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Missouri State Auditor

CITIZENS SUMMARY

Findings in the Annual Comprehensive Financial Report Report on Internal Control, Compliance, and Other Matters

Office of Administration Financial Reporting Controls - ACFR Preparation	<p>The Office of Administration (OA) - Division of Accounting (DOA) does not have adequate controls and procedures over preparation of the State of Missouri Annual Comprehensive Financial Report (ACFR). If various errors had not been corrected, the Notes to the Financial Statements (Notes) and the Required Supplementary Information (RSI) would have been materially misstated in the ACFR for the year ended June 30, 2023. The audit found the contributions to retirement systems were overstated by more than \$718 billion in the Notes and an amount included in the RSI - General Fund was understated by more than \$2.9 billion. The misstatements, which resulted from data entry and transposition errors as well as a failure to update amounts when revised source data was received, were not identified in the DOA's supervisory review of the draft ACFR.</p>
Department of Revenue Financial Reporting Controls	<p>As has been similarly noted in two previous audits, the Department of Revenue (DOR) does not have adequate controls and procedures over financial reporting of certain governmental and custodial fund activities. As a result, numerous balances submitted to the DOA for inclusion in the ACFR for the year ended June 30, 2023, were materially misstated. In addition, the financial reports were not submitted timely to the DOA.</p> <p>For withholding income tax and sales and use tax refund liability balances (accounts payable), the DOR reported actual individual income tax refund expenditures of approximately \$1.2 billion and corporate income tax refund expenditures of approximately \$215.1 million, when they should have reported withholding income tax and sales and use tax refund liability balances of approximately \$129.3 million and \$194.6 million, respectively.</p> <p>The DOR did not follow current methodology to determine net sales and use tax accounts receivable balances. If these errors had not been identified during the audit, Government Wide - Governmental Activities, General Fund, Public Education Fund, and Sales and Use Tax Non-State Fund (custodial fund) net accounts receivable balances would have been overstated by approximately \$265 million, \$191.7 million, \$73.3 million, and \$313.8 million, respectively, in the ACFR.</p> <p>Multiple data entry and calculation errors were identified in the custodial fund balances and financial activities for the Motor Fuel Tax and Bonds Non-State Fund, the Sales and Use Tax Non-State Fund, the Motor Vehicle Clearing Non-State Fund, and the Family Support Trust Non-State Fund. Errors included using prior year amounts or amounts that did not match supporting documentation, and inaccurate summary total and allocation calculations. If these errors had not been identified during the audit, certain Custodial Funds - Program assets and activity would have been understated in the ACFR by approximately \$240.3 million and \$2.05 billion, respectively.</p>
Department of Social Services Financial Reporting Controls	<p>The Department of Social Services - Division of Finance and Administrative Services does not have adequate controls and procedures over financial</p>

reporting of federal grant accounts receivable. As a result, the accounts receivable data submitted to the DOA for inclusion in the ACFR for the year ended June 30, 2023, was misstated. If the misstatements had not been identified during the audit, Government Wide - Governmental Activities and General Fund net accounts receivable would have been overstated by approximately \$7.2 million, deferred inflows of resources would have been overstated by approximately \$59.4 million, and revenues would have been understated by approximately \$52.2 million in the ACFR.

Office of Secretary of State
Financial Reporting Controls

As similarly noted in our prior audit, the Office of Secretary of State did not have adequate controls and procedures over financial reporting of accounts receivable. As a result, civil penalty accounts receivable data submitted to the DOA for inclusion in the ACFR for the year ended June 30, 2023, was misstated. If the resulting misstatements had not been identified during the audit, Government Wide - Governmental Activities and Public Education Fund net accounts receivable and related liability balances would have been overstated by approximately \$11.2 million in the ACFR.

Office of Administration SAM
II Transaction Approvals

As similarly noted in our previous audit, OA management has not fully corrected a weakness in the Statewide Advantage for Missouri (SAM II) Financial system security settings that allows users to create a transaction and then apply approval to the same transaction without review or additional approval from another party. Allowing users to approve their own transactions without another approval increases the risk that inappropriate or unauthorized transactions may be processed.

Because of the nature of this audit, no rating is provided.



Recommendations in the audit of the State of Missouri - Annual Comprehensive Financial Report - Report on Internal Control, Compliance, and Other Matters

FS2023-001. Office of Administration Financial Reporting Controls - ACFR Preparation	The Office of Administration - Division of Accounting (DOA) strengthen controls and procedures to ensure proper disclosure of information in the Notes to the Financial Statements and the Required Supplementary Information in the State of Missouri Annual Comprehensive Financial Report (ACFR).
FS2023-002. Department of Revenue Financial Reporting Controls	The Department of Revenue (DOR) strengthen controls and procedures to prepare and submit accurate and timely financial reports to the DOA.
FS2023-003. Department of Social Services Financial Reporting Controls	The Department of Social Services (DSS) through the Department of Social Services (DSS) - Division of Finance and Administrative Services (DFAS) strengthen controls and procedures to prepare and submit accurate federal grant accounts receivable reports to the DOA.
FS2023-004. Office of Secretary of State Financial Reporting Controls	The Office of Secretary of State (SOS) continue to implement newly established controls and procedures to prepare and submit accurate accounts receivable reports to the DOA.
FS2023-005. Office of Administration Statewide Advantage for Missouri (SAM II) Transaction Approvals	The Office of Administration (OA) continue to eliminate the risk of users approving transactions they create and establish policies to ensure future users are not granted this ability.