplish a purpose of TANF.
- **Unallowable – Program Does Not Serve Only Financially Needy Families:** Sufficient documentation was provided; however, the scope of services (TANF program) provided services to families without assessing financial need when, based on the

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<sup>76</sup> 2 CFR § 200.405(a) – Allocable Costs 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. This standard is met if the cost: (1) Is incurred specifically for the Federal award; (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.”



TANF guidelines, the services should not have been provided without assessing financial need.

- **Unallowable – Program Does Not Serve Only Needy Families:** Sufficient documentation was provided; however, the scope of services (TANF program) provided services to individuals that did not qualify as a “family” or “youth” under the TANF guidelines.
- **Unallowable – Does Not Comply with CFR:** Sufficient documentation was provided; however, based on the nature of the expense, it was not allowable under CFR. This includes transactions such as: sponsorships/donations; personal expenses; construction or capital improvements; not related to TANF; advertising or promotional costs that do not comply with the requirements of CFR; lobbying activities; religious activities; duplicative or overpayments to vendors; etc.
- **Questioned:** Transactions with supporting documentation; however, additional documentation was identified by CLA that calls into question whether the costs comply fully with CFR. Or subgrantees who failed to sufficiently cooperate with CLA’s requests. CLA was unable to make a full assessment of allowability as supplemental information that would be necessary to make a determination was not available.

#### **5. Disclaimer Regarding CLA’s Assessment of Allowability**

CLA made a determination of allowability under TANF based on our understanding and interpretation of the applicable CFR sections and guidance published by DHHS/ACF. These interpretations are not legal interpretations or conclusions. Ultimately, the final decision on allowability under TANF and the State Plans lies with the federal awarding agency.

## VIII. Results of Forensic Audit – MDHS

This section summarizes the results of the testing performed for MDHS disbursements related to TANF for the forensic audit period (January 1, 2016 through December 31, 2019). The results are presented by the category of expenditure incurred.

### 1. Subsidies, Loans, and Grants

#### *a. Approved Scope of Work*

During the proposal period, it was determined that all subsidy, loan, and grant transactions would be subject to analytical procedures and all higher risk transactions identified would be tested in detail.<sup>77</sup> The higher risk transactions identified were tested by CLA for allowability pursuant to federal requirements, state law, and MDHS policies and procedures, and evaluated for the existence of appropriate supporting documentation.

#### *b. Summary of TANF Subsidies, Loans, and Grants*

Subsidy, loan, and grant disbursements discussed in this section are all payments charged to the Subsidies, Loans, and Grants category, with exception for direct assistance and subgrant awards, which were analyzed separately. The expenditures for Subsidies, Loans, and Grants discussed in this section included payments for leases of county buildings to operate local TANF programs, transfers of funds to other state agencies required by legislation, and other services executed on a memorandum of agreement. CLA conducted various interviews with MDHS staff, which included inquiry regarding the processes surrounding subsidy, loan, and grant payments.<sup>78</sup> There were no specific concerns expressed to CLA by MDHS staff. Table 11 summarizes the subsidy, loan, and grant disbursements by fiscal year.

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<sup>77</sup> The MDHS general ledger contained 1,011 disbursements categorized as Subsidies, Loans, and Grants; however, 49 of the disbursements were determined to be subgrant payments. The 49 subgrant payments were included in the subgrantee population and analyzed separately. Another 256 disbursements were paid to a “Jobs Bank Account”, which was identified as direct assistance payments. The 256 direct assistance payments were included in the direct assistance population and analyzed separately. The resulting population of subsidy, loan, and grant transactions totaled 706.

<sup>78</sup> MDHS Subgrant/Agreement Manual, revised November 2, 2016, page 32

**Table 11: Summary of MDHS Subsidy, Loan, and Grant Disbursements<sup>79</sup>**

<b>Fiscal Year</b>	<b>Amount</b>
2016 <sup>80</sup>	\$ (42,496)
2017	1,993,411
2018	4,070,533
2019	2,318,227
2020	641,848
<b>Total</b>	<b>\$ 8,981,523</b>

**c. Sample Selection Process**

From the TANF disbursement ledger, CLA identified all payments related to Subsidies, Loans, and Grants and excluded transactions that were determined to be direct assistance or payments to subgrantees. There were 706 transactions in the population of subsidy, loan, and grant disbursements. CLA compared the list of subsidy, loan, and grant recipients to the list of 829 parties of interest, including John Davis's relatives and known associates. CLA also compared the payee names to names of individuals with which John Davis had potentially relevant email communications and/or scheduled meetings, which were identified through the review of John Davis's email account.<sup>81</sup> Additionally, CLA compared the payee names to the vendor master listing, specifically analyzing for parties paid by MDHS but not included in the vendor listing. Transactions for payees identified in these procedures were selected for detail testing by CLA.

CLA performed trend analysis to review transactions by vendors, general ledger accounts, and grant numbers, respectively, over time for the scope period of 2016 through 2019. Based on the results of the trend analysis as well as the results of the analysis concerning parties of interest and the vendor master list, CLA identified transactions of higher risk to select for detail testing. The resulting sample size was 60 transactions, covering 14 recipients and 68% of the total subsidy, loan, and grant disbursements in the forensic audit period.

**d. Results of Testing – Overview**

Based on the testing performed, CLA determined that the Subsidies, Loans, and Grants were allowable as they were made for the performance of the TANF programs.

<sup>79</sup> Although MDHS communicated that disbursements for TANF grants with the cost category of "Subsidies, Loans, and Grants" and the description in COMMITMENT\_ITEM\_TEXT field of "Transfer to Subgrantee" were for transfers to subgrantees, it was determined through the testing that not all of the subgrantee payments had the "Transfer to Subgrantee" description. There were also payments without the description "Transfer to Subgrantee," but upon review it was evident that 49 disbursements were part of the grants tested at the Subgrantee testing. These 49 disbursements have been excluded from the table.

<sup>80</sup> In fiscal year 2016, MDHS received more in refunds from subgrantees during the award closeout process than disbursements to subgrantees, resulting in an amount of \$(47,934).

<sup>81</sup> There were no matches found between the list of parties of interest and the payee names.

The specific attributes that CLA tested for each transaction in the sample can be found at Attachment 06. Table 12 summarizes the results.

**Table 12: Summary of MDHS Subsidies, Loans, and Grants Allowable Costs**

Category	Quantity of Transactions	Value of Transactions
Allowable	60	\$ 6,080,076
Unallowable	0	0
Total	<b>60</b>	<b>\$ 6,080,076</b>

Of the allowable transactions, CLA determined that 59 transactions were supported with complete documentation. For one transaction, MDHS did not provide complete documentation for the transaction; however, CLA obtained sufficient documentation to determine that the payment was proper because it was distributed to an eligible party for a service provided.<sup>82, 83</sup>

<sup>82</sup> The one subsidy, loan, and grant transaction was missing a copy of the MDHS written monitoring reports.

<sup>83</sup> Transactions were determined to be proper payments as per 2 CFR § 200.53(b) – Improper Payment.

## 2. Disbursements Made for Direct Assistance

### a. *Approved Scope of Work*

During the proposal period, MDHS communicated to CLA that the overall risk in the area of direct assistance payments was low. Additionally, the OSA Single Audit concluded that “controls are in place and operating as described.” Therefore, it was agreed that CLA’s testing would be limited to identifying direct assistance disbursements made to family members, relatives, or other known associates of John Davis. If any matches were identified, CLA would then conduct appropriate testing of recipients to determine the sufficiency of supporting documentation and whether recipients were eligible.

### b. *Procedures Performed*

CLA conducted various interviews with MDHS staff, which included inquiry regarding the processes surrounding direct assistance payments. There were no specific concerns expressed to CLA by MDHS staff.

The direct assistance payments were coded in the general ledger under the Cost Category of “Subsidies, Loans, and Grants” and Funds beginning with “8.” The Name of Grant field had descriptions of “TANF EBT Payments” or “TANF Services” but did not contain detail relating to who was the recipient of the direct assistance payments. To be able to determine the names of the individuals receiving the direct assistance, MDHS provided a report titled “MAV-5870 Special Report of TANF cases for 2016 through 2019.” This report included the case number, first and last name, date of birth, and total amount disbursed. Using this report, CLA identified all payments related to direct assistance. There were over 45,700 transactions in the population of direct assistance disbursements.

Additionally, through the analysis performed to select a sample for testing Subsidies, Loans, and Grants in section *VIII.1. Subsidies, Loans, and Grants* beginning on page 47, CLA identified 256 disbursements totaling \$6,199,799.69 paid to a “Jobs Bank Account.” Through discussions with MDHS, CLA understood that these expenditures were transfers made to the Jobs Bank Account that are used to pay stipends for work-related programs for individuals who are TANF direct recipients. TANF allows for the provision of stipends to needy parents who combine education/training and work. Similarly, the applicable State Plans mention that Mississippi will operate a statewide program mandated by state law and TANF to provide work activities and supportive services (childcare, work stipend, and work-related expense payments) focused on enabling families to achieve and maintain self-sufficiency. Because these amounts represented supportive services to TANF recipients, CLA obtained from MDHS a report listing the client identification numbers, names, check number, check date, and amounts disbursed through this supportive service program. CLA then reconciled the total report amount to the amount listed as disbursements to the “Jobs Bank Account.” CLA identified a total of 13,362 transactions.

For the direct payments, CLA compared the payee names and dates of birth to the list of 829 parties of interest, including John Davis's relatives and known associates. Additionally, CLA compared the list of direct assistance recipients to names of individuals with which John Davis had potentially relevant email communications and/or scheduled meetings, which were identified through the review of John Davis's emails.

For the payments related to stipends for work-related program, CLA performed the same analysis as that performed for Direct payments.

**c. Results**

There were no matches between the recipients of direct assistance or the recipients of stipends for the work-related program when compared to the 829 parties of interest. There were two matches between the recipients of direct assistance and the names identified through the review of John Davis's emails. CLA performed additional review of these two individuals and concluded that the individuals receiving the direct assistance payments were likely not the same individuals with which John Davis communicated due to the age of the direct assistance recipients. CLA determined no additional testing was necessary.

### 3. Services (Contracts)

#### a. *Approved Scope of Work*

During the proposal period, it was determined that all contractual services transactions would be subject to analytical procedures and all higher risk transactions identified would be tested in detail. The higher risk transactions identified were tested by CLA for allowability pursuant to federal requirements, state law, and MDHS policies and procedures, and evaluated for the existence of appropriate supporting documentation.

#### b. *Summary of TANF Services (Contracts)*

CLA conducted various interviews with MDHS staff, which included inquiry regarding the process surrounding contractual services. From the TANF disbursement ledger, CLA identified all payments related to contractual services. There were 4,345 transactions in the population of contractual service TANF disbursements.

Expenditures recorded to contractual services include information technology services, audit services, consulting services related to conferences and program initiatives, rental of office space and related costs for TANF services, and other miscellaneous services needed to further the purposes of the TANF program. The total disbursements recorded to TANF for contractual services are shown by fiscal year in Table 13 below.

**Table 13: Total Disbursements Recorded to TANF For Contractual Services**

Fiscal Year	TANF Contractual Services Disbursements
2016	\$ 389,878.96
2017	7,934,643.34
2018	8,606,500.96
2019	6,913,651.88
2020	4,644,192.11
<b>Total</b>	<b>\$ 28,488,867.25</b>

#### c. *Sample Selection Process*

In order to select the sample, CLA compared the payee names to the list of 829 parties of interest, including John Davis's relatives and known associates, as well as to names of individuals with which John Davis had potentially relevant email communications and/or scheduled meetings.<sup>84</sup> Additionally, CLA compared the payee names to the

<sup>84</sup> These were identified through review of John Davis's email account. Payees identified on the parties of interest listing included three payees with payments coded as contractual services: Jackson Medical Mall Foundation, The Stephen Group, and Jennifer Smith. The transactions for all three of these payees were selected for testing. Jackson Medical Mall Foundation was identified as related to 100 Black Men of Jackson due to a shared contact person. The Stephen Group was identified by the OSA as a party of interest. Jennifer Smith was identified as a possible relative of Latimer Smith. She was paid \$1,585.84 for travel

vendor master listing, specifically analyzing for parties paid by MDHS but not included in the vendor listing. Transactions for payees identified in these procedures were selected for detail testing by CLA.

CLA performed trend analyses to review transactions by vendors, general ledger accounts, and grant numbers over time for the forensic audit period. Based on this analysis, CLA identified transactions of higher risk to select for detail testing. The resulting sample size was 532 transactions, covering 158 vendors, totaling \$19,839,520.58. All payees not tested were paid less than \$50,000 each during the forensic audit period.

As discussed further below, for any payees that had unallowable costs and received greater than \$10,000 during the forensic audit period, CLA expanded the sample to review the additional untested transactions for that payee. The total contractual costs covered, including this expanded review, equals \$22,131,022.85 and 823 transactions.

#### ***d. Results of Testing – Overview***

For the selected sample, CLA requested supporting documentation for each individual transaction and for each contract that each transaction was related to. There were instances where multiple transactions in the sample were related to the same contract; and there were instances where the transaction selected was not related to a contract.<sup>85</sup> In total, the sample selected resulted in testing 33 contracts. Of the 158 vendors selected for testing, CLA tested less than 100% of the transactions for 69 of the payees. These payees consist of those with all tested costs determined as allowable or those with a population of transactions under \$10,000.

CLA reviewed the supporting documentation provided by MDHS to determine if the required and relevant documentation was maintained for each transaction. Additionally, CLA reviewed the supporting documentation to determine if the expenditure was an allowable use of TANF funds based on federal requirements, state law, and MDHS policies and procedures. The specific attributes that CLA tested for each transaction in the sample can be found at Attachment 07.

CLA's testing set out to answer whether each transaction in the sample was allowable based on (1) MDHS's requirements, policies, and procedures, and (2) applicable federal and state requirements. CLA also evaluated whether MDHS maintained the

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reimbursements for acting as a foster parent for CPS during the forensic audit period. CLA could not verify if this was the same person due to limited information and the fact that this is a common name.

<sup>85</sup> Instances where no contract was related to a transaction would be a purchase under the dollar threshold required for procurement utilizing a contract; nature of the services being a sole source vendor; nature of the services or relationship such that a state-wide contract was already in place; and nature of the vendor relationship being that which utilized an MOA or MOU in lieu of a contract. An MOA or MOU was generally used for services contracted from other governmental agencies.



appropriate supporting documentation for each transaction. Finally, CLA evaluated each transaction and contract for evidence of fraud, waste, or abuse.

The results of CLA's testing of the contractual services transactions are summarized by Allowable, Allowable – Needs Allocation, Unallowable – Due to Non-TANF Purpose, and Unallowable – Insufficient Documentation, which are included in Table 14 below.

**Table 14: Summary of MDHS Contractual Allowable and Unallowable Costs**

	Allowable	Allowable – Needs Allocation	Unallowable Due to Non-TANF Purpose	Unallowable – Insufficient Documentation	Total
Tested Amount	\$9,177,096.13	\$4,494,561.50	\$5,188,774.43	\$979,088.52	\$19,839,520.58
Expanded Examination Amount	31,646.00	285,170.10	1,955,106.55	19,579.62	2,291,502.27
Total Amount	\$9,208,742.13	\$4,779,731.60	\$7,143,880.98	\$998,668.14	\$22,131,022.85

  

Tested Count	218	115	82	117	532
Expanded Examination Count	5	169	45	72	291
Total Count	223	284	127	189	823

Within each of the allowable and unallowable categories are subcategories to define and group the types of results CLA determined more specifically. These subcategories are described in the subsections that follow.

***e. Results of Testing – Allowable Costs***

Based on the documentation available, CLA was able to determine that the expenditure was an allowable use of TANF funds for 223 of the 823 transactions tested. Of these allowable transactions, CLA was able to base the conclusion on complete documentation for 78 transactions. In the remaining 145 transactions, MDHS could not provide complete documentation for the transactions, but sufficient information was provided in order for CLA to determine that the expenditure was an allowable use of TANF funds.<sup>86</sup>

***f. Allowable – Needs Allocation***

In 284 instances of allowable transactions, CLA found that the expenditure was an allowable TANF cost, but the transaction should have been allocated to other programs in addition to TANF. In these instances, the expenditures were directly charged to TANF rather than recorded to a cost pool to then be allocated based on an appropriate allocation method for the type of expenditure. The transactions were determined to be related to more than just the TANF program by either CLA review

<sup>86</sup> Examples of incomplete documentation on transactions determined allowable include missing Purchase Order (PO), missing Administrative Review Memorandum (ARM), or missing purchase requisition approval.

of available documentation or by explanation provided by MDHS. These transactions total \$4,779,731.60 and related to 29 payees, as summarized in Table 15 below.

**Table 15: Summary of Allowable – Needs Allocation for Contracts<sup>87</sup>**

Payee	Amount Tested	Expanded Examination	Total	Description of Transactions
MISSISSIPPI STATE UNIVERSITY	\$2,350,006.00	\$ -	\$2,350,006.00	Related to both SNAP and TANF per MDHS
MS STATE UNIVERSITY COMPTROLLERS OFFICE	1,000,000.00	-	1,000,000.00	Agency-wide services per review of documents
BCS SYSTEMS INC	438,035.00	-	438,035.00	Agency-wide and division-wide services per MDHS
THE STEPHEN GROUP	286,069.22	-	286,069.22	The Gen+ program is partially related to TANF and partially related to other programs <sup>88</sup>
CARR RIGGS & INGRAM LLC	82,000.00	-	82,000.00	Audit services related to multiple programs; should have been recorded to pool and allocated
INSIGHT PUBLIC SECTOR INC	66,204.63	4,784.25	70,988.88	Agency-wide services per MDHS
TELEGRAPH CREATIVE	57,500.00	-	57,500.00	Internal and external marketing audit and strategy
EDWARD DEE GARRETT	48,500.00	-	48,500.00	Leadership training for MDHS leadership - agency-wide services
METRO COMMUNICATIONS INC	37,653.80	74,323.52	111,977.32	Agency-wide services per MDHS
NANONATION, INC. NANONATION	35,936.25	72,986.25	108,922.50	Agency-wide services per MDHS
AMERICAN PUBLIC HUMAN SRVCS	29,255.00	29,777.00	59,032.00	APHSA membership - agency-wide services per MDHS
SCALES, MARION E	11,933.33	5,958.82	17,892.15	Non-employee travel reimbursements related to conferences with topics on TANF and other programs
NEXT STEP GROUP INC NEXT STEP INNOVATION	9,200.00	63,087.86	72,287.86	Agency-wide IT services
MELTWATER NEWS	7,000.00	-	7,000.00	Agency-wide services per MDHS
PERFORMANCE G2 INC	6,290.00	-	6,290.00	Related to both SNAP and TANF

<sup>87</sup> Payee names are written as MDHS recorded them in the disbursement ledger for all tables in this section. Minor corrections may have been made by CLA for spelling.

<sup>88</sup> MDHS had three contracts with The Stephen Group. All three had evidence of a competitive process undertaken by MDHS. Additionally, detailed invoices were available for review for all payments made. CLA compared the scope and period of services on the MDHS invoices to the FRC invoices and noted no duplication in payment for the same period of time. Through the public record searches performed, CLA found no evidence that John Davis held any position of control within The Stephen Group. CLA reviewed John Davis's MDHS emails and found no evidence of any personal financial benefit. Costs incurred were not completely related to TANF and should have been allocated accordingly.

Payee	Amount Tested	Expanded Examination	Total	Description of Transactions
INFORMATION TECHNOLOGY SERVICE	5,468.90	34,252.40	39,721.30	Agency-wide services per MDHS
ACCESS CONTROL GROUP INC	4,768.07	-	4,768.07	Agency-wide services per MDHS
MISSISSIPPI STATEWATCH	3,870.00	-	3,870.00	Agency-wide services per MDHS
MISSISSIPPI STATE UNIVERSITY FOUNDATION INC	3,050.00	-	3,050.00	Agency-wide training per MDHS
FAIRFIELD INN	2,970.56	-	2,970.56	Related to both SNAP and TANF per MDHS
SETA CONFERENCES	2,300.00	-	2,300.00	Related to both SNAP and TANF per MDHS
WANSLEY, STEVEN P	1,382.85	-	1,382.85	Related to TANF, Child Support, and Child Welfare
WILLIAMS, JOYCE HILL	1,367.70	-	1,367.70	Related to TANF, Child Support, and Child Welfare
SMITH, DENITA NICOLE	1,119.02	-	1,119.02	Related to TANF, Child Support, and Child Welfare
SERVICE EXPERTS H & A/C LLC SERV EXPERTS HEATING/AIR COND	1,108.00	-	1,108.00	Annual maintenance for AC units, so related to multiple programs
ROBERTS, SARA HARVEY	838.20	-	838.20	Conference with agenda including TANF and other topics
MISSISSIPPI PTA	290.00	-	290.00	Related to both SNAP and TANF per MDHS
WARNER DERRON LEVELL	246.81	-	246.81	Installation of wiring, so related to SNAP and TANF per MDHS
RIVERBOAT CORPORATION OF MS GOLDEN NUGGET - BILOXI	198.16	-	198.16	Related to both TANF and Administration for Children and Families
Total	\$4,494,561.50	\$285,170.10	\$4,779,731.60	

It is MDHS's responsibility to determine an allocation method suitable for expenditures related to multiple programs or administrative costs of MDHS. However, MDHS did not have an appropriate method to allocate these costs to the TANF federal grant in accordance with the relative benefits received for the program, and MDHS did not distribute the cost proportionally using a reasonable method in accordance with 2 CFR § 200.405(a). CLA did not perform any analysis on the transactions noted above related to what a proper allocation to TANF would entail.

**g. Results of Testing – Unallowable Costs**

Based on the documentation available for review, CLA determined that 316 of the 823 transactions tested were unallowable TANF expenditures. There are three categories of unallowable costs that CLA identified: (1) Insufficient Documentation, (2) Program Does Not Serve Only Needy Families, and (3) Does Not Comply with CFR.

In each of these categories, CLA made this determination based on the documentation available as provided by MDHS. Like above, there were instances of incomplete documentation where CLA was still able to make a definitive determination about the allowability of the expenditure. However, in many cases, there was insufficient information about the transaction to make a determination; in which case, these were considered unallowable by CLA due to the unknown purpose of the expenditure (Insufficient Documentation).

Of the 316 transactions determined to be unallowable by CLA, 30 of those had complete documentation.<sup>89</sup>

For payees with unallowable costs where CLA did not test 100% of the disbursements to the payee, additional transactions were selected for examination. CLA performed limited testing for payees with unallowable costs identified where the total payments to the payee during the forensic audit period exceeded \$10,000. This resulted in 16 payees for which additional limited testing was performed.<sup>90</sup> Within each of the categories for unallowable costs below, the amount determined to be unallowable based on this additional examination is included in a separate column (“Expanded Examination”). CLA determined the transaction to be unallowable if the scope of services could not be identified in the documentation available or if the scope of services was similar to that which was found in the sample tested. This additional limited testing resulted in an additional \$1,974,686.17 in unallowable costs identified in the contractual services population.<sup>91</sup>

### **Unallowable Costs – Insufficient Documentation**

In 189 instances of unallowable transactions, CLA found that the purpose of the expenditure was unknown. In each instance, insufficient information was provided by MDHS, so CLA was unable to confirm that the expenditure was for an allowable TANF purpose based on the Program Objectives (section I) of Part 4 of the TANF Cluster Compliance Supplement. Therefore, these transactions are considered unallowable. These transactions total \$998,668.14 and were related to 36 payees as shown in Table 16 included below.

Instances of incomplete documentation include one or more of the following documents not provided by MDHS: invoice, purchase order, requisition, signed contract, contract amendment, administrative review memorandum, or description of TANF purpose of expenditure.

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<sup>89</sup> Documentation is considered complete when it contains everything described as required in MDHS’s internal policies and in the federal documentation, including the compliance supplement and the state plan.

<sup>90</sup> Limited testing included reviewing the invoice attached to the transaction in MAGIC to identify the scope and dates of services. Testing did not include review of procurement documents or contracts.

<sup>91</sup> This figure is the sum of the “Expanded Examination” amount reported in Tables 16, 17, and 18 (\$19,579.62 + \$1,669,850.05 + \$285,256.50 = \$1,974,686.17).

**Table 16: Unallowable Costs – Due to Insufficient Documentation**

Payee	Amount Tested	Expanded Examination	Total
JOURNAL ENTRIES	\$889,785.44	\$ -	\$889,785.44
UMB BANK NA CARD SERVICES	17,068.47	8,640.62	25,709.09
SOUND & COMMUNICATIONS INC	11,725.22	-	11,725.22
CAPITAL HOTEL ASSOCIATES LLC	11,272.32	-	11,272.32
THREE SQUARE MARKET	10,805.93	-	10,805.93
AMERICAN CANCER SOCIETY-MS DIV MS DIVISION INC	7,500.00	-	7,500.00
THE INN AT OLE MISS	4,991.00	-	4,991.00
S&R HOSPITALITY INC HOLIDAY INN EXPRESS	3,828.00	-	3,828.00
VENABLE GLASS SERVICES	3,775.00	-	3,775.00
JACKSON DOWNTOWN HOTEL HAMPTON INN AND SUITES	3,451.00	10,939.00	14,390.00
EDWARD DEE GARRETT	2,500.00	-	2,500.00
HANNAH PRODUCTIONS, INC.	2,500.00	-	2,500.00
SAUL, STEVEN	1,446.01	-	1,446.01
BLAIR, TONYA	1,170.44	-	1,170.44
LAZINSKY, LINDSEY	1,146.48	-	1,146.48
JACKSON MEDICAL MALL FOUNDATION	800.00	-	800.00
HENRY, KIMBERLY M	568.54	-	568.54
ROBERTS, SARA HARVEY	491.96	-	491.96
HOLIDAY INN LUCEDALE LLC	465.00	-	465.00
WILLIAMS, JOYCE HILL	450.97	-	450.97
LAXMI VICKSBURG ENTERPRISES HOLIDAY INN EXPRESS HOT & STES	416.00	-	416.00
MARTIN, LATESHYA	400.44	-	400.44
HATTEN, RACHAEL GAUTIER	364.06	-	364.06
SUMMIT HOTEL PROPERTIES LLC DBA RESIDNCE INN-RIDGELAND	303.00	-	303.00
PICAYUNE HOSPITALITY LLC HOLIDAY INN EXPRESS HOTEL & SU	279.00	-	279.00
HAMPTON INN - GREENWOOD	238.00	-	238.00
SMITH VERNON	204.12	-	204.12
CELLEBRITE USA CORP	199.00	-	199.00
ENTERPRISE EAN SERVICES LLC	134.00	-	134.00
MOFFAT, SANDRA W	130.32	-	130.32
WALLEY JR, ELGIN KENNETH	119.48	-	119.48
CHRISTIAN, EUNICE J	117.50	-	117.50
BRANDIE SCHWARTZ	115.80	-	115.80
KRISTI V. ANDERSON	112.91	-	112.91
SHAW, CAROLINA D	106.95	-	106.95
LHF1 HATTIESBURG LLC FAIRFIELD INN AND SUITES	106.16	-	106.16
Total	\$979,088.52	\$19,579.62	\$998,668.14

**Unallowable Costs – Program Does Not Serve Only Needy Families**

In 127 instances of unallowable transactions, CLA found that the purpose of the expenditure was not in line with the purposes of TANF as described in 45 CFR §

260.20. These transactions total \$7,143,880.98 and related to 20 payees (Table 17 and Table 18). Of these non-TANF purpose transactions, four had complete supporting documentation. The remaining 123 had incomplete documentation, but the documentation available was sufficient for CLA to make a determination as to the purpose of the expenditure.

Of these 20 payees with expenditures not meeting TANF purposes, eight were due to the services not serving only needy families. In these instances, the services were provided to individuals that did not qualify as “family” or “youth” under the TANF guidelines. As discussed in section VII. *Determining Allowability Under TANF*, programs and services are limited to “financially needy families that consist of, at a minimum, a minor child living with a parent or other caretaker relative.” The minor child must be less than 19 years old if a full-time student in a secondary school. There was no indication in the scope of work or other documentation provided for these transactions that the services were limited to qualifying families. See Table 17.

**Table 17: Payees with Expenditures Not Serving Needy Families<sup>92</sup>**

Payee	Amount Tested	Expanded Examination	Total	Description of Transactions
INSTITUTIONS OF HIGHER LEARNING STATE OF MISSISSIPPI	\$2,463,408.13	\$ -	\$2,463,408.13	Complete 2 Compete Program: Related to the operational cost (non-TANF) – See Additional Detail Below Table
MS STATE UNIVERSITY COMPTROLLER S OFFICE	415,725.53	-	415,725.53	Focused on disabled students at the college level, not needy families
ALCORN STATE UNIVERSTIY FOUNDATION OFFICE OF DEAN CAREER FAIR	228,118.95	-	228,118.95	Focused on student athletes at the college level, not needy families
DELTA STATE UNIV	184,122.56	443,720.91	627,843.47	Focused on student athletes at the college level, not needy families
JACKSON STATE UNIVERSITY OFFICE OF GRANTS AND CONTRACTS	155,408.67	478,354.54	633,763.21	Focused on student athletes at the college level, not needy families
INSTITUTE OF HIGHER LEARNING ACCOUNTS PAYABLE	145,091.82	433,751.48	578,843.30	Complete 2 Compete Program: Related to the operational cost (non-TANF) – See Additional Detail below Table

<sup>92</sup> Payee names were obtained from the MDHS disbursement ledger. If a name was misspelled, CLA corrected the name to include in this table.

Payee	Amount Tested	Expanded Examination	Total	Description of Transactions
UNIV OF SOUTHERN MISSISSIPPI	131,832.03	314,023.12	445,855.15	Focused on student athletes at the college level, not needy families
RESTORE2 LLC BRETT DIBIASE	48,000.00		48,000.00	Opioid abuse education and training for MDHS staff and partners <sup>93</sup>
Total	\$3,771,707.69	\$1,669,850.05	\$5,441,557.74	

**Institution of Higher Learning – State of Mississippi / Accounts Payable:** During the forensic audit period, MDHS paid a total of \$3,042,251.43 to the Institution of Higher Learning – State of Mississippi (\$2,463,408.13) and the Institution of Higher Learning – Accounts Payable (\$578,843.30), hereinafter collectively referred to as IHL. These payments are related to the Complete 2 Compete (“C2C”) program. Per the Memorandum of Understanding (“MOU”), the scope of services was to identify non-college completers and re-engage adult students to help them complete their degrees. IHL was to hire a project manager, implement marketing services to reach out to target groups, assist public institutions in implementing adult learner services, and provide financial assistance to qualified students. The period of performance per the MOU was January 1, 2017 through January 31, 2019.

According to the MOU, for an individual to be eligible to participate in the C2C program, they had to be 21 years of age or older, not be enrolled at any higher education institution for the previous consecutive 24 months, and not have been disciplinarily dismissed from their most recently attended higher education institution. The financial assistance component to the program required the individual to have a dependent child in the home and not have an income level above 350% of the Federal Poverty Level.

The revised budget narrative included in Modification #2 to the MOU included costs for salaries and fringe benefits, administrative (travel, meeting expenses, commodities, and contractual services), institutional support, marketing services, and adult learning services (education workshops, summit meeting and workshop, cross-institutional report, and adult learning focused inventory). A letter included in the supporting documentation provided to CLA indicated that the Adult Learner Financial Assistance (ALFA) grants had been reduced “from \$400,000 to \$0 due to an additional funding source that will be utilized to fund \$3.5 million of AFLA grants.”

Based on the documentation submitted by IHL to MDHS, and reviewed by CLA, the only costs paid by MDHS for this program related to the operational costs identified in the revised budget narrative. There were no costs associated with financial

<sup>93</sup> Although documentation was provided that indicates the procurement process was followed, and supporting documentation was provided, based on findings by OSA and additional investigation by CLA, this payee has been identified as unallowable and is discussed further in the *TANF Forensic Audit: Findings of Possible Fraud, Waste, & Abuse* report.

assistance, which was the component of the MOU requiring an eligibility assessment and would have been allowable under TANF. Per discussions with MDHS, this program was specifically included in the state plan. CLA reviewed the 2016 State Plan and 2018 State Plan, which would have been applicable to the time period of this MOU. Each State Plan included a section titled “TANF Education and Training Activities” which discussed vocational education training, job skills training, education directly related to employment, and secondary school attendance.<sup>94</sup> The description of the activities listed are similar to the C2C program; however, there is no indication that the activities would be available to individuals that would otherwise not qualify for TANF (i.e., needy families). Therefore, CLA has determined the disbursements made to IHL to be unallowable as the activities do not support one of the four purposes of TANF.

