Comptroller of Public Accounts (Comptroller’s Office) using SEFA data from all state agencies and higher education institutions that made federal expenditures during the fiscal year. The State Auditor’s Office and KMPG LLP audited the processes for preparing SEFA information at 15 agencies and 20 higher education institutions. Auditors identified errors caused by inadequate review of SEFA information at 22 agencies and higher education institutions. These errors are discussed in Chapter 1-H of this report.

The State Auditor’s Office conducts this audit so that the State can comply with legislation and federal grant requirements to obtain an opinion regarding the material accuracy of its basic financial statements and a report on internal controls related to those statements. The results of this audit are used primarily by companies that review the State’s fiscal integrity to rate state-issued bonds and by federal agencies that award grants.

Key Points

The financial systems and controls at the agencies and higher education institutions audited were adequate to enable the State to prepare materially accurate basic financial statements.

Although the financial systems and controls were adequate, audit work identified control weaknesses at 7 of the 14 state agencies and higher education institutions audited. (Appendix 2 of this report lists all agencies and higher education institutions audited.) Specifically:

- The Comptroller’s Office should strengthen its CAFR consolidation process. In addition, the Comptroller’s Office should continue to strengthen (1) access controls for the State Treasury Division’s technology operations, (2) procedures for profile change requests, and (3) financial reconciliations. Auditors previously identified these same types of issues during the audit of fiscal year 2007.

- The Department of State Health Services (Department) should complete required financial reconciliations. The Department did not complete the reconciliation of its internal accounting system with the State’s accounting system (the Uniform Statewide Accounting System or USAS).

- The Department of Transportation should regularly update user access rights for its automated systems and consistently amortize bond premiums in accordance with requirements.

- The Health and Human Services Commission (Commission) should implement all components of its payment monitoring system. Auditors previously identified this same issue during the audits of fiscal years 2006 and 2007. The Commission also should fully document policies and procedures for recording and approving Medicaid, CHIP, and Vendor Drug program expenditures. Auditors previously identified this issue during the audits of fiscal years 2005 through 2007. The Commission should review user access to USAS and ensure that related duties are