

DEPARTMENT OF SOCIAL SERVICES

PRIOR AUDIT FINDING

Federal Compliance Audit Finding:

Finding No. 08000200801:

Internal controls were not adequate over the post-payment review of claims.

CFDA Title: Medical Assistance Program

CFDA Number: 93.778

Federal Award Number: 05-0805SD5028

Federal Award Year: 2008

Federal Agency: Department of Health and Human Services

Type of Finding: Significant Deficiency

Category of Finding: Special Tests and Provisions

Auditee's Corrective Action Plan:

Recommendations were implemented.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Federal Compliance Audit Finding:

Finding No. 08000200901:

Internal controls at the Department of Social Services, Division of Adult Services and Aging (ASA), were ineffective over several areas of the Adult Day Services program, including federal reporting, matching, and subrecipient monitoring.

CFDA Title: Aging Cluster

CFDA Numbers: 93.044, 93.045, and 93.053

Federal Award Numbers: 06AASDT3SP, 07AASDT3SP, and 08AASDT3SP

Federal Award Years: 2006, 2007, and 2008

Federal Agency: Department of Health and Human Services

Type of Finding: Significant Deficiency

Categories of Finding: Federal Reporting, Matching, and Subrecipient Monitoring

Analysis:

Federal Reporting

2 CFR 215.52 (a) (1) (i) states that

“Each Federal awarding agency shall require recipients to use the SF-269 or SF-269A to report the status of funds for all nonconstruction projects or programs.”

DEPARTMENT OF SOCIAL SERVICES
(Continued)

ASA tracks quarterly costs, match, etc. on a spreadsheet that is submitted to the DSS Division of Accounting and Financial Reporting to be included on the SF-269, Financial Status Report, and AoA Supplemental Form. ASA was unable to provide support for the Adult Day Services amounts reported for the Sept. 30, 2008 quarter. We attempted to recalculate these amounts using monthly reports obtained from ASA provider files, but we were unable to reproduce the same amounts reported on the SF-269. ASA was also unable to determine how the amounts were calculated. We were unable to verify the accuracy or the propriety of the amounts reported. ASA did not retain documentation for the amounts used on the report and could not reproduce the amounts reported.

Matching

45 CFR 1321.47 states:

“The statewide non-Federal share for State or area plan administration shall not be less than 25 percent of the funds used under this part. All services statewide, including ombudsman services and services funded under Title III-B, C, D, E and F, shall be funded on a statewide basis with a non-Federal share of not less than 15 percent. Matching requirements for individual area agencies are determined by the State agency.”

We were unable to verify whether local match rates were being met because of the lack of supporting documentation. The local match rate is calculated based on annual estimates of costs incurred in providing Adult Day Services. Annual cost reports submitted by Adult Day Service providers are used to determine local match rates. Annual cost reports were not used or even received by ASA in FY2009 for the Adult Day Services program. Monthly reports were received by ASA, but we were unable to rely on the information contained in the reports because supporting documentation was not retained by ASA. DSS does not have adequate controls in place to track local match.

Subrecipient Monitoring

DSS is also in violation of the Administrative Rules of South Dakota because DSS is not requiring the Adult Day Service providers to submit year-end reports.

ARSD 67:40:03:02 states:

“Grantees must submit the following reports on forms provided by the department:

- (1) A project report to be submitted monthly;
- (2) A monthly statistical report to be submitted by the fifth working day of the following month;
- (3) A year-end report to be submitted no more than 60 days after the expiration or termination of the grant.”

The annual report is also an integral segment of subrecipient monitoring procedures. These reports should provide ASA with information regarding facility management, clients served, costs, donations, policies, program evaluations, etc.

Section .400 (d) (3) of the OMB Circular A-133 states that the pass-through entity shall:

“Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws,

DEPARTMENT OF SOCIAL SERVICES
(Continued)

regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.”

Furthermore, ARSD 67:40:13:01 states:

“The department shall conduct on-site assessments to evaluate the grantee’s performance in the following areas:

- (1) Progress toward achieving program objectives;
- (2) Adequacy of program records and reports; and
- (3) Conformance with this article.”

ARSD 67:40:13:02 states:

“Unless the grantee is otherwise informed, the department shall conduct one on-site assessment annually.”

