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**DEPARTMENT OF HEALTH & HUMAN SERVICES**  
Administration for Children and Families  
Office of Community Services

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## **Community Services Block Grant**

### **MISSOURI STATE ASSESSMENT**

#### ***Monitoring Report***

# **FINAL**

**June 4 – 8, 2018**

# **State of Missouri Community Services Block Grant**

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## **I. Executive Summary**

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### **BACKGROUND**

The Community Services Block Grant (CSBG) provides assistance to states and local communities working through a network of Community Action Agencies (CAAs) and other neighborhood-based organizations for the reduction of poverty – hereinafter referred to as eligible entities, the revitalization of low-income communities, and the empowerment of low-income families and individuals to become fully self-sufficient. CSBG-funded activities create, coordinate, and deliver a broad array of services to low-income Americans. The grant’s purpose is to fund initiatives to change conditions that perpetuate poverty, especially unemployment, inadequate housing, poor nutrition, and lack of educational opportunity.

The Governor of Missouri designated the Missouri Department of Social Services (DSS) as the appropriate lead agency for the administration of CSBG. The State of Missouri’s CSBG award provides funding, technical assistance, and support to CSBG projects for nineteen (19) eligible entities. Together the agencies provide an array of services within the State of Missouri to address local area needs. Services may include housing, energy assistance, nutrition, employment and training, as well as transportation, family development, childcare, health care, emergency food and shelter, domestic violence prevention services, money management, and micro-business development.

The information contained in this report was compiled during a State Assessment (SA) of the State of Missouri CSBG and its eligible entities as evaluated by federal staff of the Division of Community Assistance (DCA) in the Office of Community Services (OCS). OCS office is within the Administration for Children and Families (ACF), U.S. Department of Health and Human Services (HHS).

### **STATE ASSESSMENT AUTHORITY**

SA’s are conducted to examine the implementation, performance, compliance, and outcomes of a state’s CSBG and to certify that the state is adhering to the provisions set forth in Title II – Community Services, of the Coats Human Services Reauthorization Act, Public Law 105-285 (Section 678B(c)). As per the CSBG statute, the SA examines the state and its eligible entities assurances of program, fiscal and governance operations, as well as the state’s oversight procedures for its eligible entities.

### **SCOPE OF REVIEW**

OCS Federal staff conducted the on-site review of the Missouri CSBG and its eligible entities from June 4, 2018 through June 8, 2018. The scope grant period under review includes the 2016 Fiscal Year (FY).

## **METHODOLOGY**

OCS reviewed documented procedures and practices for administrative, fiscal, and program operations and interviewed the Family Support Division (within DSS) officials responsible for administering CSBG.

OCS reviewers:

- Evaluated compliance of state-level assurances, administrative, fiscal, program, and governance requirements.
- Evaluated the state's monitoring procedures and practices to determine eligible entities compliance with the state-level assurances.

## **II. State of Missouri State Assessment Findings and Recommendation**

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OCS identified areas for improvement in Missouri's CSBG fiscal and program operations.

### **FISCAL OPERATIONS**

Section 678D and 45 C.F.R. § 96.30(a) require states to maintain fiscal control and accounting procedures. Except where otherwise required by federal law or regulation, a state shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to; (a) permit preparation of reports required by the statute, and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

#### **Finding 1 – Failure to Provide Adequate Documentation of CSBG Expenditures**

Prior to the OCS auditor's fieldwork, OCS requested basic financial information for the FY 2016 CSBG Award. Specifically, OCS requested a detailed general ledger for the 2016 award. The requested general ledger would have provided OCS with the financial information about CSBG which was available for obligation in the two federal fiscal years from 10/1/2015 until 9/30/2017.

OCS was provided a link to a document file that resided on a server controlled by the State of Missouri. OCS downloaded a copy of the document file and requested additional support for financial transactions identified within the document. While OCS staff was on-site the DSS staff reported that most of the transactions that were selected for sampling by OCS did not exist in their version of the document file.