### **Unallowable Costs – Does Not Comply with CFR**

For 12 of the 20 payees with unallowable costs, the reason for the transactions being unallowable under TANF was due to the transactions being related to another program and thus not complying with the CFR. This was determined either through review of documentation provided or explanation provided by MDHS. See Table 18 below.

**Table 18: Unallowable Due to Not Complying with CFR**

<b>Payee</b>	<b>Amount Tested</b>	<b>Expanded Examination</b>	<b>Total</b>	<b>Description of Transactions</b>
MS STATE UNIVERSITY SPONSORED PROGRAMS ACCOUNTING	\$ 1,135,338.20	\$ -	\$ 1,135,338.20	Healthy Homes program related to MDHS division of Early Childhood Care & Development & MSU, Extension Services
UNIV OF MS- ACCOUNTING OFFICE FALKNER HALL ROOM 113	136,461.60		136,461.60	Establish evaluation of SNAP Recipient Integrity Technology grant
MS HEADSTART ASSOC MHSA	71,114.20		71,114.20	MS Early Childhood Education Conference: Division of Early Childhood Care and Development
PROCOM CONSULTING LLC	38,125.00	232,562.50	270,687.50	Consulting on transition plan to separate CPS into a stand-alone agency

<sup>94</sup> Per discussions with MDHS representatives, MDHS believes this is the section in the State Plans that would be applicable to the agreements with IHL for the C2C program. However, MDHS representatives indicated that the individuals that wrote the State Plans are no longer with MDHS to confirm.



Payee	Amount Tested	Expanded Examination	Total	Description of Transactions
NCC VENTURES, LLC	24,300.00	48,600.00	72,900.00	Provide services linking training and education with skills that employers need, identify industry trends and needs and opportunities for participants to gain work experience, research and evaluation and facilitating a partnership between MDHS and employers for the Workforce Development Division <sup>95</sup>
DELTA SOUTHERN UAS, LLC	5,985.00		5,985.00	Drone training class for Division of Workforce Development
FRESH CUT CATERING & FLORAL	1,520.00		1,520.00	Catering for Governor's Teen Council Luncheon
HIGH STREET HOTEL GROUP LLC HOLIDAY INN EXPRESS	1,272.00		1,272.00	Hotel accommodations stamped "CPS Travel" by MDHS
FOSTER, CAMERON R	1,192.34		1,192.34	Travel reimbursement for EBT conference: SNAP-related per MDHS
RIDGELAND HOTEL PARTNERS LLC EMBASSY SUITES RIDGELAND N JX	954.00		954.00	Accommodations for attending Child Support conference: Not TANF per MDHS
DHHS ADMINISTRATION FOR CHILDREN & FAMILIES	524.00	4,094.00	4,618.00	SNAP-related charge per invoice
FONTENOT, AMANDA P	280.40		280.40	Meals and travel for ITSACC Conference
Total	\$1,417,066.74	\$285,256.50	\$1,702,323.24	

#### ***h. Results of Testing: Noted Procedural Deficiencies***

Throughout the testing of contractual services, CLA identified several procedural and documentation deficiencies, which are summarized below:

- Detailed purposes of travel and other reimbursements are not documented in underlying support. Reimbursement requests provide generic explanations, if any, for the purpose of each expenditure.
- Conference and training agendas are not kept with invoices or receipts.
- Original purchase orders ("PO") were not always kept in MAGIC. PO Change forms were sometimes the only PO documentation kept.
- There were instances of no supporting documentation for transactions being kept in MAGIC.

<sup>95</sup> Based on findings by OSA and additional investigation by CLA, has been identified as unallowable and is discussed further in the *TANF Forensic Audit: Findings of Possible Fraud, Waste, & Abuse* report.

- Description of TANF purpose of expenditure was not always kept with the underlying support for expenditures.
- Administrative Review Memorandums were not kept for some contracts.
- For some contracts, Administrative Review Memorandums provided did not cover the period the transactions tested were related to.
- Not all contracts contained the required suspension and debarment clauses.
- For some transactions, the invoice amount did not agree to the payment amount, and MDHS was unable to locate a correction or provide an explanation for the variance.<sup>96</sup>
- Some payments were recorded to contractual services that should have been recorded to another cost category (i.e., travel for employee reimbursements).
- Some invoices tested fell outside of the contract term. No extension of the contract could be provided by MDHS to confirm this was allowable.<sup>97</sup>
- In some instances, the incorrect procurement method was used (i.e., one quote method was used despite purchase amount being greater than \$5,000).
- Documentation was not always available to support that MDHS undertook a competitive process to award a contract, when required.
- In some instances, the total payments related to the contract exceeded the signed contract amount and no signed amendments could be provided by MDHS to show an increase to the contract total.<sup>98</sup>

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<sup>96</sup> Invoice for Carolyn Queen on July 5, 2016, totaled \$2,849.30, while the payment on August 31, 2016, related to this invoice was for \$3,849.30. This payment was categorized as allowable based on the nature of the services per review of the invoice.

<sup>97</sup> Invoice for Mississippi State University on September 1, 2016 was for the period of service October 30, 2015 to October 29, 2016. The term of the contract ended on September 30, 2016, and there was no extension or amendment of the contract that could be provided by MDHS.

<sup>98</sup> Total payments of \$201,669.80 to Mississippi State University Comptroller's Office for an MOU of \$200,000.00. Therefore, payments exceeded the signed contract amount by \$1,669.80.

#### 4. Salary Disbursements

##### *a. Approved Scope of Work*

During the proposal period it was determined that all salary disbursements charged to TANF would be subject to analytical procedures and a sample of approximately twenty employees would be selected for testing. The purpose of this testing was to determine if:

1. Payments were made to a legitimate employee
2. Payments were made for legitimate hours worked
3. Payments were in accordance with the employment contract
4. Payments conformed with allowable costs for TANF pursuant to federal requirements

##### *b. Summary of TANF Salaries*

CLA conducted interviews with MDHS staff to inquire regarding the payroll process and to understand the basis for determining which employees' payroll is charged directly to TANF.<sup>99</sup> CLA made the determination that direct charges made to TANF would have the higher risk. MDHS provided to CLA a report containing TANF payroll transactions for the forensic audit period, which included over 28,500 rows of transactions. CLA reconciled the salary amounts listed in this report to the salary amounts directly charged to TANF in the general ledger.

Payroll expenditures recorded to TANF contained Fund Number 3651 and 3653. Fund 3651 represents payments for the Economic Assistance division, where work related to TANF and SNAP is conducted. Fund 3653 relates to the Social Services Block Grant (SSBG) but was directly charged to TANF.<sup>100</sup> The total disbursements recorded to TANF for salaries are shown by fiscal year and fund in Table 19 below.

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<sup>99</sup> It was communicated to CLA that there are two methods by which payroll expenses are born by TANF funding. One is through a direct charge for employees whose salary costs are directly related to TANF. The second is an allocation process whereby the results of Random Moment Sampling are used to determine how much of employees' salaries, initially charged to a pool, is allocated to TANF via a journal entry. Random Moment Sampling is a survey that is pushed daily to employees via a notification that requests for the employee to certify the work they are performing at the time.

<sup>100</sup> Fund 3653 salaries were directly charged to TANF grants although this work relates to SSBG. According to guidance by ACF, states are allowed to transfer a total of up to 30% of its TANF funds for a fiscal year to the CCDF and the SSBG programs, with no more than 10% transferred to SSBG programs. States are also allowed to directly charge to TANF as long as the charges meet the requirements of TANF. MDHS stopped charging directly to a TANF grant SSBG salaries in early fiscal year 2018. CLA made the sample selection for testing from Fund 3653.

**Table 19: Total disbursements recorded to TANF for salaries**

Fiscal Year	Fund 3651	Fund 3653	Total
2016	\$ 2,544,125.17	\$ 1,093,706.87	\$ 3,637,832.04
2017	2,307,760.46	919,016.91	3,226,777.37
2018	2,465,068.79	15,639.39	2,480,708.18
2019	918,794.99	0	918,794.99
2020	472,204.90	0	472,204.90
Total	<b>\$ 8,707,954.31</b>	<b>\$ 2,028,363.17</b>	<b>\$ 10,736,317.48</b>

**c. Sample Selection Process**

CLA extracted and summarized the payroll transactions by employee and year for fund 3651 only, which totaled approximately \$8.7 million. Using a risk-based approach, CLA selected samples based on whether the names had been identified as parties of interest, unusual pay fluctuations, employees starting later than 2016, one employee with two different social security numbers, and some employees who had more than one payment in a single pay period. CLA selected a sample of 21 employees to test and a sampling of one to three pay periods per year.<sup>101</sup> This sample reflected total payroll costs of \$197,069.27 as listed in Table 20.

**Table 20: Summary of TANF Salary Expenses**

No.	Employee Name	Amount Tested
1	AMANDA FONTENOT	\$ 24,770.82
2	AUSTIN SMITH	11,250.00
3	BOBBIE PEOPLES	5,625.00
4	CHERYL MELERINE	9,102.85
5	CORETTA JOHNSON	6,066.05
6	DANA KIDD	26,399.92
7	DARNESHIA KYLES	8,955.07
8	DAVID SPENCER	6,082.67
9	GREGORY SMITH	5,156.86
10	JENNIE FARLEY	6,823.53
11	JENNIFER ALLEN	5,156.87
12	JENNIFER SMITH	17,960.76
13	JULIA VIATOR	11,404.70
14	KATHRYN CARVER	3,184.01
15	LARONDA CARTER	1,404.82
16	LERESA ARMSTRONG	3,146.79
17	MELODY TYLER	13,779.51
18	MELONIE BIGGS	6,880.75
19	MELVA MULLEN	5,712.48
20	NADIA GILL	6,823.52
21	PATTIE WALLACE	11,382.29
Total		<b>\$ 197,069.27</b>

<sup>101</sup> CLA selected 21 employees for testing as it was deemed necessary even though the scope of work mentioned a possible count of 20 employees to select for testing.

**d. Results of Testing – Overview**

For the selected sample, CLA obtained from MDHS the employee personnel file and time sheets. CLA reviewed the supporting documentation to determine if the required and relevant documentation was maintained for each transaction. The specific attributes that CLA tested for each transaction in the sample can be found at Attachment 08.

The results of CLA’s testing of the salary transactions determined that the entirety of the sample tested was determined to be Allowable – Needs Allocation, which is summarized in Table 21 below.

**Table 21: Summary of Allowable TANF Salaries Expenses**

Description	Allowable – Needs Allocation
Tested Amount	\$ 197,069.27
Extrapolated Amount	1,184,355.41
Total	<u>\$ 1,381,424.68</u>

The results of testing are described in the subsection that follows.

**e. Results of Testing – Allowable – Needs Allocation**

2 CFR § 200.405(a) – Allocable Costs 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. This standard is met if the cost: (1) Is incurred specifically for the Federal award; (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.”

For the entire sample of employees selected for testing, whose salary was directly charged to fund 3651, the corresponding employee files did not indicate whether the employees performed TANF-exclusive tasks. Upon inquiry, it was communicated to CLA that MDHS was unable to confirm that any of the 21 employees was fully devoted to TANF purposes.<sup>102</sup> Instead, these employees were responsible for tasks that included work related to the TANF and Supplemental Nutrition Assistance Program (SNAP) grants. For this reason, it is CLA’s determination that the full salary payment

<sup>102</sup> For 17 of the 21 employees, it was communicated by MDHS that the employees worked on both TANF and SNAP activities. For four employees, MDHS was unable to communicate whether the employees worked for either TANF or SNAP. This was due to the passage of time and to the fact that these four employees were no longer with MDHS and the current MDHS employees did not know what work these four employees performed.

should not have been charged to TANF. The salary payments should have been charged to TANF using an allocation method that reflected the actual TANF-related work the employee performed. Therefore, the total amount of salary disbursements should have been allocated to TANF to the extent that the work was performed specifically for the TANF grant. Because CLA was unable to determine that the employees selected for testing were fully devoted to TANF-related activities, it is CLA's conclusion that the full amount of salary cost for the years under the forensic audit period should have had a proper method to allocate expense.

## 5. Travel

### a. *Approved Scope of Work*

During the proposal period, MDHS travel expenses were evaluated as high risk by CLA due to the increased costs in the fiscal years after 2016. It was determined that a selection of transactions related to TANF travel activities would be subject to detail testing to determine if:

1. Payments made for travel expenses were incurred for a legitimate MDHS business purpose
2. Payments made for travel expenses conformed with allowable costs for TANF pursuant to federal requirements, state law, and MDHS policies and procedures
3. Payments made for travel expenses were approved in advance
4. Payments made for travel expenses were supported with sufficient documentation

### b. *Summary of TANF Travel Costs*

Table 22 included below summarizes the total travel costs charged to TANF during the forensic audit period. Disbursements for travel costs are made by one of two methods. The population for each disbursement method was analyzed separately.

- The first method is through direct bill payments, where travel costs are billed to and paid directly through MDHS. Typical vendors directly billed to MDHS include lodging, car rentals, and travel expenses paid with an MDHS credit card. Credit card expenses related to travel include lodging, car rentals, and airfare.
- The second method of travel disbursements is through reimbursement payments made to employees through payroll (SPAHRs Interface). Expenditures submitted through reimbursement include lodging, car rentals, airfare, meals, mileage, tips, and other incidental travel related expenses.

The total disbursements recorded to TANF for direct bill payments and reimbursements for travel are shown by fiscal year below.

**Table 22: TANF Travel Disbursements**

Fiscal Year	TANF Direct Bill Travel Disbursements	SPAHRs INTERFACE (Expense Reimbursements)	Total Travel Disbursements
2016	\$ 4,648.50	\$ 131,100.35	\$ 135,748.85
2017	56,523.80	157,223.47	213,747.27
2018	180,439.89	113,851.37	294,291.26
2019	361,883.06	40,556.15	402,439.21
2020	224,194.54	69,711.83	293,906.37
Total	\$ 827,689.79	\$ 512,443.17	\$ 1,340,132.96

### **c. Sample Selection Process**

#### **Direct Bill Payments**

From the disbursement ledger detail, CLA isolated all MDHS disbursements for TANF grants with a cost category of “Travel” resulting in 4,294 individual transactions. A risk-based approach was used to select a sample by employing data analytics procedures that included payee name trend analysis, general ledger account by year, grant by year, Benford’s Law analysis, and transactions for hotel vendors. The sample selected for detailed testing consists of 1,039 transactions for a total amount of \$331,280.69. Direct bill payments were reviewed for related invoices and receipts, travel purpose, and if the least expensive and most practical route was used for transportation costs.

#### **Reimbursement Payments (SPAHRs INTERFACE)**

The payments recorded to payee “SPAHRs INTERFACE” included expense reimbursements made to employees through payroll but did not list the name of the employee receiving the reimbursements. This included a total of 1,668 transactions totaling \$512,443.17. MDHS provided CLA an additional report that listed the payroll expense reimbursements from Fund 3651 and 3653, which represented the “SPAHRs INTERFACE” transactions. CLA was informed that the expense reimbursements from fund 3651 represented the TANF expenditures while fund 3653 represented SSBG expenditures that were allocated to TANF.<sup>103</sup> CLA used a risk-based approach to select the sample from fund 3651 by employing data analytics procedures that included payee name trend analysis, general ledger account by year, fund number, and whether the employee was listed in the TANF payroll records. The sample selected for detailed testing consists of 138 individual transactions totaling \$90,794.64. Reimbursements were reviewed for approved travel vouchers, receipts, approvals, meal rates, and practical transportation.<sup>104</sup>

### **d. Results of Testing – Overview**

For employee reimbursements, supporting documentation was provided to CLA by MDHS. A travel voucher was provided for all reimbursements selected, which generally included travel related receipts (e.g., hotel receipt, meal receipt, etc.). The travel voucher included a location to note the purpose of the travel and an approval signature. If CLA was unfamiliar with the description of the travel purpose (e.g., “EW Training”), CLA requested a conference/training agenda or narrative from MDHS. In

<sup>103</sup> The direct charge from fund 3653 represented SSBG employee expense reimbursements that were charged to TANF. This direct charge from fund 3653 into TANF was done only in 2016 and 2017. This was an appropriate practice that is allowable by TANF. For the purposes of this testing, CLA focused the sample selection to fund 3651, which were TANF expenditures.

<sup>104</sup> A listing of individuals with approval authority was not provided by MDHS; therefore, CLA was not able to verify if the signatures were by someone with proper authority.



most instances, CLA obtained sufficient information to make an assessment as to allowability under TANF.

CLA attempted to obtain through MAGIC supporting documentation for all direct bill travel costs selected for testing; however, there was limited information available in MAGIC as MDHS uploaded only the invoice from the vendor.<sup>105</sup> For example, for hotel charges paid directly by MDHS, the hotel invoice was uploaded in MAGIC, which included the guest's name, dates of hotel stay, and amount for the stay. However, the hotel invoice did not include the purpose of travel. Unlike employee reimbursements, a travel voucher was not included with direct bill payments; therefore, there was no documented reason for travel contained with the support in MAGIC.<sup>106</sup> CLA requested additional supporting documentation for each individual transaction to determine the purpose of travel in order to assess the legitimacy of the transaction and whether it was related to TANF. MDHS was limited in what documentation could be provided for the direct bill payments if a specific travel date was not known. Where possible, MDHS provided travel vouchers, email explanations from supervisors, training sign-in sheets, conference/training agendas, and written explanations. Using the additional documentation and information provided by MDHS, CLA attempted to assess the purpose of travel and allowability under TANF.

#### ***e. Results of Testing – Allowability of Costs***

The specific attributes that CLA tested for each travel transaction in the sample can be found at Attachment 09 and 10. CLA determined a cost to be allowable under TANF if, based on the documentation provided, the purpose of the travel was directly related to technical TANF training or the information could reasonably be calculated to further a purpose of TANF (see discussion in section VII. *Determining Allowability Under TANF*). Allowable TANF travel costs would be those travel costs incurred to carry out normal work duties directly related to TANF, conferences, and training and education. CLA considered the supporting documentation provided as well as verbal and written explanations from MDHS personnel to determine if the transactions were allowable TANF program costs according to federal requirements, state law, and MDHS policies and procedures. Consideration was also given to the division to which the MDHS employees who incurred the travel expenses were assigned. Travel costs were assigned to three broad categories based on these considerations (Allowable; Allowable – Needs Allocation; Unallowable). Allowability of each type of cost is explained in further detail below Table 23.

<sup>105</sup> When the direct bill related to a payment on the MDHS credit card, the supporting invoice uploaded was the credit card statement.

<sup>106</sup> Per MDHS, travel vouchers were submitted to MDHS for direct bill payments only when the employee was also claiming reimbursement for other travel costs that were not paid directly to the vendor by MDHS.

**Table 23: Allowability of MDHS Travel Costs**

Category/Description		Employee Reimbursements		Direct Bill	
Allowable Costs		Count	Amount	Count	Amount
[a]	Allowable	9	\$ 5,299.04	4	\$ 1,447.89
[b]	Allowable – Needs Allocation	73	51,663.96	662	164,398.49
[c]	Allowable – Needs Allocation	8	4,159.93	141	52,652.39
[d]	Allowable – Needs Allocation	42	27,684.39	15	4,754.00
[e]	Allowable – Needs Allocation	0	-	16	3,859.80
Total Allowable Travel Costs		132	\$88,807.32	838	\$227,112.57
<b>Unallowable Costs</b>					
[f]	Unallowable – Missing Receipt	1	\$ 72.54	128	\$ 72,338.38
[g]	Unallowable – Not MDHS Employee	0	-	5	2,606.90
[h]	Unallowable – Insufficient Information	0	-	53	26,064.92
[i]	Unallowable – Non-TANF	5	1,914.78	15	3,157.92
Total Unallowable Travel Costs		6	\$ 1,987.32	201	\$104,168.12
Total Travel Costs Tested		138	\$90,794.64	1,039	\$331,280.69

**Explanation of Allowable Costs**

- [a] Allowable travel costs include travel that directly related to technical TANF training or the information could reasonably be calculated to further a purpose of TANF. Additionally, the employees worked in either the Economic Assistance Division, which includes both TANF and SNAP, or in the Social Services Block Grant Division (“SSBG”), which includes the Department of Workforce Development (“DWD”). Based on discussions with MDHS, employees in DWD perform certain activities to support the TANF program.<sup>107</sup> Therefore, these travel costs could reasonably be calculated to further a purpose of TANF. See Attachments 20 and 21 for a listing of detailed transactions.
- [b] Travel costs in this category include travel that was for the purpose of TANF and one or more other MDHS programs (e.g., SNAP, Child Care). Additionally, the employees worked in either the Economic Assistance Division, SSBG Division, or the Support Services division which provides administration and oversight to multiple programs.<sup>108</sup> A portion of these travel costs could reasonably be calculated to further a purpose of TANF; however, the costs were not solely related to TANF. MDHS should have performed a cost allocation calculation to

<sup>107</sup> Economic Assistance Division employees are identified with the Agency Code 0651. SSBG employees are identified with the Agency Code 0663.

<sup>108</sup> Support Services Division is identified with the Agency Code 0649.

allocate these costs to TANF and other appropriate programs.<sup>109</sup> See Attachments 22 and 23 for a listing of detailed transactions.

- [c] Travel costs in this category include travel for which the documentation and information was insufficient to determine if the purpose of travel was related to TANF; however, the employees worked in either the Economic Assistance Division or SSBG Division. A portion of the costs related to these employees, such as payroll and general travel or training costs, could reasonably be calculated to further a purpose of TANF. However, because these employees do not work on solely TANF related activities, MDHS should have performed a cost allocation calculation to allocate these costs to TANF and other appropriate programs. See Attachments 24 and 25 for a listing of detailed transactions.
- [d] Travel costs in this category include travel that CLA confirmed did not directly relate to technical TANF training (e.g., SNAP, ESCAP Project), or, based on the information provided, the costs could not reasonably be calculated to further a purpose of TANF. The employees worked in either the Economic Assistance Division or SSBG Division. A portion of the costs related to these employees, such as payroll and general travel or training costs, could reasonably be calculated to further a purpose of TANF. However, because these employees do not work on solely TANF related activities, MDHS should have performed a cost allocation calculation to allocate these costs to TANF and other appropriate programs.<sup>110</sup> See Attachments 26 and 27 for a listing of detailed transactions.
- [e] Travel costs in this category include travel that was for the purpose of TANF and one or more other programs; however, the employees worked in a division that does not normally perform TANF related activities (e.g., Child Support, Early Child Care Development). One component of the travel purpose was related to TANF; therefore, a portion of the respective travel costs could reasonably be calculated to further a purpose of TANF. MDHS should have performed a cost allocation calculation to allocate these costs to TANF and other appropriate programs. See Attachment 28 for a listing of detailed transactions.

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<sup>109</sup> An allocation process was not performed by MDHS for travel costs incurred that supported multiple programs. Due to lack of information and documentation, CLA did not perform an allocation calculation.

<sup>110</sup> Included in this category are three transactions that included costs related to the Law of 16 conference. The employees to which the travel costs related worked in the Economic Assistance Division and, therefore, any of the training and travel related costs should have been allocated to TANF in the proportionate share of the activities they performed that were TANF related. Four additional travel transactions originally selected for testing were related to the Law of 16 conference; however, MDHS transferred the costs from TANF to an administrative cost pool. Additionally, CLA tested one transaction in the MDHS Contracts section that was related to the Law of 16 conference. That cost was determined to be unallowable since it was not related to TANF. CLA has not performed a complete reconciliation of all costs related to the Law of 16 conference.

### Explanation of Unallowable Costs

- [f] Although a credit card statement was provided that showed the charge for the travel costs,<sup>111</sup> there was no detailed underlying receipt or invoice to show the nature of the expense.<sup>112</sup> In some instances, MDHS was able to provide documentation that described the purpose for travel; however, all transactions missing a detailed underlying receipt were categorized as unallowable. See Attachments 29 and 30 for a listing of detailed transactions.
- [g] Although travel support may have been provided for these travel costs, the expenses were incurred by contract employees, CPS employees, and other names not identified in MDHS payroll records. Costs that were not associated with an MDHS employee are categorized as unallowable. See Attachment 31 for a listing of detailed transactions.
- [h] Travel costs in this category did not include sufficient information to determine the purpose of travel and the employees worked in Support Services or other divisions that did not normally performs TANF related activities.<sup>113</sup> CLA was unable to determine any relation to TANF; therefore, the costs are unallowable.<sup>114</sup> See Attachment 32 for a listing of detailed transactions.
- [i] Travel costs in this category include travel that did not directly relate to technical TANF training or, based on the documentation provided, the costs could not reasonably be calculated to further a purpose of TANF.<sup>115</sup> Additionally, the employees did not work in a division that normally performs TANF related activities. CLA was unable to determine any relation to TANF; therefore, the costs are unallowable. See Attachments 33 and 34 for a listing of detailed transactions.

### ***f. Results of Testing: Noted Procedural Deficiencies***

Throughout the testing of travel, CLA identified several procedural and documentation deficiencies, which are summarized below:

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<sup>111</sup> Two charges were not identified on the credit card statement and no additional documentation was provided.

<sup>112</sup> Eleven transactions that included no detailed receipt were also incurred by individuals that were not identified as an MDHS employee.

<sup>113</sup> This category includes one transaction that would have been allocated as [c] type transaction but is categorized as an unallowable cost due to the purchase of a first-class ticket.

<sup>114</sup> This category includes 23 direct bill travel costs for John Davis and nine travel costs for Brett DiBiase for which sufficient documentation to determine the purpose of travel was not provided.

<sup>115</sup> This category includes four reimbursements for John Davis for which the travel purpose was not related to TANF.

- Detailed travel purposes are not documented in underlying support. Travel vouchers provide generic explanations for the purpose of travel.
- Conference and training agendas are not kept with invoices or receipts.
- Only 126 travel vouchers were available for direct bill transactions.
- Only 24 travel authorizations forms documenting advance approval were available for direct bill transactions.
- Some travel vouchers are approved and verified by the same person.
- Some travel vouchers are digitally signed, but not dated.
- Direct bill payments were sometimes paid months after the travel dates.
- Travel vouchers were sometimes submitted for reimbursement months after travel occurred.
- Seventy-eight of the direct bill transactions were recorded in MAGIC using the incorrect employee ID or incorrect amount. If a receipt or invoice was not available, CLA could not verify the accuracy of the entry in MAGIC.
- Eighty-one transportation transactions (direct bill) could not be evaluated for the least expensive and most practical route used due to insufficient documentation.

## 6. Equipment and Commodities

### a. *Approved Scope of Work*

CLA tested a sample of payments made by MDHS for the purchase of TANF equipment and commodities. The purpose of this testing was to determine if the cost was for a legitimate purpose, was allowable, had advance approval, had sufficient supporting documentation, and had evidence of receipt of goods.

### b. *Summary of TANF Equipment and Commodities*

MDHS provided to CLA the TANF disbursement ledger for the forensic audit period. CLA sorted the ledger for all transactions with either Equipment or Commodities in the Cost Category. The total population of Equipment and Commodities purchases in the forensic audit period was \$712,200.06.

Expenditures recorded to Equipment and Commodities include items such as computer and IT equipment, vehicles, furniture, office supplies, promotional materials, and other miscellaneous commodities. The total disbursements recorded to TANF for Equipment and Commodities is shown by fiscal year in Table 24 below.

**Table 24: Summary of MDHS Equipment and Commodities Disbursements**

Fiscal Year	Amount
2016	\$ 65,136.10
2017	353,891.34
2018	215,026.28
2019	20,414.45
2020	57,731.89
Total	<b>\$ 712,200.06</b>

### c. *Sample Selection Process*

CLA used a risk-based approach to select the sample by employing data analytics procedures that included payee name trend analysis, comparing the payee names to the list of persons/entities of interest, and assessing the results of the email review and interviews conducted.<sup>116</sup> CLA selected a sample of 47 purchases for a total of \$353,859.58. The total sample selection comprised 50% of the total population of Equipment and Commodities expenses.

### d. *Results of Testing – Overview*

For the selected sample, CLA searched MAGIC for all supporting documents relating to each transaction. CLA reviewed the supporting documentation to determine if the required and relevant documentation was maintained for each transaction. Additionally, CLA reviewed the supporting documentation to determine if the

<sup>116</sup> There were no matches found between the list of parties of interest and the payee names.

expenditure was an allowable use of TANF funds based on federal requirements, state law, and MDHS policies and procedures. The specific attributes that CLA tested for each transaction in the sample can be found at Attachment 11.

The results of CLA's testing of equipment and commodities transactions are broken down into two broad categories of Allowable and Allowable – Needs Allocation, which are summarized in Table 25 below.

**Table 25: Summary of MDHS Equipment and Commodities Allowable Costs**

Description	Allowable	Allowable-Needs Allocation	Total
Amount	\$ 23,393.44	\$ 330,466.14	\$ 353,859.58
Count	2	45	47

***e. Results of Testing – Allowable Costs***

Based on the documentation available for CLA to review, CLA determined that two of the 47 transactions tested were an allowable use of TANF funds.

***f. Results of Testing – Allowable – Needs Allocations***

CLA identified four expenditures that were charged to the TANF program but benefited the Economic Assistance Division whose work relates to both TANF and SNAP. CLA identified 41 expenditures charged to the TANF program but appeared to benefit multiple divisions within MDHS. 2 CFR § 200.405(a) – Allocable Costs 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. This standard is met if the cost: (1) Is incurred specifically for the Federal award; (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart."

**Purchases Benefiting both TANF & SNAP**

For four purchases totaling \$24,364.08, MDHS confirmed the purchase was for both TANF and SNAP. For this reason, it is not allowable that the full expense was charged to TANF. The expenses should have been charged to TANF using an allocation method that reflected the actual TANF-related project the equipment or commodities were used for. The summary of total Equipment and Commodities CLA determined Allowable – Needs Allocation that benefited both TANF and SNAP is included in Table 26 below.

**Table 26: Summary of Allowable - Needs Allocation for Equipment and Commodities**

Description	Count	Amount
Computer cabling and tablecloths use by both TANF/SNAP	4	\$ 24,364.08
Total	4	\$ 24,364.08

### Purchases Benefiting Multiple Divisions

For 41 purchases totaling \$306,102.06, no documentation or information was provided to CLA to confirm that the purchase was made solely for TANF purposes. Documentation should have included a description of the TANF purpose of the commodity or equipment, or an indication of the allocation method used to apply the expense to TANF. CLA inquired with the current MDHS employees working in the Economic Assistance Division, and they were unable to confirm whether the purchase was made solely for TANF purposes. The types of purchases included, but were not limited, to software subscriptions, sound system, furniture, barcode license and maintenance. One of the larger types of purchases was for vehicles that, according to MDHS employees, were for general use by multiple divisions, including the Economic Assistance Division whose work includes both TANF and SNAP programs. The purchases that appeared to benefit multiple divisions or the entire agency included six vehicles totaling \$98,944.00, eight items of computers/computer equipment totaling \$15,201.75, and commodities totaling \$191,956.31 as listed in Table 27.

**Table 27: Summary of Allowable - Needs Allocation for Equipment and Commodities**

Description	Count	Amount
Vehicles (agency-wide use)	6	\$ 98,944.00
Computers/Equipment (agency-wide use)	8	15,201.75
Commodities (agency-wide use)	27	191,956.31
Total	41	\$ 306,102.06

Because only two of the 47 expenditures tested appeared to be exclusively for the use of TANF purposes, it is CLA's determination that MDHS did not have an appropriate method to allocate costs to the TANF federal grant in accordance with the relative benefits received for the program, and MDHS did not distribute the cost proportionally using a reasonable method in accordance with 2 CFR § 200.405(a).

### ***g. Results of Testing – Other Noted Federal Compliance Deficiencies***

Throughout the testing of commodities and equipment, CLA identified federal and MDHS policy and procedures compliance deficiencies.<sup>117</sup> These are summarized below:

- 2 CFR § 200.403 (g) states that in order to be allowable costs must meet several criteria including “be adequately documented.”
  - For 26 purchases totaling \$163,995.07, CLA did not receive evidence that a purchase requisition form was completed.

