



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

Honorable Michael L. Parson, Governor
and
Members of the General Assembly
and
State Board of Education
and
Dr. Margie Vandeven, Commissioner
Department of Elementary and Secondary Education
Jefferson City, Missouri

We completed audit work at the Department of Elementary and Secondary Education (DESE) 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 DESE 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

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

programs. The state's Schedule of Expenditures of Federal Awards (SEFA), which did not include federal 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 DESE

For the DESE, we audited financial activities and balances totaling more than \$8.3 billion for the following significant accounts:

General Revenue Fund:

- \$2.6 billion in expenditure activity

Department of Elementary and Secondary Education Fund:

- \$1.1 billion in revenue activity
- \$1.1 billion in expenditure activity
- an accounts payable balance of \$113 million
- an accounts receivable balance of \$113 million

Outstanding Schools Trust Fund:

- \$837 million in expenditure activity

Lottery Proceeds Fund:

- \$180 million in expenditure activity

Schools District Trust Fund:

- \$1.1 billion in expenditure activity

Classroom Trust Fund:

- \$350 million in expenditure activity

DESE Federal Emergency Relief Fund:

- \$485 million in expenditure activity
- an accounts payable balance of \$46 million
- an accounts receivable balance of \$46 million

DESE Federal Emergency Relief 2021 Fund:

- an accounts payable balance of \$55 million
- an accounts receivable balance of \$55 million

Single Audit Work at the DESE

The DESE reported federal award expenditures totaling \$2.2 billion for fiscal year 2022. We audited, as major, 3 programs with expenditures totaling \$932 million: the Rehabilitation Services Vocational

Rehabilitation Grants to States (VR)² program, the Social Security Disability Insurance program, and the Education Stabilization Fund (ESF) program.³

Audit Results and Findings at the DESE

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 DESE. The Single Audit reported no material noncompliance with direct and material compliance requirements for the major programs audited at the DESE.

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 an audit finding related to the DESE's administration of federal awards.

- DESE FFATA Reporting (Finding No. 2022-009) - The DESE needed to strengthen internal controls related to Federal Funding Accountability and Transparency Act (FFATA) reporting for the ESF. As similarly noted in the previous audit, during state fiscal year 2022, the DESE did not comply with FFATA reporting requirements for any of the subawards reviewed for the GEER Fund or the Emergency Assistance for Non-Public Schools program. In addition, the DESE had not made corrections and resubmitted state fiscal year 2021 FFATA reports for the GEER Fund grants, but was working with the federal government to address the technical issues within the federal reporting system preventing the correction and resubmission of the 2021 FFATA reports.

The audit finding and the DESE's response and Corrective Action Plan are included in the Single Audit Report (Report No. 2023-030).



Kim Spraggs, CPA, CGAP
Director of Audits

September 2023
Report No. 2023-046

² The VR program is administered by both the DESE and the Department of Social Services.

³ One ESF program grant, the Governor's Emergency Education Relief (GEER) Fund, is administered by both the DESE and the Department of Higher Education and Workforce Development.