

# Good Morning



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Financial-Compliance Audit  
Department of Administration  
Fiscal years 2021 and 2022

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### Results

- **Qualified** opinions on 2021 and 2022 financial schedules
- 4 recommendations to the department

### Department Key Services

- Accounting and Financial reporting
- Employee benefits and human resources
- Capital complex maintenance
- Information systems
- Insurance and risk management

# Significant Department Activity

- Over \$600 million in revenue generated from Internal Service Funds
- \$410 million paid in benefits and claims
- Over \$700 million in transfers out of the General Fund
- \$250 million in federal CARES Act funding distributed
- \$43 million each year in ARPA funding to local governments





# 1. Service Organizations

# SOC Reports

- Department contracts with multiple service organizations to provide services to other state agencies and employees.
- SOC report provides users with assurance over effectiveness of an organization's controls.
- Health Care Benefits Division
  - Enrollment, eligibility, and claims administration
- SITSD
  - New billing software and new online payment processor

# System Access

- We reviewed access to service organizations at both divisions.
- Multiple access issues identified
  - Former staff still had access roles in the system
  - Individuals were given incorrect access
- In some cases, the department did not review access to new systems.
- Due to turnover, access termination did not occur timely.



## **2. Information Technology (IT) Capital Projects**

# IT Capital Projects

- Legislature appropriates funds for long-range IT projects at various agencies.
  - \$140 million appropriated since 2013
  - \$ 62 million spent through 2022
- Agencies submit plans and costs of each project milestone
- Department does not review the underlying expenses
- Risk that an agency did not spend the funds on designated projects.





### **3. Expenditure Classification Misstatements**

# Expenditure Misclassification

- Resulted in qualified opinions in 2021 and 2022.
- \$48 million each fiscal year in supplemental payments to the retirement system
- CARES Act distributions to local governments totaling \$170 million.
- ARPA distributions to local governments totaling \$86 million
- Payments and distributions were made correctly but roll to the wrong line on the financial schedules.



## **4. State Accounting Bureau Role**

# State Accounting Bureau

- Department is responsible for uniform accounting and reporting for all state agencies
- All transactions should be on the records before the books close.
- Activity is recorded on behalf of all state agencies:
  - Pension related errors at Department of Corrections - \$2.5-24.9 million.
  - Board of Crime Control error - \$2.4 million
  - Leases implementation – errors at multiple agencies including Department of Administration.

# Questions?

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