<sup>117</sup> The expenditures listed here were also included in section *f. Results of Testing – Allowable - Needs Allocation*.



- For 6 purchases totaling \$7,237.19, CLA did not receive evidence that a purchase order was completed.
- For 5 purchases totaling \$10,677.81, MDHS did not make available documentation that confirmed the receipt of goods after the purchase. CLA was told by MDHS that the goods had been received.<sup>118</sup>

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<sup>118</sup> These were for purchases made on a procurement card, and no documentation was attached to confirm the goods purchased were delivered. The larger purchases included cabinets purchased from Lowe's Home Improvement, and books and supplies purchased from Lemuire bookstore.

## IX. Results of Forensic Audit – Subgrantees

This section summarizes the results of the testing performed for TANF subgrantees for the forensic audit period (January 1, 2016 through December 31, 2019). Twenty-eight subgrantees were awarded TANF grants during the forensic audit period.<sup>119</sup> Attachment 01 includes a listing of the subgrantees, the number of TANF grants awarded by MDHS to the subgrantees, and the net dollar amount disbursed under the grants.

This section summarizes the results of testing performed for work steps 4.c., 4.j., 4.k., and 4.l. as summarized in section VI. *Summary of Work Performed* beginning on page 22. Accordingly, the testing performed for subgrantees encompassed the following:

- Work step 4.c.: Conducted testing for payments made by MDHS to TANF subgrantees during the forensic audit period to determine (1) allowability, (2) existence of appropriate supporting documentation, and (3) authenticity of subgrantee payment requests.
- Work step 4.j.: Conducted a review of the financial records of TANF subgrantees and examine financial records for agreement periods occurring within the subject audit period to identify any accounting irregularities not in compliance with federal regulations.
- Work step 4.k.: Conducted a review of subgrantee general ledger for all grants awarded to Mississippi Community Education Center (“MCEC”) and Family Resource Center (“FRC”) under any MDHS TANF funded program.
- Work step 4.l.: Conducted testing of subawards issued by subgrantees to third tier subrecipients to assess for allowability pursuant to MDHS requirements, policies and procedures, and applicable federal requirements.

Per the approved MDHS-CLA contract, CLA performed testing of MDHS TANF transactions during the forensic audit period utilizing a risk-based approach that targeted higher risk transactions through analytics to identify subgrantees and transactions that required detailed testing. Additionally, according to work step 4.l., the primary areas of testing for subgrantees was on subawards issued by the subgrantees to third tier subrecipients.

Those subgrantees whose costs were determined to be allowable are discussed in subsection **1. Subgrantee Costs Are Allowable** included below. All other subgrantees are discussed individually in subsections **2.** through **11.** included below. Subsection **12. Procedural Deficiencies Related to Subgrantees** discusses procedural deficiencies identified during the testing that relate to both the award of the TANF grants by MDHS and the third tier subawards issued by subgrantees.

Work step 4.k. required CLA to review the general ledgers of subgrantees to identify all grants awarded to MCEC and FRC. CLA reviewed the general ledgers and/or disbursements ledgers

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<sup>119</sup> MDHS originally identified 27 subgrantees at the commencement of the engagement. Through the analysis and testing performed by CLA, one additional subgrantee was identified.

provided by the subgrantees to identify any disbursements to MCEC and FRC. Table 28 lists the total disbursements to MCEC and FRC from other subgrantees during the forensic audit period.

**Table 28: Summary of Disbursements to FRC and MCEC from Other Subgrantees**

Payer	Recipient	
	FRC	MCEC
MCEC	\$ 1,026,576	\$ -
FRC	-	2,112,352
Heart of David	-	15,000
Total	\$ 1,026,576	\$ 2,127,352

## 1. Subgrantee Costs Are Allowable

### a. Low Risk Subgrantees – No Sample Testing Performed

Based on the analytical procedures performed and the nature of expenditures incurred by the subgrantees, **four** subgrantees were determined to be low risk and did not issue subawards to third tier subrecipients.<sup>120</sup> Therefore, CLA did not perform sample testing on these subgrantees. Table 29 includes the list of subgrantees in this category.<sup>121</sup>

**Table 29: Low-Risk Subgrantees – No Sample Testing<sup>122</sup>**

No.	Subgrantee Name	Number of TANF Grants	Net Amount Disbursed by MDHS During Forensic Audit Period	Overall Risk Assessment	Total Sample Number
3	Big Brothers/Big Sisters of Mississippi	4	\$ 854,671.83	LOW	0
8	Coahoma Community College	1	151,633.33	LOW	0
21	Operation Shoestring, Inc.	1	193,662.20	LOW	0
26	YMCA of Memphis & the Midsouth	1	244,958.43	LOW	0

Based on the documentation provided by the subgrantees, the costs incurred appeared to be allowable, contained sufficient supporting documentation, and the payment requests appeared authentic (work step 4.c.). Certain accounting irregularities or other procedural deficiencies were identified for some of these subgrantees (work step 4.j.) – see subsection **12.** included below for additional details. Based on CLA’s review of the subgrantees’ general ledgers and/or disbursement registers, there were no payments made by the subgrantee to MCEC or FRC under any MDHS TANF funded program in the forensic audit period (work step 4.k.).

### b. Low Risk Subgrantees – Sample Testing Performed

Based on the analytical procedures performed and the nature of expenditures incurred by the subgrantees, **14** subgrantees were determined to be low risk and issued subawards to third tier subrecipients.<sup>123</sup> CLA selected a sample of transactions

<sup>120</sup> To ensure coverage for all possible subawards issued by a subgrantee, CLA included any disbursements that appeared to be for contracts when determining whether to select a sample for testing.

<sup>121</sup> The grants issued by MDHS included a program assistance as well as an administrative component, and consecutive grant numbers were used to track each component of the grant. However, even though the grants contained two grant numbers, it was considered a single grant.

<sup>122</sup> The “No.” column identifies the subgrantee number assigned by CLA and shown in the complete listing of TANF subgrantees included in Attachment 01.

<sup>123</sup> To ensure coverage for all possible subawards issued by a subgrantee, CLA included any disbursements that appeared to be for contracts when determining whether to select a sample for testing.

for testing to verify that subawards/contracts appeared allowable. Other transaction types may have been selected if any characteristic of a transaction was identified as unusual through the analysis (for example, payments to individuals not included in payroll). Table 30 includes the list of subgrantees determined to be low risk but for which a sample was selected for testing based on the nature of disbursements by the subgrantee (e.g., subawards to third tier subrecipients).

**Table 30: Low Risk Subgrantees – Sample Testing Performed<sup>124</sup>**

No.	Subgrantee Name	Number of TANF Grants	Net Amount Disbursed by MDHS During Forensic Audit Period	Overall Risk Assessment	Total Sample Number
4	Boys & Girls Clubs of Central Mississippi Inc.	4	\$ 1,723,140.51	LOW	48
5	Brilla Soccer Ministries	1	89,841.24	LOW	3
6	Cal Ripken Sr. Foundation	4	567,923.51	LOW	4
7	Center for Independent Learning, Inc.	1	231,589.78	LOW	11
12	Jobs for Mississippi Graduates	5	1,211,337.93	LOW	10
13	Meridian Public School District	2	600,000.00	LOW	1
14	Midtown Partners Inc.	3	2,629,483.45	LOW	7
16	Mississippi Community College Board	2	2,262,580.94	LOW	9
18	Mississippi Gulf Coast YMCA	2	969,001.72	LOW	16
22	Save The Children Federation	4	801,000.03	LOW	9
23	Scott County School District Deputy	2	600,000.00	LOW	6
24	Springboard To Opportunities	2	190,086.83	LOW	1
27	YMCA of Metropolitan Jackson	2	2,841,468.77	LOW	6
28	Madison County Board of Supervisors	1	38,134.82	LOW	3

Based on the documentation provided by the subgrantees, the costs incurred appeared to be allowable, contained sufficient supporting documentation, and the payment requests appeared authentic (work step 4.c.). Certain accounting irregularities were identified for some of these subgrantees (work step 4.j.) – see bullet **12.** included below for additional details. Based on CLA’s review of the subgrantees’ general ledgers and/or disbursement registers, there were no payments made by the subgrantee to MCEC or FRC under any MDHS TANF funded program (work step 4.k.).

<sup>124</sup> The “No.” column identifies the subgrantee number assigned by CLA and shown in the complete listing of TANF subgrantees included in Attachment 01.

## 2. 100 Black Men of Jackson

Based on CLA's interview with the Executive Director of 100 Black Men of Jackson ("100 Black Men"), 100 Black Men has partnered with MDHS to receive funding for their youth mentoring programs for at least 10 years. Typically, the grants have been in the range of \$30,000 to \$40,000. 100 Black Men was approached by Mississippi Legislative Members around 2016 suggesting they apply for more funding. 100 Black Men subsequently received a call from then MDHS Executive Director, John Davis, requesting a meeting. At the meeting with John Davis and other MDHS staff, 100 Black Men discussed their programs and MDHS suggested increasing the grant amount based on the needs of the program, which included the purchase of a bus and upgrades to the facilities which were in disrepair.

100 Black Men was awarded three TANF grants totaling \$1,696,540 by MDHS during the forensic audit period. Table 31 provides a list of the TANF grants and respective grant periods.

**Table 31: 100 Black Men of Jackson TANF Grants**

Grant	Beginning Date	End Date
6010932/6010936	10/1/2016	9/30/2017
6013180/6013181	11/1/2017	10/31/2018
6015560/6015561	1/1/2019	12/31/2019

The scope of work according to the grant agreements was the mentoring of students from elementary, middle, and high schools of the Jackson Public School District. The mentoring efforts included mentor/mentee interactions, tutorial services, educational field trips, financial management, physical and health education, youth development celebrations, career/job readiness, collegiate involvement, encouraging parental engagement, and healthy nutrition. The scope also included the development of a mentee database and certain capital improvements.

### ***a. Summary of TANF Revenues and Expenses for Forensic Audit Period***

CLA identified all TANF revenues and expenses as well as other funding sources in the organization's general ledger for the forensic audit period. Table 32 summarizes 100 Black Men's TANF revenues and expenses as they were recorded in the general ledger.<sup>125</sup>

<sup>125</sup> 100 Black Men had not recorded one of the refunds to the grant revenue account as of December 31, 2019 and had recorded an incorrect adjustment of \$2,677.90 that had the effect of increasing grant revenue. For this reason, the amount of revenue recorded in the general ledger was \$1,406,716.15. Actual grant revenue was \$1,394,388.05 (Recorded revenue: \$1,406,716.15, less refund made in May 2020 of \$9,651.10, less incorrect adjustment of \$2,677.00, equals \$1,394,388.05 [\$1,406,716.15 - \$9,651.10 - \$2,677.00 = \$1,394,388.05]). Expenses exceeded net revenue by \$18,021.02 (Actual revenue \$1,394,388.05 less expenses \$1,412,409.07, equals \$18,021.02 in expenses greater than revenue).

**Table 32: 100 Black Men of Jackson TANF Revenues and Expenses**

Description	2016	2017	2018	2019	2020	Total
Revenues	\$41,666.66	\$252,277.56	\$387,991.89	\$724,780.04	\$ -	\$1,406,716.15
Expenses	39,166.71	253,956.85	401,866.47	716,428.27	990.76	1,412,409.07
Revenues Less Expenses	\$ 2,499.95	\$ (1,679.29)	\$(13,874.58)	\$ 8,351.77	\$(990.76)	\$ (5,692.91)

**b. Sample Selection Process**

CLA performed analytical procedures on the financial data consistent to what was performed for other subgrantees. Based on this analysis, CLA identified transactions of higher risk to select for detail testing. CLA determined that the greatest quantity and value of disbursements were subsidy, loan, and grant disbursements to third tier subrecipients, equipment purchases, payments for contractual services, and other miscellaneous expenditures. The resulting sample size was two equipment purchases, eight other expenses, one contractual service expense, and nine subsidy, loan, and grant disbursements for a total sample size of 20.

**c. Results of Testing - Overview**

For the sample testing, CLA requested supporting documentation for each transaction. CLA reviewed the supporting documentation provided by 100 Black Men to determine if the required documentation was maintained for each transaction and if the expenditure was an allowable use of TANF funds based on federal requirements, state law, and MDHS policies and procedures. The specific attributes that CLA tested for each transaction in the sample was based on the type of transaction (e.g., contract; subsidies, loans, and grants) and can be found at Attachments 13 through 18.

CLA determined that 19 of the 20 samples tested appeared to be for TANF allowable purposes, while one did not appear to meet a TANF purpose. Additionally, CLA performed expanded testing and identified additional unallowable costs, which are summarized in Table 33 below.

**Table 33: Summary of 100 Black Men of Jackson Allowable and Unallowable Costs**

Description	Allowable Costs	Unallowable Costs	Unallowable Costs – Expanded Testing	Total Tested
Amount	\$ 232,160.66	\$ 82,500.00	\$ 140,563.46	\$ 455,224.12
Count	19	1	163	183

Each category is discussed further in the subsections below.

**d. Results of Testing – Allowable Costs**

Based on the testing performed, that included review of supporting documentation including subgrantee agreements, expense reimbursement requests, contracts, purchase orders, and invoices, CLA determined that the 19 samples selected were

allowable based on federal requirements, state law, and MDHS policies and procedures. Table 34 below summarizes the expenses tested.

**Table 34: 100 Black Men of Jackson Allowable Costs**

Category	Count	Allowable
Equipment	2	\$ 75,028.75
Other	7	74,873.78
Contractual	1	8,169.00
SL&G	9	74,089.13
Total	19	\$ 232,160.66

**e. Results of Testing – Unallowable Costs**

TANF Purpose

On July 7, 2019, the subgrantee issued payment of \$82,500 to vendor National Flight Academy. The supporting documentation provided for this expenditure included a purchase requisition, proposal by the National Flight Academy, copy of check issued for payment, invoice, listing of participating students and school attended.<sup>126</sup> The activity was a five-day trip to Florida for 75 students to attend the National Flight Academy at a cost of \$1,100 per student. Figure 1 lists the educational principles listed in the National Flight Academy proposal.

**Figure 1: Description of Educational Principles from the National Flight Academy Proposal**

<p><b>Educational Principles</b> Using the National Flight Academy's Joint Operations Centers, Aircraft (simulators) and Joint Intelligence Centers, your students will cover the following aviation principles, communication practices, and soft skill challenges.</p> <ul style="list-style-type: none"> <li>• Four Forces of Flight</li> <li>• Bernoulli's Principle</li> <li>• Newton's 3rd Law</li> <li>• Radio Communications</li> <li>• Aerodynamics (Gliders vs Powered aircraft)</li> <li>• Geographical Orientation (Latitude/Longitude/Prime Meridian/Equator)</li> <li>• Units of Measure (Degrees/Minutes/Seconds)</li> <li>• Meteorology (Impacts on Aviation)</li> <li>• Physics (Electro-Magnetic Spectrum)</li> <li>• Basic Flight Navigation Calculations (Time of Leg/Fuel Required)</li> <li>• Critical Problem Solving of real-world problems</li> <li>• History of Naval Aviation</li> <li>• 21st Century Learning Skills (Collaboration, Technology, Critical thinking)</li> </ul>
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Educational field trips were listed in the agreement with MDHS as follows: "Mentees will be taken on fieldtrips that highlight science, technology, engineering, and math

<sup>126</sup> All of the schools listed were confirmed to be schools within the Jackson Public School District.



(STEM), the aim is to heighten the appreciation of math and science while exposing mentees to career opportunities.”<sup>127</sup>

The nature of the expense appears to align with the TANF purpose (c) “prevent and reduce the incidence of out-of-wedlock pregnancies” by exposing high school age students from disadvantaged backgrounds to educational experiences in the STEM fields; however, it was communicated to the OSA by 100 Black Men representatives that the students attending the flight academy were not the typical 100 Black Men mentees, as the mentees would not have been able to pass a required exam to attend the flight academy. The documentation provided to CLA listed the fact that the students attending the flight academy were members of the Reserve Officers’ Training Corp (ROTC) programs in the Jackson Public School District. Based on research performed, it appears the majority of high school students who join the ROTC programs are from disadvantaged backgrounds who join the program with the expectation upon high school graduation of joining the military or attending college using a scholarship that would then require them to join the military.

Although CLA finds that the expenditure, in substance, aligns with one of the purposes of TANF, as it appears to have a programmatic purpose, the fact that the students attending the flight academy were not the mentees with which there was already an established mentor/mentee relationship raises the concern that the expense did not comply with the agreement between MDHS and 100 Black Men and would therefore be unallowable.<sup>128</sup> Additionally, it could be perceived that the cost at \$1,100 per student may be unreasonable for a federally funded program, and other less costly programs may have benefitted a larger number of at-risk youth who were mentees.<sup>129</sup>

***f. Results of Testing – Unallowable Costs – Expanded Testing***

**OSA report analysis/results:** The OSA completed its fiscal year 2020 Single Audit of MDHS and identified Finding Number 2020-025, for CFDA Number 93.558 Temporary Assistance for Needy Families regarding compliance with allowable cost requirements of the TANF program. The OSA reports stated that due to the risk of questioned cost relating from the lack of appropriate pre and post subrecipient payment review by MDHS, the audit team conducted detailed testing for allowable cost compliance

<sup>127</sup> According to 2020 data from the U.S. Bureau of Labor Statistics, only 3.4% of the country’s aircraft pilots and flight engineers are black. The population served by 100 Black Men are black.

<sup>128</sup> “Mentees will be taken on fieldtrips that highlight science, technology, engineering, and math (STEM), the aim is to heighten the appreciation of math and science while exposing mentees to career opportunities” (emphasis added).

<sup>129</sup> 2 CFR § 200.403 states that in order to be allowable under federal guidelines, costs must be necessary and reasonable, and adequately documented. CLA is not making a final determination that the cost itself is unreasonable, as the cost of the flight academy per student was \$1,100, which is a discounted price from the advertised tuition of \$1,250 for the academy. Nonetheless, perhaps other less expensive programs could have been identified that would have benefitted a larger number of mentees.

requirements at three additional TANF subrecipients for the fiscal year 2020 audit. One of these subrecipients was 100 Black Men of Jackson.

Some of the observations communicated in the OSA Single Audit report were relevant to the forensic audit period and included a noted amount of questioned cost in the following categories:

- **Entertainment:** “instances in which TANF funds expended were either for or directly related to entertainment”
- **Advertising:** “instances in which TANF funds expended were for clothing items containing business logos that were used as advertisement for the subrecipient and not the program”
- **No TANF Objective:** “instances in which expenditures did not reasonably promote the objectives of the TANF program”<sup>130</sup>

The CLA forensic audit primarily focused on testing expenditures relating to Subsidies, Loans, and Grants as well as contracts; however, after review of the OSA Single Audit report, based on authorization by MDHS, CLA expanded its review and analysis of the general ledger of 100 Black Men of Jackson to identify other potential expenditures that were similar to the expenditures identified as questionable in the OSA Single Audit report for fiscal year 2020.

The results of the expanded work as described below identified a total unallowable cost of \$140,563.46 as described in Table 35 below.

**Table 35: 100 Black Men of Jackson Unallowable Costs – Expanded Testing**

Category	Amount
Entertainment	\$ 130,179.67
Advertising	10,383.79
Total	<u>\$ 140,563.46</u>

Entertainment – Unallowable Costs – \$130,179.67

The review of the transactions identified by the OSA report as questionable, based on the determination that the expenditure related to entertainment cost, included expenses related to a scholarship banquet and mentee holiday celebrations/mentee activities. CLA determined these types of expenses were present throughout the forensic audit period and totaled \$130,179.67 as follows:

- Scholarship Banquets: A total of 91 transactions amounting to \$110,357.01 for the years included in the forensic audit. These included expenses such as haircuts for mentees, tuxedo rentals, supplies, photography, audio/video staging, and

<sup>130</sup> The observations in this category related to two expenditures evaluated by CLA within the “entertainment” and “advertising” categories above. The third expenditure relates to the expense for the Flight Academy discussed under subsection “e” above.

food. One banquet was held each year and it was communicated in the scope of work attached to the agreement approved by MDHS as “Youth Development Celebrations - the 100 BMJ will celebrate the achievements of its mentoring initiative by holding annual mentoring/scholarship banquets. All the presenters, with the exception of the guest speaker, will be mentees. Each of these young men, who will be JPS elementary, middle and high school students will make a 2–4-minute oral presentation that they commit to memory. In an effort to increase parental involvement, as well as motivate mentees who are not program participants, all mentees, their parents, and their siblings will be contacted and invited to attend the banquet at no charge (Mentoring, leadership development).”

Per 2 CFR § 200.438, "Entertainment costs including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the federal award or with prior written approval of the federal awarding agency." Based on the fact that mentees were expected to make a two-to-four-minute oral presentation and that parental involvement was encouraged, it appears that a programmatic purpose is evident; however, CLA did not receive evidence that MDHS had received prior written approval of the federal awarding agency to approve this type of expense. Furthermore, guidance issued by the ACF mentions that certain TANF jurisdictions have requested guidance on the use of incentives for TANF participants including entertainment costs. ACF has provided guidance stating, “Examples of unallowable use of TANF funds for food services expenses related to entertainment include catered parties (e.g. holiday parties for TANF staff and/or clients), lunch provided during a ‘family day’ at the fair for TANF clients, catered lunches at ‘Grand Opening’ events in the community, youth award dinners, and Mother’s Day lunch for TANF clients at a local restaurant.”<sup>131</sup> Based on these facts, CLA has identified this expense as unallowable under TANF.

- b. Mentee holiday celebrations/mentee activities: A total of 51 expenditures totaling \$19,822.66 were incurred during the forensic audit period for mentee holiday celebrations, mentee back to school celebrations, and mentee activities that included movie theater outings.<sup>132</sup> The scope of work attached to the agreement approved by MDHS listed “Mentor/Mentee interaction - Members of the 100 BMJ will mentor students in selected elementary, middle, and high school in the Jackson public school district (JPS). Activities will include regular visitations to each school to work with mentees on academic achievement, character building and social-skills development; educational and recreational activities at the village; and trips/outings to various educational, cultural, entertainment, and athletic venues (Mentoring, education, leadership development, health and

<sup>131</sup> <https://www.acf.hhs.gov/ofa/faq/q-tribal-tanf>

<sup>132</sup> The forensic audit period included January 1, 2016 to December 31, 2019.

wellness, economic empowerment)." As mentioned above, these costs are not allowable per 2 CFR § 200.438.

Advertising – Unallowable Amount \$10,383.79

The review of the transactions identified by the OSA report as questionable, based on the determination that the expenditure related to advertisement cost, included expenses related to purchases of articles of clothing for mentees that contained the 100 Black Men logo. CLA determined these types of expenses were present throughout the forensic audit period and totaled \$10,383.79. These were purchases of articles of clothing that included polo shirts and T-shirts for the mentees. Per 2 CFR § 200.421, advertising and public relations costs are unallowable. The term "Public Relations" includes community relations and means those activities dedicated to maintaining the image of the non-federal entity or maintain or promoting understanding and favorable relations with the community or public at large. Because the articles of clothing purchased contained the logo of 100 Black Men of Jackson, these expenses were determined to be unallowable.

### 3. Autism Center of North Mississippi

Autism Center of North Mississippi ("Autism Center") was awarded one TANF grant for \$75,000 by MDHS during the forensic audit period. The term of the TANF grant was June 1, 2019 through May 31, 2020. The scope of work per the grant agreement with MDHS was:

"The Autism Center of North Mississippi's newest program, Building Life and Social Skills Training – 'BLAST', provides support to individuals (ages 13-21 years old) with Autism Spectrum Disorder and other developmental disorders. Staff provides skills training in the areas of functional communication, activities of daily living, social skills, work tolerance, safety skills pre-vocational skills, vocational skills, and workplace expectation skills. Deficits in these areas may prevent persons with disabilities from living independently and maintaining employment. This program focuses on developing and teaching skills for engagement in meaningful work (workforce development) and independent living for individuals on the Autism Spectrum."

#### a. Summary of TANF Revenues and Expenses for Forensic Audit Period

Table 36 summarizes Autism Center's TANF revenues and expenses based on the general ledger data provided.<sup>133</sup>

**Table 36: Summary of Autism Center TANF Revenues and Expenses**

Description	2019	2020	Total
Revenue	\$ 43,750.00	\$ 31,250.00	\$ 75,000.00
Expenses	(30,710.91)	(28,200.35)	(58,911.26)
Revenue Less Expenses	\$ 13,039.09	\$ 3,049.65	\$ 16,088.74

#### b. Sample Selection Process

CLA performed analytical procedures on the financial data similar to what was performed for other subgrantees. Per the general ledger detail provided, and the budget narrative attached to the agreement with MDHS, all expenses incurred by Autism Center were related to payroll and fringe benefits. Based on CLA's scope of work, which was to test third tier subrecipient costs, a sample was not selected for testing.

<sup>133</sup> Autism Center was also a third tier subrecipient of FRC. FRC issued two grants to Autism Center during the forensic audit period. The first grant was for \$59,085.50 for the period July 1, 2017 through June 30, 2018. The second grant awarded by FRC totaled \$250,000 for the period September 1, 2018 through August 31, 2019. See section IX.4. *Family Resource Center of Northeast Mississippi* beginning on page 92 for results related to the FRC grant.

**c. Results of Testing - Overview**

CLA has determined that all \$75,000 distributed to Autism Center by MDHS was unallowable according to the statutory purpose of TANF.

**d. Results of Testing – Unallowable Costs**

The following sections summarize the unallowable costs for Autism Center based on the type of finding that resulted in the unallowable cost.

**Unallowable Costs – Insufficient Documentation**

Of the \$75,000 disbursed to Autism Center by MDHS, Autism Center was unable to provide sufficient information for \$14,701.53. The general ledger detail provided by Autism Center included transactional data from June 2019 through June 2020; however, the total payroll and fringe costs equaled only \$60,298.47. Insufficient information was provided by Autism Center, so CLA was unable to confirm that the expenditures were for an allowable TANF purpose based on the Program Objectives (section I) of Part 4 of the TANF Cluster Compliance Supplement.

**Unallowable Costs – Program Does Not Serve Only Financially Needy Families**

Based on the scope of work in the grant agreement, there was no requirement to assess financial need of program recipients. Per CLA's interview with the current staff of Autism Center, they were unaware of any program eligibility requirements by MDHS. As discussed in section VII. *Determining Allowability Under TANF*, programs and services for families with children with disabilities are still required to assess financial need of the families.

In the 2018 State Plan, which was applicable to this grant agreement period, the financial eligibility component of the Families First Resource Centers was removed. One of the services provided through the Families First Resource Centers was to "support the needs of families with children with disabilities." It appears the requirement to assess financial need of families with children with disabilities was removed as a result of this revision in the 2018 State Plan. Therefore, it appears that the program operated by Autism Center complied with the MDHS 2018 State Plan.

Based on the analysis, interview, and testing performed, the program services provided by Autism Center complied with the scope of work of their grant agreement with MDHS.

#### 4. Family Resource Center of Northeast Mississippi

FRC began receiving grants from MDHS prior to 2014. According to FRC, the original two grants totaled approximately \$530,000. In 2014, the then Executive Director of MDHS awarded FRC \$1 million to cover 18 to 20 counties in northern Mississippi. When John Davis took over as Executive Director in 2016, Christi Webb, Executive Director of FRC, received a call from Nancy New, Executive Director of MCEC, who said that John Davis wanted FRC and MCEC to act on MDHS's behalf to review proposals from potential subgrantees and select organizations that aligned with the mission of each organization (FRC or MCEC). According to Christi Webb, FRC received from MDHS three large boxes of proposals from potential subgrantees. FRC reviewed the proposals, interviewed the applicants, and identified third tier subrecipients to award grants. FRC received increased funding from MDHS to cover the northern territory and award grants to third tier subrecipients. According to Christi Webb, FRC took responsibility for selecting the third tier subrecipients, received the funding from MDHS to pass on to the third tier subrecipients, and was to receive any required reporting from the third tier subrecipients. FRC received funding from MDHS for other federal grants, but the majority was TANF. Prior to MDHS expanding FRC's role in the TANF program, FRC had only one location. With the increased responsibility and funding from MDHS, FRC opened several new locations to support the expansion of the Families First Resource Centers, a program included in the MDHS State Plans going back to at least 2014.

During the forensic audit period, FRC received five grants from MDHS with a total modified award amount of \$40,091,379.<sup>134</sup> Per the scope of work in the grant agreements with MDHS, FRC was to:

"Provide services in a positive youth development/abstinence education and family life skills to the Northern region of Mississippi and to improve the welfare of children and families by providing an assortment of family support services to improve and strengthen the capability of parents to react to their children in an encouraging approach, stabilize the family unit, prevent teenage pregnancies, increase parenting skills and knowledge, prevent risky behaviors, and partner with community and faith based organizations to provide comprehensive services designed to promote the well-being of children and families in our communities."<sup>135</sup>

Grant agreement 6010958/6010959, covering the period of October 2016 through September 2017, indicates a financial eligibility component stating, "emphasis will be placed on serving households living below 300% of the Federal Poverty Level with the exception of those under court order, military families, families with active DHS individual services plans and foster parents and youth between the ages of 8-19 years old." None of the other grant agreements executed with FRC specify a financial eligibility component.

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<sup>134</sup> The original grant awards totaled \$45,571,208.

<sup>135</sup> This scope of work is quoted from grant 6010958/6010959. The scope of work in each subsequent grant is similar.

**a. Summary of TANF Revenues and Expenses for Forensic Audit Period**

Table 37 summarizes FRC's TANF revenues and expenses based on the general ledger data provided by FRC.

**Table 37: Summary of FRC TANF Revenues and Expenses**

Description	2016	2017	2018	2019	Total
Revenue	\$ 5,987,374.08	\$20,422,467.62	\$ 7,907,551.02	\$ 4,033,333.42	\$38,350,726.14
Expenses	(3,008,993.74)	(14,204,552.68)	(17,850,318.30)	(4,184,211.23)	(39,248,075.95)
Revenue Less Expenses	\$ 2,978,380.34	\$ 6,217,914.94	\$ (9,942,767.28)	\$ (150,877.81)	\$ (897,349.81)

CLA reconciled the MDHS TANF disbursements to the TANF revenues recorded by FRC. During the forensic audit period, MDHS disbursed TANF funds to FRC totaling \$39,091,323.27. FRC refunded \$1,586,658.64 to MDHS, which results in a net revenue to FRC of \$37,504,664.63. The difference between the net funds disbursed to FRC and the revenue recorded in FRC's general ledger is \$846,061.51, which includes (1) prior year grants received during the forensic audit period of \$845,417.84, (2) interest income of \$703.67, and (3) a check incorrectly recorded to revenue of \$60.00.

**b. Sample Selection Process**

As described in *section VI.2.a. Summary of Work Performed*, CLA compared the findings from the OSA Single Audit report and the OSA workpapers to the disbursement ledger and general ledger of FRC to identify those transactions previously tested by the OSA. To the extent OSA had received sufficient supporting documentation and made a conclusive determination that a cost was not allowable, CLA did not select that transaction again for testing.<sup>136</sup> For transactions the OSA did test, but did not receive sufficient documentation, CLA selected the transactions for testing to determine whether FRC could supply sufficient document to CLA.

CLA performed the following analyses to assist in the sample selection:

- CLA obtained the general ledger and disbursement ledger from FRC for the forensic audit period.
- Upon analyzing FRC's general ledger, CLA determined there were significant inconsistencies within the cost categories used by FRC to record transactions. For example, transactions related to one payee would have costs recorded to multiple cost categories (e.g., travel; Subsidies, Loans, and Grants; commodities; etc.). This made it difficult for CLA to determine which transactions were truly related to third tier subrecipient agreements.<sup>137</sup> Upon discussion with FRC, it was mentioned that costs may have been categorized incorrectly, possibly due to having TANF funds left in only certain cost categories. CLA provided to FRC a list

<sup>136</sup> The purpose of this was to avoid duplication of audit procedures performed by the OSA.

