



Scott Fitzpatrick

Missouri State Auditor

Office of State Treasurer
Period July 1, 2022 through January 9, 2023

Report No. 2023-033

August 2023

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Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

Findings in the closeout audit of the Office of State Treasurer

Background

The Office of State Treasurer 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 monies not needed for current operating expenses; and to invest such monies 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 banker's acceptances.

The Office of State Treasurer operates in four major functional areas (1) accounting and banking services, (2) general and administrative services, (3) investments and deposit programs, and (4) unclaimed property.

On January 14, 2019, Scott Fitzpatrick was sworn in as the forty-seventh Treasurer of the state of Missouri. He was elected to a full term on November 3, 2020, and 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.

Findings

The audit identified no significant deficiencies in internal controls, no significant noncompliance with legal provisions, and no significant deficiencies in management practices and procedures. No findings resulted from this audit.

In the areas audited, the overall performance of this entity was **Excellent**.*

*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.

Office of State Treasurer

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SCOTT FITZPATRICK MISSOURI STATE AUDITOR

Honorable Vivek Malek, State Treasurer
Jefferson City, Missouri

Due to his role as State Treasurer during the period under audit, the State Auditor recused himself from participation in this audit. He directed the Audit Director to oversee procedures performed by the State Auditor's professional audit staff. We have audited certain operations of the Office of State Treasurer, in fulfillment of our duties under Chapter 29, RSMo. The scope of our audit included, but was not necessarily limited to, the period of July 1, 2022, through January 9, 2023. The objectives of our audit were to:

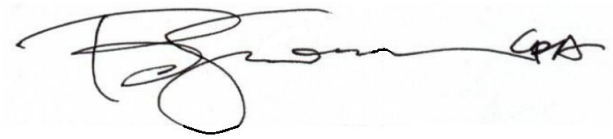
1. Evaluate the office's internal controls over significant management and financial functions.
2. Evaluate the office's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the office; and testing selected transactions. We reviewed certain disbursement, payroll, and capital asset transactions; cash and investment activity; and the elected official's calendar. We also performed sample testing using haphazard and judgmental selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected. We obtained an understanding of internal control that is significant to the audit objectives and planned and performed procedures to assess internal control to the extent necessary to address our audit objectives. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the office's management and was not subjected to the procedures applied in our audit of the office.

For the areas audited, we identified (1) no significant deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) no significant deficiencies in management practices and procedures. No findings resulted from our audit of the Office of State Treasurer.

A handwritten signature in black ink, appearing to read "R. Showers CPA", with a stylized flourish at the end.

Robert E. Showers, CPA, CGAP
Director of Audits

Office of State Treasurer

Organization and Statistical Information

The Office of State Treasurer 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 banker's acceptances.

The Office of State Treasurer operates in four major functional areas (1) accounting and banking services, (2) general and administrative services, (3) investments and deposit programs, and (4) unclaimed property.

The accounting and banking services area (1) maintains a fund accounting system to fulfill a statutory responsibility to keep separate accounts of the funds of the state and to allocate investment interest to funds, (2) maintains ledger controls on fund balances and appropriations to assure that no check is issued that exceeds the lawful appropriated balances, (3) controls receipt of state money collected by state agencies and deposited in local banks throughout the state, (4) reconciles bank activity to receipt and disbursement activity reflected on the state books, (5) determines the amount of state money not needed for current operating expenses, and (6) confirms daily disbursements with the bank as certified by the Office of Administration.

The general and administrative services area provides processing support to other areas of the office by (1) operating the central check mail service, (2) controlling and processing outlawed and replacement checks, and (3) processing invoices for office expenditures.

The investments area places state money not needed for current operating expenses in interest-bearing time deposits, U.S. government and agency securities, commercial paper, banker's acceptances, and repurchase agreements. This area also administers the State Treasurer's statutory linked deposit program and monitors and accounts for the collateralization of state funds.

The Unclaimed Property Division administers Missouri's Unclaimed Property Act (Chapter 447, RSMo). The Unclaimed Property Division is responsible for (1) ensuring unclaimed property is reported, (2) receiving and recording reports of unclaimed property, (3) depositing unclaimed funds to the Abandoned Fund Account Fund, (4) maintaining custody and safekeeping of abandoned or unclaimed physical property, and (5) processing owner claims for abandoned funds or physical property.

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



Office of State Treasurer
Organization and Statistical Information

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.

Financial Activity

A summary of the office's operating financial activity is presented in the following Appendix.

Appendix

Office of State Treasurer
Statement of Appropriations and Expenditures
Period July 1, 2022 to January 9, 2023

	Appropriation Authority	Expenditures	Encumbered	Uncommitted Appropriations
GENERAL REVENUE FUND				
Issuing duplicate/outlawed checks	\$ 13,000,000	4,622,850	0	8,377,150
Refunds of excess interest from the linked deposit program	2,500	0	0	2,500
Total General Revenue Fund	<u>13,002,500</u>	<u>4,622,850</u>	<u>0</u>	<u>8,379,650</u>
STATE TREASURER'S GENERAL OPERATIONS FUND				
Personal service	2,061,717	995,954	87,389	978,374
Expense and equipment	856,195	297,281	14,133	544,781
Operation of state-owned facilities, utilities, systems, furniture, and structural modifications - expense and equipment	208,203	104,634	100,739	2,830
Total State Treasurer's General Operations Fund	<u>3,126,115</u>	<u>1,397,869</u>	<u>202,261</u>	<u>1,525,985</u>
TREASURER'S INFORMATION FUND				
Preparation and dissemination of information or publications, or for refunding overpayments	8,000	235	0	7,765
Total Treasurer's Information Fund	<u>8,000</u>	<u>235</u>	<u>0</u>	<u>7,765</u>
MISSOURI EMPOWERMENT SCHOLARSHIP ACCOUNTS FUND				
Personal service	190,975	49,764	4,185	137,026
Expense and equipment	821,924	276,545	0	545,379
Total Missouri Empowerment Scholarship Accounts Fund	<u>1,012,899</u>	<u>326,309</u>	<u>4,185</u>	<u>682,405</u>
CENTRAL CHECK MAILING SERVICE REVOLVING FUND				
Personal service	14,112	7,826	559	5,727
Expense and equipment	100,000	17,425	0	82,575
Total Central Check Mailing Service Revolving Fund	<u>114,112</u>	<u>25,251</u>	<u>559</u>	<u>88,302</u>
ABANDONED FUND ACCOUNT FUND				
Personal service	729,613	353,702	23,789	352,122
Expense and equipment	123,600	11,130	789	111,681
Advertising and auctions	1,450,000	273,784	13,645	1,162,571
Payment of claims for abandoned property transferred by holders to the state	58,000,000	23,996,456	0	34,003,544
Total Abandoned Fund Account Fund	<u>60,303,213</u>	<u>24,635,072</u>	<u>38,223</u>	<u>35,629,918</u>
Total All Funds	<u>\$ 77,566,839</u>	<u>31,007,586</u>	<u>245,228</u>	<u>46,314,025</u>