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**FINANCIAL STATEMENTS OF FUND 3324000000 AND 5534000000
OF THE**

STATE OF MISSISSIPPI REHABILITATION SERVICES

(A DEPARTMENT OF THE STATE OF MISSISSIPPI)

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024



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**STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
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YEAR ENDED JUNE 30, 2024**

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INDEPENDENT AUDITORS' REPORT

Executive Director
State of Mississippi Rehabilitation Services
(A Department of the State of Mississippi)
Madison, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the general funds 3324000000 and 5334000000 of State of Mississippi Rehabilitation Services (MDRS), a Department of the State of Mississippi, as of and for the year ended June 30, 2024, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fund activity of MDRS as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MDRS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements of funds 3324000000 and 5334000000 of MDRS are intended to present the financial position and changes in financial position of only that portion of funds 3324000000 and 5334000000 attributable to the fund activity transactions of MDRS. They do not purport to, and do not, present fairly, the financial position of the State of Mississippi Department of Rehabilitation Services or the State of Mississippi as of June 30, 2024, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with the respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MDRS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Executive Director
State of Mississippi Rehabilitation Services
(A Department of the State of Mississippi)

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2025 on our consideration of MDRS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MDRS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDRS's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 13, 2025

STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
BALANCE SHEET
JUNE 30, 2024

	<u>Fund</u> 3324000000	<u>Fund</u> 5334000000
ASSETS		
Equity in State Treasury Funds	\$ 4,172,508	\$ -
Loan Receivables, Net	-	3,000
Due from Federal Governments	1,445,084	25,232,549
Other Receivables	95,000	-
	<u>5,712,592</u>	<u>25,235,549</u>
Total Assets	<u>\$ 5,712,592</u>	<u>\$ 25,235,549</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Due to Equity in State Treasury Funds	-	\$ 19,696,319
Accounts Payable	\$ 1,278,282	3,770,178
Warrants Payable	109,799	541,675
Due to Other Governments	27,494	704,901
Due to Other Funds and Agencies	9,398,003	1,223,669
Due to Component Units of the State	23,193	534,356
Unearned Revenue	-	42
Total Liabilities	<u>10,836,771</u>	<u>26,471,140</u>
FUND BALANCE		
Unassigned	<u>(5,124,179)</u>	<u>(1,235,591)</u>
Total Fund Deficit	<u>(5,124,179)</u>	<u>(1,235,591)</u>
Total Liabilities, and Fund Deficit	<u>\$ 5,712,592</u>	<u>\$ 25,235,549</u>

See accompanying Notes to Financial Statements.

STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2024

	Fund 3324000000	Fund 5334000000
REVENUES		
Federal Grant	\$ 2,308	\$ 89,245,854
Other income	5,011	54,529
Total Revenues	<u>7,319</u>	<u>89,300,383</u>
EXPENDITURES		
General Government:		
Subsidies	44,799,708	45,264,588
Salaries and Benefits	7,467,342	24,056,742
Travel	323,433	1,234,470
Contractual Services	2,268,431	12,439,238
Commodities	351,019	837,598
Capital Outlay	108,295	1,631,447
Debt Service		
Principal	31,789	307,640
Interest and other charges	4,197	40,616
Total Expenditures	<u>55,354,214</u>	<u>85,812,339</u>
EXCESS OF REVENUES OVER EXPENDITURES	(55,346,895)	3,488,044
OTHER FINANCING SOURCES (USES)		
Transfers In	51,516,974	-
Transfers (Out)	(1,146,333)	(3,656,972)
Total Financing Uses	<u>50,370,641</u>	<u>(3,656,972)</u>
NET CHANGE IN FUND BALANCES	(4,976,254)	(168,928)
Fund Deficit - Beginning of Year	<u>(147,925)</u>	<u>(1,066,663)</u>
FUND DEFICIT - END OF YEAR	<u>\$ (5,124,179)</u>	<u>\$ (1,235,591)</u>

See accompanying Notes to Financial Statements.

STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background Information

The State of Mississippi Rehabilitation Services (MDRS) is a state agency whose main function is to provide resources to Mississippians with disabilities to gain employment, retain employment and to live more independently. MDRS provides services designed for physical and mental disabilities, blindness and low vision, and severe disabilities. There are four main programs that these services are provided through. The Office of Vocational Rehabilitation (VR), The Office of Vocational Rehabilitation for the Blind (VRB), The Office of Special Disability Programs (OSDP), and The Office of Disability Determination Services (DDS).

Financial Reporting Entity

MDRS is a state agency included in the general fund of the State of Mississippi's Annual Comprehensive Financial Report.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the *Governmental Accounting Standards Board* (GASB). These financial statements do not constitute a complete presentation because they do not present the government-wide financial statements, reconciliations to the government-wide financial statements, management's discussion and analysis, or budgetary information.

The financial statements of MDRS are intended to present the financial position and changes in financial position of MDRS that is attributable to the fund activity transactions of MDRS. They do not present fairly, the financial position of the State of Mississippi as of June 30, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents are defined as demand deposit accounts and equity in State Treasury Funds. Equity in State Treasury Funds consists of pooled cash held by the Treasurer of the State of Mississippi.

Custodial risk is the risk that in the event of bank failure, a government's deposits may not be returned. MDRS's deposit policy for protection of custodial risk is handled under a statewide collateral program. The collateral for public entities' deposits in financial institutions is held by the depository bank in the name of the State Treasurer under a program established by the State of Mississippi Legislature and is governed by Section 27 105-5, Miss. Code Ann. (1972). Under this program, the entities' funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Classifications

The account classifications used in the financial statements conform to the board classifications recommended in Governmental Accounting, Auditing and Financial Reporting, as issued by the Government Finance Officers Association.

Fund Accounting

The financial activities of the general fund consist of individual sub-funds used to report financial position and changes in financial position. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations.

Basis of Accounting/Measurement Focus

The financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are considered to be available when they are both measurable and available to finance expenditures of the current period. Management considers revenue to be available if collected within 60 days. Expenditures are recorded when a liability is incurred.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires MDRS to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and other changes in fund balances during the period. Actual results could differ from those estimates.

Revenue Recognition

Grant revenue is recognized when the related and allowable liability is paid and collected within sixty days after fiscal year end. Other revenues are generally recognized when the revenue is received or appropriated by the State of Mississippi Legislature.

Unearned Revenue

Unearned revenue represents grant revenue received prior to all eligibility requirements being met. Unearned revenue is reported as a liability until the eligibility requirements are met.

Deferred Inflow of Resources

A deferred inflow of resources is the acquisition of net assets by the government that applies to a future reporting period.

STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management

MDRS is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The State of Mississippi has elected to finance most exposures to risk through the retention of risk. The State utilizes the internal service Risk Management Fund to account for these activities.

Activity with Other State Funds

Transactions for services rendered by one state fund, including other MDRS funds, to another are treated as revenue of the recipient fund and expenditures/expenses of the disbursing funds.

Reimbursements of expenditures/expenses made by one state fund, including other MDRS funds, for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed funds. Transfers to (from) other state funds represent flows of assets between funds without equivalent flows of assets in return and without a requirement for payment.

Funds 3324000000 and 5334000000 are only a part of MDRS. Balances with other state funds, including other MDRS funds, have not been eliminated from the balance sheet. Amounts due to and due from other funds represent billings between funds. Transfers between funds are primarily used to move revenues from funds that are required to collect them, to funds required to expend them and to transfer revenues collected in other funds to Funds 3324000000 and 5334000000 in accordance with budgetary authorizations.

Fund Balances – Governmental Funds

MDRS presents defined fund balance categories to demonstrate the nature and extent of the constraint placed on the selected funds' fund balances. The classifications used in the financial statements are based on the following methodology:

Nonspendable – This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – This classification includes amounts that may only be spent for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed – This classification includes amounts that can be used only for the specific purposes determined by enabling legislations by the State legislature.

Unassigned – The residual classification for the general fund and includes all amounts not contained in the other classifications. The unassigned classification is also used to report a deficit balance resulting from overspending for specific purposes for which amount had been restricted, committed or assigned.

STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, MDRS considers restricted resources to have been spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, MDRS considers committed, assigned, and unassigned amounts to have been spent in that order.

NOTE 2 INTERFUND TRANSFERS

Interfund transfers received from other funds are reported as Other Financing Sources rather than revenue, and interfund transfers sent to other funds are recorded as Other Financing Uses. In the selected governmental funds financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures of the disbursing fund.

As of June 30, 2024, Fund transfers consisted of:

Fund 3324000000	
Description:	Transfers in
IL Admin Billing	\$ 5,129,017
Medicaid Payments	46,387,957
Total Transfers in	<u>\$ 51,516,974</u>

Fund 3324000000	
Description:	Transfers out
Department Finance and Administration - Reclass	<u>\$ (1,146,333)</u>

Fund 5334000000	
Description:	Transfers out
Department Finance and Administration - Reclass	\$ (3,312,643)
Office of Attorney General	(39,522)
Department of Human Services	(65,664)
Department of Employment Security	(179,143)
Department of Mental Health	(60,000)
Total Transfers out	<u>\$ (3,656,972)</u>

STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 DUE FROM OTHER GOVERNMENTS

The due from balances are grant revenue due to MDRS from federal and state granting agencies.

The details of amounts due from as of June 30, 2024 consisted of:

Due From Federal Agency	<u>Fund</u> 3324000000	<u>Fund</u> 5334000000
U.S Department of Education	\$ -	\$ 22,646,592
U.S Department of Health and Human Services	1,445,084	179,557
Social Services Administration	-	2,406,400
Total	<u>\$ 1,445,084</u>	<u>\$ 25,232,549</u>

All amounts due to MDRS are expected to be collected in fiscal year 2024.

NOTE 4 DUE TO OTHER FUNDS AND AGENCIES

The due to other funds and agencies are payables between State funds and agencies. The special revenue fund payable is used to move federal grant reimbursements between funds.

As of June 30, 2024, payables to other funds, including other MDRS funds, consisted of:

Due To Other Funds and Agencies	<u>Fund</u> 3324000000	<u>Fund</u> 5334000000
Special Revenue Fund - 8851000000	\$ 9,375,150	\$ 278,612
Information Technology Services - 3360900000	22,853	14,977
OVRB Petty Cash - 5334000000	-	1,377
Mississippi Department of Finance and Administration		879,168
Employment Security		21,593
Human Services		10,253
Other		17,689
Total	<u>\$ 9,398,003</u>	<u>\$ 1,223,669</u>

STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 DUE TO COMPONENT UNITS OF THE STATE

The due to component units of the State are payables between MDRS and State agencies for reimbursement for client tuition costs or third part contracts.

As of June 30, 2024, payables to other Component Units of the State, consisted of:

Due to Component Units of the State	<u>Fund</u> 3324000000	<u>Fund</u> 5334000000
Mississippi State University	\$ 17,223	\$ 172,627
Mississippi University for Women	-	27,689
University of Mississippi	-	47,407
University of Mississippi Medical Center	5,970	169,177
University of Southern Mississippi	-	89,798
Jackson State University	-	23,534

NOTE 6 DUE TO OTHER GOVERNMENTS

The due to other Governments are payables between MDRS and other counties, cities, and school districts for reimbursement for client Medicaid record requests, client tuition costs, and third party contracts. As of June 30, 2024, payables to other Governments consisted of \$27,494 for fund 3324000000 and \$704,901 for fund 5334000000.

NOTE 7 CONTINGENCIES AND COMMITMENTS

Litigation

MDRS is party to various legal proceedings that arise in the normal course of governmental operations. If an unfavorable outcome of the litigation is determined to be likely and probable, MDRS will record a liability to reflect the estimated outcome of the litigation.

NOTE 8 RETIREMENT PLAN

MDRS contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost sharing multiple employers defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling 601 359 3589 or 1 800 444 PERS.

