



**Scott Fitzpatrick**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Office of State Treasurer

### Background

The Office of State Treasurer (STO) is an elective office as provided in the Missouri Constitution. The duties of the State Treasurer as defined by Article IV, Section 15 are to be the custodian of all state funds; to determine the amount of state money not needed for current operating expenses; and to invest such money in interest-bearing time deposits at Missouri banking institutions selected by the State Treasurer and approved by the Governor and State Auditor, short-term U.S. government securities, or certain allowable commercial paper and bankers' acceptances.

The STO operates in five major functional areas (1) accounting and banking services, (2) general and administrative services, (3) investments and deposit programs, (4) unclaimed property, and (5) program administration.

Governor Michael L. Parson appointed Scott Fitzpatrick as the forty-seventh State Treasurer, and he was sworn in on January 14, 2019. He served in this role until January 9, 2023, when he was sworn in as Missouri's thirty-ninth State Auditor. His term as State Treasurer was to expire in January 2025. Governor Michael L. Parson appointed Vivek Malek as State Treasurer and he was sworn in on January 17, 2023. From January 9, 2023, until January 17, 2023, Leslie Korte served as Assistant State Treasurer.

### Investment Interest Improperly Retained

The STO did not handle investment interest income in accordance with state law for 2 new funds created during the fiscal year ended June 30, 2024. During the 2023 legislative session, the General Assembly appropriated money to 3 new state funds in House Bill 4 and House Bill 5 when determining appropriations designated for the Interstate 70 (I-70) expansion project. The Office of Administration (OA) then created the respective state funds to hold the related appropriations for the project: State Road Fund I-70 Project Bond Proceeds Fund, State Road Fund I-70 Project Fund, and OA I-70 Project Fund. Revenues into these funds came from the issuance of state road bonds and transfers from the General Revenue Fund. The STO credited interest income to these funds during the year ended June 30, 2024, totaling approximately \$4,781,000, \$364,000, and \$34,337,000 for State Road Fund I-70 Project Bond Proceeds Fund, State Road Fund I-70 Project Fund, and OA I-70 Project Fund, respectively.

Section 30.240, RSMo, specifies that unless otherwise provided by law, all interest received from the investment of state moneys shall be credited by the state treasurer to general revenue. The STO provided no constitutional or statutory provision to support that the State Road Fund I-70 Project Fund and the OA I-70 Project Fund are authorized to retain the investment interest income in each fund.

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| Oversight of the MOScholars Program | Improvements are needed in the oversight and monitoring procedures of the Missouri Empowerment Scholarship Accounts (MOScholars) Program. The STO did not conduct an annual audit of MOScholars Program accounts as required by state regulations. The STO did not have procedures in place to adequately review or monitor annual reports submitted by the Educational Assistance Organizations (EAOs). The audit identified a discrepancy in reported amounts. |
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In the areas audited, the overall performance of this entity was **Good**.\*

\*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.



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**Recommendations in the audit of the Office of State Treasurer**

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| <b>Investment Interest Improperly Retained</b> | The Office of State Treasurer (STO) work with the General Assembly to ensure all investment interest income is handled in accordance with state law; and unless otherwise provided by law, ensure all interest received from the investment of state moneys is credited by the state treasurer to general revenue. In addition, the STO should credit interest earned on Funds 0324 and 0334 during fiscal year ended June 30, 2024, to the general revenue in compliance with state law. |
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| <b>Oversight of the MOScholars Program</b> | <p>The Office of State Treasurer:</p> <ul style="list-style-type: none"><li>2.1     Ensure annual audits of program accounts are conducted in accordance with state regulation.</li><br/><li>2.2     Establish procedures to ensure all program reports are reviewed and monitored for accuracy and compliance with program requirements.</li></ul> |
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