

MISSISSIPPI

STATE AGENCY AUDIT SECTION

MANAGEMENT LETTERS ISSUED
AND
AGENCIES' RESPONSES

For the Fiscal Year Ended June 30, 2004



OFFICE OF THE STATE AUDITOR
PHIL BRYANT, AUDITOR

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

February 27, 2006

Included in this document are management letters for audit findings and the state agencies' responses to those findings, if applicable, for the fiscal year ended June 30, 2004.

Financial Audit Findings

These findings, followed by recommendations, were noted during the audit of the State's *Comprehensive Annual Financial Report (CAFR)*. We have not included management letters on audit findings related to component units reported in the *CAFR*. Information on how to obtain those letters is given in Part III of this document.

Controls / Compliance Audit Findings

These are findings noted during our consideration of internal controls and/or tests of compliance at selected state agencies.

Single Audit / Other Audit Findings

These include findings that were not required to be reported in the State's *Single Audit Report*, but were noted during the audit of federal awards. Since only one letter on federal compliance was issued to the management of a state agency, some of these letters include both "Single Audit Findings" and "Other Audit Findings." Only responses to "Other Audit Findings" are included in this document. All "Single Audit Findings" and responses have been reported in the separately issued *Single Audit Report*.

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STATE OF MISSISSIPPI

Management Letters Issued and Agencies' Responses For the Fiscal Year Ended June 30, 2004

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I. MANAGEMENT LETTERS ISSUED



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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

February 22, 2005

Single Audit Management Report

Honorable Lester Spell, Commissioner
Mississippi Department of Agriculture and Commerce
P. O. Box 1609
Jackson, Mississippi 39215

Dear Dr. Spell:

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Agriculture and Commerce for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Marilyn Purvis, CGFM, and Lucreta Walker.

The fieldwork for audit procedures and tests was completed on January 11, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi Department of Agriculture and Commerce is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance that we consider to be material weaknesses.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

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. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Agriculture and Commerce throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant". The signature is written in a cursive style with a large, looping initial "P".

Phil Bryant
State Auditor



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

June 20, 2005

Limited Internal Control and Compliance Review Management Report

Teresa Oswalt, Director
Agricultural Aviation Board of Mississippi
208 North Dunn Street
Eupora, Mississippi 39744

Dear Ms. Oswalt:

Enclosed for your review is the limited internal control and compliance review finding for the Agricultural Aviation Board of Mississippi for the Fiscal Year 2004. In this finding, the Auditor's Office recommends the Agricultural Aviation Board of Mississippi ensure purchase orders are prepared and approved prior to ordering goods and services.

Please review the recommendation and submit a plan to implement it by July 11, 2005. The enclosed finding contains more information about our recommendation.

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

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. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendation enables the Agricultural Aviation Board of Mississippi to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Agricultural Aviation Board of Mississippi throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over the word "Sincerely,".

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Agricultural Aviation Board of Mississippi for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis, and Terry Laughlin, CPA.

The fieldwork for review procedures and tests was completed on April 6, 2005. 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 an instance of noncompliance that requires the attention of management. This matter is noted under the heading **INSTANCE OF NONCOMPLIANCE WITH STATE LAW**.

INSTANCE OF NONCOMPLIANCE WITH STATE LAW

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

Finding:

During expenditure testwork for contractual services at the Agricultural Aviation Board of Mississippi, we noted three instances out of 15 tested, or 20 percent, in which purchase orders were prepared after the invoice was received. Section 7-7-23, Miss. Code Ann. (1972), states the purchase of equipment, supplies, materials, or services may be made only by written purchase orders duly signed by the official authorized to do so. It further states 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 agency's and the Department of Finance and Administration's ability to maintain budgetary controls over the agency's expenditures.

Recommendation:

We recommend the Agricultural Aviation Board of Mississippi comply with state law by ensuring purchase orders are prepared and approved prior to goods and services being ordered.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

July 20, 2005

Limited Internal Control and Compliance Review Management Report

James Watson, D.V.M., State Veterinarian
Mississippi Board of Animal Health
Post Office Box 3889
Jackson, Mississippi 39207

Dear Dr. Watson:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Board of Animal Health for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Board of Animal Health:

1. Strengthen controls over cash receipts and disbursements;
2. Support contractual services with written agreements;
3. Strengthen controls over procurement card purchases;
4. Strengthen controls over asset management;
5. Develop a written policy for the earning and use of compensatory leave;
6. Prepare and approve purchase orders prior to the ordering of goods and services;
7. Ensure employee travel complies with state law; and
8. Document the receipt of goods and services.

Please review the recommendations and submit a plan to implement them by August 31, 2005. 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. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over a horizontal line.

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Board of Animal Health for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis and Terry Laughlin, CPA.

The fieldwork for review procedures and tests was completed on February 9, 2005. 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 matters 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 WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls over Cash Receipts and Disbursements Should Be Strengthened

Finding:

Our review of internal controls at the Mississippi Board of Animal Health revealed the following weaknesses:

- One employee was responsible for recording receipts in agency records, verifying deposit and agency records agree, preparing the deposit to the state treasury, and signing the application for receipt warrants.
- One employee was responsible for authorizing purchases of goods and services, recording expenditures in agency records, verifying receipt of goods and services, signing payment vouchers, and mailing warrants.

Good internal controls require the process over cash receipts and disbursements be properly segregated. Failure to provide adequate controls could allow errors or fraud to occur and not be detected promptly.

Recommendation:

We recommend the Mississippi Board of Animal Health strengthen controls over cash receipts and disbursements by segregating duties so no one individual has complete authority over an entire financial transaction.

Contractual Services Should Be Supported By Written Agreements

Finding:

During our review of 30 contractual service payments at the Mississippi Board of Animal Health, we noted three instances in which payments totaling approximately \$9,294 were made to companies for services rendered without a written contractual agreement signed by both parties. Good internal controls require execution of a written contractual agreement binding the parties in costs and duties. Without a written contract executed and signed by both parties, duties and costs to the parties involved are not adequately documented and could result in costs being incurred or duties being performed that are not agreed upon.

