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# CITIZENS SUMMARY

## Findings in the audit of the Department of Insurance, Financial Institutions, and Professional Registration - Insurance

Background	The Department of Insurance, Financial Institutions, and Professional Registration-Insurance (DIFP-Insurance) regulates and licenses the insurance industry in Missouri; ensures the insurance industry is financially sound, trustworthy, competent, and responsive to the insurance-buying public; and ensures the insurance industry complies with state law.
Insurance Dedicated Fund Expenditures	In fiscal years 2014 and 2015, costs incurred by the Department of Health and Senior Services (DHSS) were paid from the Insurance Dedicated Fund, a fund restricted by state law solely for payment of expenditures incurred by DIFP-Insurance. Section 374.150.3, RSMo, authorizes an annual transfer of \$500,000 from the Insurance Dedicated Fund to the General Revenue Fund beginning in fiscal year 2014, but no transfers were appropriated or made as of June 30, 2015. DIFP-Insurance personnel indicated that \$500,000 in fiscal year 2014 and \$1 million in fiscal year 2015 was appropriated to and expended by the DHSS from the Insurance Dedicated Fund in place of the authorized transfers. However, the \$1 million expended in fiscal year 2015 was \$500,000 more than the transfer allowed by state law, and another \$1 million has been appropriated to DHSS from the fund for fiscal year 2016, again exceeding the transfer of \$500,000 allowed by law.
Examination Tax Credit	As noted in previous audit reports, Missouri is one of only five states that allow insurance companies to receive tax credits for examination costs, thereby shifting a significant portion of examination costs from insurance companies to the state's General Revenue Fund. During the 10 years ended December 31, 2014, examination credits of approximately \$24 million were redeemed. To maximize state revenue, examination costs should be paid by companies as part of doing business in the state.

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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