Internal controls were not adequate over the on-site review process. There was no tracking system in place to ensure that on-site reviews were being performed annually as required by the Administrative Rules of South Dakota. During the course of our audit, we noted that some facilities had not had an on-site review performed for several years. Formal reviews were not performed and documented while Department personnel were on-site.

RECOMMENDATIONS:

1. We recommend that internal controls be strengthened in the areas of federal financial reporting, matching requirements, and subrecipient monitoring.
2. We further recommend that internal controls be implemented to ensure that on-site assessments are performed regularly at the adult day care centers.

Auditee’s Corrective Action Plan:

In addition to the individual program reports, the DSS utilizes a number of sources to complete the SF-269, including expenditure data. While there was a minor error found in one element of the source data, the DSS does have documentation to support that the 25% matching requirement. In addition to the local match provided by the projects, additional match is provided by DSS to support the 25% total matching requirement. While the individual program may have lacked some documentation of local match, the accounting system reflects transactions which also need to be included when determining the total matching requirement and support for the SF-269. Improvements have been made to the reporting and validation process to include a second level verification of the monthly reports.

Subrecipient monitoring is an important component of overall program quality and performance. While DSS recognizes that ARSD 67:40:03:02 requires a year end report, the DSS agreed to utilize the twelve monthly reports submitted during the year in lieu of the year-end report so the project would not be required to restate the same information previously provided. DSS will modify its administrative rule to reflect this change.

DEPARTMENT OF SOCIAL SERVICES
(Continued)

Monitoring can be performed both on and offsite. DSS reviews individual project reports monthly as one monitoring tool and on site visits were performed. While the results of agency on site visits were not documented in report form, communications between DSS and project staff occur regularly. DSS is implementing a formal on site assessment and tracking mechanisms have been established to ensure notification is sent if an on-site review will not be conducted.

State Audit Finding:

Finding No. 08000200902:

The Carryover and Reallotment Report for LIHEAP was submitted without requesting a carryover of funds.

Analysis:

The Department of Social Services (DSS), Office of Energy Assistance, did not properly request a carryover of funds for the Federal Fiscal Year 2008 Low Income Home Energy Assistance Program (LIHEAP) Grant.

45 CFR 96.81 (b) states:

Each grantee must submit a report to the Department by August 1 of each year, containing the information in paragraphs (b)(1) through (b)(4) of this section. The Department shall make no payment to a grantee for a fiscal year unless the grantee has complied with this paragraph with respect to the prior fiscal year.

- (1) The amount of funds that the grantee requests to hold available for obligation in the next (following) fiscal year, not to exceed 10 percent of the funds payable to the grantee;
- (2) A statement of the reasons that this amount to remain available will not be used in the fiscal year for which it was allotted;
- (3) A description of the types of assistance to be provided with the amount held available; and
- (4) The amount of funds, if any, to be subject to reallotment.

DSS submitted the Carryover and Reallotment Report for FFY2008 to the Department of Health and Human Services prior to August 1st, 2008. DSS, however, did not request any funds to be carried over for obligation in the following fiscal year.

The maximum amount of funds that could be carried over to FFY2009 was ten percent of the FFY2008 Grant Award or \$1,320, 535. It appeared to be the Department's intention to carryover and spend these funds in the next fiscal year. The unobligated balance of FFY2008 Grant Award at 9/30/08 was \$895,783.31, which should have been reported as the carryover amount on the Carryover and Reallotment Report for FFY2008.

As a result, DSS faced an increased risk of loss of federal funding.

DEPARTMENT OF SOCIAL SERVICES
(Continued)

RECOMMENDATION:

3. We recommend that internal controls be strengthened over the completion of the LIHEAP Carryover and Reallotment Report.

Auditee's Corrective Action Plan:

The DSS works closely with the U.S. Department of Health and Human Services (HHS) program representatives to complete the Carryover and Reallotment Report for LIHEAP. DSS understood certain administrative expenses constituted an obligation and noted the funds as obligated. In discussions with HHS, they clarified how these expenses should be reported and requested an adjusted report. In discussions with HHS (see excerpt below) they indicated that there was no risk of a compliance issue or loss of federal funds as DSS was within the 10% carryover limit.

We do not view an incorrect LIHEAP Carryover Reallotment Report as a compliance issue. There is no evidence of fraudulent use of LIHEAP funds. SD carried over less than 10% and obligated the funds prior to September 30, 2009. However, SD must submit a signed, revised FY08 Carryover and Reallotment Report to me, Sharon Williams, as soon as possible.