STATE OF MISSISSIPPI REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 8 RETIREMENT PLAN (CONTINUED)

PERS members are required to contribute 9.00% of their annual covered salary and the Agency is required to contribute at an actuarially determined rate. The current rate is 17.40% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. As of June 30, 2024, MDRS contributed \$4,581,387 to PERS. Of that amount \$1,439,684 came from fund 332400000 and \$3,141,703 from fund 5334000000, respectively.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

MDRS participates in PERS Other Postemployment Benefits Plan (OPEB). The State and School Employees' Health Insurance Management Board administers the State's self-insured medical plan and life insurance program established by Miss. Code Ann. § 25-15-3 (1972, as amended), which may be amended only by the State Legislature. State law mandates that all state, public education, library, junior and community college, and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (Plan).

Benefits Provided

The Plan provides OPEB as a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing healthcare benefits to retirees under age 65 and the average cost of providing healthcare benefits to all participants when premiums paid by retirees are not age-adjusted.

The Plan offers a base option and a select option for health benefits for non-Medicare participants. The Plan includes a separate level for Medicare eligible retirees, Medicare eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. Pursuant to the authority granted by Mississippi statute, the Plan's Management Board has the authority to establish and change premium rates for the participants, employers, and the other contributing parties. If it is determined actuarially that premiums paid by participating retirees adversely affect the overall cost of the Plan to the State, a premium surcharge may be imposed on participating retired employees under the age of Medicare eligibility. For those initially employed on or after January 1, 2006, a premium surcharge may be imposed in an amount determined actuarially to cover the full cost of insurance, while the surcharge for those employed before that date may not exceed 15%.



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Billy Taylor, Executive Director
and Office of State Auditors
Mississippi Department of Rehabilitation Services
(A Department of the State of Mississippi)
Madison, Mississippi

We have audited, in accordance with the 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 statements of funds 3324000000 and 5334000000 of Mississippi Department of Rehabilitation Services (MDRS), a Department of the State of Mississippi as of and for the year ended June 30, 2024, and the related notes to the financial statements and have issued our report thereon date May 24, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of funds 3324000000 and 5334000000, we considered MDRS'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 of funds 3324000000 and 5334000000, but not for the purpose of expressing an opinion on the effectiveness of MDRS's internal control. Accordingly, we do not express an opinion on the effectiveness of MDRS'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 entity'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 schedule of findings and questioned costs as item 2024-001 we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDRS's financial statements of funds 3324000000 and 5334000000 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*.

The MDRS's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on MDRS's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. MDRS's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 13, 2025



State of Mississippi
DEPARTMENT OF REHABILITATION SERVICES

FINANCIAL AUDIT FINDINGS

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

July 17, 2025

Dear Mr. White:

Recently, Clifton Larson Alan, LLP (CLA) conducted a financial audit for two of our agency's funds, 3324000000 and 5334000000, covering the 2024 Fiscal Year. Through the course of their test-work, the auditors identified a select number of transactions our agency missed and, therefore, did not capture as a part of its year-end accrual processes, resulting in required adjustments to our financials for the year. Below, you will find a description of the audit findings, as provided by CLA, along with our agency's response and corrective action plan.

Audit Findings (per CLA):

During our review of the accrual process, we identified instances where the Department did not properly accrue revenue and expenditures. Specifically, the department submitted requests for reimbursement and did not record a due from other funds and revenue in the appropriate fiscal year. Additionally, two disbursements for services performed in FY24 were not accrued in the correct fiscal year.

- | | |
|-----------------|--|
| 2024-007 | We recommend that management implement stronger internal controls over the accrual process, including periodic training for accounting personnel and enhanced review procedures to ensure compliance with GASB and GAAP. Management should also consider conducting a retrospective review of accrual transactions to identify and correct any additional misstatements. |
|-----------------|--|

Agency Response:

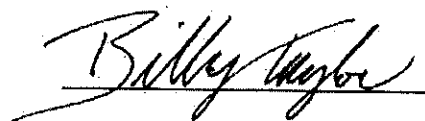
Our agency concurs with the audit findings. We would like to note, however, that due to the nature of the State of Mississippi's GAAP reporting processes, and the fact that deadlines for submitting annual data is prior to the close of each budget year, it is currently impossible and impractical to capture a perfectly accurate balance of accruals to be reported on an annual basis. As such, due to the timing of when agencies are required to run GAAP reports, a mixture of estimates and projections must be utilized to capture a fair amount of activity to be accrued. This often requires coordination and communication between multiple job functions and departments to identify transactions that are outside of what standard accrual reports would capture, yet that are still significant enough to be reflected in the annual financial reports. And, although we feel controls have historically been in place to materially and fairly present our agency's financial position, we agree with the audit findings that a select number of transactions slipped through our reporting processes for the 2024 Fiscal Year. To that extent, we concur that controls need to be strengthened to limit the risk of similar omissions moving forward.

Corrective Action Plan:

Beginning with the close of Fiscal Year 2025, forward, our GAAP reporting team will be asked to re-run all standard accrual reports prior to final submission of our GAAP packets. Although, initial accrual reports must be run in advance of the close of each budget year, to allow for timely submission of GAAP packets, re-running the accrual reports, prior to final submission, would allow us to reconcile and identify any additional transactions of significance. We recognize doing so could risk delays and may compromise our commitment to meeting reporting deadlines. But, in instances where subsequent, material activity is noted, requiring further amendments to our fully prepared schedules, we will maintain a line of communication with DFA's Office of Financial Reporting to notify them of any potential delays.

Our agency takes all audits, and the responsibility for any findings, seriously. And, we remain committed to reporting our financial information accurately and fairly on an annual basis. Should your office have any questions, or if we can provide additional information on this matter, please let us know.

Sincerely,



Billy Taylor, Executive Director



Andy Salin, Finance Director

**REPORTS ON FEDERAL PROGRAMS OF THE
MISSISSIPPI DEPARTMENT OF REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
SELECTED BY THE
OFFICE OF THE STATE AUDITOR
YEAR ENDED JUNE 30, 2024**



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**MISSISSIPPI DEPARTMENT OF REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
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**INDEPENDENT AUDITORS' 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**

Billy Taylor, Executive Director
and Office of State Auditors
Mississippi Department of Rehabilitation Services
(A Department of the State of Mississippi)
Madison, Mississippi

We have audited, in accordance with the 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 Schedule of Expenditures of Federal Awards (Schedule) of Mississippi Department of Rehabilitation Services (MDRS), a Department of the State of Mississippi as of and for the year ended June 30, 2024, and the related notes to the schedule and have issued our report thereon date June 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule, we considered MDRS'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 Schedule, but not for the purpose of expressing an opinion on the effectiveness of MDRS's internal control. Accordingly, we do not express an opinion on the effectiveness of MDRS'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 entity's Schedule 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. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Billy Taylor, Executive Director
and Office of State Auditors
Mississippi Department of Rehabilitation Services
(A Department of the State of Mississippi)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MDRS's Schedule is 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*.

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
June 23, 2025



**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS FOR FEDERAL PROGRAMS
SELECTED BY THE OFFICE OF THE STATE AUDITOR**

Billy Taylor, Executive Director
And Office of State Auditors
Mississippi Department of Rehabilitation Services
(A Department of the State of Mississippi)
Madison, Mississippi

Report on the Audit of the Schedule

Opinion

We have audited the accompanying Schedule of Expenditures of Federal awards for federal programs selected by the Office of the State Auditor (the Schedule) of Mississippi Department of Rehabilitation Services (MDRS), a Department of the State of Mississippi, for the year ended June 30, 2024, and the related notes to the Schedule as listed in the table of contents.

