



**State of Mississippi**  
OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
Auditor

December 22, 2003

**Financial Audit Management Report**

David Huggins, Commissioner  
Mississippi Department of Public Safety  
P. O. Box 958  
Jackson, Mississippi 39205-0958

Dear Mr. Huggins:

Enclosed for your review are the financial audit findings for the Mississippi Department of Public Safety for the Fiscal Year 2003. In these findings, the Auditor's Office recommends the Mississippi Department of Public Safety:

1. Strengthen controls over the review of payroll; and
2. Review SPAHRS access levels.

Please review the recommendations and submit a plan to implement them by January 22, 2004. The enclosed findings contain more information about our recommendations.

During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management, Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

I hope you find our recommendations enable the Mississippi Department of Public Safety to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Public Safety throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant  
State Auditor

Enclosures

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Public Safety for the year ended June 30, 2003. These financial statements are consolidated into the State of Mississippi's Comprehensive Annual Financial Report. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Adam Bunch, CPA, and LaRondia Johnson.

The fieldwork for audit procedures and tests was completed on November 4, 2003. These procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

### **Internal Control over Financial Reporting**

In planning and performing our audit of selected accounts included on the financial statements, we considered the Mississippi Department of Public Safety's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on these accounts and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that require the attention of management. These matters are noted under the heading **IMMATERIAL WEAKNESSES IN INTERNAL CONTROL**.

### **Compliance**

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Public Safety are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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. We are pleased to report the results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## **IMMATERIAL WEAKNESSES IN INTERNAL CONTROL**

### Controls over the Review of Payroll Should Be Strengthened

*Finding:*

During our review of controls over salary expenditures at the Mississippi Department of Public Safety, we noted a lack of independent and/or supervisory review over the preparation and processing of the agency's payroll in the Statewide Payroll and Human Resource System (SPAHRs). Seven of the nine monthly payroll reports reviewed, or 78 percent, were not initialed and dated by independent and/or supervisory personnel to evidence a final review of the agency's SPAHRs and payroll. Good internal controls require the preparation and processing to agency payroll to be reviewed for propriety by independent and/or supervisory personnel. Failure to provide an independent and/or supervisory review of the agency's payroll increases the potential for errors or fraud to occur without being detected in a timely manner.

*Recommendation:*

We recommend the Mississippi Department of Public Safety strengthen controls over salary expenditures by ensuring that independent and/or supervisory agency personnel provide a final review over the agency's SPAHRs payroll. This review should be evidenced in writing:

### SPAHRs Access Levels Should Be Reviewed

*Finding:*

Our review of the access levels over the Statewide Payroll and Human Resource System (SPAHRs) at the Mississippi Department of Public Safety revealed that six employees were assigned to a SPAHRs security group having update access for both the human resource and payroll functions at the agency. Good internal controls require the human resource and payroll functions to be properly segregated, including limiting the number of employees with the ability to both initiate and authorize transactions within SPAHRs. Failure to adequately segregate duties in an on-line system increases the potential for errors or fraud to occur without being detected promptly.

*Recommendation:*

We recommend the Mississippi Department of Public Safety review its current access levels for SPAHRs and ensure that human resource and payroll functions are adequately segregated.