Recommendation:

We recommend the Mississippi Board of Animal Health obtain written agreements signed by both parties to document services to be performed by individuals and/or companies. The contracts should document agreed upon costs as well as duties to be performed.

Controls over Procurement Card Purchases Should Be Strengthened

Finding:

During procurement card testwork at the Mississippi Board of Animal Health, we reviewed ten purchases and noted the following weaknesses:

- In one instance, a signed receipt or invoice was not on file at the agency to support the purchase;
- In three instances, the purchases were not adequately reviewed, resulting in \$46 in sales tax being paid by the agency;
- In four instances, purchases made by the agency's designated approving official were not independently reviewed; and
- In one instance, a \$388 purchase was made from a restaurant. Restaurant purchases are prohibited by Section 10.113.05 of the Procurement Manual established by the Office of Purchasing and Travel.

We also noted the agency did not have written policies and procedures for small procurement card purchases. Good internal controls dictate the purchaser sign and submit charge slips to document the individual making the purchase and evidence goods were received. Also, all procurement card purchases should be independently reviewed by an approved official. Office of Purchasing and Travel catalog no. 946-92 establishes guidelines for small procurement card services. These guidelines require each agency to develop written policies and procedures over procurement card purchases, consistent with State of Mississippi guidelines. Failure to consistently apply internal controls could allow errors or fraud to occur without being detected in a timely manner.

Recommendation:

We recommend the Mississippi Board of Animal Health strengthen internal controls over procurement card purchases by requiring personnel to confirm purchases by signing and submitting the charge slip or invoice, ensuring that written policies for procurement card purchases are developed and distributed to agency personnel, and ensuring all procurement card purchases comply with state purchasing laws.

Controls Over Asset Management Should Be Strengthened

Finding:

While reviewing internal controls over property and equipment at the Mississippi Board of Animal Health, we noted a lack of proper segregation of duties. The Director of Accounting and Finance performs all the following procedures: authorizes purchases of property and equipment, receives property and equipment upon delivery, records additions and deletions of property and equipment to inventory records, places identification tags on property and equipment, performs inventory counts, initiates paperwork for deletion of property and equipment, and records additions and deletions of property and equipment to the general ledger.

Good internal controls require the functions of processing, recording transactions and maintaining custody of related assets be segregated as much as possible in order to ensure the assets are safeguarded against loss from unauthorized use or theft. Failure to properly segregate these functions increases the possibility of errors occurring and the potential for theft of property.

Recommendation:

We recommend the Mississippi Board of Animal Health implement policies and procedures to ensure proper segregation of duties over asset management. This could be accomplished by allowing a person independent of the property records to record additions and deletions of property to the general ledger. This independent person should also verify property additions by performing a reconciliation between the general ledger and the property records. In addition, the independent person should also receive a copy of all authorized deletions directly from the salvage committee or board and verify agreement with deletions per property records.

A Written Policy on Compensatory Leave Should Be Developed

Finding:

Employees at the Mississippi Board of Animal Health were permitted to earn and use compensatory leave. Inquiries with agency personnel concerning the agency's policy governing compensatory leave revealed the agency had no formal policy in place over earning and using compensatory leave. Good internal controls dictate the agency develop, distribute and enforce a written policy over the earning and taking of compensatory leave. Failure to maintain a written policy could result in errors or irregularities in employee time reports and agency leave records.

Recommendation:

We recommend the Mississippi Board of Animal Health implement a formal compensatory leave policy which addresses both exempt and non-exempt employees and ensures compliance with the Fair Labor Standards Act. The policy should include, but not be limited to:

- Procedures for employees to inform their immediate supervisor regarding earning compensatory time, whether it be through prior approval or after the fact;
- A statement documenting the length of time an employee has to exhaust compensatory leave earned and informing employees any unused compensatory leave will be lost upon termination and will not be applied towards retirement; and
- A ceiling on the amount of compensatory leave which can be earned.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

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

Finding:

During expenditure testwork at the Mississippi Board of Animal Health, we noted three instances out of 45 tested 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 board and the Department of Finance and Administration's ability to maintain budgetary controls over the board's expenditures.

Recommendation:

We recommend the Mississippi Board of Animal Health comply with state law by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

State Travel Laws Should Be Complied With

Finding:

During travel expenditures testwork at the Mississippi Board of Animal Health, we noted two instances out of eight tested in which agency personnel were reimbursed for lodging expenses amounting to \$287 which were not supported by a hotel invoice. Section 25-1-81, Miss. Code Ann. (1972), requires all expenses for lodging be supported by receipted bills showing amount of payment thereof by the agency officer or employee. Failure to follow state travel laws could result in the reimbursement of unallowable travel expenses.

Recommendation:

We recommend the Mississippi Board of Animal Health ensure travel is reimbursed in compliance with state travel laws. We further recommend the agency ensure that amounts paid in error noted in this finding be reimbursed to the agency by agency personnel.

Receipt of Goods and Services Should Be Documented

Finding:

Commodity expenditures testwork at the Mississippi Board of Animal Health revealed three expenditures out of 15 tested in which the receipt of the goods was not documented by the signature and date of the person receiving the goods. Section 31-7-305, Miss. Code Ann. (1972), requires a record to be kept of the dates of receipt, inspection, and approval of goods and services. Failure to comply could result in payment of goods or services not yet received.

Recommendation:

We recommend the Mississippi Board of Animal Health strengthen procedures to ensure compliance with state law by requiring agency personnel receiving goods or services to sign and date invoices or other documentation to indicate proper receipt of the goods or services prior to the disbursement of funds.