<sup>137</sup> Per CLA's scope of work, the focus of testing for subgrantees was on third tier subrecipient costs. CLA included contracts to ensure that all third tier subgrant agreements were captured.



of all TANF disbursements by payee and requested that FRC confirm the accurate cost category for the transactions.

- CLA performed various analyses on the financial data, including, but not limited to, a comparison of revenue to expenses; trending expenses by type (e.g., salaries, contractual, supplies, etc.); trending by payee; trending by account name; and Benford's Law analysis.
- CLA compared all payee names of FRC to the 829 names of parties of interest obtained through public record searches and John Davis's emails. Any matches were selected for testing.

For contracts and Subsidies, Loans, and Grants, CLA selected a sample for each payee that received \$5,000 or more from FRC in the forensic audit period.<sup>138</sup> For payees that received less than \$5,000 from FRC, CLA selected a sample of transactions based on any unusual descriptions, relationships to John Davis, or payee names that were individuals. Although not a focus of the testing performed, CLA selected a sample of transactions from the other cost categories (commodities, equipment, other expenses, payroll, and travel). Transactions within these categories were also selected based on unusual descriptions, relationships to John Davis, or unusual payee names for the category. For the payroll category, additional transactions were selected for testing when the individual paid also received funds under another cost category (such as contractual).

Table 38 included below summarizes the total number and dollar amount of transactions selected for testing by cost category as well as the number and dollar amount of transactions not tested.<sup>139</sup> Separately identified in Table 38 are those transactions where CLA extrapolated the dollar amount based on the results of the sample tested. Because CLA selected the sample primarily by payee name, not all transactions for a particular payee were selected for testing. However, if all payments to a payee were related to one contract, that contract was tested as part of the sample testing. Therefore, if the expense was found to be allowable or unallowable based on the scope of work and sufficient documentation provided, CLA would categorize the remaining payments to the same payee under the contract as allowable or unallowable. These extrapolated results are identified separately throughout this section of the report. The purpose of showing the extrapolated count and amount in this table is to reflect the level of coverage obtained through the testing performed.

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<sup>138</sup> Excluding any transactions already tested by OSA and determined by CLA to have a definite conclusion of unallowability.

<sup>139</sup> The cost categories used reflect the reassigned cost category provided by FRC based on where the transactions should have been recorded. In some instances, based on the testing performed, CLA may have also reassigned a cost category to reflect the actual nature of the transaction. However, not all transactions will be reflected in their appropriate cost category, particularly if CLA did not test the transaction.

**Table 38: Summary of FRC Transactions Tested and Not Tested by Cost Category**

Category	Number Tested	Number Extrapolated	Number Not Tested	Amount Tested	Amount Extrapolated	Amount Tested and Extrapolated	Amount Not Tested
Subsidies, Loans, and Grants - All Saints	166	1,002	0	\$ 74,141.45	\$ 299,222.54	\$ 373,363.99	\$ -
Commodities	57	180	1,686	343,664.20	311,712.50	655,376.70	940,960.72
Contractual	377	1,017	584	5,692,599.82	1,194,337.24	6,886,937.06	166,634.51
Equipment	16	68	13	153,084.51	608,562.44	761,646.95	215,779.99
Other Expenses	20	3	488	42,517.13	300.00	42,817.13	60,208.44
Payroll	108	564	16,913	689,442.90	1,585,755.98	2,275,198.88	17,704,914.14
Subsidies, Loans, and Grants	209	296	0	5,489,363.06	3,087,879.20	8,577,242.26	-
Travel	53	10	1,818	33,541.61	10,818.49	44,360.10	542,695.08
American Express <sup>140</sup>	0	99	(99)	-	231,880.90	231,880.90	(231,880.90)
	1,006	3,239	21,403	\$ 12,518,354.68	\$ 7,330,469.29	\$ 19,848,823.97	\$ 19,399,311.98

CLA prepared a document request list that was sent to FRC to request all relevant documentation for each item selected for testing. See Attachment 35 for the type of documentation requested by CLA of FRC. CLA requested bank statements and copies of canceled checks from FRC, which were provided. For all transactions tested, CLA verified the copy of the canceled check was made payable to the recipient identified in the general ledger.<sup>141</sup>

Upon completing the sample testing, CLA assessed whether expanded sampling was necessary in certain areas. For example, if a significant amount of transactions to a particular payee were found to be unallowable, but the payments did not align with a specific contract or SLG agreement, CLA would have selected additional transactions to that payee for testing. CLA also expanded the testing for payments made to American Express, a credit card held by FRC. Based on the original sample tested, CLA found several unallowable transactions. CLA selected an additional sample of American Express payments using a statistically significant random sample so that the results could be applied to the remaining American Express transactions. All expanded scope testing is reflected in Table 38. CLA also expanded testing for Regional Rehab, Chase Computer Services, and certain payees under fringe benefits.

<sup>140</sup> CLA selected a statistically significant random sample of American Express transactions so that the results could be extrapolated. The individual transactions that were tested appear in the applicable cost categories represented in the table. Because the remaining American Express transactions were extrapolated based on the testing results, the extrapolated portion does not appear within the individual cost categories. The extrapolation was done at the payee level versus the cost category level.

<sup>141</sup> Although CLA found inconsistencies with the cost categories assigned by FRC, CLA did not identify any errors within the general ledger related to the payee names, amounts paid, or the descriptions (when one was included).

### c. Results of Testing - Overview

Table 39 included below summarizes the total costs determined to be allowable and unallowable based on the sample tested and extrapolated results.

**Table 39: Summary of FRC Allowable and Unallowable Costs<sup>142</sup>**

Description	Allowable	Allowable - Needs Allocation	Unallowable	Total
Tested Amount	\$ 1,520,513.75	\$ 1,998,068.14	\$ 8,999,772.79	\$ 12,518,354.68
Extrapolated Amount	1,942,414.92	2,846,212.17	2,541,842.20	7,330,469.29
Total Amount	\$ 3,462,928.67	\$ 4,844,280.31	\$ 11,541,614.99	\$ 19,848,823.97

  

Tested Count	336	206	464	1,006
Extrapolated Count	1,585	1,206	349	3,140
Total Count	1,921	1,412	813	4,146

Each category of allowable and unallowable costs is discussed further below.

### d. Results of Testing – Allowable Costs

Allowable costs were those that were deemed to have sufficient documentation and reasonably promoted the objectives of TANF. Table 40 included below identifies the payees and amounts tested and extrapolated based on results of testing. Included after the table is a brief explanation for why the cost was determined to be allowable by CLA.

**Table 40: FRC Allowable Costs**

Payee	Allowable	Allowable - Extrapolated	Description	Reference
Celebrity Fastwrapz LLC	\$ 2,682.41	\$ -	Advertising	[a]
Baldwyn High School	200.00	-	Advertising	[a]
Baldwyn High School Cheerleaders	200.00	-	Advertising	[a]
Baldwyn High School Softball Program	500.00	-	Advertising	[a]
Big Picture Media Group, LLC	7,200.00	25,130.00	Advertising	[b]
Big Time Media Group LLC	6,300.00	6,250.00	Advertising	[a]
God's House of Hope	100.00	-	Advertising	[a]
Lamar Companies	17,650.00	87,525.00	Advertising	[a]
Nettleton High School	150.00	300.00	Advertising	[a]
Pearl High Girls Basketball	500.00	-	Advertising	[a]
Screen Vision Media	12,923.07	28,913.27	Advertising	[a]

<sup>142</sup> The total count of tested and extrapolated in Table 38 is 4,245 including the American Express transactions. American Express transactions have been excluded from Table 39 as the extrapolation was performed on the total payment amount versus individual transactions. Therefore, the count of Allowable, Allowable – Needs Allocation, and Unallowable cannot be determined.

Payee	Allowable	Allowable - Extrapolated	Description	Reference
THS Baseball Boosters	175.00		Advertising	[a]
Tupelo Cheer Boosters	300.00	-	Advertising	[a]
WTVA	16,930.00	27,890.00	Advertising	[a]
Kyle Clark	530.78	-	Commodities	[c]
Staples	141.48	-	Commodities	[c]
Wal-Mart	107.93	-	Commodities	[c]
Whittington Used Office Furniture	44,493.73	255,832.15	Commodities	[c]
Eddie Begonia	637.78	729.83	Commodities & Travel	[d]
American Express	8,425.17	28,234.17	Commodities, contractual, equipment, and travel	[e]
Chase Computer Services	54,000.00	-	Contractual	[f]
ICC - Belden Center	1,200.00	-	Contractual	[f]
Marcus Dupree	2,500.00	-	Contractual	[g]
Medical Institute for Sexual Health	1,950.00	3,575.00	Contractual	[g]
The Attic	365.00	-	Contractual	[g]
Three Rivers Planning and Development	45,458.43	-	Contractual	[g]
Demarco Fomby	2,262.00	-	Contractual & Travel	[g]
Lowe's	8,732.62	5,995.57	Equipment to build beds - Bed Ministry	[h]
Beau Rivage Casino & Resort	39,859.55		Other Expenses - Hosting conference	[i]
Addiction Recovery Resources	31,642.02	41,773.34	SLG	[j]
Angela Cherry	2,315.16	2,256.87	SLG	[j]
Baldwyn School District	370,374.79	193,870.10	SLG	[k]
Bolivar County Community Action	52,318.28	106,449.05	SLG	[j]
Coahoma Community College	130,296.93		SLG	[j]
Family Crisis Services	59,671.00	151,365.62	SLG	[j]
God's House of Hope	34,636.34	-	SLG	[j]
Johnnie E. Cooks Foundation Initiative	15,506.68	39,441.91	SLG	[j]
Matthew 25/Flat Rock Food Pantry	6,943.20	-	SLG	[j]
Robison Center Inc	12,035.43	16,304.92	SLG	[l]
Southern Christian Services	50,614.79	-	SLG	[j]

Payee	Allowable	Allowable - Extrapolated	Description	Reference
Starkville Oktibbeha Consolidated School	121,037.93	198,507.94	SLG	[j]
Sunflower Humphreys Counties	59,487.88	20,705.88	SLG	[j]
Tunica County Board of Supervisors	157,170.52	246,135.39	SLG	[j]
All Saints	83,601.17	312,808.71	SLG	[j]
Amanda Gonzalez	62.04	-	Travel	[m]
Coby Clay	287.81	-	Travel	[m]
Deirdre Berry	493.77	-	Travel	[m]
Tony Corrie	528.65	-	Travel	[m]
Payroll - Multiple Payees	55,014.41	142,420.20	Payroll	[n]
	<u>\$ 1,520,513.75</u>	<u>\$ 1,942,414.92</u>		

Included below is a description of the various costs concluded to be allowable.

- [a] In testing transactions that were for advertising, supporting documentation, including images of the advertising, was requested from FRC. The advertising contained at least one of the pillars of TANF to be determined as allowable. The types of advertising included billboards, television ads, and program ads.
- [b] Big Picture Media was tested by the OSA with findings of no proper cost allocation. CLA obtained additional documentation provided by FRC, which included images of the billboards. The billboards included the pillars of TANF. Based on these images and supporting documentation, the expenses related to advertising with Big Picture Media are allowable.
- [c] Commodities were tested by the OSA with findings of no proper cost allocation. CLA requested and obtained from FRC additional supporting documentation for the samples selected. Based on the supporting documentation provided, CLA determined the expenses are allowable. The commodities purchased include a building sign and office/general supplies.
- [d] Eddie Begonia disbursements were tested by the OSA with findings of no proper cost allocation. CLA requested and obtained from FRC additional supporting documentation for the samples selected. His position within FRC was positive youth development field educator. The travel and commodities reimbursements were directly related to mileage and supplies for positive youth development classes he was hosting at multiple FRC locations.
- [e] American Express is a credit card held and used by FRC for many purposes. CLA selected a haphazard sample from the disbursements to American Express. Based on the results of testing, CLA expanded testing and selected a statistically significant random sampling so that the results of the testing could be extrapolated to total disbursements to American Express. The credit card

statements and supporting documentation were reviewed. The transactions determined to be allowable contain costs in the areas of commodities, contractual, equipment, and travel.

- [f] Chase Computer Services was a contractual payee. The contracts were for application development. The application was to manage client intake, tracking, and reporting. The application was developed for FRC and MCEC, with the verbal agreement between FRC and MCEC to split the cost equally.<sup>143</sup> Supporting documentation reviewed shows the development costs were split for one contract and invoice.
- [g] Marcus Dupree, Medical Institute for Sexual Health, The Attic, Three Rivers Planning Development, and Demarco Fomby were contractual payees that were sampled and determined allowable. Supporting documentation including contracts were obtained. These transactions related to services being provided to FRC including training.
- [h] Lowes transactions selected for sampling were determined allowable. The supporting documentation included receipts for purchases. These purchases were primarily for tools used for building children's beds that were part of the bed ministry, where beds were provided for needy kids.
- [i] Beau Rivage Casino & Resort transactions covered the rental of conference rooms for Gen+ training, meals being served during the training, and hotel rooms. The training was a mandatory training for every employee who worked with the Families First grant. Gen+ is a multigenerational approach focusing on education, economic supports through workforce development, health, and well-being along with social capital.
- [j] These sample selections were identified as Subsidies, Loans, and Grants. CLA requested the grant agreements, supporting documentation, and monitoring documentation. Though there was not an RFP process nor monitoring, the purpose of these grants aligned with the pillars of TANF and the state plan.<sup>144</sup>
- [k] Baldwyn School District was tested by the OSA with findings of not denoting TANF, inappropriate project narratives, and lack of monitoring. OSA questioned the costs largely due to the school district also receiving sponsorship funds for sports programs. CLA requested and obtained the grant agreements and

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<sup>143</sup> Per Christi Webb, Executive Director of FRC.

<sup>144</sup> FRC did not retain documentation of competitive procurement when a competitive process was required. Additionally, third tier subgrants were not awarded by FRC through a competitive process. Although FRC was given certain proposals by MDHS to review and select recipients, there is no documentation related to the evaluation of the proposals reviewed. Additionally, FRC was not able to provide evidence of monitoring for several of the third tier subawards it issued. These are procedural deficiencies noted by CLA for both MDHS and some of the subgrantees; however, CLA did not use these factors as a sole basis for determining a cost to be unallowable.

additional supporting documentation. The scope of the agreement was to administer after-school and summer school programs in addition to an accelerated reader program for at-risk youth. The scope aligns with the pillars of TANF by encouraging children to stay in school which ultimately reduces the incident of teenage pregnancy. The supporting documentation supports the scope of the agreement, and no sponsorship funds were included in the cost reimbursement forms which was primarily for the salaries of staff that were running the programs. Included in the supporting documentation provided were general ledger expenditure reports from Baldwin School District, which identified the revenues and expenses in a separate restricted federal grant fund (2903 – “Family Resource Center”), which indicates that the District was segregating expenses and revenues related to the FRC TANF grant from other revenue sources.<sup>145, 146</sup>

- [l] Robison Center Inc was tested by the OSA with findings of questionable costs due to TANF not being denoted in the grant agreement, monitoring, and inappropriate project scopes. The scope of the agreement was to operate a community center to offer afterschool tutoring, job search, resume building workshops, and reading time activities for children. Per the grant award, to be eligible for these programs, children and families needed to fall below 300 percent of the Federal Poverty Level. CLA requested and obtained the grant agreement and additional supporting documentation. Based on the supporting documentation, the children and families being assisted fall under the eligibility requirements per the intake forms. The agreement aligns with the pillars of TANF by developing and implementing programs that serve the unmet needs of youth.
- [m] Travel was tested for these individuals. CLA requested the supporting documentation for these transactions including approval and job descriptions for the individuals. Based on the documentation provided, these individuals were providing services, programs, and classes that address the pillars of TANF.
- [n] Payroll was tested for individuals that were originally selected for testing based on their classification of Subsidies, Loans, and Grants. After a discussion with FRC to better understand these samples, it was determined they were employees of FRC that were employed for the Head Start Program. Two additional employees were included in the payroll testing because they also appeared under contractual. The employees that were tested for payroll are included in Attachment 36.

<sup>145</sup> CLA separately identified various sponsorships paid to different clubs and boosters of Baldwin School District. Those costs were determined to be unallowable.

<sup>146</sup> CLA did not request or obtain financial data from Baldwin School District to verify it did not spend the TANF proceeds on costs covered by other Federal grant programs (e.g., USDE) as this was not part of the scope of work. However, CLA did not see any evidence of this occurring.

**e. Results of Testing – Allowable Costs – Needs Allocation**

Certain costs were tested that had a purpose beyond promoting the objectives of TANF. The costs had supporting documentation but were considered to be of a nature that supported programs of FRC beyond just TANF. Examples include lease costs for office locations, utilities, vehicle purchases, computer and other equipment, and certain contractual services that appeared to have a general benefit to FRC.

Based on discussions with FRC, costs were charged to a program based on where they believed the benefit of the cost related. FRC did not have a documented cost allocation method or cost pool to aggregate expenses that may benefit more than one program. Therefore, CLA was generally unable to assess the reasonableness of certain items being directly charged to the TANF program. For example, certain vehicle purchases were charged directly to TANF. Although a brief written explanation was provided to CLA by FRC, there was little to no historical documentation to show how the item was used and to substantiate that the cost should be charged only to TANF.

A significant number of transactions were charged to TANF for office equipment, leases, and utilities. According to FRC, a majority of their locations were opened to support the expansion of the Families First Resource Centers, which was an initiative in the MDHS State Plans. Table 41 included below identifies the categories, amount tested, and amount extrapolated for those costs CLA determined are allowable expenses but should have been allocated. Attachment 37 includes a detailed list of the individual payees, amount (tested and extrapolated), and a brief description of the transactions.

**Table 41: Family Resource Center Allowable Costs – Needs Allocation**

Categories	Allowable – Needs Allocation	Needs Allocation - Extrapolated
Advertising	\$ 86,203.47	\$ 53,172.00
Cell phone reimbursement	200.00	-
Commodities	2,258.61	1,970.43
Commodities, contractual, equipment, travel	6,563.04	21,993.85
Contractual	194,424.42	108,570.27
Contractual - Professional Services	44,956.12	44,898.91
Contractual - Repairs & Maintenance	13,356.67	41,473.51
Contractual and equipment	54,954.18	45,904.20
Equipment	366,391.43	730,971.71
Fringe benefits	563,347.17	1,278,020.40
Lease agreement	641,118.89	425,014.21
Supplies	221.57	5,228.28
Travel	877.78	-
Travel and Other Expenses	1,139.56	-
Utilities	22,055.23	88,994.40
Total	\$ 1,998,068.14	\$ 2,846,212.17



Although explanations were provided by FRC to indicate why certain costs were charged directly to TANF, FRC did not have a documented cost allocation method.<sup>147</sup> Additionally, although FRC opened several new locations to support the expansion of Families First Resource Centers based on the funding from MDHS, CLA did not have sufficient information to support that the additional locations performed only TANF related activities and programs. FRC did not have an appropriate method to allocate these costs to the TANF federal grant in accordance with the relative benefits received for the program, and FRC did not distribute the cost proportionally using a reasonable method in accordance with 2 CFR § 200.405(a). Therefore, CLA has identified these costs as Allowable – Needs Allocation.<sup>148</sup>

CLA was unable to determine the proper allocation method that should have been applied. To assist in determining the reasonableness of the direct charges to TANF for certain costs, CLA performed additional analysis of lease costs, payroll and fringe costs, and other expenses by payee. Each analysis is discussed further below.

#### Lease Costs Allocation Analysis

Table 42 includes an analysis of lease costs charged to TANF as a percentage of total lease costs, compared to TANF revenue as a percentage of total FRC revenue. The percentage of TANF revenue received by FRC compared to all other revenue sources ranged from a low of 44% in 2019 to a high of 96% in 2017. The percentage of lease costs charged to TANF ranged from a low of 40% in 2019 to a high of 99% in 2017. In total, 90% of FRC's lease costs were charged to the TANF program during the forensic audit period, whereas only 74% of FRC's total revenue was from TANF grants.<sup>149</sup>

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<sup>147</sup> As an example, FRC purchased two vehicles that were selected for testing as part of CLA's sample. One vehicle purchased on August 7, 2018 was a 2018 GMC Sierra Pickup. The Application for Title for the State of Mississippi provided to CLA by FRC indicates that FRC is the owner of the vehicle. According to FRC, this vehicle was used for the Beds for Kids program in which FRC built and delivered beds, mattresses, and new linens to referrals from MDHS, CPS, schools, churches, and others. The beds were taken to all areas in north Mississippi, including very remote areas. As such, FRC needed a 4-wheel drive vehicle that could safely travel to these areas. FRC did not have historical documentation of the specific use of the vehicle; therefore, CLA was unable to verify the vehicle was used solely for TANF purposes. A second vehicle was purchased by FRC on August 13, 2018 (2018 Chevrolet Malibu). The title information was not provided to CLA by FRC; however, public records indicate this vehicle is currently registered to FRC. According to FRC, this vehicle was used by the Quality Operations Director, Patti Coggins, who traveled to FRC locations in 42 counties to set up new sites, participate in interviews for new employees, and validate that all locations were providing consistent services to TANF clients. Patti Coggins was asked by FRC to park the vehicle in her gated community to ensure its safety. FRC did not have historical documentation of the specific use of the vehicle; therefore, CLA was unable to verify the vehicle was used solely for TANF purposes.

<sup>148</sup> A majority of the TANF expenses incurred by FRC were a direct charge to the TANF program. There were certain transactions noted in the general ledger that showed a class of "multiple" indicating that FRC had allocated the cost to multiple programs. Although CLA could identify some efforts by FRC to allocate certain costs, the method of allocation was generally not documented.

<sup>149</sup> According to Christi Webb, lease costs incurred in 2016 were relatively low because this was prior to expanding the Families First Resource Centers. The lease costs were the greatest in 2017 and 2018 when

Although a majority of the lease costs were charged to the TANF grant, this could be explained by the expansion of Families First Resource Centers that would primarily provide TANF related services and programs to Mississippi families.

**Table 42: FRC Lease Analysis – Leases Charged to TANF vs. TANF Revenue**

Description	2016	2017	2018	2019	Total
Total Revenue	\$ 6,885,126.21	\$ 21,266,051.71	\$ 14,321,297.95	\$ 9,218,869.78	\$ 51,691,345.65
Total Rent	\$ 84,291.26	\$ 584,046.52	\$ 855,515.26	\$ 64,080.10	\$ 1,587,933.14
Percent of Rent to Total Revenue	1%	3%	6%	1%	3%

TANF Revenue	\$ 5,987,374.08	\$ 20,422,467.62	\$ 7,907,551.02	\$ 4,033,333.42	\$ 38,350,726.14
TANF Rent	\$ 82,989.47	\$ 576,391.83	\$ 746,577.27	\$ 25,426.64	\$ 1,431,385.21
Percent of TANF Rent to TANF Revenue	1%	3%	9%	1%	4%

Percentage of TANF Revenue to Total Revenue	87%	96%	55%	44%	74%
Percentage of TANF Rent to Total Rent	98%	99%	87%	40%	90%

The purpose of this analysis is only to assess the reasonableness of the lease costs charged to TANF and not to determine overall allowability under TANF. Because of the lack of documentation of an allocation method, and limited information to substantiate the specific services offered at each location, CLA was unable to assess on a transaction basis whether the lease charges to TANF were appropriate.

Lease agreements were sampled and tested within the contractual transactions. Seventeen lease agreements were tested, of which CLA received the agreements for 16.<sup>150</sup> Additional supporting documentation was received and reviewed. The supporting documentation supported the conclusion of Allowable – Needs Allocation for these leases.

#### Payroll and Fringe Benefits Allocation Analysis

Table 43 includes an analysis of payroll costs charged to TANF as a percentage of total payroll costs, compared to TANF revenues as a percentage of total FRC revenues. The

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the additional locations were opened. Lease costs dropped significantly again in 2019 when MDHS began cutting funding to FRC and FRC began closing locations.

<sup>150</sup> FRC stated that they could not locate a copy of the missing lease agreement. The lease agreement was with Jackson Street Group, LLC at the Ridgeland, MS location.

percentage of TANF revenue received by FRC compared to all other revenue sources ranged from a low of 44% in 2019 to a high of 96% in 2017. The percentage of payroll costs charged to TANF ranged from a low of 55% in 2019 to a high of 86% in 2017. In total, 72% of FRC's payroll costs were charged to the TANF program, whereas 74% of FRC's total revenue was from TANF. Based on this analysis, the payroll costs charged to TANF appears reasonable in that it is similar to the overall percentage of revenue attributed to TANF grants received by FRC.

**Table 43: FRC – Payroll/Fringe Analysis – Payroll/Fringe Charged to TANF vs. TANF Revenue**

Description	2016	2017	2018	2019	Total
Total Revenue	\$ 6,885,126.21	\$ 21,266,051.71	\$ 14,321,297.95	\$ 9,218,869.78	\$ 51,691,345.65
Total Payroll	\$ 1,830,195.93	\$ 5,950,438.08	\$ 9,630,775.44	\$ 6,668,305.63	\$ 24,079,715.08
Total Fringe Benefits	\$ 237,037.58	\$ 490,883.48	\$ 1,710,798.37	\$ 472,104.42	\$ 4,769,088.28
Percent of Fringe to Payroll	13%	8%	18%	7%	20%

TANF Revenue	\$ 5,987,374.08	\$ 20,422,467.62	\$ 7,907,551.02	\$ 4,033,333.42	\$ 38,350,726.14
TANF Payroll	\$ 1,147,960.14	\$ 5,434,994.39	\$ 7,378,031.60	\$ 3,760,694.77	\$ 17,721,680.90
TANF Fringe Benefits	\$ 43,024.63	\$ 105,536.84	\$ 478,469.62	\$ 171,552.05	\$ 3,002,099.84
Percent of Fringe to Payroll	4%	2%	6%	5%	17%

Percentage of TANF Revenue to Total Revenue	87%	96%	55%	44%	74%
Percentage of TANF Payroll Costs to Total Payroll Costs	58%	86%	69%	55%	72%

The purpose of this analysis is only to assess the reasonableness of the payroll costs charged to TANF and not to determine overall allowability under TANF. Because of the lack of documentation of an allocation method for payroll costs, CLA was unable to assess on a transaction basis whether the payroll costs charged to TANF were appropriate. Additionally, payroll costs were not a significant focus of CLA's testing based on the scope of work approved by MDHS.

#### Other General Costs Allocation Analysis

CLA identified the larger payees paid under contractual agreements, equipment, utilities, and advertising and identified, by payee, the total charges to TANF and to other funding sources using FRC's general ledger. Table 44 includes this comparison. As can be seen in the table below, for a majority of the payees, a portion of the costs were allocated to other funding sources.

**Table 44: Cost Allocation by Payee to TANF and Other Funding Sources**

Payee	TANF	Other Sources	Percent to TANF
American Express	\$ 254,019.82	\$ 102,441.18	71%
AT&T	6,814.60	6,526.43	51%
Atmos Energy	21,264.59	7,559.40	74%
Big Picture Media Group, LLC	32,330.00	14,300.00	69%
Big Time Media Group LLC	12,550.00	2,500.00	83%
Chase Computer Services	1,092,246.30	110,857.76	91%
Columbus Water & Light	8,819.39	2,233.46	80%
Comcast Business/Cable	19,778.28	13,389.76	60%
Entergy	5,731.96	3,161.76	64%
Franks, Franks, Jarrell & Wilemon	43,855.03	1,750.00	96%
Jacob DeVaughn	6,848.24	-	100%
Jennifer Breedlove	9,810.02	-	100%
John "Martin" Hanley	4,814.25	191.84	96%
JT Ray Company	91,003.99	67,529.27	57%
Lamar Companies	105,175.00	10,850.00	91%
Laura Goodson	40,000.00	-	100%
Laura Goodson - Payroll	199,084.23	195,623.82	50%
Marion D. Tutor	6,288.48	102.00	98%
Marion D. Tutor - Payroll	27,538.99	12,949.72	68%
Maxxsouth Broadband	9,300.04	5,630.11	62%
Michael . Mayhew	16,563.15	6,362.32	72%
Mike Mitchell	5,788.35	5,673.79	50%
Natchez Trace Electric Power	2,416.59	2,315.57	51%
North East Mississippi EPA	6,940.09	2,928.74	70%
Telesouth Communications	284,648.72	28,727.25	91%
The Stephen Group	191,888.44	49,444.74	80%
Screen Vision Media	39,495.95	16,504.06	71%
Southtec, Inc.	107,586.59	177,843.22	38%
Tonya Wood	8,000.00	-	100%
TRAVELERS	25,854.00	-	100%
Tupelo Water & Light	22,516.03	20,848.56	52%
Verizon.	19,082.83	27,856.54	41%
Visa	26,443.43	9,319.09	74%
Whittington Used Furniture	309,181.64	19,524.64	94%
	<u>\$ 3,063,679.02</u>	<u>\$ 924,945.03</u>	

The purpose of this analysis is only to assess the reasonableness of certain non-programmatic costs charged directly to TANF. Because of the lack of documentation of an allocation method, CLA was unable to assess on a transaction basis whether the costs charged to TANF were appropriate.

***f. Results of Testing – Unallowable Costs***

The following section summarizes the unallowable costs for Family Resource Center based on the type of finding that resulted in the unallowable costs.

**Unallowable Costs – Insufficient Documentation**

Family Resource Center did not provide sufficient documentation for 20 TANF payees. Table 45 summarizes the unallowable costs due to insufficient documentation.

**Table 45: Family Resource Center Unallowable Costs - Insufficient Documentation**

Payee	Unallowable Amount	Extrapolated Unallowable Amount	Total	Additional Description/Details
ABC WTVA	\$ 365.00	\$ 5,350.00	\$ 5,715.00	TV commercials
Enterprise-Tocsin Inc	339.00	-	339.00	Ad for summer test prep (grades 7-9) and literacy campaign (ages 5-10)
Brett DiBiase	130,000.00	-	130,000.00	Grant was written to develop strategic course of action and implementation for addiction programs. Backup documentation and evidence of work was requested, but FRC was never provided the documentation.
Lisa Hathcock	1,310.00	-	1,310.00	Missing timecards
Lobaki Foundation	635,000.00	-	635,000.00	Virtual reality lab - Contractor for FRC - No eligibility - Participant list contained individuals that would not be identified as needy
Matthew 25/Flat Rock Food Pantry	358.08	-	358.08	Unsupported documentation
Moreland Signs, Inc	18,900.00	-	18,900.00	Unsupported documentation, vague invoices
Nancy New	1,760.92	-	1,760.92	Unsupported travel
NCC Ventures	8,333.33	41,666.65	49,999.98	Claims are unsupported, lack of evidence of work performed
New Learning Resources, Inc	583,096.13	-	583,096.13	No contracts or supporting documentation provided for agreed upon rates for students or diplomas
Stephanie Hardin	30.00	-	30.00	No intake form - rented a U-Haul to help a needy family but no documentation found
SummerSalt	50,000.00	-	50,000.00	No contract for one agreement and supporting documentation for the 2nd
Vernitta Crawford	452.29	-	452.29	Travel
All Saints	1,949.09	-	1,949.09	Emergency assistance - missing intake forms for eligibility
Amanda Gonzalez	42.24	-	42.24	Missing itemized meal receipts
David Cole	5,198.06	-	5,198.06	Reimbursements covered by Three Rivers Contract
Shelia S Davis	59.84	-	59.84	Missing itemized meal receipts
Hannah Maharrey	200.00	-	200.00	Travel and other reimbursements

Payee	Unallowable Amount	Extrapolated Unallowable Amount	Total	Additional Description/Details
American Express	48,954.23	164,053.88	213,008.11	Missing receipts, unable to provide support to determine which transactions are included within the statement
MCEC	2,112,352.45	-	2,112,352.45	Insufficient documentation to support payments; lack of response from MCEC
Total	\$ 3,598,700.66	\$ 211,070.53	\$ 3,809,771.19	

The expenses identified above were determined unallowable because they were missing required federal documentation. 2 CFR § 200.302 – Financial Management states, “Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state’s own funds. In addition, the state’s and the other non-Federal entity’s financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.”

