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Missouri State Auditor

State of Missouri
Annual Comprehensive Financial Report
Report on Internal Control, Compliance, and Other Matters
Year Ended June 30, 2025

Report No. 2026-036

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auditor.mo.gov



Scott Fitzpatrick
Missouri State Auditor

CITIZENS SUMMARY

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

<p>OA - Division of Accounting Financial Reporting Controls - ACFR Preparation</p>	<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 identified by auditors and corrected, the Notes to the Financial Statements (Notes) would have been materially misstated in the ACFR for the year ended June 30, 2025. The audit found understatements totaling over \$9 billion that resulted from calculation errors for various fiduciary fund component unit investments that occurred, in part, because the DOA has not automated some calculations in its financial reporting software. The audit also found an overstatement that occurred when the DOA incorrectly reported \$29.9 million in Unemployment Compensation Fund reimbursements to the federal government as a change in accounting estimate.</p>
<p>Medicaid and CHIP Receipt Controls</p>	<p>As noted in the previous audit, the Department of Social Services - MO HealthNet Division (MHD) does not have adequate controls to ensure proper management of receipts. The MHD does not adequately restrict user access within the Medicaid Management Information System and does not account for all cash control numbers to ensure all checks and money orders received are properly deposited or returned to senders. During the year ended June 30, 2025, the MHD processed Medicaid and Children's Health Insurance Program (CHIP) receipts totaling approximately \$1.4 billion.</p>

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

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Introduction

Summary of Financial Statement Audit Results

In fulfillment of our duties under Section 29.200.10, RSMo, we issued our audit report (Report No. 2026-015¹) of the State of Missouri's Annual Comprehensive Financial Report (ACFR), as of and for the year ended June 30, 2025, on February 20, 2026.

The State of Missouri's fiscal year 2025 financial statements covered approximately \$66 billion in total assets and approximately \$41 billion in total expenses for the primary government. Our report expressed qualified opinions on the governmental activities and the General Fund because we were not allowed access to tax returns and related source documents for income taxes. Our report expressed unmodified opinions on all remaining opinion units.

In connection with the audit, we tested internal controls and compliance with laws and regulations. The results of our tests are contained herein in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. We reported 2 findings related to internal control deficiencies at 2 state agencies. We consider both findings to be material weaknesses. One finding was repeated from the prior audit.

The state agencies' responses to the findings are included in this report. The agencies prepared a Corrective Action Plan (CAP) for each finding. The CAPs were submitted to the Office of Administration (OA) and will be included in the Corrective Action Plans section of the State of Missouri - Single Audit report, to be issued later.

State agencies prepared and submitted to the OA the status of the prior audit findings. They will be presented in the Summary Schedule of Prior Audit Findings section of the State of Missouri - Single Audit report.

¹ The State of Missouri's Annual Comprehensive Financial Report (ACFR) is available online at: <<https://oa.mo.gov/accounting/reports/annual-reports/annual-comprehensive-financial-reports>>.



SCOTT FITZPATRICK
MISSOURI STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mike Kehoe, Governor
and
Members of the General Assembly

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Missouri, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the State of Missouri's basic financial statements, and have issued our report thereon dated February 20, 2026. Our report expressed qualified opinions on the governmental activities and the General Fund, a major fund, because we were not allowed access to tax returns and related source documents for income taxes. Approximately 25 percent of governmental activities revenues and 28 percent of General Fund revenues are from this source. We were unable to satisfy ourselves by appropriate audit procedures as to the income tax revenue beyond the amounts recorded. Our report expressed unmodified opinions on all remaining opinion units.

Our report on the State of Missouri's financial statements includes a reference to other auditors who audited the financial statements of:

1. The Missouri Road Fund, a major fund; the Missouri Road Bond Fund; the Transportation Self-Insurance Plan; the Missouri State Employees' Insurance Plan; the Missouri Consolidated Health Care Plan; and the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan, which represent 59 percent of the assets and 10 percent of the revenues of the governmental activities.
2. The State Lottery Fund, a major fund, and the Petroleum Storage Tank Insurance Fund which represent 11 percent of the assets and 80 percent of the revenues of the business-type activities.
3. The aggregate discretely presented component units.

4. The pension (and other employee benefit) trust funds and the Missouri Department of Transportation custodial funds which represent 91 percent of the assets and 29 percent of the additions of the fiduciary funds.