End of Report



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

May 17, 2005

Limited Internal Control and Compliance Review Management Report

Raymond Johnson, Executive Director
Boswell Regional Center
P. O. Box 128
Magee, Mississippi 39111

Dear Mr. Johnson:

Enclosed for your review are the limited internal control and compliance review findings for the Boswell Regional Center for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Boswell Regional Center:

1. Strengthen controls over purchases;
2. Strengthen controls over drug inventories and issuances;
3. Follow existing policies over patients' personal property and bank accounts at the group homes;
4. Obtain adequate bond coverage for security guards; and
5. Use major medical leave in accordance with state law.

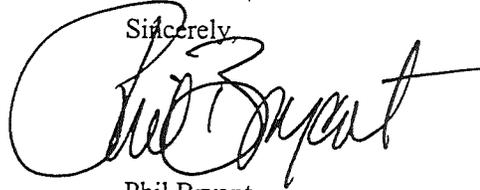
Please review the recommendations and submit a plan to implement them by June 10, 2005. The enclosed findings contain more information about our recommendations.

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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Boswell Regional Center
May 17, 2005
Page 2

I hope you find our recommendations enable the Boswell Regional Center to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Boswell Regional Center 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 Boswell Regional Center for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Laura Griffin, Kayla Jackson, Jay Strait, and Katie Gilmore.

The fieldwork for review procedures and tests was completed on February 24, 2005. 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 matters 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 WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Internal Controls over Purchases Should Be Strengthened

Finding:

Testwork performed on purchases at Boswell Regional Center revealed two instances in which the payee did not comply with the terms of the contract.

- A contract for pharmacy services stated the payee was to schedule services for up to a maximum of 10 hours per month as contract pharmacist and on-call pharmacist on an as needed basis. Any and all other services to be provided must be pre-approved by the ICF/MR Community Service Director. Documentation on file showed the payee was paid for 27 hours for one month without prior authorization.
- A contract for a speech pathologist stated the payee was to complete time sheets supporting invoiced amounts which were to be submitted to the Business Service Office to include the date, signature, time in and out each day that services were rendered, and a description of the services performed. When time sheets were requested by the auditor for support of the invoice selected for testing, agency personnel stated that no time sheets were submitted for the entire fiscal year; however, invoiced amounts totaling approximately \$8,000 were paid to the contract employee.

Good internal controls require terms of the contract be reviewed to ensure reasonableness of payments made to contractors. Failure to perform a detailed review of existing contract terms and supporting documentation could allow improper payments to be made.

Recommendation:

We recommend Boswell Regional Center strengthen internal controls over contract payments by ensuring all expenditures are reviewed and approved with supporting documentation maintained on file. We further recommend the agency ensure services are in compliance with the terms of contracts before payments are processed.

Controls over Drug Inventories and Issuances Should Be Strengthened

Finding:

Drug inventory and disbursement testwork performed at Boswell Regional Center Pharmacy revealed the agency failed to log seven out of ten, or 70 percent, of controlled drugs purchased and one out of ten, or 10 percent, of controlled drugs issued in the perpetual inventory log. In addition, one instance was noted in which the agency failed to maintain the Individual Narcotic Count Sheet to ensure controlled drugs were properly tracked. Section 5.5.D.5.3(B) of Boswell Regional Center's Pharmaceutical Policies and Procedures manual requires a perpetual inventory of all narcotics, indicating quantities of receipts, issuances, and the person to whom administered, be maintained by the pharmacy. In addition, Section 5.5.D.2.1.(A)(4) of the Pharmaceutical Policies and Procedures manual requires the coordinator of Pharmacy Services to maintain Pharmacy records. Failure to record controlled drug purchases and issuances in the perpetual inventory log could result in fraud or theft not being detected promptly. In addition, improper record maintenance hinders the performance of a proper and efficient audit.

Recommendation:

We recommend Boswell Regional Center strengthen internal controls to ensure all controlled drug purchases and issuances are recorded in the perpetual inventory log and to ensure supporting documentation for the controlled drugs issued is maintained and readily accessible for audit purposes.

Strengthen Controls to Ensure Existing Policies are Followed

Finding:

In performing testwork at Boswell Regional Center for fiscal year 2004, the various policies and procedures governing operation of the agency's group homes were reviewed. Testwork performed at the Goodwater Home in Magee and the Rosewood and Oakwood Homes in Wesson revealed, for the four individuals tested, the agency failed to:

- maintain a record of items added or deleted on the personal property inventory form;
- perform an inventory of the individual's personal items;
- perform or maintain an inventory list of items brought to the group homes by the individuals;
- ensure agency personnel initialed transactions in the check log to document agreement to support;
- ensure agency personnel initialed the monthly bank reconciliations to document work performed;
- perform a supervisory review of monthly bank reconciliations;
- safeguard the clients check stock in a secured area; and
- perform weekly inventories of clothing.

In addition, at the homes in Wesson:

- clothing inventory was not performed for one month on an individual (Oakwood Home);
- Individual Narcotic Count Sheets could not be located for a 45 day period (Rosewood Home); and
- no reconciliation of the check register was performed for the months of July and August 2003 (Oakwood Home).

Per Section 4.8.1.3 of Boswell's Clothes Procedure Manual, when an individual enters a group home, the agency is to obtain a written account of the personal possessions brought to the living unit and it is to be maintained at all times. As the amount of clothing an individual possesses increases or decreases, Section 1.2.1.7 requires the agency record all inventory changes on the Addition or Deletion form. In addition, Section 1.1.1.3 mandates a weekly inventory of clothing will be taken and this form will be turned in to the Clothing Coordinator. As personal property is acquired or purged, Section 1.2.2.3 requires a monthly inventory be conducted to count everything a client owns. Section 4.8.1 necessitates Residential Living staff cooperating closely with the Business Office and the Reimbursement Officer in providing for the proper handling and protecting of clients' financial interests.