During OCS fieldwork, DSS provided additional data files, however the data presented did not agree to the amount of the CSBG award authorized and drawn from the HHS Payment Management System by the state. In addition, OCS found the state's financial reporting did not agree to the Federal Financial Reports (FFRs, form SF-425) and was unable to determine the completeness of the data reported. Accordingly, OCS was unable to rely on the financial information reported and unable to verify the quality of the data or reconcile to the federal government's Payment Management System (PMS). OCS auditors discontinued the efforts to review the costs charged to CSBG.

#### **REQUIRED ACTION 1:**

The state must submit a Corrective Action Plan (CAP) that includes arranging for an independent and objective review of the costs charged to the 2016 CSBG award. Should the state wish to use the services of the state auditor for the purposes of this review, OCS will consider the state auditor to be an independent/objective party. This review of the grant-level activities billed to the 2016 CSBG award should, at a minimum, include the following:

- The review should be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), including an opinion.
- The scope may be limited to CSBG activity charged to the 2016 CSBG award.

- The review should include a review of the reconciliation between the state accounting systems, PMS, and the Federal Financial Reports (FFRs, SF-425).
- A summary report to be provided directly to OCS that includes an opinion of the auditor, and acknowledgement that OCS intends to rely upon the work performed.
- An understanding the OCS may request the workpapers supporting the report and that they will be made available upon request.
- Reasonable assurance of the auditor that the state did not exceed 5% of the total 2016 award for the purposes of administrative costs as defined by the CSBG Act.
- Reasonable assurance that the state use of the remainder, often referred to as discretionary funds, were used in compliance with the CSBG Act.
- Reasonable assurance that 90% of the award funds were provided to the eligible entities.
- Reasonable assurance that the 2016 CSBG funds were used in the appropriate period, were properly supported, and were in compliance with the CSBG Act and the terms and conditions of the award.
- Tests of the support for a sample of draw activities to determine adequacy of the support, allowability of the expenditures, allow ability of the underlying activities, and that the costs were charged to the appropriate period.
- Tests to determine that CSBG funds carried forward from the first federal fiscal year of the award are properly supported.
- Tests to determine that all of the 2016 CSBG award provided to eligible entities were communicated in accordance with the provisions of 2 CFR 200.331, requirements for pass through entities.

The state must provide a plan of corrective action within 60-days of issuance of a final state monitoring report. OCS understands that the acquisition of professional accounting services and the performance of the financial review for the submission date of the CAP may take additional time and resources, the state may submit a request for a time-extension for the CAP.

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Department of Social Services (DSS/Department) Response:

The DSS disagrees with Finding 1. The DSS provided OCS staff, on multiple occasions, the requested documentation along with supporting documentation. The DSS also participated in several conversations with the auditors regarding this documentation. However, the Department was not able to provide documentation to support the expenditures as selected by the OCS auditors for review because the spreadsheet used by the OCS auditors to select sampling was not the spreadsheet originally provided by the DSS. Because of the discrepancies in the spreadsheet between the Department submission and OCS' spreadsheet, the Department was not able to provide a reconciliation. For further information regarding this documentation, please also refer to the DSS's response to Finding 2 below.

For the reasons outlined above, the DSS concurs with the recommendation for an independent and objective audit to review the FFY 2016 CSBG award and the costs charged. Due to the time needed to conduct this audit, the Department is requesting an extension for the CAP.

## OCS Response:

OCS maintains this finding. During the field work, the financial support personnel were unable to provide a reconciliation between the data provided, the Federal Financial Reports, and the Payment Management System (PMS). OCS will consider extension requests upon receipt of the plan of correction outlining the audit work to be performed and the timelines for completion. Finding #1 remains open.

### **Finding 2 – Federal Financial Report (FFR)**

The state is required to submit on an annual basis the status of funds of the CSBG award. OCS reviewed the two (2) FFRs submitted by the State of Missouri for the 2016 CSBG award, the annual and final reports. Both FFRs were submitted timely.

Although, the both FFRS were submitted timely, the annual FFR, which is for the first fiscal year of the grant period from 10/1/2015 to 9/30/2016, reported an unliquidated obligation of \$12,328,516. Due to the challenges with the provision of the general ledger for the 2016 CSBG award, OCS was unable to reconcile the amounts reported on the FFR to the official state records.

