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Commissioner Christopher B. Epps
Mississippi Department of Corrections
Jackson, Mississippi

# MANAGEMENT LETTER

We have audited selected accounts included in financial reporting packages for selected funds of the Mississippi Department of Corrections (MDOC or the Agency) as of and for the year ended June 30, 2003, and have provided the Office of the State Auditor with conclusion memorandums with respect to these audit tests. We conducted our tests of selected accounts and funds in accordance with 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.

## Compliance

As part of obtaining reasonable assurance about whether MDOC's accounts selected for testing in the financial reporting packages are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of tested accounts in financial reporting packages. However, providing an opinion on compliance with those provisions was not an objective of our tests of selected accounts, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our tests of selected accounts, we considered MDOC's internal control over accounts selected for testing in order to determine our auditing procedures for the purpose of providing the Office of the State Auditor with conclusions on the financial reporting packages of MDOC and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect MDOC's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial reporting packages. A reportable condition is described in a later section of this letter.

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 accounts being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

## PRIOR YEAR FINDING NOT CORRECTED

We continue to note the following condition which requires the attention of management. This matter, which does not currently have a material effect on the financial statements, involves internal control weaknesses or other matters. The finding and recommendation below is intended to improve or correct internal control structure weaknesses or other matters. However, we believe that the reportable condition described below is not a material weakness.

Finding 1:

Our review of the internal controls for Fund 8105, Parole Release Fees, determined that collections of fees and record keeping of these collections were not properly segregated. It has been noted that a number of internal control checks are in place that would mitigate the effects of the above lack of segregation that have been shown to be effective in the past. However, the Parole Field Officers continue to collect the fees due from the parolee, maintain the records and make deposits of fees collected into an MDOC bank account. Therefore, until procedures are implemented that will separate these duties, we continue to note the current controls and/or segregation of these duties are not sufficient to accomplish the internal control objectives of the Agency.

Recommendation:

We are aware that one objective of the Agency is to centralize collection of supervision fees. Until such time, we continue to recommend that MDOC segregate the collection and record keeping functions and/or add additional controls. Some possible considerations include:

(1) A central collections center could be instituted that would be responsible for collecting the above mentioned fees from the parolees and depositing these funds in the appropriate MDOC bank account in a timely fashion. An accounting of the activity could then be provided to the Parole Field Officers prior to the parolee's monthly visit.

(2) Additional random internal audits could be performed on Parole Field Officers' records to ensure that all funds are appropriately being collected and timely deposited

into the proper bank account. Although this would not result in better segregation of duties, additional oversight would reduce the possibility of misappropriation.

(3) Additional analytical reviews of collections could be instituted in which the reviewer would analyze the collection patterns of each officer to detect any unusual patterns or inconsistencies. This would assist in providing certain assurance that material concerns are detected. This would also not result in better segregation of duties but would serve to identify potential problems and could be implemented in conjunction with recommendation (1) above.

## CURRENT YEAR FINDINGS

None noted

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This report is intended solely for the information and use of MDOC's management. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Smith, Turner & Reeves

September 19, 2003