Individual Narcotic Count Sheets are used by nurses to track narcotics on hand for the individual. For the period of February 21, 2004, to April 6, 2004, these sheets could not be located. Good internal controls require documentation be maintained to ensure a proper audit. Failure to maintain adequate internal controls could allow loss or theft of personal property to occur without being detected promptly. Also, failure to maintain Individual Narcotic Counts Sheets could hinder the agency in providing necessary documentation and administration of narcotic drugs to individuals living in the group homes.

Recommendation:

We recommend Boswell Regional Center comply with existing policies and procedures regarding inventories of clothing and personal property to provide appropriate safeguards over property owned by individuals in the care of the agency. We also recommend the agency ensure that narcotic drug tracking sheets are completed and maintained to document treatment provided by the agency.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Adequate Bond Coverage Should be Obtain for Security Guards

Finding:

Review of the employee surety bond documentation at Boswell Regional Center revealed bond coverage was not obtained for one of the nine security guards employed by the agency. Section 41-4-23, Miss. Code Ann. (1972), requires all security guards under the purview of the Department of Mental Health to have bond coverage of not less than \$10,000. Failure to obtain proper bond coverage could result in the agency suffering unrecoverable losses.

Recommendation:

We recommend Boswell Regional Center comply with state law by obtaining adequate bond coverage for all security guards.

Major Medical Leave Should Be Used in Accordance with State Law

Finding:

Testwork performed on leave records of ten employees selected at the Boswell Regional Center revealed three instances in which eight hours of personal or compensatory leave were not taken prior to using major medical leave. Section 25-3-95, Miss. Code Ann. (1972), states major medical leave may be used only after the employee has used eight hours of accrued personal or compensatory leave for each absence due to illness, or leave without pay if the employee has no personal or compensatory leave. The statute further states major medical leave may be used without prior use of personal leave to cover regularly scheduled visits to a doctor's office or a hospital for the continuing treatment of a chronic disease, as certified in advance by a physician, or for death in the employee's immediate family. In the instances noted, no documentation was on file certifying ongoing treatment or chronic illness. Failure to comply with state law could result in unauthorized use of medical leave which could in turn result in misstated personal and major medical leave balances for employees.

Recommendation:

We recommend Boswell Regional Center implement procedures to ensure the use of major medical leave complies with state law. In cases where there is ongoing treatment or chronic illness, there should be certifying documentation from an attending physician.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

July 11, 2005

Limited Internal Control and Compliance Review Management Report

Mr. Andre' de Gruy, Director
Mississippi Office of Capital Defense Counsel
P.O. Box 2901
Jackson, MS 39207

Dear Mr. de Gruy:

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Office of Capital Defense Counsel for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement were Rob Robertson, Laura Griffin and Lucreta Walker.

The fieldwork for review procedures and tests was completed on March 29, 2005. I am glad to report that no findings came to our attention as a result of review procedures and compliance tests. However, because of the limited scope, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. 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.

We wish to acknowledge the cooperation and courtesy extended to us by the officials and employees of the Mississippi Office of Capital Defense Counsel throughout the review.

This report is intended solely for the information and use of management and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Phil Bryant
State Auditor

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

October 3, 2005

Limited Internal Control and Compliance Review Management Report

Robert Ryan, Executive Director
Mississippi Office of Capital Post-Conviction Counsel
510 George Street, Suite 403
Jackson, Mississippi 39202

Dear Mr. Ryan:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Office of Capital Post-Conviction Counsel for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Office of Capital Post-Conviction Counsel

1. Strengthen controls over the petty cash bank account;
2. Strengthen controls over procurement card purchases;
3. Strengthen controls over travel expenditures;
4. Reconcile the quarterly Collateral Sufficiency Analysis reports to agency records;
5. Ensure purchases are made in compliance with state laws;
6. Comply with state travel laws and regulations; and
7. Document the receipt of goods and services.

Please review the recommendations and submit a plan to implement them by October 26, 2005. The enclosed findings contain more information about our recommendations.

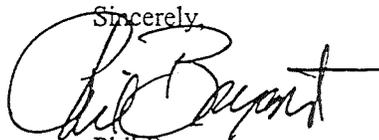
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

This report is intended solely for the information and use of management and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Mississippi Office of Capital Post-Conviction Counsel
October 3, 2005
Page 2

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant". The signature is written in a cursive style with a large initial "P" and "B".

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Office of Capital Post-Conviction Counsel for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Amy Buller, CPA, and Johnnie Davenport.

The fieldwork for review procedures and tests was completed on April 12, 2005. 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 other matters 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 WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls over the Petty Cash Bank Account Should Be Strengthened

Finding:

Testwork performed on the petty cash bank account at the Mississippi Office of Capital Post-Conviction Counsel revealed one individual was responsible for maintaining unused checks and preparing and signing checks on the bank account. Further, there was no evidence of a supervisory review being performed on checks written, nor were monthly bank reconciliations being performed. Good internal controls require that a monthly reconciliation be performed between the bank statement and accounting records by a person independent of the check writing process and that checks written receive a supervisory review. Failure to maintain adequate controls over the petty cash bank account could increase the possibility of errors or fraud occurring and not being promptly detected.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel strengthen internal controls over the petty cash bank account to ensure a monthly reconciliation is performed between the bank statement and accounting records by a person independent of the check writing process. We further recommend all checks written receive a supervisory review.

Controls over Procurement Card Purchases Should Be Strengthened

Finding:

During testwork on procurement card statements at the Mississippi Office of Capital Post-Conviction Counsel, we reviewed 14 individual purchases and noted the following:

- Thirteen instances totaling \$2,763 in which the purchaser did not sign the charge slip/receipt; and

- There was no documentation of the performance of the review of purchases on the monthly statement to ensure clerical accuracy, propriety of expenditures, and that state contract items were purchased only from the state contract vendor, unless the purchase price was less than the state contract price.