OCS observed within DSS, the program office uses a document to track the expenditures and payments of the eligible entities. This document is referred to as the CSBG Spend Plan. This document is created with the data that is reviewed and approved by the program office prior to submission to financial support team that records the transactions in the state information system and prepares the actual disbursement. OCS reconciled the amounts reported by eligible entity on the CSBG Spend Plan to the amounts reported by the eligible entities on the Schedule of Expenditures of Federal Awards (SEFA) and determined that the costs reported were within reason allowing for timing differences.

The CSBG Spend Plan for the first fiscal year of the 2016 CSBG award shows a total 2016 Carryforward (from the first fiscal year of the 2016 CSBG Award into the second fiscal year) for the eligible entities of \$3,028,515. The CSBG Spend Plan document contains some summary data of state spending but no detail of any unspent state portion of the 2016 CSBG Award. The maximum amount of state portion of the 2016 CSBG Award is 10% of the total award or \$1,969,489 assuming that the state only spent the second year funds of the 2015 CSBG Award during the first fiscal year of the 2016 CSBG Award. Based upon this analysis, the maximum carryforward of first year 2016 CSBG Award monies would be \$4,998,004.

Section 675C (a) (2) of the CSBG Act allows for funds to be available for obligation during the succeeding fiscal year. OCS staff determined there was a minimum unexplained carryforward difference of \$7,330,512.

## REQUIRED ACTION 2:

Refer to Required Action 1 to remediate the corrective action.

### DSS Response:

The DSS disagrees with Finding 2. The DSS uses the Statewide Advantage for Missouri (SAMII) accounting system and all expenditure and revenue data is extractable. Due to system design, the data extract of the account transaction detail is not displayed in a general ledger format column of a non-- governmental entity; however, this does not negate the existence of reliable accounting records or reconciliation of such.

During the OCS auditor's fieldwork, the DSS' Division of Finance and Administration provided financial documentation supporting all reconciling to the federal share of expenditures reported in FFY 2016, which includes:

- SAM II Accounting System Expenditures;
- Grant Tracking Sheet;
- Claims CAP Tracking Sheet; and
- Letter of Credit Tracking Sheet.

Following the provision of financial documentation, a meeting was held to discuss and demonstrate the financial reporting process outlined below.

- Quarterly expenditure data was extracted from the SAMII accounting system by month, by reporting category code directly following the end of the operating quarter (see document titled *#1-SAMII Accounting System Expenditures* in addition to the spreadsheet titled *CSBG Expenditures with details*).
- The quarterly expenditure data was uploaded by reporting category (i.e. code to identify claiming) into the DSS' Cost Allocation Plan (CAP) spreadsheet along with applicable salaries, benefits, and indirect costs (see document titled *#3 – Claims CAP Tracking*).
- The quarterly total from the CAP was then entered as the quarterly CAP expenditures on the grant tracking sheet (see document titled *#2 – Grant Tracking*).
- The grant tracking sheet reflects total expenditures by quarter, by grant year. The grant sheet was the final source document used to prepare and complete the CSBG annual FFR, not the CSBG Spend Plan.

As evidenced in the records provided, the federal share of expenditures incurred and reported on the CSBG annual FFR filed for quarter ending 9/30/2016 was \$7,366,369 (QE 6/30/16-\$1,328,039 and QE 9/30/16-\$6,038,330). FFY2016 CSBG federal funds awarded was \$19,694,885.00, resulting in unliquidated obligations of \$12,328,516. In the following fiscal year, the federal share of expenditures incurred of \$12,328,516 (QE 12/31/16-\$5,181,975.84, QE 3/31/17-\$4,408,287.90, and QE 6/30/17-\$2,738,251.85) was included in the cumulative total of \$19,694,885 reported on the CSBG annual FFR filed for quarter ending 9/30/2017.

All documentation referenced above was provided during the OCS auditor's fieldwork.