#### **Unallowable – Program Does Not Serve Only Financially Needy Families**

For these transactions sampled, there was sufficient documentation provided; however, the scope of services provided were directed to families with children with disabilities without assessing financial need. As discussed in *Section VII. Determining Allowability Under TANF*, programs and services for families with children with disabilities are still required to assess financial need of the families. In the 2018 State Plan, which was applicable to only some of these agreements, the financial eligibility component of the Families First Resource Centers was removed. One of the services provided through the Families First Resource Centers was to “support the needs of families with children with disabilities.” It appears the requirement to assess financial need of families with children with disabilities was removed as a result of this revision in the 2018 State Plan. Therefore, it appears that the programs operated by the payees listed below complied with the MDHS 2018 State Plan for those effective periods after July 1, 2018.<sup>151</sup>

<sup>151</sup> The 2018 State Plan was effective beginning on July 1, 2018. One of the two grants with The Autism Center of North MS started September 1, 2018 and one of the three grants with Regional Rehab Center started on October 1, 2018. Therefore, these grants would have complied with the 2018 State Plan.

**Table 46: FRC - Unallowable - Program Does Not Serve Only Financially Needy Families**

Payee	Unallowable Tested Amount	Extrapolated Unallowable Amount	Total	Additional Description/Details
Autism Center of North MS	\$ 70,208.16	\$ -	\$ 70,208.16	Grant was written to serve children with autism by providing a variety of services (does not assess financial need).
Natchez Children's Services	55,880.05	100,653.75	156,533.80	The scope of the grant was to provide trauma focused, cognitive behavioral therapy to children (does not assess financial need).
Regional Rehab Center	424,188.61	112,992.57	537,181.18	The scope of the grant was to provide the funds to be able to hire additional therapists to provide dyslexia, speech, and occupational services (does not assess financial need).
Total	\$ 550,276.82	\$ 213,646.32	\$ 763,923.14	

**Unallowable – Program Does Not Serve Only Needy Families**

Table 47 includes payees that were providing job training and other activities similar to workforce development. Although these types of activities are allowable under TANF when used to end the dependency of a parent (or caretaker relative) on TANF, or prevent a parent from going on TANF, the specific individuals served were not always parents as defined by TANF requirements.

As discussed in *Section VII. Determining Allowability Under TANF*, programs and services are limited to “financially needy famil[ies] that consists of, at a minimum, a minor child living with a parent or other caretaker relative.” The minor child must be less than 19 years old if a full-time student in a secondary school. The services provided by the payees listed below were not limited to qualifying families as defined by CFR.

**Table 47: FRC Unallowable - Program Does Not Serve Only Needy Families**

Payee	Unallowable Tested Amount	Extrapolated Unallowable Amount	Total	Additional Description/Details
Itawamba Community College	\$ 317,881.36	\$ 698,393.62	\$ 1,016,274.98	The scope of the grant was to provide students age 18-69 programs for skill development, but does not address serving needy families
Kelly Williams Ministries	64,000.00	-	64,000.00	The scope of the grant was to train women who are re-entering society after criminal charges or addiction, but does not address serving needy families
Mississippi State University	356,242.69	360,877.52	717,120.21	MSU received three different grants over the time period. Two of the grants served children with disabilities, while the third grant was for workforce

Payee	Unallowable Tested Amount	Extrapolated Unallowable Amount	Total	Additional Description/Details
				development. <sup>152</sup> The grants relating to disabilities did not require the assessment of financial need. The workforce development grant did not address serving only families.
NCADD	69,637.76	26,727.62	96,365.38	The scope of the grant was to increase the capacities of individuals entering the work force, but it does not address serving needy families or at-risk youth.
Northeast Mississippi Community College	5,000.00	500.00	5,500.00	The scope of the grant was to provide assistance to set up a pipe fitting class of which FRC clients were provided free tuition but did not address serving families.
Talbot House	21,785.09	24,687.44	46,472.53	The scope of the grant was to assist in providing programs to women who were transitioning back into society after drug and alcohol treatment but did not address serving families.
Total	\$ 834,546.90	\$ 1,111,186.20	\$ 1,945,733.10	

#### **Unallowable – Program or Service Cost Does Not Accomplish a Purpose of TANF**

Table 48 includes payees that were providing services that were not designed to accomplish a purpose of TANF. As discussed in *Section VII. Determining Allowability Under TANF*, allowable expenditures for particular activities, benefits, or services consist of those that are “in any manner reasonably calculated to accomplish” any one of the four purposes of the TANF program.

**Table 48: FRC - Unallowable - Program or Service Does Not Accomplish a Purpose of TANF**

Payee	Unallowable Tested Amount	Extrapolated Unallowable Amount	Total	Additional Description/Details
Best Buddies	\$ 14,020.98	\$ -	\$ 14,020.98	Grant was written to create buddy program for children with developmental disabilities by creating chapters of Best Buddies. Does not address pillar of TANF.

<sup>152</sup> The two grants that served children with disabilities related to the MSU TK Martin Center. Through the review of email communications of John Davis, CLA identified an email in which John Davis explains that he has had MDHS attorneys evaluate the scope of services the TK Martin Center provided and was informed that because the scope was all clinical based diagnosis and treatment, these services could not be funded with TANF grants. This email communication occurred after the contracts between FRC and MSU had expired. No other email communications were identified that were relevant to the TK Martin Center.



Payee	Unallowable Tested Amount	Extrapolated Unallowable Amount	Total	Additional Description/Details
Bigger than Ball	11,789.17	-	11,789.17	Grant was written to develop a plan for coaching clinics and events. Did not address serving needy families.
Children's Advocacy Centers of MS	204,646.86	337,113.30	541,760.16	The scope of the grant was to fund the development of educational programs to train future service providers but did not address serving needy families.
Metro Area Community Empowerment Center	10,000.00	-	10,000.00	The scope of the grant was to provide events that focused on individuals with disabilities, but it did not address serving needy families.
Nettleton School District	16,936.79	31,114.63	48,051.42	The scope of the grant was to administer an after-school learning program; preventative after school programs should target at-risk youth.
Northwest Community College	42,607.51	70,733.26	113,340.77	The scope of the grant was to provide the ability to hire a job coach to work with students to develop employability skills but did not address serving families or at-risk youth.
Oxford School District	50,000.00	-	50,000.00	The scope of the grant was to provide the ability to hire a director of early childhood development but did not address serving families or at-risk youth.
Prentiss County Board of Supervisors	87,249.98	46,533.28	133,783.26	The scope of the grant was to provide funding to hire librarians to be able to keep the libraries open but did not address serving families or at-risk youth.
Retired Pro Football Players	18,941.73	25,683.09	44,624.82	The scope of the grant was to hold football camps but did not address serving at-risk youth; focus on student athletes. Included enrichment hour and workshops on anger management, drug education, and public speaking. Receipts indicate donations were paid.
Reviving Network	49,421.20	-	49,421.20	The scope of the grant was to provide funds for programs including neighborhood clean-ups, television programming, and others but did not address serving families or at-risk youth.
Southwest Mississippi CAC	7,158.22	21,632.68	28,790.90	The scope of the grant was to hire a licensed social worker for clinical supervision but did not address serving families or at-risk youth.

Payee	Unallowable Tested Amount	Extrapolated Unallowable Amount	Total	Additional Description/Details
The University of Southern Mississippi	69,036.56	117,476.44	186,513.00	The scope of the grant was to educate men on proper nutrition and healthy living. This did not align with TANF in serving families or at-risk youth
Total	\$ 581,809.00	\$ 650,286.68	\$ 1,232,095.68	

### **Unallowable – Does Not Comply with CFR**

Attachment 38 includes a detailed list by payee for which sufficient documentation was provided for the transactions tested; however, the nature of the expense is not allowable under CFR. CLA identified \$3,790,091.87 of costs that are unallowable under CFR.<sup>153</sup> Attachment 38 lists the payees, the amount tested and extrapolated, the relevant CFR, and a brief description of the expense. The expenses found to be unallowable due to lack of compliance with CFR include, but are not limited to:

- Out-of-state programs for which the costs appeared unreasonable as a similar event could have been held in Mississippi
- Expenses FRC indicated should not have been charged to TANF
- Individuals paid as an employee and contractor for which the payments overlapped
- Expenses tested by the OSA for which CLA agreed with the findings
- Capital improvements
- General advertising costs
- Overpayments to vendors
- Self-rent costs FRC charged to the TANF grants
- Costs incurred by third tier subrecipients that do not comply with their agreements
- Costs associated with religious activities or materials
- Lobbyist activities
- Other unallowed expenses such as sponsorships, gifts, and promotional materials

<sup>153</sup> This includes \$3,434,439.40 of tested transactions and \$355,652.47 of extrapolated transactions.

## 5. Heart of David Ministry

Heart of David Ministry (“Heart of David”) was awarded two TANF grants totaling \$3,062,500 by MDHS during the forensic audit period. Based on CLA’s correspondence with the associate director of Heart of David, Heart of David has partnered with MDHS since 2017 to receive TANF funding. Heart of David stated that “MDHS solicited HOD to collaborate around the newly implemented Gen Plus referral system which sought to bring a more holistic, whole family level of service to those in need.”<sup>154</sup> CLA reviewed the grant agreements recorded in MAGIC and determined that there were no grant agreements prior to 2017.

The scope of work per the first grant agreement with MDHS was for Heart of David to: “(1) Increase the number of adolescents who live a life of servanthood and regularly serve their communities and others; (2) Encourage students to perform more successfully academically and the importance of education; (3) Encourage youth to identify, set and plan future goals and live confidently with an increased self-worth; (4) Strengthen attitudes and expectations towards community, family and their US citizenship; (5) Reduce the number of adolescents who may begin or who have already engaged in premarital sexual activity; (6) Increase awareness of the importance of parenting skills and honorability of young men and women; (7) Engage youth ages 10-18 in Ignite Sports camps to learn the importance of perseverance, commitment, discipline and teamwork; (8) Engage youth and adults alike in Ignite Challenge programs to learn the importance of servitude and community; and (9) Engage youth and adults in outdoor excursions via Ignite Outdoors to learn self-sufficiency, mentorship, leadership and build life skills and character development.” The scope of work per the second agreement was significantly changed and Heart of David agreed to “establish a network of partnerships, services and resources throughout Mississippi communities for faith-based and self activities.”

### a. Summary of TANF Revenues and Expenses for Forensic Audit Period

Table 49 summarizes Heart of David’s TANF revenues and expenses during the forensic audit period.<sup>155, 156</sup>

**Table 49: Heart of David TANF Revenues and Expenses**

Description	2017	2018	2019	2020	Total
Revenues	\$ 271,349	\$ 500,000	\$ 756,363	\$ 193,511	\$ 1,721,223
Expenses	120,128	636,781	601,762	362,552	1,721,223
Revenues Less Expenses	\$ 151,221	\$ (136,781)	\$ 154,601	\$ (169,041)	\$ 0

<sup>154</sup> Heart of David executive summary, provided to CLA on May 15, 2021.

<sup>155</sup> CLA converted the Heart of David revenue and expense transactions to the MDHS fiscal year, July 1 to June 30, for comparison purposes.

<sup>156</sup> CLA noted during the forensic audit period MDHS did not disburse any other funding sources to Heart of David.

Heart of David used all of the proceeds from the grant award.

**b. Sample Selection Process**

CLA identified Heart of David as a high risk subgrantee based on the results of the OSA Single Audit report, dated April 22, 2020, that listed several questioned costs for Heart of David. Consequently, CLA performed trend analysis to review transactions by vendors, general ledger accounts, and amounts, respectively, over time for the scope period of 2016 through 2019. Based on this analysis, CLA identified transactions of higher risk to select for detail testing. CLA determined that the greatest quantity and value of disbursements were payments for commodities, payroll expenses, and payments for contractual services; however, additional transactions were selected for testing to include equipment, sponsorships, and travel costs. The resulting sample size was 40 contractual service transactions, covering 30 recipients; three equipment transactions, covering two recipients; 22 commodity and sponsorship transactions, covering 15 recipients; 29 payroll transactions, covering nine recipients; and 15 travel transactions, covering 11 recipients. The total sample size was 109 transactions.<sup>157</sup>

For the sample testing, CLA requested supporting documentation for each transaction. CLA reviewed the supporting documentation provided by Heart of David to determine if the required documentation was maintained for each transaction and if the expenditure was an allowable use of TANF funds based on federal requirements, state law, and MDHS policies and procedures. The specific attributes that CLA tested for each transaction in the sample was based on the type of transaction (e.g., contract; subsidies, loans, and grants) and can be found at Attachments 13 through 18.

**c. Results of Testing - Overview**

Based on the testing performed, CLA categorized the transactions depending on the allowability of the costs: Allowable; Allowable – Needs Allocation; Unallowable - Insufficient Documentation, Unallowable – Type of Expense is Unallowed Per Federal Regulations, or Questioned. Table 50 summarizes the allowable and unallowable costs.

**Table 50: Summary of Heart of David Allowable and Unallowable Costs**

Category	Allowable	Allowable – Need Allocation	Unallowable – Insufficient Documentation	Unallowable – Federal Regulation	Questioned
Contractual services	\$ 54,160	\$ 2,968	\$ 205,532	\$ 225	\$ 14,500
Equipment	606	-	5,720	-	-

<sup>157</sup> Despite identifying Heart of David as a high risk subgrantee, CLA did not expand testing because the requested supporting documents for the original test sample were received on July 30, 2021 and did not provide sufficient time to test additional transactions.

Category	Allowable	Allowable – Need Allocation	Unallowable – Insufficient Documentation	Unallowable – Federal Regulation	Questioned
Commodities/ Sponsorships	6,099	-	151,183	6,405	-
Payroll	-	-	126,748	-	-
Travel	22,055	-	39,066	-	5,700
Total	<b>\$ 82,920</b>	<b>\$ 2,968</b>	<b>\$ 528,250</b>	<b>\$ 6,630</b>	<b>\$ 20,200</b>

CLA made several attempts to obtain supporting documentation from the Heart of David representative with which CLA was communicating. After Heart of David failed to provide the requested documentation for the sample selected by CLA, the OSA issued an administrative subpoena to Heart of David to produce documents and records in its possession. On July 30, 2021, CLA received from the OSA the Heart of David documents, which was more than eight months after the original request was submitted to Heart of David. CLA reviewed the supporting documentation related to the 109 transactions selected for the sample testing; however, there was insufficient time to review the remaining supporting documentation provided by Heart of David. As such, CLA is unable to reach a conclusion on allowability for the remaining population of TANF disbursements of \$1,080,255.

**d. Results of Testing – Allowable – Needs Allocation**

Heart of David provided sufficient documentation for one TANF expense; however, the nature of the service purchased indicated that the cost was not exclusively related to the TANF program and should have been allocated to other funding sources as well.<sup>158</sup>

Table 51 lists the expense that should have been allocated by Heart of David.

**Table 51: Heart of David Allowable Costs – Needs Allocation**

Payee	Amount
Chris P. Govero, CPA, PLLC	\$ 2,968
Total	<b>\$ 2,968</b>

**Chris P. Govero:** Heart of David paid \$2,968 to Chris P. Govero, CPA, PLLC on November 30, 2018 for postage and bookkeeping and payroll services for the period May to September 2018. These are administrative costs and are subject to indirect cost rates per 2 CFR § 200.414 – Indirect (F&A) Costs. The full costs should not have been charged to TANF.

The expense above appeared to benefit other Heart of David programs, not just TANF programs, therefore, the cost should have been allocated.

<sup>158</sup> 2 CFR § 200.405(a).

**e. Results of Testing – Unallowable Costs**

The following section summarizes the unallowable costs for Heart of David based on the type of finding that resulted in the unallowable costs.

**Unallowable Costs – Insufficient Documentation**

Heart of David did not provide sufficient documentation for 94 TANF expenses. Table 52 summarizes the unallowable costs, by payee, due to insufficient documentation.

**Table 52: Heart of David Unallowable Costs – Insufficient Documentation**

<b>Payee<sup>159</sup></b>	<b>Amount</b>	<b>Expense Type</b>
Adam Such	\$ 15,016	Facility Rental
AFCO	2,184	Insurance
Alpha Graphics	2,409	Supplies
Apple Store	5,720	Computers
Bank Fees	36	Bank Fees
Chris Kellum	3,535	Contract Labor
Delta Air	1,111	Travel
Deon Hodges	5,000	Contract Labor
Down Range, LLC	23,649	Facility Rental
Embrace Conference	15,000	Education & Training
Engage Media Partners	17,500	Advertising & Promotional
Google	293	Office Supplies
Gulf South Productions	1,500	Contract Labor
Heart of David Ministry	50	Gift Card
James Wells	5,833	Contract Labor
Jay Fielder	2,900	Contract Labor
John Maxwell Team	2,000	Education & Training
Joyce Campbell	1,071	Contract Labor
Kristen S Mangum	7,500	Payroll
Laurie F Bullman	7,500	Payroll
Legacy Guard, Inc	2,000	Rent
Life Coach South	2,500	Contract Labor
Liquid Creative	7,875	Advertising & Promotional
Malcolm Taylor	1,000	Contract Labor
Martinelli & Associates	3,997	Education & Training
Melanie DiBiase	24,599	Payroll
Metro Area Community Empowerment	10,000	Contract Labor
Michael L Goss	31,228	Payroll
Mosley & Company, PLLC	5,508	Accounting
MS Community Education Center	15,000	Education & Training
ONE 64 Leadership	4,000	Contract Labor
P360 Performance Sports	10,000	Sponsorships
Peter B Trebotich III	7,089	Payroll

<sup>159</sup> In lieu of listing all 94 transactions, CLA summarized the transactions by payee name. In some cases, CLA tested multiple payments to the same payee. There was a total of 47 unique payee names.

Payee <sup>159</sup>	Amount	Expense Type
Polly Kellum	22,500	Payroll
Riley G Kellum	160	Payroll
Rocks to Rivers LLC	26,797	Outdoor Trips
Royce Lott	1,000	Contract Labor
Scott Fortenberry	49,583	Contract Labor
Ted DiBiase	44,848	Payroll
Telegraph Branding	110,000	Web Design and Maintenance
The Stephen Group	5,737	Contract Labor
Tyler B Opdyke	2,083	Payroll
WalMart	1,084	Supplies
Wes Ingram	1,100	Contract Labor
WhyTry, LLC	6,500	Education & Training
Williams, Nichols, & Ash, PLLC	7,000	Accounting
Zebra Marketing	5,255	Uniforms
Total	<b>\$ 528,250</b>	

The expenses identified above were determined unallowable because they were missing required federal documentation. 2 CFR § 200.302 – Financial Management states, “Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state’s own funds. In addition, the state’s and the other non-Federal entity’s financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.”

Heart of David provided various documents as support for the expenses listed above, including Heart of David Expense Reports, Expenditure Approval Forms, Mileage Logs as well as contracts, invoices, receipts, check stubs, and copies of cancelled checks. However, for each transaction there was insufficient documentation for CLA to determine whether the expense was a direct cost that could be identified with a specific TANF award objective. CLA reviewed the cancelled checks to ensure that the payee on the check matched the payee recorded in the general ledger, which conveyed that work was performed but the level of documentation was insufficient for a federal grant. In some cases, Heart of David did not provide any documentation, including a cancelled check.

CLA determined there were 13 transactions that were missing all documentation, including a cancelled check. For 16 transactions, Heart of David only provided a copy of the cancelled check. Another 36 transactions contained a cancelled check and/or other documentation that was insufficient per 2 CFR § 200.333.<sup>160</sup> The 36 transactions with insufficient documentation varied, including missing invoices and receipts, vague

<sup>160</sup> Two of the 35 transactions with some documentation were missing copies of the cancelled checks.

service or goods descriptions, and missing evidence that the service or good was received, which would have supported how the cost benefitted the TANF program.

2 CFR § 200.333 – Retention Requirements for Records states, “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or passthrough entity in the case of a subrecipient.”

Included below are a few examples of the specific insufficiencies with the documentation provided by Heart of David.

- **Adam Such:** Heart of David reimbursed Adam Such for \$15,016 on July 9, 2018 for Ignite Outdoors expenses, including, mentor training and certification, food and cleaning supplies, logoed hydration bottles, mentor stipend, base camp supplies, uniforms, marketing software, and administrative services.<sup>161</sup> Some of the items, such as the logoed hydration bottles and Ignite Outdoors uniforms are unallowable per 2 CFR § 200.421 – Advertising and Public Relations and 2 CFR § 200.445 – Goods or Services for Personal Use, respectively. The administration costs may be subject to indirect cost rates per 2 CFR § 200.414 – Indirect (F&A) Costs. However, none of the items reimbursed were supported with invoices or receipts evidencing they were in fact purchased. Without additional information supporting that the items and services purchased were actually received or rendered, CLA could not determine if the costs were actually incurred and required reimbursement. Therefore, CLA determined this cost was unallowable because of insufficient documentation.
- **Telegraph Creative:** Heart of David paid \$50,000 to Telegraph Creative on June 9, 2017 for Heart of David rebranding, including new logos, website redesign, video production, and creating a fundraising deck. Heart of David only provided the Telegraph Creative Invoice. There was no documentation of the procurement process, a contract, or the deliverable.<sup>162</sup> Without these documents, CLA was unable to determine if any portion of the expense was a direct or indirect cost that was allocable to a specific TANF award objective.
- **Rocks to Rivers, LLC:** Heart of David paid \$26,797 to Rocks to Rivers, LLC on May 1, 2018 for three trips that were part of the Ignite Outdoors program. Trip 1 was scheduled May 31, 2018 to June 2, 2018 and had eight participants, including trip

<sup>161</sup> Ignite Outdoors was a Heart of David program outlined in the MDHS agreement # 6011757/6011758 with the purpose to “engage youth and adults in outdoor excursions via Ignite Outdoors to learn self-sufficiency, mentorship, leadership and build life skills and character development.”

<sup>162</sup> State of Mississippi Procurement Manual, effective February 5, 2016, § 2.103.01.02 – Negotiated Contracts require two quotes for procurements over \$5,000 but less than \$50,000.01. The exact expense amount was \$50,000.00



leaders. Trip 2 was scheduled June 14, 2018 to June 16, 2018 and had eight participants, including trip leaders. Trip 3 was scheduled July 12, 2018 to July 14, 2018 and had 14 participants, including trip leaders. Heart of David did not provide a list of the attendees. The Ignite Outdoors program was specified in the MDHS agreement and stated, "Ignite Outdoors, 04/01/17-03/31/18 – Implement six (6) Ignite Outdoor retreats utilizing "Rocks 2 Rivers" and reach a minimum of sixty (60) youth and adults." Without the additional information supporting the number of youth and adults that participated in the program, CLA could not determine if the people attending the program were the targeted population or employees and friends of Heart of David. Therefore, CLA determined this cost was unallowable because of insufficient documentation.

- **Payroll:** CLA also tested payroll transactions that lacked sufficient documentation. CLA tested 29 payroll transactions paid to nine people. These transactions are also subject to the record retention policy of 2 CFR § 200.430(i) – Compensation-Personal Services, which states, "charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must: support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity." Heart of David did not provide complete personnel files for the nine individuals. Specifically, the personnel files were missing a record of the employee's hire date with approved salary or wage, including percentage of work allocable to TANF, and missing timesheets or activity reports that reflected the actual hours worked and duties performed. In addition, the subgrantee agreements did not include an allocation rate for salaries and wages. Therefore, CLA determined all of the payroll costs were unallowable because of insufficient documentation.

In summary, the documentation Heart of David provided for the transactions listed in Table 52 was missing some or all of the records required to determine why the costs were allocated to the TANF award. The cancelled checks provided some assurance that work was performed but the documentation did not meet the record retention requirements of 2 CFR § 200.302, 2 CFR § 200.333 or 2 CFR § 200.430. This insufficient documentation indicates that there was poor oversight and management of the TANF award, and it was possible costs may have been used in ways that diverted from the TANF award objectives outlined in the MDHS agreements.

#### **Unallowable Costs – Type of Expense is Unallowed Per Federal Regulations**

Heart of David provided sufficient documentation for four TANF expenses; however, the nature of expense was specifically unallowed by 2 CFR 200 regulations.

Table 53 summarizes the unallowable costs due to the type of expense being unallowable per federal regulations.

**Table 53: Heart of David Unallowable Costs – Type of Expense**

Payee	Amount
Alcorn State University	\$ 225
Kroger	55
Big Brothers Big Sisters of Mississippi	350
P360 Performance Sports	6,000
Total	<u>\$ 6,630</u>

Each cost that was unallowable is discussed further below:

- Alcorn State University:** Heart of David paid \$22,065 to Alcorn State University on July 9, 2018 for residence hall fees and nine unreturned keys for the Ignite Sports Camp at Alcorn State University. The nine unreturned keys cost \$225 and appear to be a penalty fee. 2 CFR § 200.441 – Fines, Penalties, Damages and Other Settlements states, “Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of the Federal awarding agency.” Therefore \$225 of the \$22,065 that Heart of David charged to the TANF award is unallowable per 2 CFR § 200.441.
- Kroger:** Heart of David paid \$55 to Kroger on February 27, 2018 for a gift card for the Ignite Challenge.<sup>163</sup> The only documentation was a Heart of David Expenditure Approval Form and a scanned receipt. There was no other supporting documentation that described how the gift card was used; therefore, it appears that the item was a gift. 2 CFR § 200.421(e)(3) – Advertising and Public Relations states, “Unallowable advertising and public relations costs include the following: Costs of promotional items and memorabilia, including models, gifts, and souvenirs.” This expenditure is specifically unallowable per 2 CFR § 200.421(e)(3).
- Big Brothers Big Sisters of Mississippi:** Heart of David paid \$350 to Big Brothers Big Sisters of Mississippi on March 20, 2018 for a sponsorship for Big Brothers Big Sisters. The only documentation was a Heart of David Expenditure Approval Form. There was no other supporting documentation that described what the sponsorship entailed. 2 CFR § 200.434 – Contributions and Donations states, “Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable.” This expenditure is specifically unallowable per 2 CFR § 200.434.
- P360 Performance Sports:** Heart of David paid \$6,000 to P360 Performance Sports on May 1, 2018 for team instruction, team practice at the P360 indoor facilities, and a sponsorship for the “End of Spring Season” celebration for youth baseball teams. The entire amount is referred to in an email from the Heart of

<sup>163</sup> Ignite Challenge was a Heart of David program outlined in the MDHS agreement # 6011757/6011758 with the purpose to “engage youth and adults alike in Ignite Challenge programs to learn the importance of servitude and community.”

David Executive Director as “sponsorship.” A description of the celebration stated the “intention of [the] meeting is to make parents aware of services available, summer activity info and promoting Ignite Sports Camp.”<sup>164</sup> The “End of Spring Season” celebration appears to be unallowable because it is a sponsorship, an entertainment cost for the athletes, and it promotes a Heart of David service, which are outlined in 2 CFR § 200.434 – Contributions and Donations, 2 CFR § 200.438 – Entertainment Costs, and 2 CFR § 200.467 – Selling and Marketing Costs, respectively.<sup>165</sup> 2 CFR § 200.434 – Contributions and Donations states, “Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable.” This expenditure is specifically unallowable per 2 CFR § 200.434.

**f. Results of Testing – Questioned Costs**

Heart of David provided sufficient documentation for three TANF expenses; however, the supporting documentation was missing supplemental information that was not required by federal regulations but prevented CLA from determining allowability per specific 2 CFR 200 sections.

Table 54 summarizes the questioned costs due to the supporting documentation missing supplemental information.

**Table 54: Heart of David Questioned Costs**

Payee	Amount
Waukaway Springs Christian Retreat Center	\$ 12,000
Waukaway Springs Christian Retreat Center	2,500
Cline Tours	5,700
Total	<u>\$ 20,200</u>

Each cost that is questioned is discussed further below:

- Waukaway Springs Christian Retreat:** Heart of David paid \$12,000 to Waukaway Springs Christian Retreat Center on May 10, 2017 and \$2,500 to Waukaway Springs Christian Retreat Center on June 4, 2017. Both payments were for the Ignite Sports Camp held from June 1 to June 4, 2017. The Waukaway Spring Christian Retreat Center invoice listed the dates of meals, rented facilities, dates of events, and quantities for 150 participants. During the review of the Heart of David supporting documents, it was discovered that there was a pamphlet advertising the Ignite Sports Camp at Waukaway Spring Retreat Center. The pamphlet states: "Through a partnership with MSDHS (aka MDHS), we have 50 scholarships available - the \$225 camp fee is PAID in FULL - training, camp activities, bus & meals!!" Heart of David did not provide a listing or number of

<sup>164</sup> Heart of David vendor agreement with P360 Performance Sports, dated April 30, 2018.

<sup>165</sup> CLA noted during testing that the Ignite Sports Warrior Camp, June 1 – June 4, had a \$225 camp fee and only 50 paid-scholarships were available. This indicates the Ignite Sports Camp was a paid service that Heart of David promoted at the “End of Spring Season” celebration.

youths that attended the camp, nor did they provide a listing of the number of youths that received a scholarship. Based on the quantities noted in the invoice (150) and number of available scholarships (50), it appears that some of the participants may have paid Heart of David to attend the Ignite Sport Camp. This would indicate that Heart of David received program income.

2 CFR § 200.307 – Program Income addresses the issue of whether Heart of David can allocate any of the camp costs to the TANF award. According to 2 CFR § 200.307(e): "If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply." CLA's review of the applicable MDHS agreement for this expenditure showed that MDHS did not specify in its regulations or terms and conditions or give prior approval for how program income is to be used, therefore section (e)(1) applies in this case.<sup>166</sup> 2 CFR § 200.307(e)(1) states: "Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project."

Any program income needs to be used first to offset the program costs before the expense can be allocated to the TANF award. Heart of David provided a general ledger; however, it did not appear that Heart of David was tracking income for the Ignite Sports Camp, there was no specific account for program income, and there was not enough information to identify whether income around the time of the camp was related to the Ignite Sports Camp.<sup>167</sup> Consequently, CLA was unable to determine if the program income offset the program costs before the costs were allocated to the TANF award. Therefore, this is a questioned cost.

- Heart of David paid \$5,700 to Cline Tours on July 12, 2017 for three charter buses to provide roundtrip transportation between Jackson, Mississippi and Waukaway Springs Christian Retreat Center on June 1, 2017 and June 4, 2017. The Cline Tours invoice notes that the three charter buses have a capacity for 168 people. As described in the preceding paragraphs, CLA determined there was evidence Heart of David may have charged a fee to attend the Ignite Sports Camp. Similarly, this expense should comply with 2 CFR § 200.307 – Program Income, which addresses the issue of whether Heart of David can allocate any of the camp costs to the

<sup>166</sup> The applicable subgrant agreement for the Waukaway Springs Christian Retreat Center expenses was MDHS agreement # 6011757/6011579 effective beginning May 1, 2017 and ending April 30, 2018.

<sup>167</sup> Heart of David did not provide bank statements or deposit slips that would have allowed CLA to verify the completeness of the general ledger. Therefore, CLA could not determine if the general ledger was complete.

TANF award. CLA was unable to determine the completeness of the general ledger provided; therefore, CLA was unable to determine if the program income offset the program costs before the costs were allocated to the TANF award.<sup>167</sup> Therefore, this is a questioned cost.

## 6. Jackson Medical Mall Foundation

Jackson Medical Mall Foundation (“JMMF”) was awarded one TANF grant for \$1,176,263 by MDHS during the forensic audit period. The term of the TANF grant was June 21, 2019 through May 31, 2020. The scope of work per the grant agreement with MDHS was to “encourage 300 youth and young adults (ages 10-21) to develop micro-enterprises, technical career pathways, entrepreneurship, artistic skills, STEAM and youth-based healthcare solutions using innovation and technology.”<sup>168</sup> The programs were held June to July 2019 from 8:00 a.m. to 4:00 p.m. and August 2019 to May 2020 3:00 p.m. to 6:00 p.m. The program targeted youth in the Jackson area, which, according to the grant agreement, has a 50% poverty rate.

### a. Summary of TANF Revenues and Expenses for Forensic Audit Period

Table 55 summarizes JMMF’s TANF revenues and expenses for 2019 based on the general ledger data provided.

**Table 55: Summary of JMMF TANF Revenues and Expenses**

Description	2019	Total
Revenue	\$ 59,434.90	\$ 59,434.90
Expenses	(59,434.90)	(59,434.90)
Revenue Less Expenses	\$ -	\$ -

According to the interview with a representative of JMMF, they wanted to start a youth program in the community. There were no participants in 2019, and the program got started in January 2020 with 18 to 19 students. They identified students in the 39213 zip code and schools in the area.