This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

The financial statements of the Missouri Consolidated Health Care Plan (MCHCP), internal service fund; the Missouri Development Finance Board and the Missouri Agricultural and Small Business Development Authority, discretely presented component units; and the Missouri Department of Transportation and Highway Patrol Employees' Retirement System and the MCHCP State Retiree Welfare Benefit Trust, pension (and other employee benefit) trust funds, were not audited in accordance with *Government Auditing Standards*. Accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with these entities and funds.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Missouri's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Missouri's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State of Missouri's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as finding numbers FS2025-001 and FS2025-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

State of Missouri's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State of Missouri's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The State of Missouri's responses were not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Section 29.200, RSMo, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Scott Fitzpatrick". The signature is written in a cursive style with a large initial "S" and "F".

Scott Fitzpatrick
State Auditor

February 20, 2026

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Schedule of Findings and Responses

FS2025-001.
OA - Division of
Accounting Financial
Reporting Controls -
ACFR Preparation

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 identified by auditors and corrected, the Notes to the Financial Statements (Notes) would have been materially misstated in the ACFR for the year ended June 30, 2025.

The DOA prepares the ACFR by compiling information obtained from various sources, including the Statewide Advantage for Missouri (SAM II) Financial system, state agency surveys and reports, and component unit audited financial statements. The table below shows the misstatements identified in the Notes during the audit.

Note - page number	Overstatement	(Understatement)	Net
Note 3 - Deposits and Investments, Fiduciary Funds	\$		
Active Hedge Funds Measured at Net Asset Value - p. 56	0	(100,553,000) ¹	(100,553,000)
Total Investments Measured at Net Asset Value - p. 56	0	(100,553,000) ¹	(100,553,000)
Total Investments Measured at Fair Value - p. 56	0	(8,932,005,000) ²	(8,932,005,000)
Note 2 - Reporting Changes and Classifications			
Change in accounting estimate - p. 49	29,919,000	0	29,919,000

¹Understatement for MOSERS-Component Unit

²Combined understatements for MOSERS, MSEP, and Deferred Compensation Plans-Component Units

The Note 3 understatements totaling over \$9 billion resulted from calculation errors for various fiduciary fund component unit investments that occurred, in part, because the DOA has not automated some calculations in its financial reporting software. The Note 2 overstatement occurred when the DOA incorrectly reported \$29.9 million in Unemployment Compensation Fund reimbursements to the federal government as a change in accounting estimate. The overstatement and understatements were not identified in the DOA's supervisory review of the draft ACFR. After we brought the misstatements to the DOA's attention, DOA personnel made corrections to the Notes prior to completing the ACFR.

It is essential the DOA strengthen controls and procedures for preparation of the ACFR. The *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, states that management is responsible for the design, implementation, and operating effectiveness of the internal control system and that control activities should be designed to achieve objectives and respond to risks. Such controls would allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements.



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Recommendation

The DOA strengthen controls and procedures to ensure proper disclosure of information in the Notes to the Financial Statements in the ACFR. In addition, the DOA should automate calculations to the extent possible in its financial reporting software.

Auditee's Response

The Division of Accounting has added additional formulas to perform more error-checking for the ACFR. The Division is currently down four senior staff that have been dedicated to the statewide accounting system replacement project. As those staff return to normal duties in the Division, additional management reviews will be performed.

FS2025-002. Medicaid and CHIP Receipt Controls

As noted in our previous audit,² the Department of Social Services (DSS) - MO HealthNet Division (MHD) does not have adequate controls to ensure proper management of receipts. The MHD does not adequately restrict user access within the Medicaid Management Information System (MMIS) and does not account for all cash control numbers to ensure all checks and money orders are properly deposited or returned to senders if the payment cannot be accepted.

During the year ended June 30, 2025, the MHD Financial Operations and Reporting Unit (FORU) processed Medicaid and Children's Health Insurance Program (CHIP) receipts totaling approximately \$1.4 billion. These receipts included checks and money orders received from participants, providers, and insurance companies for items such as premiums, reimbursements, and taxes.

FORU staff receive checks and money orders, post the receipts to the receipt module of the MMIS, and prepare deposit transmittals. MHD program staff apply the receipts to the applicable accounts in the accounts receivable module in the MMIS. Of the approximately \$1.4 billion received, approximately \$380,000 (.03 percent) was received through a contracted bank lockbox, and then posted to the Automated Health System (AHS)³ by contractor employees.

MMIS user access

The MHD does not adequately restrict user access within the receipts and accounts receivable modules in the MMIS. The FORU Senior Accountant and both Accountants can access checks and money orders, record receipts and change receipt records in the MMIS, update or close the related accounts receivable in the MMIS, apply the restrictive endorsement to checks, and prepare deposit transmittals. MHD officials indicated these three employees need full access to the MMIS in case of employee absences or turnover. In

² See State of Missouri Annual Comprehensive Financial Report - Report on Internal Control, Compliance, and Other Matters at <<https://auditor.mo.gov/AuditReport/Reports?SearchLocalState=3>>. finding number FS2024-002.