## OCS Response:

OCS maintains this finding. During our fieldwork the state provided a spreadsheet prepared by the program office titled “FY16 CSBG Monthly Expenditure, Cumulative & Payment Reports.xlsx”. This report was prepared based upon monthly invoices from the eligible entities and carryforward amounts from the previous award and only includes amounts awarded and paid to the eligible entities. The detail of the report shows the carryover funds from the COSR15 award spent first and then the use of COSR16 funds. Based upon this report, in federal fiscal year 2016, the state paid eligible entities \$5,119,662.18 of COSR15 carryover funds and \$14,707,469.65 of COSR16 funds. The total amount of COSR16 carryover for the eligible entities was \$2,944,512.35. The state reported on the annual FFR for COSR16 (for the year ended 9/30/2016) \$12,328,516 leaving an unexplained difference in excess of \$9 million. The state is permitted to carryover unspent state money from COSR16, but based upon the CSBG award, the maximum the state was permitted to spend of COSR16 was \$1,969,489. OCS was unable to place reliance on the fiscal information reported and cannot provide assurance regarding carryover balances.

OCS reconciled the amounts reported as paid in federal fiscal year 2016 in the report prepared by the program office to amounts reported on the Schedule of Expenditures of Federal Awards (SEFA – a section of the single audit submitted by the entities and audited by external auditors) for the eligible entities that have a fiscal year end of September 30, 2016. OCS also reviewed samples of expenditure requests submitted by eligible entities and confirmed payments with eligible entities to sufficiently determine that the report prepared by the program office of DSS is more reliable than the data provided by the fiscal department.

The Federal Financial Report (FFR) showing the expenditure data must be accurate, complete, timely, and submitted in accordance with the terms and conditions provided in the Notice of the Award. Upon completion of Finding #1, DSS is required to amend in GrantSolutions any FFR that is found to be inaccurate.. Finding #2 remains open.

### **Finding 3 – Mixing of Unexpended Funds**

DSS prepares contracts for each fiscal year with the eligible entities. These contracts include amendments with available carryforward amounts from the prior year. DSS does not require the eligible entities to identify the year of funds they are requesting. DSS acknowledged during interviews with OCS, the accounting methodology employed for drawing and disbursing the CSBG award funds to eligible entities is based on the “first-in, first-out” approach. This approach is applied in the aggregate and the oldest available funds are drawn first and provided to the entity without regard to the amount of prior year funds available to each entity. As demonstrated by the large carryforward amount reported by the state on the FFR, this practice allows unspent monies to be inappropriately provided to other organizations.

45 CFR 75. 309 (a) requires non-federal entity to make funds available to pay allowable costs during the period of the performance include both federal funds awarded and carryforward balances. Additionally, 45 CFR 75.309(b) expresses that non-federal entity must liquidate the obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the final FFR. This deadline may be extended with prior written approval from the HHS awarding agency.



### **REQUIRED ACTION 3:**

It is expected that DSS will submit a corrective action plan that includes:

- An estimate of how long it will take to determine that actual carryforward available to the eligible entities and to the state.
- How the state will account for draws of the carryforward amounts and how the communications with the eligible entity about the source of those funds will take place.
- The identification of training needs within the DSS to assure responsible staff are aware of grant accounting and reporting requirements.

#### **DSS Response:**

The DSS disagrees with Finding 3 and the statement concluding the "first-in, first-out" approach is not compliant with the general terms and conditions of title grant and 45 CFR 75.309(a)(b). The DSS contends the accounting records and methodology (ies) used are in compliance and are allowable expenditures and activity during the award period; however, it acknowledges ACF's request to discontinue use of the "first-in, first-out" accounting method and will begin taking the necessary next steps towards working with the Community Action Agencies to affect this change. Additionally, the DSS will begin establishing a unique coding structure within the SAMII accounting system to identify costs by fiscal year to ensure funds are drawn, disbursed, and reported accordingly.