### b. Sample Selection Process

CLA performed analytical procedures on the financial data similar to what was performed for other subgrantees. Per the general ledger detail provided, expenses included office supplies, payroll and fringe benefits, rent, and a subgrant agreement for a commercial driver’s license (“CDL”) program. According to JMMF, the CDL program was included in the “Workforce Development” line item under Subsidies, Loans, and Grants in the budget narrative.<sup>169</sup> As the scope of work was to test third tier subrecipients, CLA selected the CDL program cost for testing. CLA also selected the rent expense for testing. The specific attributes that CLA tested for each transaction in the sample was based on the type of transaction (e.g., contract; subsidies, loans, and grants) and can be found at Attachments 13 through 18.

<sup>168</sup> STEAM is Science, Technology, Engineering, Arts, and Math.

<sup>169</sup> Although the CDL program is not discussed in the narrative of the grant agreement, \$130,000 was budgeted under Workforce Development in the Subsidies, Loans, and Grants section of the budget narrative.

**c. Results of Testing - Overview**

Table 56 included below summarizes the total costs determined to be allowable and unallowable based on the sample tested.

**Table 56: Summary of JMMF Allowable and Unallowable Costs**

Description	Allowable	Unallowable	Total
Amount	\$ -	\$ 21,364.33	\$ 21,364.33

**d. Results of Testing – Unallowable Costs**

Based on the testing performed, unallowable costs were identified due to the nature of the expense (rent) and the eligibility requirements in place for the CDL program.

**Unallowable Costs – Program Does Not Serve Only Needy Families**

A \$10,000 third tier subrecipient grant was awarded to Driver Improvement Agency to assist individuals with obtaining their CDL. Per discussion with JMMF, the only requirement to participate in this program was to be above 18 and have a driver's license; however, they said that the individuals should have also been low income and need a job. There was no financial eligibility requirement in place, nor was an individual required to be a parent or caregiver relative (receiving TANF or eligible for TANF assistance).

As discussed in section VII. *Determining Allowability Under TANF*, programs and services related to promoting job preparation and work, including training services, must be provided to needy families.

Based on the analysis, interview, and testing performed, the program services provided by JMMF complied with the scope of work of their grant agreement with MDHS.

**Unallowable Costs – Type of Expenses is Unallowed Per Federal Regulations**

Four journal entries were recorded to TANF expenses for "The Learning HUB" for monthly administrative fees. Based on the testing performed, this included rent, common area maintenance ("CAM"), maintenance and housekeeping, and utilities. Through discussions with JMMF, CLA learned that The Learning HUB is a related entity to JMMF and is the name of the youth program funded by the grant agreement. The space being occupied by The Learning HUB is in the building owned by JMMF. JMMF provided a copy of the rent, utility, and fees calculation, but did not provide evidence of any third-party payment. CLA reached out to JMMF to further clarify whether this was actual rent and utilities paid but did not receive a response.

Based on the documentation provided, it appears that JMMF is allocating a rental cost to the grant without actually paying rent on the space occupied for the program. Self-

rent is not allowed under 2 CFR § 200.465 *Rental Costs of Real Property and Equipment*.

The total unallowed costs associated with self-rent equals \$11,364.33, which includes only the rent portion of the costs allocated to the grant, as it is reasonable to conclude that utility and other maintenance costs were paid by JMMF.



## 7. Mississippi Alliance of Boys & Girls Club

Mississippi Alliance of Boys & Girls Club (“the MS Alliance of B&GC”) was awarded five TANF grants totaling \$13,780,000 by MDHS during the forensic audit period. Based on CLA’s interview with the Executive Director of the MS Alliance of B&GC, the MS Alliance of B&GC partnered with MDHS for the past nine to ten years and received TANF grants and other funding. Prior to the partnership with MDHS, the MS Alliance of B&GC received TANF funding through the Mississippi Attorney General’s Office.<sup>170</sup>

The scope of work per the grant agreements with MDHS was for the MS Alliance of B&GC to “contract/subcontract with entities to sustain, develop and implement programs in community and school-based settings to prevent and reduce at-risk behaviors (e.g., alcohol/drug use, teenage pregnancy, dropping out of school, anger management, conflict resolution, etc.) among youth in the State of Mississippi.” Youth development activities would include educational support, youth leadership development, peer counseling, career development, community service projects, art programs, recreational activities, health awareness programs, and drug prevention programs. Family and parent support programs may include parenting classes, English as a Second Language, health/mental health citizenship skills building, community gatherings, and cultural events.<sup>171</sup>

### a. Summary of TANF Revenues and Expenses for Forensic Audit Period

Table 57 summarizes the MS Alliance of B&GC’s TANF revenues and expenses during the forensic audit period.<sup>172, 173</sup>

**Table 57: MS Alliance of B&GC TANF Revenues and Expenses**

Description	2017	2018	2019	2020	Total
Revenues	\$ 3,354,000	\$ 6,214,584	\$ 2,326,923	\$ 999,631	\$12,895,138
Expenses	2,624,543	5,807,439	3,462,461	1,015,729	12,910,172
Revenues Less Expenses	\$ 729,457	\$ 407,145	\$(1,135,538)	\$ (16,368)	\$ (15,034)

The costs allocated by the MS Alliance of B&GC to the TANF program exceeded the costs reimbursed by MDHS.

<sup>170</sup> The interview with the MS Alliance of B&GC executive director was conducted on January 14, 2021 and included representatives from the Boys & Girls Clubs of America.

<sup>171</sup> The scope of work statements for each MDHS agreement varied slightly but conveyed the same scope.

<sup>172</sup> CLA converted the MS Alliance of B&GC revenue and expense transactions to the MDHS fiscal year, July 1 to June 30, for comparison purposes.

<sup>173</sup> CLA noted during the forensic audit period MDHS disbursed \$5,554,351 in other funding sources to the MS Alliance of B&GC.

**b. Sample Selection Process**

CLA performed trend analysis to review transactions by vendors, general ledger accounts, and amounts, respectively, over time for the scope period of 2016 through 2019. Based on this analysis, CLA identified transactions of higher risk to select for detail testing. CLA determined that the greatest quantity and value of disbursements were under the cost category Subsidies, Loans, and Grants, which included disbursements to third tier subrecipients, and payments for contractual services. The resulting sample size was seven transactions under Subsidies, Loans, and Grants, covering six recipients, and eight contractual service transactions, covering nine recipients.

For the sample testing, CLA requested supporting documentation for each transaction. CLA reviewed the supporting documentation provided by the MS Alliance of B&GC to determine if the required documentation was maintained for each transaction and if the expenditure was an allowable use of TANF funds based on federal requirements, state law, and MDHS policies and procedures. The specific attributes that CLA tested for each transaction in the sample was based on the type of transaction (e.g., contract; subsidies, loans, and grants) and can be found at Attachments 13 through 18.

**c. Results of Testing - Overview**

Based on the testing performed, CLA categorized the transactions depending on the allowability of the costs: Allowable; Allowable – Needs Allocation; or Unallowable - Insufficient Documentation. Table 58 summarizes the allowable and unallowable costs.

**Table 58: Summary of MS Alliance of B&GC Allowable and Unallowable Costs**

Category	Allowable <sup>174</sup>	Allowable – Needs Allocation	Unallowable – Insufficient Documentation
Subsidies, Loans, and Grants	\$ 481,421	\$ -	\$ 586,836
Contractual services	111,420	27,230	55,333
Total	<b>\$ 592,841</b>	<b>\$ 27,230</b>	<b>\$ 642,169</b>

<sup>174</sup> CLA noted the MS Alliance of B&GC disbursed TANF funds through a subgrant agreement to the Boys & Girls Club of Central Mississippi while the Boys & Girls Club of Central Mississippi was concurrently receiving TANF awards directly from MDHS. CLA detail tested two disbursements to the Boys & Girls Club of Central Mississippi via the MS Alliance of B&GC and determined the costs to be allowable. Furthermore, CLA compared the monthly expense forms submitted to MDHS to the monthly expense forms submitted to the MS Alliance of B&GC and noted no duplicate expenditure amounts. However, the Boys & Girls Club of Central Mississippi did not provide a TANF-only general ledger so CLA was unable to compare general ledgers for duplicate transactions.

**d. Results of Testing – Allowable – Needs Allocation**

The MS Alliance of B&GC provided sufficient documentation for four TANF expenses; however, the nature of the goods or services purchased indicate that the costs were not exclusively related to the TANF program and should have been allocated to other funding sources as well.<sup>175</sup> The expenses appeared to be assignable to the TANF award, but the expenses also benefited other work of the MS Alliance of B&GC and should have been distributed proportionally.

Table 59 summarizes the expenses that should have been allocated to TANF using a cost allocation method.

**Table 59: MS Alliance of B&GC Allowable Costs – Needs Allocation**

Payee	Amount
Vision Computer Programming Services, Inc.	\$ 11,325
Boys & Girls Clubs of America	12,500
Thomas Norman	1,513
Thomas Norman	1,892
Total	<u>\$ 27,230</u>

Each cost that should have been allocated is discussed further below:

- **Visions Computer Programming Services, Inc. (“Vision”):** The MS Alliance of B&GC paid \$11,325 to Vision on January 3, 2017 for an “annual upgrade for member tracking system software” licenses at 17 sites.<sup>176</sup> The tracking software did not have an exclusive TANF purpose and could be used by the sites to track members for any of the individual programs offered by Boys & Girls Clubs.<sup>177</sup>
- **Boys & Girls Clubs of America (“B&GC of America”):** The MS Alliance of B&GC paid \$12,500 to B&GC of America on September 21, 2018 for “program and financial support.”<sup>178</sup> The Boys & Girls Club of America is headquartered in Atlanta, Georgia and serves as the agent and manages external audits and tax filings for state alliances.<sup>179</sup> The costs for this administrative service are not exclusive to TANF and helps support any of the MS Alliance of B&GC programs.

<sup>175</sup> 2 CFR § 200.405(a).

<sup>176</sup> Vision Computer Programming Services, Inc. invoices # 12718-12738, dated October 24, 2016.

<sup>177</sup> According to the Vision Computer Programming Services, Inc. website, its Member Tracking System software allows for tracking, “members, their attendance and activity participation, charges and payments, medical needs, Outcome Measurements and more. The Member Tracking System will also track...staff and volunteer hours, certifications information and print time cards.”

<sup>178</sup> Boys & Girls Club of America invoice dated September 2018.

<sup>179</sup> The Boys & Girls Club of America’s services were described by Jason Penegar, Controller, during the interview on January 14, 2021.

- Thomas Norman:** The MS Alliance of B&GC reimbursed the Executive Director, Thomas Norman, for purchases made using his personal accounts, including two purchases made at Best Buy and Apple. The MS Alliance of B&GC reimbursed \$1,513 for one Apple iPad Pro, one AppleCare+ 2-year plan, one InvisibleShield screen protector, one Apple Smart Keyboard, and one Apple Pencil. The AppleCare+ 2-year plan stated that the plan holder was the Executive Director; therefore, the items appear to be purchased for the Executive Director's use.<sup>180</sup> The MS Alliance of B&GC also reimbursed Thomas Norman \$1,892 for one Apple iPhone XS Max, one AppleCare+ 2-year plan, and one Belkin InvisiGlass Ultra Screen Protector.<sup>181</sup> According to the subgrant agreement in effect at the time of the purchase, the Executive Director's salary was allocated at 40% full-time equivalency.<sup>182</sup> Any equipment or commodities purchased for exclusive use of the Executive Director should have been allocated using a similar basis.

All of these expenses did not have an exclusive TANF related purpose and appeared to benefit other MS Alliance of B&GC programs, not just TANF programs; therefore, all costs identified above should have been allocated.

**e. Results of Testing – Unallowable Costs**

The following section summarizes the unallowable costs for the MS Alliance of B&GC based on the type of finding that resulted in the unallowable costs.

**Unallowable Costs – Insufficient Documentation**

The MS Alliance of B&GC did not provide sufficient documentation for two TANF expenses. Table 60 summarizes the unallowable costs by third tier subrecipient.

**Table 60: MS Alliance of B&GC Unallowable Costs – Insufficient Documentation**

Payee	Amount
Boys & Girls Club of the Mississippi Band of Choctaw Indians	\$ 586,836
GodwinGroup	55,333
Total	<u>\$ 642,169</u>

Each cost that had insufficient documentation is discussed further below:

- Boys & Girls Club of the Mississippi Band of Choctaw Indians:** The MS Alliance of B&GC paid \$586,836 to the Boys & Girls Club of the Mississippi Band of Choctaw Indians on September 28, 2017 to “engage the Boys & Girls Club of the Mississippi Band of Choctaw Indians as a subgrantee of the Alliance with the in the [sic] Community Youth Career Development Centers (CYCDC) program.” The MS

<sup>180</sup> Best Buy order # BBY01-805565456273, dated September 10, 2018.

<sup>181</sup> Apple invoice # R3244371912, dated September 27, 2018.

<sup>182</sup> Subgrantee agreement 6012965/6013593/6012966, modification #2, signed August 3, 2018 had an effective date of July 26, 2018 and a grant period starting October 1, 2017 and ending September 30, 2018.

Alliance of B&GC had executed a subgrant agreement with the Boys & Girls Club of the Mississippi Band of Choctaw Indians for \$633,510 for the period January 1, 2017 to September 30, 2017.<sup>183</sup> The expenditure was missing the MS Alliance of B&GC Subgrantee Financial Report Form that is required to be submitted by the Boys & Girls Club of the Mississippi Band of Choctaw Indians certifying that the report is true and accurate, which is required by 2 CFR § 200.415(a). Additionally, the documentation provided was disorganized and insufficient to allow CLA to reconcile between the documents and the payment made. The documentation consisted of receipts, purchase orders, and purchase requisitions but no cover page or expense reimbursement request was included that reconciled to the amount requested for payment. Therefore, CLA determined this to be an unallowable cost.<sup>184</sup>

- **GodwinGroup:** The MS Alliance of B&GC paid \$55,333 to GodwinGroup on September 25, 2017 for marketing services. GodwinGroup created an action plan for the MS Alliance of B&GC on June 14, 2017 with goals to: “Educate community on the workforce development program available through the Boys and Girls Clubs of Mississippi. Increase awareness of Boys & Girls Clubs of Mississippi and the benefits of the club to the business/organizations’ community. Develop and enhance relationships with other entities with the same type of workforce emphasis.” The maximum budget in the action plan totaled \$51,000, which required the procurement to comply with the State of Mississippi Procurement Manual’s procedures for a competitive bidding process for purchases over \$50,000.<sup>185</sup> MS Alliance of B&GC did not provide proof of a competitive bidding process or a copy of the executed contract. In addition, Godwin Group’s invoice included line items that matched the action plan’s recommendations; however, it totaled \$55,333 and item descriptions included phrases that suggested the marketing benefitted TANF programs as well as other work of the MS Alliance of B&GC, such as “development of a bi-fold brochure describing the overall services that Boys & Girls Clubs of Mississippi offer.”<sup>186</sup> Last of all, the MS Alliance of B&GC did not provide any documentation of the deliverables to allow CLA to determine that services were performed and whether the services benefitted only the federal award or benefitted other services. All of these missing documents prevented CLA from making a determination regarding the allowability of the TANF expense; therefore, CLA determined this to be an unallowable cost.<sup>187</sup>

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<sup>183</sup> The Community Youth Career Development Centers Subgrant Agreement with the Boys & Girls Club of the Mississippi Band of Choctaw Indians for \$633,510 for the period January 1, 2017 to September 30, 2017 was issued under MDHS agreement # 6010967/6010968.

<sup>184</sup> 2 CFR § 200.415(a).

<sup>185</sup> State of Mississippi Procurement Manual, effective February 5, 2016, § 2.103.01.02 – Negotiated Contracts.

<sup>186</sup> GodwinGroup invoice # 081007, dated August 30, 2017.

<sup>187</sup> 2 CFR § 200.459(b).

## 8. Mississippi Community Education Center

Mississippi Community Education Center (MCEC) was an organization formed by Nancy New on June 22, 1992 in the State of Mississippi with Business ID #595204. Along with Family Resource Center (FRC), MCEC was one of two organizations for which the OSA Single Audit report for fiscal year 2019 communicated questioned costs. As mentioned in section II. *Background*, beginning on page 11, the OSA Single Audit report concluded that the former Executive Director circumvented internal controls in place by MDHS in regards to procurement, monitoring, and allowable cost controls in order to direct monies to certain subrecipients. Due to high risk of additional fraud, waste, and abuse, the OSA questioned the entire grant award amounts to subgrantees MCEC and FRC.

### a. *Scope Limitations*

CLA encountered numerous scope limitations in its attempts to conduct the forensic audit of MCEC TANF funding as requested by MDHS. This subsection communicates those limitations.

- On November 12, 2020, MDHS communicated via email with legal counsel for MCEC to advise that CLA had been contracted to conduct the forensic audit and to make an introduction to CLA, and CLA submitted its initial document request with a due date of November 27, 2020. Between November 24, 2020 and January 12, 2021, CLA had various communications with MCEC's attorneys, Mark Carroll and Luke Whitaker of Carroll Bufkin, PLLC (Carroll Bufkin). Carroll Bufkin requested additional time to provide the documents requested in CLA's initial request, and ultimately provided documents to CLA on December 11, 2020 and January 12, 2021. The communication from Carroll Bufkin on December 11, 2020, stated with respect to the chart of accounts, general ledger, and disbursement ledger provided "the detailed items in these three categories were input by Anne McGrew and appear to contain some posting errors." The communication from Carroll Bufkin on January 12, 2021 stated that they had provided to CLA everything that MCEC had in its files which may have been responsive to CLA's initial request.
- On February 5, 2021, CLA requested to schedule a meeting with MCEC's representatives. CLA understood from Carroll Bufkin's letter dated December 11, 2020 that items in the chart of accounts, general ledger, and disbursement ledger appeared to contain some posting errors. Therefore, CLA expressed the need to discuss this issue further and ask questions of MCEC representatives who were familiar with the financial activity. The intent was to gain clarity as to how the revenue and expenses related to TANF grants (and other grants issued by MDHS) were recorded, which bank account(s) were used to hold the grant funds, and other accounting-related questions. In addition, CLA had questions regarding the types of TANF programs/services that MCEC provided, the monitoring process undertaken by MDHS, and the types of reports and communications submitted to MDHS.

All other subgrantees had, by this point, either had a discussion with CLA or had scheduled a time for a meeting.

- On February 25, 2021, CLA received a response from Carroll Bufkin, which communicated that the personal attorneys for Zach New, Nancy New, and Ann McGrew, respectively, had declined CLA's written request for a telephonic meeting. On March 4, 2021, CLA sent a letter to Carroll Bufkin that included CLA's detailed questions and requests for additional documentation that included, but was not limited to, bank statements with copies of the cleared checks for bank account 1020-MDHS Operating [REDACTED] for the period of January 1, 2016 through January 31, 2020. Carroll Bufkin replied that he would pass the request to the respective attorneys.
- On March 15, 2021, Carroll Bufkin communicated that it would be best for CLA to directly contact the individual attorneys for Nancy New, Zach New, and Ann McGrew. CLA moved forward with contacting the respective attorneys.
- On March 25, 2021, Joe Holloman, attorney representing Ann McGrew, confirmed in writing that Ann McGrew would not be speaking to CLA or responding in writing to CLA's questions. Cynthia Speetjens, attorney representing Nancy New, never responded to the request and did not return CLA's voice messages.
- As of April 5, 2021, Tom Fortner, attorney representing Zach New, conveyed to CLA via email that Zach New was working on answering CLA's written questions. On April 20, 2021, CLA received from Carroll Bufkin a document with partial answers to the written questions CLA had submitted on March 4, 2021. On April 22, 2021, CLA communicated to Carroll Bufkin that there were many answers of which CLA required additional details and there were requested items that had not been provided, such as bank statements for January 1, 2016 to January 31, 2020.<sup>188</sup> One of the responses included in Zach New's written response stated, "MCEC disagrees with all of the MCEC-specific findings listed in the OSA report and welcomes the opportunity to discuss further any findings listed in the auditor's report." CLA again requested a meeting with Zach New. Between April 22, 2021 and May 14, 2021, CLA communicated with Carroll Bufkin on several instances and the last response received was that Carrol Bufkin had followed up with the personal attorneys for Nancy New and Zach New and had not received a response.

Throughout the engagement, CLA kept the Forensic Audit Committee, which included MDHS personnel, informed on the status of CLA's attempts to obtain documentation from MCEC and interview MCEC representatives. The status of CLA's requests of

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<sup>188</sup> Although the forensic audit period was from January 1, 2016 to December 31, 2019, the request for bank statements included through January 31, 2020 in order to identify checks issued in late 2019 that may not have cleared the bank until early 2020.



MCEC was discussed at each bi-weekly Forensic Audit Committee meeting and in the monthly written status reports. During the April 9, 2021 Forensic Audit Committee meeting, MDHS requested that CLA begin contacting MCEC's third tier subrecipients. CLA continued its attempts to obtain information and conduct an interview of MCEC's representatives, with the last attempt being on June 18, 2021. On July 16, 2021, it was decided with the Forensic Audit Committee that CLA would not further attempt to make direct contact with or obtain documentation from MCEC and would instead focus its efforts on obtaining information from MCEC's third tier subrecipients.

The documents available to CLA included only those documents obtained by the OSA Financial & Compliance Audit Division that were obtained through its 2019 Single Audit, documentation obtained from the MCEC third tier subrecipients that responded to CLA's requests, and partial documentation provided by MCEC through its attorney, Carrol Bufkin, PLLC.<sup>189</sup> It is CLA's understanding that additional records of MCEC were obtained by the OSA Investigative Division as part of its criminal investigation (e.g., QuickBooks backup of MCEC).<sup>190</sup> Through CLA's contact in the OSA Financial & Compliance Audit Division, CLA requested access to the MCEC records obtained by the OSA Investigative Division. However, CLA was informed that these records could not be provided due to the pending criminal litigation. Because CLA has not seen the records in the possession of the OSA Investigative Division, CLA cannot speak to the impact those records would have had on the forensic audit. Although these records may have provided additional insight into the transactions of MCEC, CLA would possibly still have a scope limitation due to the inability to interview any of the representatives of MCEC.

#### Effect of Scope Limitations

MCEC failed to sufficiently cooperate with CLA in this forensic audit. As a result, CLA was unable to complete the forensic audit of MCEC without access to the additional records requested and without the ability to speak with the representatives of MCEC.

CLA's analytical approach for analysis of subgrantees to select a sample for testing was not completed due to the failure of MCEC's representatives to sufficiently cooperate. During the May 7, 2021 status update meeting with the MDHS Forensic Audit Committee, CLA was asked to directly contact MCEC's third tier subrecipients in an attempt at determining whether the payments made by MCEC to third tier subrecipients may have been for an allowable TANF purpose. Using the general ledger that had been provided by Carroll Bufkin, CLA identified those payees that appeared

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<sup>189</sup> The documents provided to CLA by MCEC's attorney included a Microsoft Excel version of MCEC's general ledger, chart of accounts, disbursement ledger (which MCEC's attorney communicated to CLA appeared to contain some posting errors), listing of third tier subrecipients, high-level program summaries by year, and a listing of projects requested by MDHS.

<sup>190</sup> The OSA Investigative Division also obtained John Davis's computer hard drive, which was not provided to CLA.



to be subrecipients of MCEC (see section 8.c. *Process to Identify and Review Third Tier Subrecipients / Partners* for details about this process).

The fact that CLA did not receive sufficient cooperation from MCEC's representatives caused CLA's scope of work to be severely limited. This prompted CLA to conclude that all TANF funds disbursed to MCEC by MDHS during the forensic audit period are questioned and CLA would make a determination of allowability only for those payees that CLA was able to interview and obtain sufficient documentation. According to the MDHS disbursement ledger and MAGIC, MCEC received a total of \$54,562,758.67 in TANF funding from MDHS during the forensic audit period, as summarized in Table 61.<sup>191</sup>

**Table 61: MDHS TANF Grant Disbursements to MCEC**

MDHS Grant Number	Grant Description	Grant Start Date	Grant End Date	Total Disbursed by MDHS
6007655/6007656 <sup>192</sup>	2016 TANF	10/15/2015	9/30/2017	\$ 1,000,000.00
6009240/6009241	2015 TANF <sup>193</sup>	7/1/2016	9/30/2017	14,296,694.37
6010950/6010951	2016 TANF	10/1/2016	11/15/2017	1,000,000.00
6012989/6012990	2018 TANF	10/1/2017	9/30/2018	18,843,072.29
6014978/6014977	2019 TANF	9/27/2018	12/31/2020	19,422,992.01
Total				<u>\$ 54,562,758.67</u>

The scope of work for MCEC listed in their grant agreements with MDHS included providing "services for education and skills to improve the welfare of children and families" and its overarching goal was to "partner with community-based organizations, faith-based organizations, local/state agencies and communities to provide services in positive youth developments/abstinence education and family life skills education to the southern region of Mississippi. MCEC will seek to serve children 8-19 and families in the 36 counties of the southern region." Between 2015 and 2017, the grant scopes state that emphasis is placed on households living below 300% of the federal poverty level.

The scope of work was significantly modified for the 2018 and 2019 TANF grants that MCEC received, as it made no mention of emphasis being placed on households living below 300% of poverty level. The scope also stated that MCEC would "Provide a

<sup>191</sup> The general ledger of MCEC recorded TANF revenue of \$53,869,162.69, in total, including revenue posted as accrued revenue for funds not yet received from MDHS for the 2015 year. This is less than the disbursements recorded by MDHS by \$693,595.98. CLA used the total disbursements listed in the MDHS records as CLA has no confidence in the accuracy of MCEC's general ledger. Refer to the comment made by Carroll Bufkin advising that the general ledger may contain errors: "the detailed items in these three categories were input by Anne McGrew and appear to contain some posting errors."

<sup>192</sup> This TANF grant was effective October 1, 2015 and approximately \$162,834.81 of the total \$1,000,000 disbursed for this grant was disbursed to MCEC in 2015. CLA included the complete amount disbursed for the grant in this table.

<sup>193</sup> A 2015 TANF grant was awarded to MCEC effective July 1, 2016.

regional service model [and divide the state] into 2 regions (north and south).” The program’s objectives as identified in the 2018 and 2019 TANF grant scopes note the scope of work for MCEC was to increase employability of its “target population,” assist individuals seeking employment with identifying available jobs or career paths, provide high school diploma and credit recovery programs, provide programs that promote early childhood programs and youth literacy, provide services for positive youth development, introduce marketing plans to inform the public about “non-traditional academic option[s] and customized learning environments,” provide education to parents, coparents, and expected parents, and provide services, activities, and events for senior citizens.

**b. Summary of TANF Revenues and Expenses for Forensic Audit Period**

According to CLA’s review of the MCEC general ledger, it appeared that MCEC did have other sources of revenue; however, 74% of MCEC’s revenues were from TANF sources. Table 62 lists the amounts received and disbursed as it relates to TANF.<sup>194</sup>

**Table 62: Summary of MCEC TANF Revenue & Expense**

Description	2016	2017	2018	2019	Total
Revenues	\$12,330,122.56	\$11,417,784.78	\$15,271,489.99	\$14,849,765.36	\$ 53,869,162.69
Expenses	3,119,214.23	16,003,459.62	12,918,509.33	14,183,272.84	46,224,456.02
Revenue					
Less	\$9,210,908.33	\$(4,585,674.84)	\$ 2,352,980.66	\$666,492.52	\$ 7,644,706.67
Expenses					

Upon review of MDHS’ disbursement ledger for 2020, it appears that MCEC did not receive any disbursements from MDHS after the calendar year 2019.

**c. Process to Identify and Review Third Tier Subrecipients / Partners**

As noted above, CLA’s analysis of MCEC TANF disbursements was targeted at identifying the third tier subrecipients of TANF funding from MCEC. MCEC’s general ledger appeared to use the Class tracking feature, a QuickBooks feature that allows users to group expenses or invoices by location, department, or any other meaningful segment. MCEC utilized this feature in its accounting software to designate funds for specific purposes and appeared to utilize the ‘Class’ designation “Families First: Partners” to identify the individuals or entities that may have been third tier subrecipients. In addition to this, MCEC appears to have used the prefix “Partners-” in the ‘Name’ field of the general ledger to help identify third tier subrecipients (i.e., “Partners-XYZ Company, Inc.”). Using this methodology, CLA identified two lists of

<sup>194</sup> MDHS Disbursed an additional \$7,930,755.64 to MCEC as follows: \$1,043,095.78 from SNAP grant, \$3,484,591.92 from CCDF grant, \$3,000,000 from SSBG grant, and \$403,067.94 in other non-audited grants. In total, MDHS disbursed \$62,493,514.31 to MCEC. MCEC had revenue recorded in its GL from sources other than MDHS; however, approximately 84% of its revenues was from MDHS, and approximately 74% of its revenues were from MDHS TANF grants.

likely third tier subrecipients from those identified in the “Families First: Partners” class:

1. Those individuals/entities who had the “Partners-” prefix ahead of their name – these appeared to be the intended population of third tier subrecipients.
2. Those individuals/entities whose payments were allocated to the “Families First: Partners” class category but whose name did not include the prefix “Partners” before the entity/individual’s name – Based on documentation available for these payees, these appeared to be organizations and individuals that may have been a vendor rather than a third tier subrecipient.

CLA identified a total of 62 payees included in the “Families First: Partners” class. A listing of these 62 payees is included in Attachment 39.

CLA reviewed documents obtained from the OSA as well as information publicly available online to identify the contact information for these subrecipients, and submitted requests for information and documentation to include:

1. copies of any and all executed contracts with MCEC;
2. contract attachments such as a scope of work or project proposal;
3. general ledger information;
4. expenditure reports or reimbursement requests as applicable; and
5. any closeout reporting or monitoring documentation.

CLA also attempted to arrange interviews with the current management of each subrecipient. Only a limited number of payees engaged in communications with CLA. From those that engaged in communications with CLA, CLA was able to successfully retrieve files and conduct interviews and detailed analysis of 23 organizations. CLA also reached a determination regarding two additional subrecipient organizations. Therefore, utilizing this alternative approach, CLA reached a determination for 25 of the payees included within the “Families First: Partners” class. Total payments to these payees equaled \$13,926,093.75. CLA is able to make a determination only on these 25 payees. MDHS has discussed with CLA the possibility of providing a supplemental report to communicate results of analysis for the remaining payees included in the “Families First: Partners” class who have not yet responded to CLA, did not provide CLA with requested documentation, or did not have the ability to meet with CLA by the time of this report.<sup>195</sup> Table 63 lists those payees included in the “Families First: Partners” class who have not yet responded to CLA, did not

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<sup>195</sup> For example, at least one of the payees identified required that CLA communicate with them via mail instead of through electronic communications. CLA has not yet received a response from this payee.

provide CLA with requested documentation, or did not have the ability to meet with CLA by the time of this report.

