



SCOTT FITZPATRICK MISSOURI STATE AUDITOR

Honorable Michael L. Parson, Governor
and
Members of the General Assembly
and
Kenneth J. Zellers, Commissioner
Office of Administration
Jefferson City, Missouri

We completed audit work at the Office of Administration (OA) as part of our annual statewide audits of the State of Missouri's financial statements and federal awards for the fiscal year ended June 30, 2022. We issued audit reports (Report Nos. 2023-010 and 2023-022) of the state's Annual Comprehensive Financial Report, in March and May 2023; and issued the Single Audit Report (Report No. 2023-030), in July 2023.¹ The purpose of this letter is to summarize, and communicate to stakeholders, the audit work performed at the OA during these audits and the audit results.

Statewide Audits and Methodology

We conducted the annual financial statement audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statement audit includes, among other things, expressing an opinion on whether the state's financial statements are fairly presented, in all material respects. The Office of Administration (OA) prepared the Annual Comprehensive Financial Report (financial statements) from various sources including the statewide accounting (SAM II) system and survey data received from state agencies and offices. The state's financial statements covered \$57 billion in total assets and \$34 billion in total expenses for fiscal year 2022. To satisfy our audit objectives, we evaluated and identified the accounts significant to each opinion unit within the state's financial statements and performed various audit procedures, including reviews of internal controls for each of those accounts. For fiscal year 2022, our financial statement audit included work at the OA and 14 other state agencies and offices. To avoid the appearance of a conflict of interest, the State Auditor recused himself from participation in the financial statement audit because he managed various cash and investment balances in his role as State Treasurer as of June 30, 2022. He directed the Audit Director to oversee procedures performed by the State Auditor's professional audit staff.

We conducted the annual Single Audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Single Audit includes, among other things, expressing an opinion on whether the state complied with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each of its major federal programs. The state's Schedule of Expenditures of Federal Awards (SEFA), which did not include federal

¹ Audit reports are available at: <<https://auditor.mo.gov/AuditReport/Menu>>.

award expenditures of the public universities and other component units, reported the state expended \$18.4 billion in federal funds for 311 programs in fiscal year 2022. We performed risk assessments on each of the state's 40 Type A programs (programs with federal award expenditures more than \$30 million) and 26 larger Type B programs (programs with federal award expenditures between \$7.5 million and \$30 million) and audited (as major) each program assessed as high risk in accordance with the Uniform Guidance. For each major program, we performed various audit procedures, including testing and reviews of internal control over compliance requirements that could have a direct and material effect on the program. For fiscal year 2022, our Single Audit included 19 major federal programs with expenditures totaling \$13.9 billion, administered by 7 state agencies.

Financial Statement Audit Work at the OA

We audited certain significant accounts specific to OA operations. For the OA, we audited expenditure activity totaling \$138 million, including \$58 million for the State Facility Maintenance and Operating Fund, and \$80 million for the Missouri Revolving Information Technology Trust Fund; and revenue activity totaling \$2.8 billion, including \$2.7 billion for the Coronavirus State Fiscal Recovery Fund and \$94 million for the Missouri Revolving Information Technology Trust Fund.

Single Audit Work at the OA

The OA reported federal award expenditures totaling \$191 million for fiscal year 2022. We audited, as major, the Coronavirus State and Local Fiscal Recovery Funds program with expenditures of \$41 million.

Audit Results and Findings at the OA

Our responsibility for the statewide audits is limited to the previously stated objectives. The audit reports of the state's financial statements reported no material misstatements for the OA. The Single Audit reported no material noncompliance with direct and material compliance requirements for the major program audited at the OA.

We are required by the audit standards and single audit requirements to report as audit findings certain significant or material conditions such as weaknesses in internal control; noncompliance with provisions of laws, regulations, contracts, or grant agreements; fraud; and/or known or likely questioned costs greater than \$25,000.

We reported 2 audit findings related to the OA's internal controls over financial reporting.

- Office of Administration Financial Reporting Controls - Fund Balance Classifications (Finding No. FS2022-008) - The OA - Division of Accounting (DOA) did not have adequate controls and procedures over classification of ending fund balances. If a fund balance classification error had not been corrected, the Government Wide - Governmental Activities and General Fund restricted fund balance would have been overstated, and the unassigned fund balance would have been understated, by approximately \$1.4 billion in the financial statements.
- Office of Administration SAM II Transaction Approvals (Finding No. FS2022-009) - As noted in our Statewide Accounting System Internal Controls audit, OA management had not fully corrected a weakness in the SAM II system security settings that allowed 2 users to create a transaction and then apply approval to the same transaction without review or additional approval from another party.

The OA partially agreed with one of the findings. The audit findings and the OA's responses, including explanation and specific reasons for disagreement, are included in our Annual Comprehensive Financial Report - Report on Internal Control, Compliance, and Other Matters (Report No. 2023-022) and the OA's Corrective Action Plans are included in the Single Audit Report (Report No. 2023-030).

A handwritten signature in black ink that reads "Kim Spraggs". The signature is written in a cursive, flowing style.

Kim Spraggs, CPA, CGAP
Director of Audits