#### **OCS Response:**

OCS maintains this finding. As evidenced in the prior findings, the amount of unliquidated obligations for COSR16 as of the end of the first year of the award, 9/30/2016, exceeds the sum of COSR16 carryover for the eligible entities and the maximum permissible carryover of state portion of the award. Additionally, the DSS program office worksheet, "FY16 CSBG Monthly Expenditure, Cumulative & Payment Reports.xlsx" shows the allocation of payments to eligible entities by award by month. In the first quarter of the 2016 Federal Fiscal Year (October, 2015 through December 2015) the state provided \$4,122,628.47 in payments to the eligible entities, of which \$1,691,350.81 was charged to the COSR16 award. The state made draws on the COSR15 award, but did not draw on COSR16 until June, 2016. DSS is required to submit a corrective action plan for correcting Finding #3. The plan will include providing the accounting governance structure for the unique code within the SAM11 and the processes for reconciliation reviews of the CSBG disbursements and reimbursement claim payments.

OCS strongly recommends DSS to safeguard the interest of federal funds by performing appropriate reconciliations. Finding #3 remains open.

### **PROGRAM OPERATIONS**

#### **Finding 4 - Tripartite Board Compliance**

OCS identified three (3) board vacancies in the low-income and private sector of DSS's entities board composition network. Of the nineteen (19) entities reviewed, OCS detected one entity, The

Community Services, Inc., having reported the 3 vacancies, two vacancies in the low-income representation and one vacancy in the private sector respectively. These vacancies have remained unfilled since September, 2015.

The state has not adopted written policies requiring entities to fill vacancies within a required timeline. However, the grant agreement contracts between DSS and the eligible entity requires entities to fill all board vacancies within 120 days and the unfilled vacancies were not consistent with this contract requirement.

#### **REQUIRED ACTION 4:**

Develop a process to track tripartite board vacancies more accurately to ensure compliance with filling vacancies within 120 days. Explore an internal process to track board vacancies and composition more accurately. OCS staff made recommendations to the DSS's program staff to consider when implementing a tracking system.

#### **DSS Response:**

The DSS concurs with Finding 4. DSS will develop a process to track tripartite board vacancies more accurately to ensure compliance with filling vacancies within 120 days. DSS is already working with the agency that has a board vacancy greater than 120 days to address the finding. Additionally, DSS will ensure every agency understands the tripartite board composition requirement as well as filling board vacancies in a timely manner. DSS will provide training and technical assistance for agencies when necessary. DSS will also encourage agencies to recruit members on an on-going basis so that board members are available for selection when vacancies arise. Finally, beginning in November 2018, monthly CSBG calls will include Board Governance. Changes as a standing agenda item providing consistent reminder for agencies to keep DSS apprised of changes within the board structure.

#### **OCS Response:**

OCS maintains Finding 4. DSS is required to provide a written corrective action plan detailing the process of tracking tripartite board vacancies to ensure compliance with the 120 days requirement. Finding 4 remains open.

#### **RECOMMENDATION:**

##### *Enhance processes over Public/Legislative Hearings*

Section 676(a)(2)(B) requires a public hearing in conjunction with the development of the State Plan, sufficient time for public comment, and Section 676(a)(3) states that in order to be eligible to receive a grant or allotment the state shall hold at least one legislative hearing every three years in conjunction with the State Plan.

OCS staff found DSS did not provide adequate public notice. The notice was published on August 26, 2015 and the public hearing on August 28, 2015. The 2-day notice did not allow sufficient time for the public to make any comments on the proposed use and distribution of CSBG funds.

Additionally, OCS highly recommends maximizing the use of multiple distributions resources statewide, as this offers the opportunity to reach an array of public citizens.

### **III. State of Missouri State Assessment**

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#### **ADMINISTRATIVE OPERATIONS**

##### **Administrative and Discretionary Use of Funds**

Section 675C (2) Administrative Cap – No state may spend more than the greater of \$55,000 or five percent, of the grant for administrative activities, including monitoring activities. Funds to be spent for such expenses shall be taken from the portion of the grant after the state makes grants to eligible entities. Section 675C (b) (1) Use of the Remainder – the state shall use the remainder of the grant or allotment received for discretionary purposes.