Good internal controls require the purchaser sign and submit charge slips to document the person making the procurement card purchases and that reviews performed be adequately documented. Failure to maintain adequate internal controls could allow unauthorized purchases to occur, or unnecessary costs to be incurred without being detected promptly.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel strengthen internal controls over procurement card purchases by requiring the purchaser to submit signed and dated charge slips. We further recommend a review of the procurement card statements be performed and documented as evidenced by the initials of the reviewer and the date.

Controls over Travel Expenditures Should Be Strengthened

Finding:

Testwork performed on eight travel expenditures at the Mississippi Office of Capital Post-Conviction Counsel revealed the following:

- Three instances in which travel vouchers and supporting documentation totaling \$1,822 could not be located by agency personnel; and
- Agency personnel did not document verification of clerical accuracy of travel vouchers.

Good internal controls require the agency maintain travel vouchers and supporting documentation on file for verification purposes. Good internal controls also require a review be performed to ensure clerical accuracy prior to submitting the travel vouchers to the Department of Finance and Administration. Failure to maintain supporting documentation and to perform a review of travel vouchers to ensure clerical accuracy could allow errors to occur and not be detected promptly.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel strengthen internal controls over travel expenditures by ensuring supporting documentation is maintained on file at the agency for verification purposes. We further recommend a review be performed to ensure clerical accuracy prior to submitting the travel vouchers to the Department of Finance and Administration.

Collateral Sufficiency Analysis Reports Should Be Reconciled to Agency Records

Finding:

Bank account testwork at the Mississippi Office of Capital Post-Conviction Counsel revealed the agency was not reconciling the State Treasury's Collateral Sufficiency Analysis quarterly reports to agency bank records. Agency personnel stated they had not received the reports. The State Treasury monitors the collateral level for every bank holding state deposits. Quarterly, the State Treasury sends each agency a Collateral Sufficiency Analysis report which discloses actual and average daily account balances in total and by account type based on information provided by the banks. Also, the agencies receive a cover letter instructing the agency to report any discrepancies in account balances on the report to the State Treasury. Good internal controls dictate the agency prepare quarterly reconciliations to the Collateral Sufficiency Analysis reports to ensure account balances on the reports are accurate. Failure to reconcile the quarterly Collateral Sufficiency Analysis reports to agency records could cause the account to be improperly collateralized.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel perform and document a reconciliation of the quarterly Collateral Sufficiency Analysis reports as evidenced by the signature and date of the reviewer. Any differences noted should be investigated and reported to the State Treasury. We further recommend the agency contact the State Treasury in the event the report is not received.

NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

Purchases Should Be Made in Compliance with State Laws

Finding:

Testwork on 25 expenditures at the Mississippi Office of Capital Post-Conviction Counsel revealed two instances in which the purchase orders were prepared after the invoices were received. Section 7-7-23, Miss. Code Ann. (1972), requires that purchases of equipment, supplies, materials or services may be made only by written purchase orders duly signed by the official authorized to do so. It further requires the agency forward a copy of each purchase order to the Department of Finance and Administration on the same day the purchase order is issued. Failure to follow the state regulation could impede the agency's and the Department of Finance and Administration's ability to maintain budgetary control over expenditures.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel comply with state purchasing laws by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

Agency Should Comply with State Travel Laws and Regulations

Finding:

Testwork performed on eight travel expenditures at the Mississippi Office of Capital Post-Conviction Counsel revealed the following:

- Four instances in which the amount reimbursed for meals exceeded the amount allowed by a total of \$43;
- Four instances in which meals were reported on the travel voucher as taxable, but should have been reported as non-taxable;
- Two instances in which the hotel bill did not indicate payment by the employee;
- One instance in which the hotel bill did not indicate if the room rate was a government rate or if the rate was for single or double occupancy; and
- One instance in which the cost savings was not documented for travel by personal vehicle instead of air travel.

Section 25-1-81, Miss. Code Ann. (1972), requires all expenses for lodging to be supported by receipted bills showing the payment by the officer or employee. Section 25-3-41, Miss. Code Ann. (1972), establishes guidelines for travel reimbursement for state officers and employees and provides that the Department of Finance and Administration (DFA) will set rules and regulations regarding such travel. Section 111 of the travel handbook published by DFA requires that officers and employees of the state shall be reimbursed the actual cost of meals incident to official travel, not to exceed the daily maximums for the specific location of assignment. It also establishes the requirements for taxable and nontaxable meals. Section 110 requires the employee to claim reimbursement for the single room rate only, and that the single room rate should be written on the face of the receipt and signed by the cashier. It also requires government rates be requested by the traveler and the rate confirmed at the time of reservation. Section 106 requires that travel by automobile should not exceed the cost of the lowest airfare and requires a comparison of these costs be made. Failure to follow state travel laws and regulations could result in excessive travel costs being incurred by the agency.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel strengthen internal controls over the review and approval of travel vouchers to ensure expenses are reimbursed in accordance with state travel laws and regulations set forth by the Department of Finance and Administration.

Receipt of Goods and Services Should Be Documented

Finding:

Testwork performed on 25 expenditures at the Mississippi Office of Capital Post-Conviction Counsel revealed 11 instances in which the receipt of goods and/or services was not documented by the agency. Section 31-7-305, Miss. Code Ann. (1972), requires a record to be kept of the dates of receipt, inspection, and approval of goods and/or services. Failure to document the date of receipt of goods and/or services could allow the agency to pay for goods and services not yet received.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel ensure compliance with state law by requiring agency personnel receiving goods and/or services sign and date all invoices or other documentation as verification of receipt prior to the disbursement of funds.

End of Report

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

October 12, 2005

Limited Internal Control and Compliance Review Management Report

Richard Walker, D.C., Executive Secretary
Mississippi State Board of Chiropractic Examiners
P. O. Drawer 775
Louisville, Mississippi 39339

Dear Dr. Walker:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi State Board of Chiropractic Examiners for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi State Board of Chiropractic Examiners:

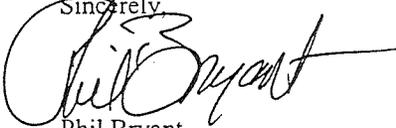
1. Strengthen controls over petty cash disbursements;
2. Reconcile the collateral sufficiency analysis reports to agency records;
3. Ensure expenditures comply with contractual agreements;
4. Comply with state travel laws and regulations;
5. Ensure purchases comply with state law;
6. Ensure expenditures are coded to the proper account number; and
7. Obtain authorization for merchant-specific credit card.

