



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

June 30, 2004

Limited Internal Control and Compliance Review Management Report

Don Underwood, Executive Director
Mississippi Soil and Water Conservation Commission
P. O. Box 23005
Jackson, Mississippi 39225-3005

Dear Mr. Underwood:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Soil and Water Conservation Commission for the Fiscal Year 2003. In these findings, the Auditor's Office recommends the Mississippi Soil and Water Conservation Commission:

1. Strengthen internal controls over inventory records;
2. Prepare and approve purchase orders before ordering goods and services; and
3. Document receipt of goods and services;

Please review the recommendations and submit a plan to implement them by July 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 Soil and Water Conservation Commission to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Soil and Water Conservation Commission 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 limited internal control and compliance review of the Mississippi Soil and Water Conservation Commission for the year ended June 30, 2003. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis, CGFM, Judy Bounds, and Rebecca Wilson.

The fieldwork for review procedures and tests was completed on March 26, 2004. These procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, 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 weaknesses. 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.

In performing our review, we noted a matter involving the internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **IMMATERIAL WEAKNESS IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESS IN INTERNAL CONTROLS

Internal Controls over Inventory Records Should Be Strengthened

Finding:

The Mississippi Soil and Water Conservation Commission makes loans to soil and water districts around the state to assist in acquiring and making available machinery deemed necessary for implementation of soil and water conservation practices. The Mississippi Soil and Water Conservation Commission purchases the machinery and adds the machinery to its inventory records until the soil and water district pays off the loan. Ownership is then transferred to the district and the item is removed from the agency's inventory records.

During our review of the equipment loan records, we noted in three of the ten items we tested the inventory number for the piece of equipment on the equipment loan record did not agree with the inventory number on the agency's inventory records. Good internal controls require that accurate inventory records be maintained. Failure to accurately record inventory information could result in errors occurring and not being detected promptly.

Recommendation:

We recommend the Mississippi Soil and Water Conservation Commission strengthen internal controls to ensure assigned inventory numbers are accurately recorded in the agency's inventory records.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Purchase Orders Should Be Prepared and Approved Prior to the Ordering of Goods and Services

Finding:

During contractual services expenditure testwork at the Mississippi Soil and Water Conservation Commission, we noted five instances out of 20 tested, or 25 percent, in which purchase orders were prepared after the invoice was received. Section 7-7-23, Miss. Code Ann. (1972), states that purchases of equipment, supplies, materials, or services of whatever kind or nature may be made only by written purchase orders duly signed by the official authorized to do so. It further states that it shall be the duty of the proper official in each department or agency to forward a copy of each purchase order to the Department of Finance and Administration on the same day the said order is issued. Failure to comply impedes the ability of the agency and Department of Finance and Administration to maintain budgetary controls over the agency's expenditures.

Recommendation:

We recommend the Mississippi Soil and Water Conservation Commission comply with state law by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

Receipt of Goods and Services Should Be Documented

Finding:

Expenditure testwork performed at the Mississippi Soil and Water Conservation Commission revealed two instances of five tested in which the receipt of the equipment was not documented by the signature and date of the person receiving it. Section 31-7-305, Miss. Code Ann. (1972), requires a record be kept of the dates of receipt, inspection and approval of goods and services. Failure to comply could result in payments for goods and services not yet received.

Recommendation:

We recommend the Mississippi Soil and Water Conservation Commission strengthen procedures to ensure compliance with state law by requiring persons receiving goods and services to sign and date invoices or other documentation to indicate proper receipt of the goods or services prior to the disbursement of funds.