



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
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STATE AUDITOR

July 18, 2023

Single Audit Management Report

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

Dear Mr. Anderson:

Enclosed for your review is the single audit findings for the Mississippi Department of Human Services for Fiscal Year 2022. In these findings, the Auditor's Office recommends the Mississippi Department of Human Services:

Single Audit Findings:

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

Please review the recommendations and submit a plan to implement them by July 28, 2023. The enclosed findings contain more information about our recommendations.

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Angela Mire".

Angela Mire, CPA
Director, Financial and Compliance Audit Division
Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Department of Human Services for the year ended June 30, 2022.

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

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Department of Human Services' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi Department of Human Services for the year ended June 30, 2022.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Mississippi's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mississippi Department of Human Services' compliance with the requirements of each major federal program as a whole.

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

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

- Obtain an understanding of Mississippi Department of Human Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Mississippi Department of Human Services' internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items **2022-019, 2022-018, and 2022-017**.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2022-019, 2022-018, and 2022-017** to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Findings and Recommendations

REPORTING

Material Weakness

Material Noncompliance

2022-019 Strengthen Controls to Ensure Compliance with the Federal Funding Accountability and Transparency Act (FFATA) Reporting Requirements

ALN Number 93.558 Temporary Assistance for Needy Families (TANF)
 93.667 Social Services Block Grant (SSBG)
 93.568 Low Income Home Energy Assistance (LIHEAP)
 10.542 and 10.649 Pandemic EBT Benefits
 93.596 and 93.575 Child Care Development Fund (CCDF)

Federal Award No.	G2201MSTANF	G2201MSCCDM	G2201MSLIEA
	G2201MSCCDD	G2201MSSOSR	225MS410S9007

Federal Agency Department of Health and Human Services

Pass-through Entity N/A

Questioned Costs N/A

Criteria Per the *Code of Federal Regulations (2 cfr 170.200)*, “(a) federal awarding agencies are required to publicly report Federal awards that equal or exceed the micro-purchase threshold and publish the required information on a public-facing, OMB-designated, government wide website and follow Uniform Guidance to support Transparency Act implementation. (b) Federal awarding agencies that obtain post-award data on subaward obligations outside of this policy should take the necessary steps to ensure that their recipients are not required, due to the combination of agency-specific and Transparency Act reporting requirements, to submit the same or similar data multiple times during a given reporting period.”

The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) specifies that a satisfactory control environment is only effective when control activities exist. This includes but is not limited to the entity determining which laws and regulations apply to the entity and setting objectives that incorporate these requirements.

Condition When performing testwork related to Federal Funding Accountability and Transparency Act (FFATA) Reporting as of June 30, 2022, the auditor noted that the Mississippi Department of Human Services (MDHS) did not perform reporting over FFATA for Temporary Assistance for Needy Families (TANF), Child Care Development Fund (CCDF), Low Income Energy Assistance Program (LIHEAP), and Pandemic EBT as required by the *Code of Federal Regulations (2 cfr 170.200)*.

Cause	MDHS staff failed to follow grant regulations requiring FFATA reporting.
Effect	Failure to report any applicable awards and subawards resulted in MDHS being in noncompliance with federal reporting requirements and could result in a misstatement of federal expenditures to the federal awarding agency.
Recommendation	We recommend the Mississippi Department of Human Services strengthen controls to ensure compliance with the Federal Funding Accountability and Transparency Act (FFATA) Reporting.
Repeat Finding	Yes, 2021-010.
Statistically Valid	No.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2022-017	<u>Strengthen Controls over On-Site Monitoring for the Low Income Home Energy Assistance Program (LIHEAP).</u>	
ALN Number	93.568 Low Income Home Energy Assistance (LIHEAP)	
Federal Award No.	G2001MSLIE4 2001MSE5C3	G2101MSLIEAR
Federal Agency	Department of Health and Human Services	
Pass-through Entity	N/A	
Questioned Costs	None	
Criteria	<p>The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the U.S. Department of Health and Human Services require MDHS to administer grants in compliance with the <i>Code of Federal Regulations (2 cfr Part 200)</i>. The <i>Code of Federal Regulations (2 cfr Part 200.331)</i> designates MDHS as a pass through entity to properly identify subgrant requirements to subrecipients, evaluate the risk of noncompliance for each subrecipient, and monitor the activities of subrecipients as necessary to ensure that subgrants are used for authorized purposes, complies with the terms and conditions of the subgrants and achieves performance goals.</p> <p>The auditor evaluated the Mississippi Department of Human Services' (MDHS's) compliance with subrecipient monitoring requirements based on written policies and procedures designed by MDHS's Office of Compliance – Division of Monitoring (DM) to satisfy during-the-award monitoring requirements. DM procedures require: an on-site monitoring review of each subrecipient contract at least once during the subgrant period. Monitoring tools/checklists are used during each on-site monitoring review to provide</p>	