##### *Administrative Funds*

DSS did not make available the requested source-level administrative accounting records that would have verified and substantiated the General Ledger, along with the supporting data such as purchase orders, activity-time and effort reporting documentation or other relevant records for a determination as to whether administrative costs were allocable and allowable under the FY 2016 CSBG award. OCS staff noted that such factors affecting the allowability of costs would include, but not limited to, a determination of whether the incurred charges billed to the award was reasonable, allocable, and properly authorized as defined by the federal regulations.

As noted in Finding 1, without readily available documentation examine for substantiating administrative costs, OCS was unable to perform the fiscal examination in compliance with requirements outlined in Section 678D and 45 C.F.R. § 96.30(a).

##### *Discretionary Funds*

DSS did not provide OCS staff with the accounting records and support needed to verify and validate whether the Use of the Remainder, discretionary funds, expended for the FY 2016 CSBG award were deemed eligible and allowable. As noted in Finding 1, without readily available documentation examine for substantiating discretionary costs, OCS was unable to perform the fiscal examination in compliance with requirements outlined in Section 678D and 45 C.F.R. § 96.30(a).

##### **Community Action Plan and Community Needs Assessment**

Section 676(11) requires the state to secure from each eligible entity, a Community Action Plan that includes a Community Needs Assessment for the community served, which may be coordinated with community – needs assessments conducted for other programs.

OCS reviewers examined two examples of community needs assessments. Although the state noted areas for potential improvement in its analysis, OCS noted DSS takes advantage of several opportunities to analyze the Community Needs Assessments and provide feedback. Overall, OCS determined that the state has implemented an efficient way of ensuring that community needs assessments are completed by all eligible entities.

## **Monitoring Eligible Entities**

Section 678B (a) of the CSBG Act requires states to monitor local agencies to determine whether they meet performance goals, administrative standards, and financial management requirements, as well as other requirements of the state. The state shall conduct the following reviews of eligible entities: 1) full onsite review of each entity at least once during a three-year period, 2) onsite review of each newly designated entity immediately after completion of the first year in which the entity received CSBG funds; 3) follow-up reviews to eligible entities that fail to meet the goals, standards, requirements established by the state; and 4) other reviews as appropriate, including reviews of entities with programs that have had other federal, state, or local grants terminated for cause.

OCS observed that DSS has two (2) assigned units responsible for conducting monitoring, the Fiscal Service Unit and the Community Services Unit. The State Plan called for providing CSBG funding to nineteen (19) eligible entities agencies. The units perform joint monitoring efforts of the CSBG and Low-Income Home Energy Assistance Program (LIHEAP) awards.

DSS did make available the joint monitoring tool. OCS staff concluded that the tool was sufficient to identify potential non-compliance issues to address program requirements and financial stewardship for federal funds. Additionally, OCS staff examined the FY 2016 monitoring schedule and selected three of the nineteen eligible entities' monitoring reports to review. Of the three (3) reports reviewed, OCS concluded the 3 reports were timely performed and sufficiently documented as required by Section 678B (a).

## **Training and Technical Assistance**

Section 675C (b) (1) (A) allows states to use CSBG funds to provide T/TA to those entities in need of such training and assistance. Section 678C (a) (3) indicates states shall offer T/TA if appropriate to help correct eligible entities deficiencies.

DSS provides ongoing training and technical assistance offered to the eligible entity community through various resource efforts. Furthermore, OCS observed that DSS implemented a training project called Higher Ground whereby eligible entities gather to collaborate on an array of training topics. OCS noted no areas of non-compliance.

## **Corrective Action, Termination, and Reduction of Funding**

Section 678C states that if the state determines, on the basis of a final decision that an eligible entity fails to comply with the terms of an agreement, or the state plan, to provide services ... or to meet appropriate standards, goals, and other requirements established by the state, the state shall:

- (1) inform the entity of the deficiency to be corrected;
- (2) require the entity to correct the deficiency;
- (3) (A) offer training and technical assistance, if appropriate to help correct the deficiency, and prepare and submit to the Secretary a report describing the training and technical assistance offered,
- (B) if the state determines that such training and technical assistance are not appropriate, prepare and submit to the Secretary a report stating the reasons for the determination.