³ The system is also called HealthTrack.



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response to our audit findings, in August 2024 and September 2025, the MHD implemented some supervisory reviews of entries and changes made in the MMIS by some employees; however, the reviews did not include all activities of all employees whose duties are not segregated and were not adequately documented. Not adequately reviewing all activities of these employees increases the risks of misappropriation and undetected errors. In addition, without documenting the review in sufficient detail, there is no evidence the control was properly designed or implemented.

Segregating the duties of handling and recording receipts from the duties of modifying accounts receivable records is necessary to ensure transactions are

Cash control numbers

The MHD's reconciliations of receipts, deposits, and checks and money orders on hand are not sufficient to account for all cash control numbers to ensure all checks and money orders received are properly deposited or returned to senders.

The MMIS and the AHS assign unique cash control numbers to receipts scanned and posted in the systems. MHD staff reconcile receipts listed on deposit transmittals to system-generated deposit reports daily and reconcile open transaction reports to checks and money orders in the MHD's safes weekly. However, neither of these reconciliations account for the sequence of all cash control numbers. MHD officials indicated there are instances in which the MMIS and the AHS skip a cash control number due to system limitations. In March 2025, the MHD implemented procedures to perform quarterly reviews of the sequence of MMIS cash control numbers and investigate any skipped numbers; however, similar procedures have not been established for AHS cash control numbers.

During a count of undeposited items and a review of related receipt records on August 25, 2025, auditors noted numerous omitted AHS cash control numbers. Upon our request, the MHD generated a report of transactions associated with the omitted cash control numbers. The report showed the transactions were primarily non-deposit transactions, such as error corrections and returned checks. Failure to properly account for cash control numbers increases the risk of misappropriation.

Conclusions

Strong internal controls are necessary to ensure Medicaid and CHIP receipts are accounted for properly. Regulation 2 CFR Section 200.303(a) requires the recipient to "[e]stablish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States or the *Internal Control-Integrated Framework* issued by the



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Committee of Sponsoring Organizations of the Treadway Commission (COSO)." Paragraphs 10.03 and 10.12 of the *Standards for Internal Control in the Federal Government*, also known as the Green Book,⁴ provide that management should establish physical controls to periodically compare vulnerable assets to control records; secure and safeguard vulnerable assets; and consider segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, design alternative control activities to address the risk.

Recommendation

The DSS through the MHD continue to review, strengthen, and enforce internal controls over Medicaid and CHIP receipts. The MHD should restrict user access within the MMIS for FORU accounting personnel and adequately segregate asset custody and receipt recording duties from accounts receivable duties, or perform documented supervisory reviews of all MMIS entries and changes made by employees whose duties are not segregated. In addition, the MHD should establish procedures to account for cash control numbers to ensure all receipts are deposited or returned to senders.

Auditee's Response

MHD has implemented a process to document supervisory reviews of the Finance Manual Checks Quarterly Report to ensure segregation of duties in HealthTrack/AHS relating to premium payments. This process was implemented in August 2024 with additional information added to the Finance Manual Checks Quarterly Report and activated in July 2025. Effective for quarter ending March 2026, the FORU Manager/Senior Accountant will review the report to ensure team members are following appropriate practices. The Director of Fiscal Policy will populate the report for an independent review of actions performed by the FORU Manager/Senior Accountant.

MHD will continue to perform the audit of clerk ID ad hoc reports to review any segregation of duties within the MMIS. All reports will be sent from the MMIS analyst to the FORU Manager/Senior Accountant to review team member's actions and to the Director of Fiscal Policy to review the FORU Manager/Senior Accountant's actions within MMIS.

MHD implemented a process establishing a new cash control number (CCN) sequence, exclusive to manual checks logged within the FORU, in August 2024. This resolved the issue of CCNs for participant checks occurring out of sequence due to AHS running files in the background. During the FY25 audit, MHD received further clarification and is implementing a review of a Manual Checks Monthly report to verify there are no missing or unused CCNs for

⁴ The Green Book was revised, effective October 1, 2025. This language is prior to the revision.



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participant checks in HealthTrack. In the event there are any discrepancies, information will be notated accordingly on the report.

MHD continues to review provider checks in MMIS for any unused or skipped CCNs in MMIS. This is completed by FORU staff comparing a spreadsheet updated by the Accounts Assistant with the daily CCNs used with a quarterly report received from MMIS/Wipro to document reasons for any unused or skipped CCNs.