**Table 63: MCEC Payees in the “Families First: Partners” Class - Not Discussed in Report**

No.	Name of Subrecipient	Contact Name	Interviewed	If No Interview, Date of Last Inquiry / Notes
1	ActivEd, Inc.	No primary contact	NO	August 10, 2021
2	Alphagraphics	No primary contact	NO	Not contacted/analyzed. Appears not to be a TANF subrecipient agreement due to small payment amount in "Partners" class (\$787.64).
3	American Heart Association	Lewis Kinard, Grants Coordinator	NO	Postmarked letter on July 15, 2021
4	Austin Garrett Smith	Austin Garrett Smith (Individual)	NO	Postmarked letter on August 12, 2021
5	Brian Bledsoe	Brian Bledsoe (Individual)	NO	Postmarked letter on August 12, 2021 - Received documentation on August 18, 2021
6	Canton Public School District	Gary Hannah, Superintendent	NO	Last attempt July 9, 2021
7	Elloris Cooper	Elloris Cooper (Individual)	NO	Not contacted/analyzed. Appears not to be a TANF subrecipient agreement due to small payment amount in "Partners" class (\$2,000).
8	Family Resource Center of North Miss	Christi Webb, Executive Director	NO	Contacted and analyzed separately (included in Family Resource Center analysis)
9	Favre Enterprises, Inc.	Bobby Culumber, Registered Agent	NO	Postmarked letter on August 12, 2021
10	Friendship Connection	Terri Miccou, CEO	NO	Last attempt June 16, 2021
11	Heart of David	Melanie DiBiase, CEO	NO	Contacted and analyzed separately (included in Heart of David analysis)
12	Jason Crabb Ministries LLC	Jason Crabb, Founder	NO	Last attempt July 9, 2021
13	MD Foundation	No primary contact	NO	Unable to locate reliable contact information
14	MDHS- Oakley	No primary contact	NO	Postmarked letter on 8/12/21
15	MSU Bulldog Sports Prop, LLC / Learfield	No primary contact	NO	Last Attempt June 16, 2021
16	Nancy New	Nancy New (Individual)	NO	Not contacted/analyzed. Appears unrelated to a TANF subrecipient agreement. Nancy New is the owner of MCEC
17	NCC Ventures/Nicholas Coughlin	Nicholas Coughlin	NO	June 21, 2021

No.	Name of Subrecipient	Contact Name	Interviewed	If No Interview, Date of Last Inquiry / Notes
18	NLR, Inc.	Richard Sutton, Principal	NO	Not contacted/analyzed. Appears unrelated to a TANF subrecipient agreement. Organization is owned by Nancy New
19	North Jackson Youth Baseball, Inc	No primary contact	NO	Last attempt June 4, 2021
20	P360 Performance Sports	Tommy Johnson, Founder	NO	Postmarked letter on August 12, 2021 - received response on August 17, 2021
21	Partner-Adams County Chancery Clerk	Mary Kay Doherty	Interviewed on 8/13/2021	Unable to obtain timely information to complete analysis
22	Partner-Hinds Co Bd of Sup-closed	Larry Christian, Grants Coordinator	NO	Last attempt August 6, 2021
23	Partner-Meridian Community College	Pam Harrison, CFO	Interviewed on 9/3/21	Unable to obtain timely information to complete analysis
24	Partner-M.O.R.E. (Ministry Opportunity Respect Excellence) MS Offender Reentry Exp	No primary contact	NO	Postmarked letter on August 12, 2021
25	Partner-Pearl River County Youth Court	No primary contact	NO	Unable to locate reliable contact information
26	Partner-Picayune School District	Lisa Persick, Director of Finance	Interviewed on 8/17/2021	Unable to obtain timely information to complete analysis
27	Partner-Priceless Ventures LLC	Theodore DiBiase Jr, Founder	NO	Last attempt July 9, 2021
28	Partner-Restoration Foundation	Michael Brown Jr, Founder	NO	Last attempt August 6, - Received documents on August 9, 2021
29	Partner-SCCAA-inactive	Sheletta Buckley, Executive Director	NO	Last attempt August 6, 2021
30	Partner-Weems-inactive	Lori Walton, CFO/COO	NO	Last attempt July 29, 2021
31	Partner-Wilmatkol-inactive	No primary contact	NO	Last attempt July 9, 2021
32	Priceless Ventures	Theodore DiBiase Jr, Founder	NO	Last attempt July 9, 2021
33	Through the Fire Ministries Jason Crabb	Jason Crabb, Founder	NO	Last attempt June 16, 2021
34	Transformational Ventures, LLC	No primary contact	NO	Postmarked letter on August 12, 2021
35	V and D Services, LLC	No primary contact	NO	Postmarked letter on August 12, 2021

**d. Results of Testing – Overview**

The 25 MCEC payees analyzed by CLA received, according to the MCEC disbursement ledger, \$13,926,093.75. The results of CLA's analysis determined \$1,372,685.98 in subrecipient payments were allowable, while \$708,792.40 were deemed as unallowable due to insufficient documentation, and \$11,484,429.28 were deemed as unallowable due to the purpose of the scope not being in alignment with a TANF purpose as described at 45 CFR § 260.20 – What is the Purpose of the TANF Program.

**Table 64: Results of Testing for 25 MCEC Payees from the “Families First: Partners” Class**

Results of Testing	Amount
Allowable (Includes Amounts in Table 65 and Allowable amounts from Table 66) <sup>196</sup>	\$ 1,732,872.07
Unallowable - Insufficient Documentation	708,792.40
Unallowable - Program Does Not Serve Only Financially Needy Families	26,666.64
Unallowable – Program Does Not Serve Only Needy Families	3,853,119.08
Unallowable – Does Not Comply with CFR	7,604,643.56
Total	<u>\$ 13,926,093.75</u>

**e. Results of Testing – Allowable Costs**

CLA determined that the expenditures of five organizations appeared to align with a TANF purpose and federal regulation, as well as the applicable State Plan and scope of work. These organizations, and the total payments to them, are summarized in Table 65 and discussed in brief detail below.

**Table 65: Allowable Subrecipient Payments**

Subrecipient	TANF Funding	Reference
Partner-JSD Foundation	\$ 1,112,077.23	[a]
Partner-Kids Hub	145,638.80	[b]
Partner-Tulane M.B. Church	63,694.20	[c]
Partner-Voice of Calvary Ministries	38,075.75	[d]
Pine Belt Foundation	13,200.00	[e]
Total	<u>\$ 1,372,685.98</u>	

**[a] JSD Foundation**

MCEC paid a total of \$1,122,077.23 to JSD Foundation (“JSD”) between January 1, 2017 and December 31, 2019. The purpose of these payments, according to the agreements executed, was to fund the expansion of JSD's programs and services. JSD's representatives communicated to CLA that they were not aware the funding was TANF; however, the children served are at-risk youth from the

<sup>196</sup> Total from Table 65 is \$1,372,685.98 and total from allowable amounts in Table 66 is \$360,186.09 (\$1,372,685.98+ \$360,186.09 = \$1,732,872.07)

Canton Public School District who are economically disadvantaged.<sup>197</sup> CLA received sufficient supporting documentation including self-evaluation reports on the program activities conducted. CLA conducted a brief internet search for the entities mentioned and confirmed the existence of the entities, their status as a not-for-profit organization, and their mission statement aligned with the contract's scope of services.

The structure of this program as a child mentoring and development initiative aligns with the 45 CFR § 260.20 (c) and (d). According to guidance published by the ACF, states can use TANF funds to help both needy and non-needy families with respect to these two TANF purposes.

According to the applicable 2018 State Plan, Section F, "TANF Funds may be used for the expansion of the Families First Resource Centers" and "to increase family stability, improve family access to resources and opportunities for assistance." The State Plan did not require eligibility assessment for this program. The work performed by JSD Foundation appeared to align with the executed contract between MCEC and the organization.

#### **[b] Kids Hub**

MCEC paid a total of \$145,638.80 to Kids Hub between October 1, 2016 and September 30, 2019. The purpose, as outlined in the executed agreement, was for funding a child advocacy center offering assistive services to children suffering from abuse of nearly any kind. In discussions with Kids Hub, CLA was informed that Kids Hub exclusively operates in areas that would be considered permissible to use TANF as they are "needy" areas. The scope of work focused on providing for the needs of children who were victims of abuse (sexual, physical, neglect, witness to violence/homicide, drug endangerment).

Because the emphasis was on serving the needs of children who were victims of abuse, it appears to align with the TANF purpose. Guidance issued by the ACF on October 20, 2014 via an Information Memoranda stated that all programs supported by ACF, including TANF, "have an important role in helping families struggling with domestic violence," which includes using TANF funds to "screen and identify victims; develop safety and services plans; provide appropriate counseling" and "develop appropriate staff training" for the benefit of the programs and services offered.

According to the applicable 2018 State Plan, Section F, "TANF Funds may be used for the expansion of the Families First Resource Centers..." and "to increase family stability, improve family access to resources and opportunities for assistance." The State Plan did not require eligibility assessment for this program.

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<sup>197</sup> The results of CLA's research showed that 100% of the Canton Public School District's students were qualified for free or reduced lunch, which is an indication of an economically disadvantaged population.

The work performed by Kids Hub appeared to have been reflective of the agreement executed with MCEC.

**[c] Tulane Mission Baptist Church**

MCEC paid a total of \$63,694.20 to Tulane Mission Baptist Church (“Tulane MB Church”) between January 1, 2018 and September 30, 2019. According to the executed agreement, the grant was for the purpose of hosting summer and after-school programs for school-age at-risk youth. The organization utilized retired educators to provide services for a K-6 summer enrichment program, after-school tutoring program for grades 1-5, and workshops for parents. Tulane MB Church was not aware the funds were TANF-related. The target population was in a community where the median household income is approximately \$19,682 for a family of four, while the poverty level for a family of four is \$24,600 based on 2017 Federal Poverty Guidelines.

The scope of work outlined by Tulane MB Church appears to align with TANF purpose, “Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies.”<sup>198</sup> This program would also be allowable under the 2016 and the 2018 State Plan’s Section F, “Expansion of Families First Resource Centers.”

CLA was not provided a contract for the period January 1, 2018 to September 30, 2018. However, based on the expense reimbursement requests provided during the period, as well as the fact that a subsequent agreement was provided, CLA determined that, although documentation was incomplete, what was provided was sufficient to discern that the payment appeared proper.

**[d] Voice of Calvary Ministries**

MCEC paid a total of \$38,075.75 to Voice of Calvary Ministries (“VOC Ministries”) between October 1, 2017 and September 30, 2018. According to the executed agreement, the funding was for the purpose of providing a full-time counselor at an MCEC site whose work was controlled by MCEC. The counselor VOC Ministries provided was a post-graduate student that was in the process of accruing the hours for professional licensure. Her work included individual counseling sessions that were court ordered or were walk-ins at the Families First location in Jackson. She also led weekly parenting classes and groups three days per week at a Families First location using curriculum developed by the Families First Resource Center, visited schools weekly with Healthy Teens for a better Mississippi, and led groups with members of a harbor house at Families First at the Madison Detention Center.

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<sup>198</sup> 45 CFR § 260.20(c).



The essence of the agreement and related scope appears to align with one or more of the TANF purposes, “Prevent and reduce the incidence of out-of-wedlock pregnancies” and “Encourage the formation and maintenance of two-parent families.”<sup>199</sup> This grant also appears to align with the 2016 State Plan Section F, which states, “TANF funds may be used for the expansion of the Families First Resource Centers.” The work performed by VOC Ministries appeared to align with its executed agreement with MCEC.

**[e] Greater Pine Belt Foundation**

MCEC paid a total of \$13,200 in a one-time advance payment to Greater Pine Belt Foundation between October 1, 2017 and September 30, 2019 to supplement the cost of a tutoring program offered through the “America Reads MS” project, for which Greater Pine Belt Foundation was already paying into with its own funds. The payment was classified by MCEC as a sponsorship which would ordinarily be an unallowable cost; however, based on discussions with Greater Pine Belt Foundation and a review of the related funding documents and invoices from America Reads MS, it appears the costs paid for align with TANF purpose, “Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies,” which does not require an assessment of financial eligibility prior to providing services.<sup>200</sup> This would also align with the State Plan Section E “TANF Prevention/Intervention Program.” The work performed by Greater Pine Belt Foundation appeared to align with the executed agreement between the foundation and MCEC.

**f. Results of Testing – Unallowable Costs**

CLA reviewed available documentation that was provided from the OSA and the documents provided by the subrecipients. CLA also conducted interviews with the subrecipients for the purpose of understanding the scope of work and the programs and/or services being offered.

The following entities provided CLA with sufficient documentation to reach a conclusion, and upon completion of interviews and analyses, the costs were deemed unallowable.

Of the twenty-five entities analyzed in full, 20 entities were deemed unallowable. The following sections summarize the 20 entities/individuals that CLA determined received unallowable payments, as well as the totality of payments to each between January 1, 2016 and December 31, 2019.

<sup>199</sup> 45 CFR § 260.20(c)-(d).

<sup>200</sup> 45 CFR § 260.20(c).

Specific reasons for deeming costs unallowable varied, but a recurring theme among most unallowable subrecipient payments related to improper economic eligibility assessment (or complete lack of assessment) of the intended beneficiaries of the services. In nearly all cases, the subrecipients were not aware that the funding was TANF-related and thus would not have been aware that eligibility assessments were required prior to providing programmatic services.

In more uncommon cases, costs were assessed by CLA as unallowed because the documentation available was not sufficient for CLA to discern the allowability of the costs incurred. These are addressed in detail, including the specific reasons for why the costs were deemed unallowable, in the following sections.

### **Unallowable Costs – Insufficient Documentation**

Table 66 summarizes the three subrecipients that were identified as missing at least one piece of critical information that would have enabled CLA to perform a complete analysis and reach a determination. In many cases, the subrecipients were missing information for only a specific period, in which case only a portion of costs were unallowable. In instances of insufficient information provided by the subrecipient, CLA was unable to confirm that the expenditure was for an allowable TANF purpose based on the Program Objectives (section I) of Part 4 of the TANF Cluster Compliance Supplement.

**Table 66: Summary of Unallowable - Insufficient Documentation**

Reference	Subrecipient	Allowable	Unallowable	Total
[a]	Partner-JCCAC	\$ 315,186.09	\$ 330,216.90	\$ 645,402.99
[b]	Partner-Phoenix Project	45,000.00	363,446.10	408,446.10
[c]	Partner-CCHY-inactive	0.00	15,129.40	15,129.40
Total		\$ 360,186.09	\$ 708,792.40	\$ 1,068,978.49

#### **[a] Jackson County Civic Action Committee**

MCEC paid a total of \$645,402.99 to Jackson County Civic Action Committee (“JCCAC”) between October 1, 2015 and September 30, 2019. CLA did not receive all agreements. JCCAC representatives communicated that the organization had agreements directly with MDHS dating back ten or more years before the grant with MCEC. The stated objectives listed in the scope of work include providing classes, workshops, presentations, outreach activities, support programs and peer mentoring programs with the goal of increasing awareness of positive youth development, improving academic productivity, promoting self-worth, and increasing awareness of at-risk behaviors.

The programs and services described in the scope of services appear to align with the TANF purpose “Prevent and reduce the incidence of out-of-wedlock pregnancies.” However, the payments made between October 1, 2015 and September 30, 2017, for which CLA did not have an available contract or sufficient supporting reimbursement requests, totaled \$330,216.90 and would be

considered unallowable due to insufficient supporting documentation according to the provisions of 2 CFR § 200.53(b).<sup>201</sup>

#### **[b] Phoenix Project**

MCEC paid a total of \$408,446.10 to Phoenix Project between October 1, 2016 and September 30, 2019. According to the project abstract, the organization targeted families and at-risk youth, offering numerous after-school tutoring sessions for school-age kids to enhance student success rates, and also offered parenting courses to non-custodian parents.

The scope of services for this program aligned with, and appeared necessary and reasonable for, TANF purposes, and appeared in alignment with the 2016 and 2018 State Plans. However, CLA was not provided with related contracts for payments totaling \$363,446.10 for two grant periods from October 1, 2016 to September 30, 2018 and was unable to obtain sufficient supporting documentation for reimbursements during that time. According to 2 CFR § 200.53(b), an improper payment includes any payment “where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.”

#### **[c] Community Christians Helping Youth**

MCEC paid a total of \$15,129.40 to Community Christians Helping Youth (“CCHY”) between October 1, 2018 and January 31, 2019 pursuant to a grant agreement effective October 1, 2018 through September 30, 2019. CLA was provided with a contract, but not a project proposal or scope of work, and the reimbursement reports only reported summary totals without any provided detail or backup that would assist CLA in determining the purpose for this grant. Therefore, CLA deemed the \$15,129.40 paid to CCHY to be unallowable. According to 2 CFR § 200.53(b), an improper payment includes any payment “where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.”

In discussions with CCHY, CLA was informed by CCHY that the organization did not receive the full payment that MCEC had recorded in their general ledger. According to the Executive Director, Roy Acker, the organization received only a single payment of \$12,478.90; however, CLA was unable to confirm the subrecipient’s assertion due to a lack of supporting information.

#### **Unallowable Costs – Unallowable Purpose**

The following 17 subrecipient organizations provided sufficient documentation and information to CLA for conducting its analysis and ultimately were deemed to be

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<sup>201</sup> 45 CFR § 260.20(c).

subrecipients that MCEC had issued payments to for unallowable purposes. These seventeen subrecipients and their total payments are summarized in Table 67.

**Table 67: MCEC Unallowed Subrecipient Costs – Unallowable Purpose**

Reference	Subrecipient	Total Payments from MCEC	Description
[a]	USM Athletic Foundation	\$ 5,000,000.00	Lease payment on idle facility – Does not comply with CFR
[b]	Cirlot Agency	2,094,060.43	Promotion and outreach – Not TANF specific
[c]	USM The University of Southern MS	1,156,272.10	College student externships – Does not serve needy families
[d]	Partner-Hinds Community College	848,453.10	Support students to obtain an education and credentials – Does not serve needy families
[e]	Partner-Delta State University	626,969.45	Student Athlete Support Services Program – Does not serve needy families
[f]	Partner-Belhaven University	364,606.76	Provide training and interpersonal skills courses to middle-skill laborers and new hires – Does not serve needy families
[g]	Partner-Pearl River Community College	254,289.90	Workforce training opportunities – Does not serve only needy families
[h]	Soul City Hospitality	200,000.00	Lease payment on idle facility – Does not comply with CFR
[i]	Partner-Jones County Junior College	195,822.62	Workforce training opportunities – Does not serve only needy families
[j]	Partner-Vicksburg Catholic School	186,683.13	Included inherently religious activities – Does not comply with CFR
[k]	Lobaki Foundation	160,000.00	Virtual reality laboratory; no eligibility assessments; support received from FRC for same contract identified participants that would not qualify as needy families
[l]	Partner-Gulf Coast Community Foundation	154,948.90	Program designed to combat childhood obesity – Does not serve needy families
[m]	Partner-MS Gulf Coast Comm College	91,656.25	Workforce training opportunities – Does not serve only needy families
[n]	Partner-Sonshine Leadership Foundation	69,000.00	Included faith-based initiatives and activities – Does not comply with CFR
[o]	Library Foundation of Madison	35,000.00	Sponsorship of a bookmobile – Does not comply with CFR
[p]	Partner-Micah's Mission	26,666.64	Serve K-12 students with and without disabilities – Does not serve only financially needy families
[q]	Children's Advocacy Centers of Mississippi	20,000.00	Sponsorship for exhibit booth at conference – Does not comply with CFR
Total		<u>\$11,484,429.28</u>	

**[a] University of Southern Mississippi Athletic Foundation**

MCEC paid a total of \$5,000,000 to the University of Southern Mississippi Athletic Foundation ("USM Foundation") between July 1, 2017 and October 31, 2017. According to the findings of the OSA, MCEC entered into a lease agreement with the university foundation and issued pre-payments on a multi-purpose wellness center on campus. CLA agrees with the OSA's finding that these payments do not align with any TANF purpose. Per the OSA's findings, this payment was treated as a donation; however, since the payments were issued three years prior to construction commencing, the costs paid are also prohibited under 2 CFR § 200.446 which disallows any costs spent on "idle facilities" from being allocated to a federal grant.

**[b] Cirlot Agency**

MCEC paid a total of \$2,094,060.43 to Cirlot Agency between December 2016 and December of 2019. Cirlot Agency executed two memoranda of understanding (MOU) with MCEC after discussions with the former MDHS Executive Director, John Davis. Per CLA's discussion with Rick Looser, the company's Chief Operating Officer, this was a contract for services, not a grant, and he was never asked or required to separate costs specific to promotion and outreach of TANF-related services from other outreach and marketing services being provided to MDHS. CLA confirmed that no mention of TANF was found in the MOUs.

While public outreach costs could be considered allowable to the extent the services relate to the funding provided according to 2 CFR § 200.459 Professional Service Costs, there was no way to trace TANF-specific funds to the efforts of Cirlot Agency and identify specifically how much of Cirlot's efforts were for the benefit of the TANF program and its recipients. Therefore, these costs are unallowable based on 2 CFR § 200.403(g), which states that costs must "be adequately documented" to be allowable.

These costs could have been allowed under the State Plan to the extent they benefited the TANF program directly and were properly tracked and allocated. The State Plan allows for funds to be used for the expansion of Families First Resource Centers; however, the costs still must be adequately separated from non-TANF efforts and initiatives and thus fails to qualify for allowability under the State Plan as well. Cirlot Agency communicated to CLA it was acting as a vendor, not a subrecipient, and thus was not contractually obligated by MCEC to follow the typical compliance requirements of TANF grant funding, including submitting detailed reports and supporting documentation to substantiate the organization's efforts for the benefit of TANF. It appeared that the work performed by Cirlot Agency was in alignment with its agreement with MCEC despite not being in alignment with a TANF purpose.

**[c] University of Southern Mississippi School of Psychology**

MCEC paid a total of \$1,156,272.10 to the University of Southern Mississippi School of Psychology ("USM School of Psychology") between October 1, 2017 and October 31, 2019. According to the findings of the OSA, this was a paid externship opportunity for students of USM School of Psychology to gain experience in the real-world environment with TANF funds paying or supplementing their paycheck during that time. The students that were given externships were sent to work at New Summit Schools ("NSS"), another organization owned by the founders of MCEC. This transaction was done without any arm's length bargaining and the scope of services were not directed to needy families, thus the full amount of \$1,156,272.10 would be unallowable.

**[d] Hinds Community College**

MCEC paid a total of \$848,453.10 to Hinds Community College between June 1, 2017 and September 30, 2019 for the purpose of supporting a workforce development program. Per the executed agreement, the purpose of the grant program is for "providing incentives for students to obtain the education and credentials that today's workers need to qualify for middle-skill jobs." The college entered into a grant agreement for \$1,100,749.87 but did not draw down the entirety of funds during that period. The organization was unaware that the funding was TANF-related.

The most closely aligned TANF purpose that would allow for such costs is 45 CFR § 260.20(b), "End dependence of needy parents on government benefits by promoting job preparation, work, and marriage." However, it was communicated to CLA that no income requirements were taken into consideration. No indication of detailed intake assessments was noted during CLA's analysis, which would be a necessity for approving the applicants for these types of services under TANF. Therefore, the entirety of payments to this subrecipient, totaling \$848,453.10, would be unallowable. These costs are also not allowable under the State Plan, which also requires eligibility assessments to be completed. However, because this was a passthrough from MCEC, it is possible that this was treated as an expansion of a Families First Resource Center, that according to the 2018 State Plan, waives eligibility requirements and allows for services to be provided free of charge. Despite not aligning with TANF, it appears that the work performed by Hinds Community College was in alignment with its agreement with MCEC.

**[e] Delta State University**

MCEC paid a total of \$626,969.45 to Delta State University between January 1, 2018 and December 31, 2019. Per the executed agreement, this was for the purpose of providing supplemental funding for the Student Athlete Support Services Program, which was operated by the university's Student Success Center. The university entered into two agreements with MCEC for a total of \$700,002 in approved funding (\$515,202 in 2018 and \$184,800 in 2019). Delta

State University communicated to CLA that even though these agreements were structured as contractor/vendor agreements, the university was still required to submit monthly invoices with a breakdown of costs submitted and their respective account/cost category the way a subgrantee would report costs. The university communicated that it was unaware the funds were TANF-related or that special compliance requirements were involved, and no specific language relating to TANF was identified in the contracts reviewed, nor was it present in the monthly invoices/reimbursement reports that were submitted by the school.

As this grant was specifically targeting student athletes it appears to have no correlation to a TANF purpose. Therefore, the entire \$626,969.45 in payments from MCEC to Delta State University are deemed unallowable per TANF as well as the State Plan. It appeared that the work performed by Delta State University aligned with its agreement with MCEC.

**[f] Belhaven University**

MCEC paid a total of \$364,606.76 to Belhaven University between October 1, 2018 and September 30, 2019. Per the executed agreement, this grant was for the purpose of providing training and interpersonal skills courses to middle-skill laborers that are already employed as well as new hires. The university was aware the funds were grant-related but was unaware the funds were TANF-related. Michael Jordan, the university's grant coordinator, stated that he knew John Davis from when he was an adjunct professor at the university, and he and Dr. Ralph Mason, the Dean of the School of Business, approached MDHS about funding.

Although the agreement listed an amount of \$250,000 for a period of 12 months from October 1, 2018 to September 30, 2019, MCEC paid Belhaven University a total of \$364,606.76 from the period of December 2018 to August 2019. CLA was not provided with any amended contract that increased the award amount. Detailed invoices were provided for the expenses incurred in connection with this program and it appeared that work was performed as described in the agreement.

The scope of services for this agreement is not aligned with a TANF purpose. Additionally, the scope of work is not aligned with the applicable State Plan, as it does not have any focus on needy parents or families. The full amount of \$364,606.76 in payments from MCEC to Belhaven University are deemed unallowable. Despite not aligning with TANF, it appeared that the work performed by Belhaven University was in alignment with its agreement with MCEC.

Due to John Davis's past connection with Belhaven University, CLA performed additional analysis for this subrecipient to explore whether any potential personal connection existed prior to the grant program. A review of John Davis's e-mail showed only generic meeting e-mails and ultimately did not indicate any



improper personal connection between Michael Jordan/Dr. Ralph Mason and John Davis.

#### **[g] Pearl River Community College**

MCEC paid a total of \$254,289.90 to Pearl River Community College (“Pearl River CC”) between April 1, 2018 and September 30, 2019. The executed agreement stated that the grant was for funding workforce development programs already in place at the college. Pearl River CC communicated to CLA that it was not aware the funding was TANF-related.

Workforce training opportunities consisted of GED coursework and an option between one of six certificate courses were offered, including:

1. Certified Nursing Assistant (CNA)
2. First Aid / CPR Training
3. Emergency Medical Technician (EMT)
4. Forklift Operator Certification
5. Clinical Medical Assistant
6. Welding Certification

The most closely aligned TANF purpose is “End dependence of needy parents on government benefits by promoting job preparation, work, and marriage,” which requires an assessment of eligibility before providing TANF services.<sup>202</sup> CLA reviewed intake forms which included mostly individuals with one or more children and were at or below poverty levels, but there were also individuals who did not list having any children or failed to enter a household income. Additionally, CLA noted no evidence that any of the information completed on this form was verified or that MCEC had required the college to undergo any verification process prior to providing services.

Although the scope of work appears to align with a TANF purpose, due to the absence of eligibility assessments to qualify the beneficiaries as “needy families” the entire \$254,289.90 paid by MCEC to Pearl River CC is deemed unallowable. Despite not aligning with TANF, it appeared that Pearl River CC performed its work in alignment with the agreement between the college and MCEC.

#### **[h] Soul City Hospitality**

MCEC disbursed a one-time payment of \$200,000 to Soul City Hospitality on February 22, 2019 for a one-year lease on a food distribution warehouse that was reportedly to be repurposed as a food donation facility. This agreement was structured as a lessee/lessor agreement and Soul City Hospitality was not aware the funds were from the TANF program. According to discussions with Soul City

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<sup>202</sup> 45 CFR § 260.20(b).



Hospitality's founder, Jeff Good, Soul City Hospitality was leasing the warehouse from the University of Mississippi Medical Center and had obtained their authorization to sublet it to MCEC. MCEC was supposed to perform additional improvements to the property before the primary work could commence; however, this never occurred. These costs would be unallowable under 2 CFR § 200.446, which prohibits "idle facility costs" from being allocated to a federal grant. Additionally, no exceptions were noted in the State Plan that would allow such costs to be allocated. Despite not aligning with TANF, it appeared that Soul City Hospitality acted in accordance with its contractual obligations as a lessor to MCEC.

**[i] Jones County Junior College**

MCEC paid a total of \$195,822.62 to Jones County Junior College ("Jones County JC") between April 1, 2018 and September 30, 2019. The executed agreement stated that the grant was for funding workforce development programs already in place at the college. Jones County JC communicated to CLA that it was not aware the funding was TANF-related. The scope of work for Jones County JC was the same as that of Pearl River CC discussed above. Like Pearl River CC, the disbursements made to this subrecipient are not aligned with a TANF purpose and, due to the absence of eligibility assessments to qualify the beneficiaries as "needy families," the entire \$195,822.62 paid by MCEC to Jones County JC is deemed unallowable. Despite not aligning with TANF, it appeared that Jones County JC performed its work in alignment with the agreement between the college and MCEC.

**[j] Vicksburg Catholic School**

MCEC paid a total of \$186,683.13 to Vicksburg Catholic School for a total of three grant terms. According to Vicksburg's project abstract, the school was seeking a grant to expand their ability to "strengthen students and families and to expand [their] impact on families and students beyond Vicksburg Catholic School" and "provide classes, presentations, workshops, and community service opportunities in the areas of youth development, workplace readiness, literacy and healthy living choices." The program focused on an initiative they called STREAM (Science, Technology, Religion, Engineering, Arts, and Math).

While most of the organization's efforts would appear to align with the TANF purpose, "Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies," the program designed for this grant involved a significant component of inherently religious activities, which are prohibited under 45 CFR § 260.34(c). 45 CFR § 260.34(c) states "No Federal TANF or State MOE funds provided directly to participating organizations may be expended for inherently religious activities, such as worship, religious instruction, or proselytization. If an organization conducts such activities, it must offer them separately, in time or location, from the programs or services for which it receives direct Federal TANF

or State MOE funds under this part, and participation must be voluntary for the beneficiaries of those programs or services.” If not for this significant integration of inherently religious activities into the grant program, the entirety of funds disbursed to Vicksburg Catholic School appear allowable. However, based on these circumstances, such costs would be unallowable per both federal TANF regulations as well as the state Plan. Despite not aligning with TANF, it appeared that Vicksburg Catholic School performed its work in alignment with the agreement between the college and MCEC.

#### **[k] Lobaki Foundation**

MCEC paid a total of \$160,000 to Lobaki Foundation in January 2019; this payment was supplemental to payments issued by FRC totaling \$635,000 pursuant to a joint agreement between Lobaki Foundation and MCEC/FRC for the design, construction, and operation of a virtual reality laboratory to be used in conjunction with workforce development initiatives, including training students in the use of virtual reality software and various automated design programs. Students were referred from MCEC. Lobaki Foundation was not involved in any eligibility assessments and it was unaware whether eligibility was assessed by MCEC prior to the referral.

While this laboratory and the classes offered could qualify for TANF under 45 CFR § 260.20(b), “End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage,” the absence of any eligibility assessments as required to qualify under this TANF purpose made all \$160,000 paid by MCEC to Lobaki Foundation unallowable.

Although this project fails to align with a TANF purpose due to lack of eligibility assessment, it appears to align with the 2018 State Plan Section F which states, “TANF Funds may be used for the expansion of the Families First Resource Centers...The Families First Resource Centers have strategically braided all available resources therefore eligibility requirements are waived for families and services are free of charge.” The work performed by Lobaki Foundation appeared to align with its contractual obligations to MCEC.

#### **[l] Mississippi Gulf Coast Community Foundation**

MCEC paid a total of \$154,948.90 to Mississippi Gulf Coast Community Foundation between October 1, 2017 and September 30, 2019. According to the scope of work and discussions with organization representatives, this youth program aimed at combatting childhood obesity. The initiative was titled the “Mississippi Gulf Coast Young Health Coalition” and was focused on at-risk individuals but offered its services to all members of the public who sought them.

The operation of a community health and nutrition program would not qualify for any TANF purposes and would also not align with any initiatives from the State Plan. Therefore, the entirety of the \$154,948.90 paid to Mississippi Gulf Coast

Community Foundation is unallowable. The work performed by Mississippi Gulf Coast Community Foundation appeared to align with its agreement with MCEC.

**[m] Mississippi Gulf Coast Community College**

MCEC paid a total of \$91,656.25 to Mississippi Gulf Coast Community College ("MS Gulf Coast CC") between April 1, 2018 and September 30, 2019. The executed agreement stated that the grant was for funding workforce development programs already in place at the college. MS Gulf Coast CC communicated to CLA that it was not aware the funding was TANF-related. The scope of work for MS Gulf Coast CC was the same as that of Pearl River CC. Like Pearl River CC, the disbursements made to this subrecipient are not aligned with a TANF purpose and, due to the absence of eligibility assessments to qualify the beneficiaries as "needy families," the entire \$91,656.25 paid by MCEC to MS Gulf Coast CC is deemed unallowable. Despite not aligning with TANF, it appeared that MS Gulf Coast CC performed its work in alignment with the agreement between the college and MCEC.