Please review the recommendations and submit a plan to implement them by November 4, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi State Board of Chiropractic Examiners to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Board of Chiropractic Examiners 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 State Board of Chiropractic Examiners for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Vicki Alvey, and Oliver Strange.

The fieldwork for review procedures and tests was completed on April 4, 2005. 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 matters 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 WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls over Disbursements Should Be Strengthened

Finding:

During contractual expenditure testwork at the Mississippi State Board of Chiropractic Examiners, we noted three instances out of nine items tested, or 33 percent, in which the person initiating and approving the payment voucher was also the payee. These disbursements, paid to the Executive Secretary from the agency's state treasury fund, were to replenish the agency's petty cash bank account. We noted that all funds disbursed from the agency's state treasury fund to replenish the petty cash account were properly deposited. However, good internal controls require duties to be properly segregated to ensure no individual has the authority to both initiate and approve a transaction. Failure to properly segregate the initiation and authorization process increases the risk for errors or fraud to occur without being detected promptly.

Recommendation:

We recommend the Mississippi State Board of Chiropractic Examiners strengthen controls over disbursements by ensuring that duties are properly segregated to ensure no one individual is responsible for all aspects of a transaction.

Collateral Sufficiency Analysis Reports Should Be Reconciled to Agency Records

Finding:

The State Treasury monitors the collateral level for banks holding state deposits. Quarterly, the State Treasury sends each agency a Collateral Sufficiency Analysis report which discloses actual and average daily account balances in total and by account type. The agencies also receive a cover letter with this report which instructs the agency to report any discrepancies in account balances to the State Treasury. Testwork at the Mississippi State Board of Chiropractic Examiners revealed that agency personnel did not reconcile the Collateral Sufficiency Analysis reports to bank records on file at the agency. Good internal controls dictate the agency prepare quarterly reconciliations of the Collateral Sufficiency Analysis report to bank records to ensure account balances on the report are accurate. Failure to reconcile the Collateral Sufficiency Analysis report to bank accounts and report discrepancies to the State Treasury could result in deposits not being properly collateralized.

Recommendation:

We recommend the Mississippi State Board of Chiropractic Examiners prepare quarterly reconciliations of the Collateral Sufficiency Analysis reports to bank records to ensure account balances on the report are accurate. We also recommend the agency promptly notify the State Treasury of any discrepancies noted.

Expenditures Should Comply with Contractual Agreements

Finding:

During contractual expenditure testwork at the Mississippi State Board of Chiropractic Examiners, we noted the Executive Secretary hired by the agency on a contractual basis to perform administrative services received compensation of \$1,836 in excess of the terms specified in the written contractual agreement. In addition to the agreed upon monthly fee for services rendered, the agency also paid the employer match for Social Security and Medicare taxes on the monthly fee. Prudent business practice mandates enforcement of the terms within a written contractual agreement. Failure to adequately enforce terms of written contracts could allow improper payments to be made. Also, failure to include all contract costs in written agreements undermines the board's ability to regulate agency expenses.

Recommendation:

We recommend a board member of the Mississippi State Board of Chiropractic Examiners review expenditures for administrative services to ensure the expenditures comply with the terms of the written contract. Also, the board members should review the additional costs for employer match on Social Security and Medicare taxes which were not included in the terms of the contract to determine if these costs appear reasonable. If these costs are considered to be reasonable by the agency, we further recommend the contract with the Executive Secretary be revised to clearly document the agency will pay the employer match for Social Security and Medicare taxes on the agreed upon monthly fee.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Agency Should Comply with State Travel Laws, Rules and Recommendations

Finding:

Testwork performed on seven travel vouchers at the Mississippi State Board of Chiropractic Examiners revealed the following:

- Three instances in which mileage was reimbursed using an incorrect rate. In the instances noted, the agency used the approved mileage rate for the preceding year, which resulted in underpayments totaling \$36.84.
- Two instances in which the agency's copy of the travel voucher did not properly include the supporting back page.
- Two instances in which reimbursement for lodging did not include sales and usage tax which resulted in underpayments totaling \$51.60.
- One instance in which the amount received for mileage reimbursement did not agree to supporting documentation, which resulted in an underpayment of \$19.50.

Section 25-3-41, Miss. Code Ann. (1972), establishes guidelines for travel reimbursement and provides that the Department of Finance and Administration (DFA) will set rules and regulations regarding such travel. Section 106 of the *State Travel Policy Rules and Regulations* handbook published by DFA requires that the reimbursement for the use of a personal automobile or private vehicle will be at the same rate that federal employees are reimbursed for using private vehicles for official federal business travel. Section 110 of the travel handbook provides for the reimbursement of any applicable taxes associated with lodging. Failure to follow regulations as promulgated by DFA could result in incorrect payments for reimbursement of travel expenses. Also, failure to maintain proper documentation hinders the completion of an efficient audit.

Recommendation:

We recommend the Mississippi State Board of Chiropractic Examiners ensure travel is reimbursed in compliance with state travel laws and regulations set forth in the Department of Finance and Administration's *State Travel Policy Rules and Regulations* handbook.

Purchases Should Be Made in Compliance with State Laws

Finding:

During expenditure testwork at the Mississippi State Board of Chiropractic Examiners, we noted two instances out of two items tested, or 100 percent, in which state sales tax was paid on purchases made using the merchant-specific credit card. Section 27-65-105, Miss. Code Ann. (1972), exempts the State of Mississippi and its departments from state and local tax levied on sales when sold to and billed directly to and payment therefore is made directly by the State of Mississippi and its departments. Failure by the agency to ensure state sales tax was not paid resulted in the agency incurring unnecessary costs.

