



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, 2023. We issued audit reports (Report Nos. 2024-023 and 2024-036) of the state's Annual Comprehensive Financial Report (ACFR), in March and May 2024; and issued the Single Audit Report (Report No. 2024-063), in September 2024.¹ 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 \$63 billion in total assets and \$38 billion in total expenses for fiscal year 2023. 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 2023, our financial statement audit included work at the OA and 13 other state agencies and offices.

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 award expenditures of the public universities and other component units, reported the state expended \$20.9 billion in federal funds for 310 programs in fiscal year 2023. We performed risk assessments on each of the state's 37 Type A programs (programs with federal award expenditures more than \$31.3 million) and 25

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

larger Type B programs (programs with federal award expenditures between \$7.8 million and \$31.3 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 2023, our Single Audit included 16 major federal programs with expenditures totaling \$15.3 billion, administered by 8 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 \$928 million, including \$847 million for the General Revenue Fund and \$81 million for the Missouri Revolving Information Technology Trust Fund; and \$93 million in revenue activity for the Missouri Revolving Information Technology Trust Fund.

Single Audit Work at the OA

The OA reported federal award expenditures totaling \$183 million for fiscal year 2023. We audited, as major, the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program with expenditures totaling \$174 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 uncorrected material misstatements for the OA. However, various components of the ACFR and the supporting working papers were provided to auditors significantly later than the initial agreed-upon target due dates as summarized in the attached schedule. The Single Audit reported material noncompliance with a direct and material compliance requirement for the SLFRF program.

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 - ACFR Preparation (Finding No. FS2023-001) - The OA - Division of Accounting (DOA) did not have adequate controls and procedures over preparation of the financial statements. 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.
- Office of Administration SAM II Transaction Approvals (Finding No. FS2023-005) - As similarly noted in our previous audit, OA management had not fully corrected a weakness in the SAM II Financial system security settings that allowed users to create a transaction and then apply approval to the same transaction without review or additional approval from another party.

The audit findings and the OA's responses are included in our Annual Comprehensive Financial Report - Report on Internal Control, Compliance, and Other Matters (Report No. 2024-036) and the OA's Corrective Action Plans are included in the Single Audit Report (Report No. 2024-063).

We reported 2 audit findings related to the OA's administration of federal awards.

- SLFRF Program Subrecipient Monitoring (Finding No. 2023-010) - The OA had not established policies and procedures regarding monitoring subrecipients of the SLFRF program. As a result, the OA did not comply with the Uniform Guidance requirements regarding identifying and monitoring subrecipients of the SLFRF program.
- OA Statewide SEFA (Finding No. 2023-011) - OA - DOA controls and procedures related to the preparation of the statewide SEFA were not sufficient; and as a result, a complete and accurate SEFA was not prepared timely for the year ended June 30, 2023. The year ended June 30, 2023, SEFA was not prepared by the OA until February 28, 2024, 8 months after fiscal year end and 1 month before the Single Audit reporting deadline. The delayed preparation of the SEFA negatively impacted the completion of various Single Audit tasks, and contributed to the delay in issuance of the fiscal year 2023 Single Audit. In addition, the SEFA and Notes to the SEFA included various errors and misstatements.

The OA partially agreed with one of the audit findings. The audit findings and the OA's responses and Corrective Action Plans, including explanation and specific reasons for disagreement, are included in the Single Audit Report (Report No. 2024-063).



Scott Fitzpatrick
State Auditor

Attachment: Schedule of Agreed-Upon FY 23 ACFR Target Due Dates and Dates Items Were Provided

Schedule of Agreed-Upon FY23 ACFR Target Due Dates
and Dates Items Were Provided

Item	Workpaper Area & Category /Project ID	Date (or Range of Dates)	
		Target Due Dates *	Items Provided to Auditors
1	Gov. Wide Reconciliation/Net Assets	11/10/23	12/29/23 - 2/27/24
2	Note 3-Deposits & Investments		
	15_c DISLP	11/07/23	1/02/24 - 1/16/24
3	Note 7-Retirement Systems		
	15_i RS	11/07/23	11/08/23
4	Note 8-Other Postemployment Benefits		
	15_j OPB	11/07/23	12/06/23
5	Note 11-Debt		
	15_n BP	11/07/23	12/07/23 - 1/23/24
6	Deposits and Investments workpaper		
	15_c DISLP	11/07/23	1/02/24 - 1/16/24
7	Accounts Receivable		
	05_R-1	10/02/23	12/07/23 - 2/01/24
8	Transfers workpapers and Notes		
	05_R-4 (Due from Other Funds)	10/02/23	10/11/23
	06_E-2 (Due To's)	10/02/23	10/11/23
	06_E-6 (Fringe Benefits)	10/02/23	10/11/23
	07_T-1 (Transfers In and Out)	11/07/23	11/20/23
	07_T-2 (Non-IAB Transfers)	10/02/23	10/13/23
	15_r IAL (Note Interfund Assets & Liabilities)	11/07/23	12/18/23
	15_r IT (Note Interfund Transfers)	11/07/23	12/06/23 - 1/03/24
9	Pension Allocation		
	15_i RS	11/07/23	12/06/23
10	OPEB Allocation - GASB 75		
	15_j OPB	11/07/23	12/06/23
11	Budget to Actual Financial Statements		
	09_BA-1 (Budgeted Revenues)	11/07/23	1/03/24 - 3/01/24
	09_BA-2 (Budgeted Expenditures)	10/02/23	10/11/23
	09_BA-3 (Budgeted Transfers)	10/02/23	10/11/23
	09_BA-4 (Actual Revenue)	11/07/23	1/03/24 - 1/26/24
	09_BA-5 (Actual Expenditures)	10/02/23	10/11/23
	09_BA-6 (Actual Transfers)	10/02/23	10/12/23
	09_BA-7 (Actual Revenue)	10/06/23	1/03/24 - 1/26/24
	09_BA-NA (Budgeted State Road Bond Fund)	10/17/23	12/11/23 - 12/18/23
12	Receivables and Payables Note		
	15_p R&P P	11/07/23	1/22/24 - 2/01/24
	15_p R&P R	11/07/23	1/22/24 - 2/01/24
13	Restatements		
	15_t1 REST (Restatement JEs)	11/07/23	1/25/23 - 2/06/24
	15_t2 REST (Post JE, Prepare Restated TB, Take to Statements)	11/07/23	1/25/23 - 2/06/24
	15_t3 (Prepare Combining Statements)	11/07/23	1/25/23 - 2/06/24
	15_t4 (Account for Differences & Summarize for Note)	11/07/23	1/25/23 - 2/06/24
14	A-1 Investments		
	A-1 Investments Cash to Investments	10/02/23	10/04/23
	A-1-1 & A-1-2 Other Adjustments to Investments (not on SAM II)	10/02/23	10/04/23
15	SBITA		
	Workpaper/JEs	10/23/23	12/27/23 - 1/23/24
	Disclosure Note	10/23/23	12/27/23 - 1/23/24
16	ACFR Draft	11/10/23	12/29/2023 - 3/12/24**

* Agreed-upon target due dates included in the engagement letter signed by the OA - DOA Director on August 31, 2023.

** Division of Accounting Director approval of the ACFR Draft occurred on 2/13/24.