OCS staff noted DSS did not terminate or reduce funding for the any of the nineteen (19) eligible entities for FY 2016. OCS staff concluded DSS has adequate controls in place for the implementation of addressing eligible entities' deficiencies and ensures compliance with the requirements of Section 678C.

## **FINANCIAL OPERATIONS**

### **Fiscal Controls**

45 C.F.R. § 96.30(a) require states to maintain fiscal control and accounting procedures. Except where otherwise required by federal law or regulation, a state shall obligate and expend block grant funds in accordance with the laws and procedures applicable to the obligation and expenditure of its own funds. Fiscal control and accounting procedures must be sufficient to; (a) permit preparation of reports required by the statute, and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

For the 2016 CSBG award, DSS received a total of \$19,694,885 in federal funds. DSS uses the Statewide Advantage of Missouri (SAM11) as the financial and accounting system of record to account for recording financial transactions, including claim reimbursement payments.

DSS did not make available the accounting policies or procedures. Thus, OCS staff were unable to determine whether DSS had sufficient fiscal controls and accounting procedures in place for the 2016 CSBG award as defined by 45 CFR 96.30. Specifically, DSS did not make available the chart of accounts, the general ledger, or account transaction details showing recorded of evidence of incurred charges expensed to the 2016 CSBG grant.

Consequently, OCS staff was unable to trace the level of program, administrative, and discretionary expenditures to CSBG funds. OCS ability to substantiate the general ledger entries could not be performed for the fiscal assessment of FY 2016 CSBG award.

In addition, DSS staff walked through the process of receipting, accepting and approving claim reimbursement payments. OCS noted that the DSS does not have a practice of distinguishing claim reimbursement payments to grant awarding years. Specifically, when an eligible entity's voucher is routed for payment, DSS does not have a processes in place to identify the source year of awarding CSBG grant. The payment gets paid based on the "first-in, first-out" approach. This approach is not compliant with the general terms and conditions of the grant and 45 CFR 75.309(a) (b).

### **Federal Financial Report**

45 CFR §92.40, §92.41, and §96.30(a), respectively, require that after the close of each statutory period for the obligation of block grant funds and after the close of each statutory period for the expenditure of block grants, each grantee shall report to the Department a financial summary using OMB Standard Form 425 - FFR. Grantees are required to submit the information on the FFRs within 90 days of the close of the applicable statutory grant periods. Fiscal control and accounting procedures must be in place to permit the preparation of the FFR's and the tracing of federal funds to a level of expenditure adequate to establish that funds have not been used in violation of the restrictions and prohibitions of the statute.

OCS found several instances of non-compliance with federal financial reporting requirements. Details are noted in findings and required actions at the beginning of this report.

### **State Carryover Requirements**

Under the terms and conditions of the federal grant award, grantees shall adhere to a provision of law under the Consolidated Appropriations Act of 2015 which requires that to the extent CSBG funds are distributed by a state to an eligible entity, and have not been expended by such eligible entity; they shall remain with such eligible entity for carryover and expenditure into the next fiscal year. If CSBG funds are carried forward by such eligible entity into the next fiscal year, those funds must be fully expended and services provided on or before September 30.

The amount of carryforward does not reconcile to the amounts reported on the Federal Financial Reports. See details in the findings and required actions section.

### **Single Audits**

As required by 2 CFR §200.501 of the Uniform guidance and 45 CFR Part 75 Subpart F, a non-federal entity that expends \$750,000 or more during the non-federal entity's fiscal year in federal awards must have a single audit conducted in accordance with the §200.514 scope of audit.

#### *State Single Audit*

DSS did complete and upload timely the FY 2016 single audit report to the Federal Audit Clearinghouse. OCS staff noted no areas of non-compliance.

#### *State Monitoring – Eligible Entity Compliance – Single Audit*

OCS examined where DSS did monitor their eligible entities' single audit reports, including addressing any applicable corrective actions. Furthermore, DSS did make available source records for the FY 2016 CSBG award allowing OCS to review the audit readiness procedures. Overall, OCS concluded DSS has adequate controls were in place to address when areas of non-compliance arise.