In our opinion, the Schedule presents fairly, in all material respects, the expenditures of federal awards for the programs selected by the Office of the State Auditor (The Schedule) of the MDRS for the year ended June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MDRS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MDRS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2025, on our consideration of the Schedule of MDRS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MDRS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MDRS' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
June 23, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR
FEDERAL PROGRAM SELECTED BY THE OFFICE OF THE STATE AUDITORS
AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Billy Taylor, Executive Director
And Office of State Auditors
Mississippi Department of Rehabilitation Services
(A Department of the State of Mississippi)
Madison, Mississippi

Report on Compliance for The Major Federal Program

Opinion on The Major Federal Program

We have audited the Mississippi Department of Rehabilitation Services' (MDRS), a department of the State of Mississippi, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on MDRS's major federal program selected by the Office of the State Auditor (The Schedule) for the year ended June 30, 2024. MDRS's major federal program selected by the Office of the State Auditor is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, MDRS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on The Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MDRS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of MDRS's compliance with the compliance requirements referred to above.

Billy Taylor, Executive Director
And Office of State Auditors
Mississippi Department of Rehabilitation Services
(A Department of the State of Mississippi)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to MDRS's federal program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MDRS's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MDRS's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MDRS's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MDRS's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MDRS's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Billy Taylor, Executive Director
And Office of State Auditors
Mississippi Department of Rehabilitation Services
(A Department of the State of Mississippi)

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
June 23, 2025

**MISSISSIPPI DEPARTMENT OF REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR FEDERAL PROGRAMS SELECTED BY
THE OFFICE OF THE STATE AUDITOR
YEAR ENDED JUNE 30, 2024**

Federal Grantor, Program, or Cluster Title	Federal Assistance Listing Number	Total Federal Expenditures	Pass through To Subrecipient
Social Security Administration			
Social Security and Disability Insurance Cluster	96.001, 96.006	\$ 23,758,336.00	-
Total Social Security and Disability Insurance Cluster		<u>23,758,336.00</u>	<u>-</u>
Total Social Security Administration		<u>23,758,336.00</u>	<u>-</u>
 Total Expenditures		 <u><u>\$ 23,758,336.00</u></u>	 <u><u>-</u></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**MISSISSIPPI DEPARTMENT OF REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FEDERAL PROGRAMS SELECTED BY
THE OFFICE OF THE STATE AUDITOR
JUNE 30, 2024**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards for the Social Security and Disability Insurance Cluster (the Schedule) includes the federal grant activity for federal programs reported in the schedule. The program was selected for audit by the Office of the State Auditor and do not represent all of the federal expenditures of Mississippi Department of Rehabilitation Services (MDRS). The Schedule is presented on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The information in this Schedule is also presented in accordance with the 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the Financial Statements.

Expenditures of selected federal award grant funds are made for the purposes specified by the grantor and are subject to certain restrictions. Expenditures are also subject to audit by the relevant federal agency. In the opinion of management, disallowed costs, if any, from such audits will not have a material effect on this Schedule or the financial position of MDRS.

NOTE 2 INDIRECT COSTS

MDRS did not elect to use the 10% de minimis cost rate for indirect costs.

**MISSISSIPPI DEPARTMENT OF REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FEDERAL PROGRAMS SELECTED BY
THE OFFICE OF THE STATE AUDITOR
YEAR ENDED JUNE 30, 2024**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

96.001, 96.006

Name of Federal Program or Cluster

Social Security and Disability Insurance Cluster

**MISSISSIPPI DEPARTMENT OF REHABILITATION SERVICES
(A DEPARTMENT OF THE STATE OF MISSISSIPPI)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR FEDERAL PROGRAMS SELECTED BY
THE OFFICE OF THE STATE AUDITOR
JUNE 30, 2024**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reporting in accordance with *Government Auditing standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

MISSOURI DEPARTMENT OF REVENUE
IN DEPARTMENT OF THE STATE OF MISSOURI
BUREAU OF FINANCE AND QUESTIONED COSTS
FOR FEDERAL PROGRAMS
THE OFFICE OF THE STATE AUDITOR
JUNE 20, 2024

Section II – Financial Statement Analysis

The auditor has examined the financial statements of the Missouri Department of Revenue for the period ended June 30, 2024, and has found them to be in accordance with the generally accepted accounting principles.

Section III – Financial Statement Analysis – Missouri Federal Programs

The auditor has examined the financial statements of the Missouri Department of Revenue for the period ended June 30, 2024, and has found them to be in accordance with the generally accepted accounting principles.



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