Recommendation:

We recommend the Mississippi State Board of Chiropractic Examiners implement procedures to ensure state sales tax is not paid on purchases made using the merchant-specific credit card.

Expenditures Should Be Coded to the Proper Account Number

Finding:

Subsection 25.60.20 of the *Mississippi Agency Accounting Policy and Procedures* (MAAPP) Manual documents the standardized account numbers to be used by state agencies when coding expenditures to its financial records. During contractual expenditure testwork at the Mississippi State Board of Chiropractic Examiners, we noted one instance out of nine tested, or 11 percent, in which a purchase of equipment was improperly coded to contractual services. A computer purchased for \$1,057 should have been coded as capital outlay and a purchase order should have been prepared and submitted to the Department of Finance and Administration for approval. Furthermore, a review of the agency's approved budget revealed the agency did not have the spending authority for the purchase of equipment. Section 27-104-17, Miss. Code Ann. (1972), stipulates that an agency must receive written approval from the Department of Finance and Administration to increase its budgetary major object expenditure for equipment. However, no such approval was on file at the agency. Failure to code expenses to the appropriate account number causes expenditure classifications reflected on the financial statements to be misstated and impedes the ability of the agency and the Department of Finance and Administration to maintain budgetary controls over the agency's expenditures.

Recommendation:

We recommend the Mississippi State Board of Chiropractic Examiners ensure all disbursements are properly coded to the correct expense account number per the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) Manual. We further recommend the agency obtain written authorization from the Department of Finance and Administration to increase its budget when unforeseen circumstances justify an escalation of the equipment budget.

Merchant-Specific Credit Cards Should Be Properly Authorized

Finding:

Section 31-7-9, Miss. Code Ann.(1972), provides that the Department of Finance and Administration's Office of Purchasing and Travel will adopt purchasing regulations governing the purchase by any agency of any commodity or commodities. Section 10.115 of the *Office of Purchasing and Travel Procurement Manual* published by the Department of Finance and Administration (DFA) requires that state agencies desiring to obtain a merchant-specific credit card shall submit to the Office of Purchasing and Travel for approval, written justification for the need of a merchant-specific credit card. Testwork at the Mississippi State Board of Chiropractic Examiners revealed the use of a merchant-specific credit card. The agency had not obtained authorization from the Office of Purchasing and Travel to use the merchant-specific credit card. Failure to follow regulations as promulgated by DFA could result in excessive and unallowable expenses being reimbursed by the agency.

Recommendation:

We recommend the Mississippi State Board of Chiropractic Examiners ensure that merchant-specific credit cards are used in compliance with purchasing regulations set forth in the Department of Finance and Administration's *Office of Purchasing and Travel Procurement Manual*. The agency should obtain written authorization from DFA for its merchant-specific credit card.

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

March 15, 2005

Limited Internal Control and Compliance Review Management Report

Wayne Stonecypher, Executive Director
State Board for Community and Junior Colleges
3825 Ridgewood Road
Jackson, Mississippi 39211

Dear Dr. Stonecypher:

Enclosed for your review is the limited internal control and compliance review finding for the State Board for Community and Junior Colleges for the Fiscal Year 2004. In this finding, the Auditor's Office recommends the State Board for Community and Junior Colleges perform reconciliations of collateral sufficiency analysis reports to the agency records.

Please review the recommendation and submit a plan to implement it by April 4, 2005. The enclosed finding contains more information about our recommendation.

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

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. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendation enables the State Board for Community and Junior Colleges to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the State Board for Community and Junior Colleges throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over a circular embossed seal. The signature is fluid and cursive.

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the State Board for Community and Junior Colleges for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Judy Bounds, Mike McCollough, Rebecca Wilson, and Kim McCrory.

The fieldwork for review procedures and tests was completed on February 17, 2005. 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 that requires the attention of management. This matter is noted under the heading **IMMATERIAL WEAKNESS IN INTERNAL CONTROLS**.

IMMATERIAL WEAKNESS IN INTERNAL CONTROLS

Reconciliations of the Collateral Sufficiency Analysis Reports to Agency Records Should Be Performed

Finding:

Bank account testwork at the State Board of Community and Junior Colleges revealed the agency did not reconcile its bank accounts to the State Treasury's Collateral Sufficiency Analysis reports during fiscal year 2004. Quarterly, the State Treasury sends each agency a Collateral Sufficiency Analysis report which discloses actual and average daily account balances in total and by account type. Good internal controls dictate the agency prepare quarterly reconciliations to the Collateral Sufficiency Analysis reports to ensure account balances on the reports are accurate. Failure to perform quarterly reconciliations could result in an incorrect balance on the report and could result in the deposits not being properly collateralized.

Recommendation:

We recommend the State Board of Community and Junior Colleges perform quarterly reconciliations to the Collateral Sufficiency Analysis reports. Any differences noted should be investigated and reported to the State Treasury.

AmSouth Building
200 East Capitol Street
Suite 100 (39201-2200)

•
Box 23027
Jackson, MS 39225-3027

•
601.948.6700
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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, 2004, 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 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 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 FINDING

Finding 1:

Our review of accounting procedures for Fund 8091, Inmate Welfare Fund, determined that collections and transfers of telephone commission revenues were not being properly tracked. We have noted a number of controls that mitigate the opportunity for misappropriation of these funds. However, phone commissions are being received and subsequently transferred to the appropriate funds without proper oversight to ensure the transfers comply with the law governing this revenue source. The lack of appropriate procedures resulted in an overstatement of transfers to other funds of approximately \$119,000.

Recommendation:

We recommend MDOC track the phone commission collection and transferring of these funds to the appropriate accounts as provided by Section 47-5-158 of the Mississippi Code. A spreadsheet should be prepared on a monthly basis by an MDOC accountant detailing the receipts and transfers of telephone commissions during the month. The report should be tied to the general ledger, as well as bank statements, to ensure its accuracy. This report should be sent to the Deputy Commissioner of Finance each month.