## **PROGRAM OPERATIONS**

### **Use of Ninety (90%) Percent of Funds**

Per Section 672, the purpose and goals of the CSBG is to provide assistance to states and local communities working through a network of eligible entities, for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient. Section 675 requires that not less than 90 percent of the funds made available to a state shall be used by the state to make grants for the purposes described in Section 672 to eligible entities.

OCS reviewed the CSBG Spend Plan FFY16 and FFY17 that included the financial information used to prepare the interim FY 2016 Federal Financial Report. Based on information reported, the DSS appears to have allocated a minimum of 90% of CSBG to the eligible entities. However, due to the method in which DSS awards funding and draws down on a "first-in, first-out" basis (including a

methodology used for amending current year contracts when carryforward funds are available) without regard to availability of funds by entity, OCS was unable to make a determination whether the distribution of funds was consistent with the 90% requirement on a year-to-year basis. Moreover, DSS did not provide OCS staff with the accounting information needed to verify and validate the use of ninety percent (90%) allocated from the FY 2016 CSBG award. OCS was unable to perform the review of the use of 90% funds expended for the FY 2016 CSBG award. As noted in the findings and required actions section of this monitoring report, this is considered an area of non-compliance.

### **Tripartite Boards**

Section 676B requires that members are chosen in accordance with democratic selection procedures to assure that the Tripartite Board is an equal representation of the community: not less than one-third of its members are representatives of low-income individuals and families who reside in the neighborhoods served; one-third of the members of the Board are elected public officials; and the remaining members are official or members of business, industry, labor, religious, law enforcement, education, or other major groups interested in the community served. Members must actively participate in the planning, implementation, and evaluation of the program that services their low-income communities.

OCS staff found DSS executes grant contract agreements requiring entities to fill all board vacancies within 120 days. Observations revealed since September, 2015, three (3) board vacancy positions for one of the nineteen (19) entities remain unfilled. OCS concluded this one instance of the unfilled vacancies. The exception is addressed in the finding section of the report.

### **ROMA System and Annual Reporting**

According to Section 678E(1) and 678E(2), each state that received funds shall participate in a performance measurement system and ensure that all eligible entities in the state participate to the extent in which programs are implemented in a manner that achieve positive results for the communities served. States may participate in the model evaluation system designed by OCS in consultation with the CSBG Network called ROMA. Alternatively, states may design their own similar system

OCS staff observed that DSS maintains a performance measurement system called CSBG Organizational Standards. Management of DSS emphasized that CSBG Organizational Standards system is employed by another CSBG state. OCS concluded DSS has adequate controls in place for verifying the accuracy of ROMA data and noted no issues.

Section 678E (2) requires that each state shall annually prepare and submit to the Secretary a report on the measured performance of the state and the eligible entities in the state. The report should describe how the state and the eligible entities met its goals and objectives, as well as provide information on the types of projects supported with 2016 FY CSBG funds. The Annual Report must contain performance measurement outcome data which address the implementation of the national goals and measures.

DSS submitted the FY 2016 Annual Report timely and provided performance measurement data addressing the national goals and measures.



### **Limitation on Use of Funds**

Per Section 678F, grants may not be used by the state or by any other person ... for the purchase of improvement of land, or the purchase, construction, or permanent improvement of any building or other facility.

DSS did not make available adequate records or evidence records to substantiate the limitation on use of funds. Thus, OCS cannot determine whether adequate controls existed or if expenditures were allowable as defined by the CSBG Act.

### **Child Support Services**

Section 678G(b) states that during each fiscal year for which an eligible entity receives a grant such entity shall: (1) inform custodial parents in single-parent families that participate in programs, activities, or services ... about the availability of child support services; and (2) refer eligible parents to the child support offices of State and local governments.

DSS has appropriate processes for assuring compliance with the requirements outlined in Section 678G (b).

## IV. CONCLUSION

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This report is considered unresolved and Findings 1, 2, 3, 4, remain open. OCS staff are available for consultation and technical assistance to guide DSS with the development and implementation of mutually agreeable corrective actions plans. We would like to thank you, the staff, and the eligible entities visited for their cooperation and assistance during the State Assessment of Missouri.

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# **APPENDIX**

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