guidance and to document a review was performed. The on-site monitoring workpapers are reviewed and approved by DM supervisory personnel prior to issuance of a written report, the Initial Report of Findings & Recommendations, which is used for communicating finding(s) and/or questioned costs to subrecipients. The written report should be issued within 60 days from the date of the exit conference, which is normally held on the last day of the on-site review. Additionally, if the initial report identifies any administrative findings or questioned costs, a response to the findings is required to be submitted by the subrecipient to DM within thirty (30) working days from the date the report was issued.

Additionally, *The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Manual* specifies that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that: the agency perform appropriate multi-level reviews over the monitoring process and the agency ensures timely communication from the subgrantees and timely resolution of findings in order to prevent; detect; and deter fraud, waste, and abuse or the misuse of federal funds.

Condition	<p>When performing testwork over subrecipient on-site monitoring for 123 subgrant contracts during state fiscal year 2021, we noted the following exceptions:</p> <ul style="list-style-type: none">• Four instances, or 3 percent, in which the Supervisor's Checklist was not included for Subrecipient on the FY 2021 Monitoring Reviews Smartsheet; therefore, auditor could not verify Supervisory Review of the Monitoring process.• Two instances, 2 percent, in which Initial Report was not issued within 60 working days of the exit conference.• One instance, or 1 percent, in which the Division of Monitoring did not receive a response from a subrecipient in regards to the Initial Finding Letter, or the response was not received within 30 days of the receipt of the Initial Findings Letter.• Three instances, or 2 percent, in which auditor could not verify clearance or resolution of monitoring findings.
Cause	<p>Staff were either unaware or did not follow identified policies and procedures for monitoring requirements.</p>
Effect	<p>MDHS programmatic funding divisions rely upon DM monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients in an effective manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.</p>
Recommendation	<p>We recommend the Mississippi Department of Human Services' Office of Compliance – Division of Monitoring (DM) strengthen controls over subrecipient monitoring. We also recommend the agency ensure subgrants are monitored timely and that the "Report of Findings & Recommendations" prepared as a result of the on-site monitoring be issued in a timely manner to enable immediate corrective action procedures to be initiated. Additionally, we</p>

recommend that the agency maintain all supporting monitoring tools, reports, and correspondence in the monitoring file.

Repeat Finding Yes, 2021-013; 2020-030 in 2020; 2019-042 in 2019; 2018-046 in 2018; 2017-037.

Statistically Valid No.

Material Weakness

Material Noncompliance

2022-018 Strengthen Controls over Subrecipient Monitoring to Ensure Compliance with Uniform Guidance Auditing Requirements.

ALN Number 93.558 Temporary Assistance for Needy Families (TANF)
93.575, 93.596 Child Care Development Fund (CCDF)

Federal Award No. G2001MSTANF
G2001MSCCDF

Federal Agency Department of Health and Human Services

Pass-through Entity N/A

Questioned Costs None

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

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

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

Condition When performing testwork related to OMB Single Audit Monitoring as of June 30, 2022, the auditor noted two instances in which the Mississippi Department of

Human Services (MDHS) did not ascertain whether Single Audit Requirements were being met by subgrantees.

Cause	Failure to properly monitor subrecipients could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in fraud, waste, and abuse within the agency.
Effect	Staff were either unaware or did not follow identified policies and procedures for monitoring requirements.
Recommendation	We recommend the Mississippi Department of Human Services' Office of Compliance - Division of Monitoring (DM) strengthen controls over subrecipient monitoring for Uniform Guidance audits to ensure recipients expending \$750,000 or more in Federal funds during their fiscal year are meeting Uniform Guidance Audit requirements.
Repeat Finding	Yes, 2021-014; 2020-031 in 2020; 2019-043 in 2019; 2018-047 in 2018; 2017-038 in 2017; 2016-028 in 2016; 2015-009 in 2015; and 2014-016 in 2014.
Statistically Valid	No.

End of Report