Overview of Annual MDHE Audits
Coordinating Board for Higher Education
March 8, 2018

BACKGROUND

Over the course of the year, MDHE undergoes three main types of audits:

I. State Auditor’s Office audits
II. U.S. Department of Education audits
III. Financial statement audits

Although the above are the main audits of MDHE, it is important to note that the State Auditor’s Office, the U.S. Department of Education, and other oversight bodies such as the Office of Inspector General can conduct ad hoc audits at any time on particular issues.

Each of the three main audits are described in more detail below.

I. State Auditor’s Office Audits

Statewide Financial Statements
• Each year, the State Auditor’s Office (SAO) determines which state funds have the most significant amount of activity and tests transactions from those funds during its audit of the statewide financial statements (CAFR). Both the loan program and the state financial aid funds typically have activity at a level that the SAO considers significant and those funds are included in test work for the audit of the CAFR.
• State auditors typically perform test work onsite from approximately July to December.
• The Comprehensive Annual Financial Report (CAFR), including the Department’s financial data, is usually issued in January by the Office of Administration.

A-133 Single Audit
• The A-133 Single Audit is an audit of federal programs; MDHE is included in the Single Audit because we receive federal money to administer the Missouri Student Loan Program (MSLP).
• Single Audit work includes testing financial information, compliance, and internal controls.
• Single Audit work occurs on a regular basis. Until recently, guaranty agency audits occurred annually; but due to changes in federal funds management requirements, the audits will now be every two or three years.
• Onsite Single Audit work usually occurs from approximately July through January.
• The SAO issues the Single Audit report in February or early March; the report includes all federal funds expended by the State of Missouri.

The SAO charges MDHE for the audits; the 2017 engagement letter estimates a maximum cost of $136,000 for the combined audits; in years including only statewide financial statement audit work, the cost is closer to $13,000.

Periodic audits of MDHE
• The State Auditor may perform department-wide and ad hoc audits of MDHE.
• Department-wide audits of MDHE have been infrequent; depending on SAO priorities, these audits may be a decade or more apart.
• The SAO issued its most recent department-wide audit report in 2016.
• The SAO also periodically performs ad hoc audits of specific programs administered by MDHE and various elements of the public higher education system.
• A list of higher education audit reports issued by the SAO can be found at https://app.auditor.mo.gov/AuditReports/AudRpt2.aspx?id=13
II. United States Department of Education Reviews

Periodic guaranty agency reviews
- The United States Department of Education (USDE) performs both desk reviews and onsite reviews of the guaranty agency.
- Onsite reviews usually include four or five staff from the Federal Student Aid division of USDE; the in-charge auditor is usually from the Southern Region’s Dallas, TX office.
- Desk reviews typically occur during a one-week period and primarily consist of document requests and conference calls.

Information Security Self-Assessment
- USDE requires guaranty agencies to submit annual self-assessments of information security controls.
- A federal contractor (currently “Blue Canopy”) issues a report on the assessment with a rating and areas for improvement.
- MDHE is required to respond to the report with a corrective action plan and to periodically report progress toward the plan.

On-site information security review
- Periodically, USDE performs on-site reviews of the MSLP information security controls.
- Past reviews have involved three or more staff during a one-week period.

The federal government does not charge MDHE for any of its reviews.

III. Financial Statement Audit

Audit of financial statements of the Missouri Student Loan Program
- Annually, MSLP compiles comparative financial statements that are audited by an external CPA firm.
- RubinBrown currently performs the audits through a contract awarded by the Missouri Office of Administration.
- Financial statement audit onsite work usually begins with one or two staff onsite for a week in August to perform planning and concludes with two or three staff onsite for a week in October to perform audit fieldwork.
- The final product of the financial statement audit is a set of comparative financial statements that includes auditor’s reports on the financial statement presentation and internal controls.
- The audit firm issues the financial statement audit report in early December in order to present the audit to the CBHE audit committee prior to the December board meeting.
- USDE requires MDHE to submit a copy of its audited financial statements each year.

Currently, the financial statement audit costs MDHE approximately $43,000 annually.

RECOMMENDED ACTION

This is an information item only.

ATTACHMENT
- Onsite portions of MDHE Audits, State Fiscal Year 2018
Tab Z Attachment
Onsite Portions of MDHE Audits, State Fiscal Year 2018