**[n] Sonshine Leadership Foundation**

MCEC paid a total of \$69,000 to Sonshine Leadership Foundation between October 1, 2018 and September 30, 2019. Per the executed agreement, the purpose was to fund public outreach efforts with the purpose of advertising the services that the Families First Resource Centers could offer and to help with establishing regional community networks that worked with mayors and municipalities to identify those areas or populations with the greatest need and direct available resources or funding to address the issue. The scope of work mentions that the efforts were focused on specifically developing coalitions within the faith-based community and involved prayer sessions, a prayer consultant, purchase of religious books for the prayer groups, and several other faith-based initiatives. The grant paid for multiple events and banquets aimed at accomplishing this goal, and CLA noted two other subrecipient organizations, Tulane MB Church and VOC Ministries, mentioned Charlie Smith, representative of Sonshine Leadership Foundation, as their initial point of contact for obtaining a grant from MCEC.

Public outreach activities would ordinarily be allowable under 2 CFR § 200.421(d)(3), which states allowable public relations costs are "Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed of matters of public concern such as notices of funding opportunities, financial matters, etc." However, CLA found this grant not in alignment with 45 CFR § 260.34, which states, "No Federal TANF or State MOE funds provided directly to participating organizations may be expended for inherently religious activities such as worship, religious instruction, or proselytization. If an organization conducts such activities, it must offer them separately, in time or location, from the programs or services for which it received

[funding] and participation must be voluntary for the beneficiaries of those programs and services.” Therefore, CLA determined that the entire \$69,000 MCEC paid to Sonshine Leadership Foundation is unallowable per both federal guidelines as well as the State Plan. Despite not aligning with TANF, it appeared that Sonshine Leadership Foundation performed its work in alignment with its agreement with MCEC.

**[o] Library Foundation of Madison**

MCEC paid a total of \$35,000 to the Library Foundation of Madison for sponsorship of a bookmobile for the library. 2 CFR § 200.434 states that contributions or donations are not an allowable cost. For this reason, the entirety of the \$35,000 paid by MCEC is deemed unallowable. Additionally, no exceptions were noted in the State Plan that would allow such costs to be allocated for any statewide initiatives.

Library Foundation of Madison did not have an agreement with MCEC as the costs were intended as a donation/sponsorship. Representatives of the library indicated to CLA that they were not aware the funding received from MCEC was TANF until they learned the funding had been questioned in the OSA Single Audit report. They communicated that, at that time, they attempted to contact the state with the intent of returning the funding they had received. However, they did not receive guidance on how to return the funds. They requested that CLA communicate their desire to return the funds. CLA referred this information to the Forensic Audit Committee during a bi-weekly meeting on June 13, 2021.

**[p] Micah’s Mission**

MCEC paid a total of \$26,666.64 to Micah’s Mission between August 1, 2018 and July 31, 2019, pursuant to a joint agreement between MCEC and FRC which set forth a total grant award of \$150,000. The executed agreement states the grant was for Micah’s Mission to serve K-12 students with and without disabilities.

The scope of work of Micah’s Mission does not appear to align with a TANF purpose. ACF guidance mentions that a state’s vocational rehabilitation agency or similar provider may provide assessment, evaluation, assistive technology and equipment, and vocational rehabilitation services to needy individuals who have a physical or mental disability but would not otherwise receive services. The guidance communicates that the individuals must be needy; however, CLA reviewed a sample of intake forms from the program and noted that assessments were not being performed or were not being performed properly. Some intake forms listed the appropriate information, whereas others listed income levels that were above 300% of Federal Poverty Level and would not be eligible for services as per TANF requirements. Micah’s Mission was tested by the OSA and based on their findings of conflict of interest and lack of arm’s-length bargaining, deemed the payments as unallowable.

The 2018 State Plan, section “c” on page 249, states that the Families First Resource centers to “encourage the formation and maintenance of two parent families and reduce out-of-wedlock pregnancies the centers will... support the needs of families with children with disabilities.” Based on this State Plan language, it appears that the scope of Micah’s Mission aligns with the 2018 State Plan to the extent the children served had disabilities. Additionally, based on documentation reviewed by CLA, it appears that the work being performed by Micah’s Mission was in alignment with its agreement with MCEC.

**[q] Children’s Advocacy Center of Mississippi**

MCEC paid a total of \$20,000 to Children’s Advocacy Center of Mississippi. According to documents provided by the organization, the payments issued by MCEC were for sponsoring the organization’s attendance and exhibit booth at a conference. \$10,000 was paid in 2017 and another \$10,000 in 2018. The organization communicated to CLA that it was unaware the funds from MCEC were related to any federal program and had restrictions concerning the use of the funds. Costs for donation or sponsorship are unallowable per 2 CFR § 200.434. Therefore, the payments to Children’s Advocacy Center of Mississippi would not be allowable under either TANF guidelines or any provisions from the State Plan. Based on a review of documents provided by the organization, it appeared that the conference sponsorship was in fact used to register for the “One Loud Voice” conference and was in alignment with MCEC’s intended use of the funds.

**g. Summary of MCEC Assessment by CLA**

MCEC failed to sufficiently cooperate with CLA in this forensic audit.<sup>203</sup> As a result, CLA was unable to complete the forensic audit of MCEC without access to the additional records requested and without the ability to speak with the representatives of MCEC.

CLA’s approach to analyze subgrantees to select a sample for testing was not completed due to the failure of MCEC’s representatives to sufficiently cooperate. CLA made multiple attempts to contact the remaining payees listed within the class “Families First: Partners” using contact information listed on the executed agreements CLA obtained from the OSA, as well as any other information that was available for CLA’s review. However, CLA was unable to establish contact and obtain timely information and documentation from thirty-seven individuals/entities. As

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<sup>203</sup> The extent of cooperation by MCEC was very limited. Documents were provided in response to CLA’s initial document request, that included a Microsoft Excel version of MCEC’s general ledger, chart of accounts, disbursement ledger (which MCEC’s attorney communicated to CLA appeared to contain some posting errors), listing of third tier subrecipients, high-level program summaries by year, and a listing of projects requested by MDHS. A written response was provided to specific written questions CLA provided to MCEC’s attorney, as the MCEC representatives declined an interview with CLA. After receiving the written response, CLA made further requests to interview MCEC representatives and for additional documentation. These requests were not fulfilled.

noted in section 8.a. – *Scope Limitations* beginning on page 131, CLA was asked to perform alternative procedures that included contacting the third tier subrecipients of MCEC due to the organization’s unwillingness to cooperate with CLA’s requests.

In the absence of the requested information that would enable CLA to properly determine whether costs were in alignment with a TANF purpose, CLA has designated all remaining funds as questioned. Out of the \$54,562,758.67 disbursed from MDHS to MCEC, CLA was able to determine that a total of \$1,732,872.07 appears allowable as per TANF requirements, \$708,792.40 was deemed unallowable based on insufficient documentation, \$11,484,429.28 was deemed unallowable for failure of the scope of work to align with a TANF purpose and/or federal regulation, and the remaining \$40,636,664.92 remains questioned due to insufficient cooperation on the part of MCEC’s representatives. Table 68 provides a summary.

**Table 68: CLA’s Assessment of MCEC TANF Grant Expenditures**

<b>CLA's Assessment of MCEC TANF Grant Expenditures</b>	<b>Amount</b>
Allowable	\$ 1,732,872.07
Unallowable - Insufficient Documentation	708,792.40
Unallowable - Not Aligned with TANF Purpose/Federal Requirement	11,484,429.28
Questioned costs due to inability of CLA to assess due to insufficient cooperation by MCEC	40,636,664.92
<b>Total</b>	<b>\$ 54,562,758.67</b>

## 9. Mississippi State University

Mississippi State University (“MSU”) was awarded two TANF grants for \$910,101 (TANF 17 and TANF 19), totaling \$1,820,202 received during the forensic audit period.<sup>204</sup> The term of the TANF 17 grant was October 1, 2017 to September 30, 2018. The term of the TANF 19 grant was October 1, 2018 to September 30, 2019.

The scope of work per the grant agreements with MDHS was to:

- (1) Provide a comprehensive transition program for students with intellectual disabilities (ACCESS);
- (2) Provide educational access and opportunities through support, resources, advocacy, collaboration, and academic accommodations for students with disabilities (Disability Support Services);
- (3) Provide ADAA accommodations for university students with disabilities; and
- (4) Provide comprehensive psychological, behavioral, social-emotional, and academic assessment and intervention services rooted in applied behavioral analysis to children, adolescents, emerging adults, and their families through the Autism and Developmental Disabilities Clinic.

Based on the specific support services outlined in the grant agreements, the services provided were for college students, presumably attending MSU.

One specific program, with a budgeted cost of \$18,000, was a summer camp hosted on the campus focused on awareness for individuals with intellectual disabilities. The proposed summer camp was 3 days and 2 nights and was open to students at the completion of eighth grade. The costs were to cover housing, meals, travel for families, and activities, transportation, and supplies for up to 10 participants.<sup>205</sup>

### ***a. Summary of TANF Revenues and Expenses for Forensic Audit Period***

Table 69 summarizes MSU’s TANF revenues and expenses for fiscal years 2017 to 2020 based on the general ledger data provided.

<sup>204</sup> A third TANF grant (TANF 20) for \$1,136,307 was awarded outside of the forensic audit period covered by CLA.

<sup>205</sup> CLA was unable to determine whether this event occurred based on the general ledger data provide by MSU.



**Table 69: Summary of MSU TANF Revenues and Expenses**

Description	2017	2018	2019	2020 <sup>206</sup>	Total
Revenue	\$ 63,414.41	\$ 907,324.04	\$ 705,279.25	\$ (16,212.14)	\$1,659,805.56
Expenses	(164,468.64)	(917,795.03)	(609,966.17)	-	(1,692,229.84)
Revenue Less Expenses	\$(101,054.23)	\$ (10,470.99)	\$ 95,313.08	\$ (16,212.14)	\$ (32,424.28)

The costs allocated by MSU to the TANF program exceeded the costs reimbursed by MDHS.

**b. Sample Selection Process**

CLA performed analytical procedures on the financial data similar to what was performed for other subgrantees. Per the general ledger detail provided, expenses included primarily salaries, fringe benefits, and tuition. Per discussions with MSU representatives, the tuition costs included student tuition scholarships and tuition for the graduate assistants that worked in the program.

CLA selected tuition transactions for testing. According to discussion with MSU, the tuition scholarships were for students of the ACCESS program (comprehensive transition program for students with intellectual disabilities). The description of these costs in the budget narrative was to “secure funding for Mississippi families who cannot afford tuition and fees associated with the program in addition to federal financial aid and assistance through Mississippi Department of Vocational Rehabilitation, families will need to secure \$15,000 annually on a recurring basis to cover the program cost.” The budget included 10 scholarships at \$15,000 each totaling \$150,000.<sup>207</sup> The specific attributes that CLA tested for each transaction in the sample was based on the type of transaction (e.g., contract; subsidies, loans, and grants) and can be found at Attachments 13 through 18.

**c. Results of Testing - Overview**

CLA has determined that the full \$1,659,805.56 distributed to MSU by MDHS was unallowable according to the statutory purpose of TANF and the State Plans, as discussed further below.

**d. Results of Testing – Unallowable Costs**

The following section summarizes the unallowable costs for MSU based on the type of finding that resulted in the unallowable cost.

<sup>206</sup> Fiscal year 2020 included the financial activity up until December 31, 2019 – the end of the forensic audit period. TANF 20 had a beginning date after December 31, 2019.

<sup>207</sup> Also included in the budget narrative was tuition for 15 graduate students at \$10,752 each. According to MSU, the cost of tuition was covered for graduate students working in this program and was considered a form of compensation. CLA did not select these tuition costs for testing.



**Unallowable Costs – Program Does Not Serve Only Needy Families**

Based on the scope of work in the grant agreements, the services provided were for college students with intellectual disabilities. As discussed in section VII. *Determining Allowability Under TANF*, programs and services are limited to “financially needy famil[ies] that consists of, at a minimum, a minor child living with a parent or other caretaker relative.” The minor child must be less than 19 years old if a full-time student in a secondary school. There is no indication in the scope of work, or provided during CLA’s interview with MSU, that services were limited to qualifying families.

Additionally, per CLA’s interview with representatives of MSU, they were unaware of any financial eligibility requirements in the agreement with MDHS, although they claimed that family need and capacity to pay for services was considered. As discussed in section VII. *Determining Allowability Under TANF*, programs and services for families with children with disabilities are still required to assess financial need of the families and should still meet the definition of a family with a dependent child under 19 years old.

The 2014 and 2016 State Plans included the Families First Resource Centers program, which included supporting “the needs of families with children with disabilities”; however, these two State Plans required financial eligibility. The 2018 State Plan, which was effective beginning July 1, 2018, waived financial eligibility for families served through the Families First Resource Centers. Although program services provided by MSU after July 1, 2018 were provided after the financial eligibility component was waived, MSU was not operating a Families First Resource Center; therefore, it is questionable whether this waiver would apply to MSU. Additionally, there is no language in any of the three State Plans that allows services to be provided to individuals or families that do not meet the definition of “family” under 45 CFR § 260.20. Intervention programs described by the State Plans are geared toward “youth” or “teens” and reducing or preventing behaviors that prevent the attainment of a high school diploma or GED (e.g., TANF Prevention/Intervention Program).

Although the scope of the program services provided by MSU did not meet the requirements of TANF, based on the analysis, interview, and testing performed, the program services provided by MSU complied with the scope of work per their grant agreement with MDHS.

## 10. Moore Community House, Inc.

Moore Community House, Inc. ("MCH") was awarded three TANF grants totaling \$1,357,941.48 during the forensic audit period.

The scope of work per the grant agreements with MDHS was to provide "job training and job placement for women into higher paying jobs and work support services to remove significant barriers" within the construction industry. The program focused on "recruitment, training, employment, and retention" to address three major challenges in the state: "an intractably low workforce participation rate; a significant middle skills gap between what employers need and what skills MS employees currently have; and the lack of affordable child care as a major barrier to employment."

### a. Summary of TANF Revenues and Expenses for Forensic Audit Period

Table 70 summarizes MCH's TANF revenues and expenses for fiscal years 2017 to 2019 based on the general ledger data provided.

**Table 70: Summary of MCH TANF Revenues and Expenses**

Description	2017	2018	2019	Total
Revenue	\$ 232,941.48	\$ 584,222.88	\$ 400,000.00	\$1,217,164.36
Expenses	(235,672.61)	(578,099.71)	(399,187.13)	(1,212,959.45)
Revenue Less Expenses	\$ (2,731.13)	\$ 6,123.17	\$ 812.87	\$ 4,204.91

Total TANF revenues disbursed by MDHS to MCH were less than the approved grant amounts; however, expenses that could be substantiated in the general ledger were less than the amount disbursed by MDHS by \$4,204.91. There is no evidence that MCH refunded this amount to MDHS.

### b. Sample Selection Process

CLA performed analytical procedures on the financial data similar to what was performed for other subgrantees. Per the general ledger detail provided, expenses included childcare support, stipends and student support for women attaining a certification in a construction specialization, salaries and related expenses, classroom and program supplies, professional fees, and various other operating costs.<sup>208</sup>

CLA selected samples for testing childcare support and professional fees. The specific attributes that CLA tested for each transaction in the sample was based on the type of transaction (e.g., contract; subsidies, loans, and grants) and can be found at Attachments 13 through 18.

<sup>208</sup> Childcare support and stipends for women attaining certification were the largest expenses.

**c. Results of Testing - Overview**

Table 71 included below summarizes the total costs determined to be allowable and unallowable based on the sample tested.

**Table 71: Summary of Allowable and Unallowable Costs**

Description	Allowable	Unallowable – Insufficient Documentation	Unallowable – Does Not Serve Needy Families	Unallowable – Overpayment to Vendor	Total
Amount	\$ 269,846.09	\$ 4,204.91	\$ 140,105.86	\$ 288.00	\$ 414,444.86

**d. Results of Testing – Unallowable Costs**

Based on the testing performed, unallowable costs were identified due to the eligibility requirements in place for the stipend and program supplies to support working women, an overpayment to a vendor, and unsupported reimbursed costs.

**Unallowable Costs – Insufficient Documentation**

Based on the general ledger detail provided by MCH, the TANF related expenses were \$4,204.91 less than the amount reimbursed by MDHS. This amount is considered unsupported and, therefore, unallowable.

**Unallowable Costs – Program Does Not Serve Only Needy Families**

As stated above, the objective of the program operated by MCH was to provide training and support for women attaining employment in the construction field. According to the interview with representatives of MCH, the program targeted low-income women wanting to increase their income, including battered women and women currently receiving assistance through other programs. The program provided support for women with children (i.e., families) as well as women without children. According to MCH, approximately 32% of women served did not have children. As part of the sample selected, CLA tested payments made to external trainers, which included the intake forms for the women that participated in the sessions. Of the 47 participants, 17 did not have dependent children (36%).

As discussed in section VII. *Determining Allowability Under TANF*, programs and services related to promoting job preparation and work, including training services, must be provided to needy families.

The costs associated with providing training and other support services to women without children would not be allowable under TANF. To determine the amount unallowable, CLA identified from the general ledger the costs related to training and other support services, which included: stipends and student support of \$329,449.18, classroom and program supplies of \$42,666.42, and professional fees (e.g., external trainers) of \$17,067.35, which totaled \$389,182.95. Thirty-six percent of these costs, \$140,105.86, were determined to be unallowable.

**Unallowable Costs – Overpayment to Vendor****Unallowable Costs: \$288.00**

One transaction selected for testing was a payment to Mechanical Integrity Technologies (MCH) for training on radiation safety. MCH made an advance payment for five participants; however, there were only four participants in the class. MCH indicated that they are due a refund from the vendor of \$450.00 for the one less participant.

CLA has included in the unallowable costs only \$288.00 as 36% of the total payment to this vendor was already included as unallowable in the category above (not serving only needy families). Therefore, the remaining 64% of the cost for the one less participant is included here as unallowable.

## 11. The University of Southern Mississippi

The University of Southern Mississippi ("USM") was awarded one TANF grant for \$1,275,000 (TANF 18) during the forensic audit period. The term of the grant was December 1, 2017 to September 30, 2018.

The scope of work per the grant agreement with MDHS was to "deliver a comprehensive Healthy Choices Program in order to 1) increase the likelihood USM Student-Athletes will graduate from their degree program and successfully transition to life after graduation by becoming prepared for employment; self-sufficient, responsible for their future success through the execution of healthy choices, and able to form stable, healthy family relationships; and 2) increase the likelihood selected students from Hattiesburg Public School District (HPSD) High School will exhibit healthy lifestyle choices; graduate from their secondary degree program; transition to post-secondary education or employment; and form stable, healthy family relationships."

The specific programs outlined in the grant agreement included:

- Deliver a comprehensive Leadership Development Academy to identify, develop, challenge, and support 20 to 25 USM student athletes and a similar number of HPSD High School students and coaches;
- Develop a Comprehensive Life Skills program to serve all USM student athletes;
- Develop a Comprehensive Career Development program to serve all USM student athletes;
- Develop a Comprehensive Healthy Choices program to serve all USM student athletes;
- Develop an Academic Enhancement Program to serve all USM student athletes and HPSD students;
- Develop a broad-reaching, community service and outreach program; and
- Implement an evaluation plan to be used to measure the success of the Student Development Program.

### a. *Summary of TANF Revenues and Expenses for Forensic Audit Period*

Table 72 summarizes USM's TANF revenues and expenses for 2018 based on the general ledger data provided.

**Table 72: Summary of USM TANF Revenues and Expenses**

Description	2018	Total
Revenue	\$ 838,473.33	\$ 838,473.33
Expenses	(838,473.33)	(838,473.33)
Revenue Less Expenses	\$ -	\$ -

**b. Sample Selection Process**

CLA performed analytical procedures on the financial data similar to what was performed for other subgrantees. Per the general ledger detail provided, expenses included primarily salaries, fringe benefits, scholarships, and departmental expenses.<sup>209</sup> Per discussions with USM representatives, this program did not exist prior to receiving the grant from MDHS; therefore, an office was created to serve the purpose of the grant, and all items purchased were used solely for this grant. There were no third tier subrecipients awarded by USM.<sup>210</sup>

CLA selected for testing transactions related to travel, equipment, professional fees, and other operating expenses. The specific attributes that CLA tested for each transaction in the sample was based on the type of transaction (e.g., contract; subsidies, loans, and grants) and can be found at Attachments 13 through 18.

**c. Results of Testing - Overview**

CLA has determined that the full \$838,473.33 distributed to USM by MDHS was unallowable according to the statutory purpose of TANF and the State Plans, as discussed further below.

**d. Results of Testing – Unallowable Costs**

The following section summarizes the unallowable costs for USM based on the type of finding that resulted in the unallowable cost.

**Unallowable Costs – Program Does Not Serve Only Needy Families**

Based on the scope of work in the grant agreements, the services provided were primarily for student athletes entering or attending USM. As discussed in section VII. *Determining Allowability Under TANF*, programs and services are limited to “financially needy famil[ies] that consists of, at a minimum, a minor child living with a parent or other caretaker relative.” The minor child must be less than 19 years old if a full-time student in a secondary school. There is no indication in the scope of work, or provided during CLA’s interview with USM, that services were limited to qualifying families or that the student athletes participating in the program met the definition of “family” or “minor child” as defined by CFR. Therefore, this scope of work appears to be unallowable under the statutes of TANF.

There is no language in the 2016 or 2018 State Plans that allows services to be provided to individuals or families that do not meet the definition of family with

<sup>209</sup> Scholarships were included in the budget narrative under the Subsidies, Loans, and Grants category. This included tuition costs for five graduate assistants (\$55,528) and 35 student athletes (\$227,500).

<sup>210</sup> The budget narrative attached to the grant agreement listed costs under the Subsidies, Loans, and Grants category for room and board costs on the USM campus for 36 HPSD and 35 USM students.

children. Additionally, intervention programs described by the State Plans are geared toward “youth” or “teens” and reducing or preventing behaviors that prevent the attainment of a high school diploma or GED (e.g., TANF Prevention/Intervention Program).

Although the scope of the program services provided by USM did not meet the requirements of TANF, based on the analysis, interview, and testing performed, the program services provided by USM complied with the scope of work per their grant agreement with MDHS.

## 12. Procedural Deficiencies Related to Subgrantees

Through the testing performed for the 28 TANF subgrantees of MDHS, CLA tested various attributes related to procedural processes followed both by MDHS and the subgrantees. For example, CLA determined whether there was evidence that the TANF grant awards issued by MDHS to the subgrantees went through a competitive process. Likewise, if a subgrantee issued a TANF grant to a third tier subrecipient, CLA requested documentation from the subgrantee to determine whether it awarded the third tier subrecipient through a competitive process. The procedures tested are listed in Attachments 05, 12, and 13 through 18.

Based on the results of testing, CLA found various procedural and documentation deficiencies, which are documented in Attachment 02. Some of the most pervasive deficiencies included, but were not limited, to:

- Subgrantee did not follow the procurement process outlined by the State of Mississippi Procurement Manual, requiring a competitive bidding process.<sup>211</sup>
- MDHS Subgrant Signature Sheet was signed and executed after the beginning date of the award period.
- Subgrantee did not sign the MDHS Standard Assurances and Certifications form.
- Subgrantee did not provide MDHS with an Subgrantee Audit Information form MDHS-DPI-002.
- Subgrantee did not segregate TANF revenues and expenses from other activity in the general ledger.
- Subgrantee miscategorized submitted expenses in comparison to the budget categories outlined in the Budget Summary.

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<sup>211</sup> 2 CFR § 200.318(a) General Procurement Standards state, “The non-Federal entity must have and use documented procurement procedures, consistent with state, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward.” 2 CFR § 200.320(c) - Noncompetitive Procurement, provides for specific circumstances in which noncompetitive procurement can be used: (1) The acquisition of property or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold, (2) The item is available only from a single source, (3) The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation, (4) The Federal awarding agency or pass-through entity expressly authorizes a noncompetitive procurement in response to a written request from the non-Federal entity, or (5) After solicitation of a number of sources, competition is determined inadequate. When one of these circumstances applied to the item tested, it was documented and not considered an exception in CLA’s testing. Only those transactions that did not follow the competitive procurement process and did not meet one of these circumstances would be considered a procedural deficiency.



- Subgrantee did not provide a copy of the signed and executed contract with its vendor.
- Subgrantee did not require third tier subrecipients to sign and comply with the MDHS Subgrant Agreement Manual.
- MDHS did not obtain expense documentation that supported the subgrantee's reimbursement claim form.
- MDHS did not document evidence that monitoring activities were performed.
- MDHS did not complete the closeout process within the required 45-day period.
- MDHS did not retain the closeout document.

These deficiencies did not elevate each sampled transaction to the level of an unallowable cost according to 2 CFR § 200. However, in totality these deficiencies represented systematic breakdowns in the established processes and procedures.

## X. Conclusion

Through the testing performed for MDHS TANF disbursements, CLA identified costs that were determined to be allowable and unallowable due to various factors. Table 73 includes a summary of the total allowable, unallowable, and questioned costs based on the testing performed for MDHS and the 28 subgrantees during the forensic audit period (January 2016 through December 2019).

**Table 73: Summary of Allowable, Unallowable, and Questioned Costs**

Description	MDHS	Subgrantees	Total
Allowable	\$ 15,318,958	\$ 22,574,084	\$ 37,893,042
Allowable - Needs Allocation	6,800,796	4,874,478	11,675,274
<i>Subtotal of Allowable Costs</i>	<i>22,119,754</i>	<i>27,448,562</i>	<i>49,568,316</i>
Unallowable - Insufficient Documentation	1,024,733	5,693,187	6,717,920
Unallowable - Program Does Not Serve Only Financially Needy Families	5,441,558	865,590	6,307,148
Unallowable - Program Does Not Serve Only Needy Families	-	8,447,237	8,447,237
Unallowable - Does Not Comply with CFR	1,782,414	12,868,177	14,650,591
<i>Subtotal of Unallowable Costs</i>	<i>8,248,705</i>	<i>27,874,191</i>	<i>36,122,896</i>
Questioned Costs	-	40,656,865	40,656,865
Total	\$ 30,368,459	\$ 95,979,618	\$ 126,348,077

For costs categorized as “Allowable,” the cost included sufficient supporting documentation and CLA was able to confirm a direct correlation to TANF based on the documentation provided or the cost could reasonably be calculated to accomplish a purpose of TANF. Costs identified as “Allowable – Needs Allocation” includes costs with sufficient supporting documentation; however, a portion of the cost was deemed to benefit other programs or activities and could not be fully allocated to TANF. Therefore, the cost should have been allocated between TANF and other programs through a documented cost allocation method.

Unallowable costs include four categories. Costs for which underlying supporting documentation could not be provided, or for which the nature of the expense could not be determined, were categorized as “Unallowable – Insufficient Documentation.” Program costs that were not directed to needy families or did not assess financial need were also determined to be unallowable. Costs included in the category “Unallowable – Program Does Not Serve Only Financially Needy Families” includes programs that serve families but do not assess financial need. Costs included in the category “Unallowable – Program Does Not Serve Only Needy Families” include programs that provide services to individuals that do not qualify as a “family” or “youth” under the TANF guidelines. Lastly, costs incurred that are specifically unallowable under CFR (e.g., sponsorships) are included in the category “Unallowable – Does Not Comply with CFR.”

Questioned costs include those for which CLA did not obtain the necessary documentation from an MDHS subgrantee in order to reach a conclusion on the costs.

Unless otherwise specified within the detailed results sections of this report, the subgrantees and third tier subrecipients performed the services according to the terms of the agreements executed with the awarding agency. For costs categorized as “Unallowable – Program Does

Not Serve Only Financially Needy Families” and “Unallowable – Program Does Not Serve Only Needy Families,” CLA did not identify any costs that deviated from the approved scope of work. Any costs that did not comply with the approved scope of work are included in the “Unallowable – Does Not Comply with CFR”; however, this was limited to only \$79,406.05 identified through CLA’s testing.

As part of this engagement, and as specifically requested by MDHS, CLA gained an understanding of the internal control processes during the forensic audit period (January 2016 through December 2019) and for the current period (January 2020 through June 2021). During the forensic audit period, CLA identified procedural deficiencies that contributed to the unallowable costs identified. Through the interviews of MDHS employees conducted by CLA, various process improvements were communicated to CLA. CLA performed additional testing in the current period to determine the extent to which current internal controls were in place and identify areas for recommendations. The results related to the internal control assessment and testing are communicated in the report *TANF Forensic Audit: Internal Controls Assessment*.

CLA thanks MDHS and its staff for their assistance and cooperation during the forensic audit process. CLA thanks the Mississippi Office of the State Auditor for their assistance serving as a third party to the contract between CLA and MDHS. CLA additionally thanks William (Bill) Root who was retained by MDHS to serve as the engagement liaison to facilitate the working relationship between CLA and MDHS during the forensic audit period.

**XI. List of Attachments**

<b>Attachment Number</b>	<b>Description</b>
01	List of MDHS TANF Subgrantees
02	Schedule of Procedural Deficiencies
03	List of individuals interview by CLA or that CLA communicated with throughout the engagement
04	Expanded List of Parties of Interest
05	Testing Attributes - MDHS Payments Made to Subgrantees
06	Testing Attributes - MDHS Subsidies, Loans, and Grants Testing
07	Testing Attributes - MDHS Services (Contracts) Testing
08	Testing Attributes - MDHS Salary Disbursements Testing
09	Testing Attributes - MDHS Travel Disbursements Testing (Direct Bill)
10	Testing Attributes - MDHS Travel Disbursements Testing (Employee Reimbursements)
11	Testing Attributes - MDHS Equipment and Commodities Testing
12	Testing Attributes - TANF Subgrantees - Review of Financial Records
13	Subgrantee Disbursement Testing Attributes - Contractual
14	Subgrantee Disbursement Testing Attributes - Subsidies, Loans, and Grants
15	Subgrantee Disbursement Testing Attributes - Other Expenses
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19	Matrix of TANF Initiatives/Programs and Eligibility Requirements Per MDHS State Plans
20	MDHS Travel Testing Results - Allowable [a] - Employee Reimbursement Transactions
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22	MDHS Travel Testing Results - Allowable [b] - Needs Allocation - Employee Reimbursement Transactions
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28	MDHS Travel Testing Results - Allowable [e] - Needs Allocation - Direct Bill Transactions
29	MDHS Travel Testing Results - Unallowable [f] - Missing Receipts - Employee Reimbursement Transactions
30	MDHS Travel Testing Results - Unallowable [f] - Missing Receipts - Direct Bill Transactions
31	MDHS Travel Testing Results - Unallowable [g] - Not MDHS Employee - Direct Bill Transactions

<b>Attachment Number</b>	<b>Description</b>
32	MDHS Travel Testing Results - Unallowable [h] - Insufficient Information - Direct Bill Transactions
33	MDHS Travel Testing Results - Unallowable [i] - Non-TANF - Expense Reimbursement Transactions
34	MDHS Travel Testing Results - Unallowable [i] - Non-TANF - Direct Bill Transactions
35	Family Resource Center of Northeast Mississippi - Supporting Documentation Requested by CLA
36	Family Resource Center of Northeast Mississippi - Employee Salaries Tested
37	Family Resource Center of Northeast Mississippi - Detail of Payees for Allowable Costs - Needs Allocation
38	Family Resource Center of Northeast Mississippi - Detail of Unallowable Costs - Does Not Comply with CFR
39	Mississippi Community Education Center - List of 62 Payees in "Families First: Partners" Class

**XII. List of Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
01	Contract between MDHS and CliftonLarsonAllen LLP Effective on November 2, 2020 (Includes Two Contract Modifications for Time Extensions)
02	MDHS RFI No. 3150002847 Issued April 30, 2020
03	"Helping Families Achieve Self-Sufficiency: A Guide on Funding Services for Children and Families through the TANF Program"
04	TANF "Q&A: Use of Funds" published by Department of Health & Human Services
05	2014 Mississippi State Plan - Temporary Assistance for Needy Families - Effective October 1, 2014
06	WIOA Combined State Plan - Effective July 1, 2016 (Includes Only TANF-Related Excerpts)
07	WIOA State Plan for the State of Mississippi FY-2018 - Effective July 1, 2018 (Includes Only TANF-Related Excerpts)
08	Letter from Administration for Children & Families to MDHS dated August 26, 2016 regarding WIOA Combined State Plan Effective July 1, 2016

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