* * * * *

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 24, 2004

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

August 11, 2005

Limited Internal Control and Compliance Review Management Report

Charles Carlisle, Director
East Mississippi State Hospital
P. O. Box 4128 West Station
Meridian, Mississippi 39304-4128

Dear Mr. Carlisle:

Enclosed for your review are the limited internal control and compliance review findings for the East Mississippi State Hospital for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the East Mississippi State Hospital:

1. Properly segregate duties over bank accounts;
2. Strengthen controls over bank accounts;
3. Strengthen controls over disbursements;
4. Implement controls over pharmacy inventory;
5. Strengthen controls over contractual services expenditures;
6. Strengthen controls over procurement card purchases;
7. Perform reconciliations of the collateral sufficiency analysis reports to agency records;
8. Ensure major medical leave is used in accordance with state law;
9. Ensure vendors are paid in accordance with state law;
10. Maintain surety bond coverage for security guards; and
11. Follow state regulations over reporting housing allowances.

Please review the recommendations and submit a plan to implement them by August 31, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

East Mississippi State Hospital
August 11, 2005
Page 2

I hope you find our recommendations enable the East Mississippi State Hospital to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the East Mississippi State Hospital 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 East Mississippi State Hospital for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Judy Bounds, Mike McCollough, Kim McCrory and Jay Strait.

The fieldwork for review procedures and tests was completed on April 15, 2005. 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 certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. 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 judgement, could adversely affect the department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This matter is noted under the heading **REPORTABLE CONDITION**.

In addition, we noted other matters 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 WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS**.

REPORTABLE CONDITION

Duties over Bank Accounts Should Be Properly Segregated

Finding:

During our review of bank accounts at East Mississippi State Hospital, we noted the following weaknesses:

- For the patient activities donation account, one employee was responsible for recording the receipts in the agency's records, verifying the receipt log, deposit and books agreed, preparing the deposit to the bank, and taking the deposit to the bank. In addition, this same employee was responsible for maintaining custody of the unused checks and signing the checks. Another employee, who could also sign checks, was responsible for authorizing purchases, verifying the receipt of the goods and services, and recording the expenditures in the agency's records.

- For the clearing account, one employee was responsible for recording the receipts in the agency's records, verifying the receipt log, deposit and books agreed, preparing the deposit to the bank, taking the deposit to the bank, and signing the treasurer's receipt warrant. In addition, this same employee was responsible for maintaining custody of the unused checks and was authorized to sign and mail the checks.
- For the petty cash account, one employee was responsible for recording the receipts in the receipts log and the agency's records, verifying the receipt log, deposit and books agreed, preparing the deposit, and taking the deposit to the bank. In addition, this same employee was responsible for maintaining custody of the unused checks, signing the checks, and reconciling the bank statements to the agency's records.
- For the Weems Foundation account, one employee was responsible for authorizing purchases, signing the checks, verifying the receipt of the goods and services, and recording the expenditures in the agency's records.

Good internal controls require bank account duties be properly segregated to ensure no individual has the authority to process an entire transaction. The failure to properly segregate duties could allow errors or fraud to occur without being detected in a timely manner.

Recommendation:

We recommend East Mississippi State Hospital strengthen internal controls over bank accounts by segregating duties over transactions to ensure no individual has the authority to process an entire transaction.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls over Bank Accounts Should Be Strengthened

Finding:

Testwork on bank accounts at East Mississippi State Hospital revealed the following:

- For the patient activities donation account, the clearing account, the Weems Foundation account, the garnishment account and the petty cash account, we noted the unused checks were not safeguarded in a secure environment.
- For the Weems Foundation account, two instances were noted in which checks totaling \$300 lacked a signature authorizing the expenditure.
- For the resident trustee account, 20 instances were noted in which checks totaling \$1,153 and dating back to November 2001 remained outstanding.

Good internal controls require that unused checks be safeguarded in a secure environment, all checks issued by the agency be signed by appropriate agency personnel, and reconciling items be promptly resolved. Failure to maintain adequate internal controls could result in errors or fraud occurring without being promptly detected.

Recommendation:

We recommend East Mississippi State Hospital strengthen internal controls over bank accounts by maintaining unused checks in a secured environment. We further recommend the agency ensure all checks issued by the agency are signed by appropriate agency personnel and the disposition of outstanding items on bank reconciliations are promptly resolved.

Controls over Disbursements Should Be Strengthened.

Finding:

During our review of East Mississippi State Hospital, we reviewed the agency's approval levels established in the Statewide Automated Accounting System (SAAS) for transactions related to disbursements. We noted two employees had all agency approval levels required to process SAAS disbursement transactions from initiation to approval. We further noted one of the two employees also had authorization to sign purchase orders and payment vouchers. Good internal controls require duties to be properly segregated to prevent both the initiation and authorization of a transaction by a single individual. Failure to properly segregate duties increases the risk for errors or fraud to occur without being detected promptly.

Recommendation:

We recommend East Mississippi State Hospital strengthen internal controls over disbursements by implementing proper segregation of duties to ensure no individual has the capability to both initiate and approve an entire transaction.

Controls over Pharmacy Inventory Should Be Implemented

Finding:

During our review of internal controls over the pharmacy at East Mississippi State Hospital, we noted the agency did not maintain a record of the pharmacy's inventory of non-controlled substances and did not perform periodic physical inventory counts of non-controlled substances on hand. Good internal controls dictate a record of all drugs on hand in the agency's pharmacy be maintained and periodic physical inventory counts be performed. Failure to maintain an inventory record and to conduct periodic inventory counts of the agency's non-controlled substances could result in errors or fraud occurring and not being promptly detected.

Recommendation:

We recommend East Mississippi State Hospital implement internal controls over the pharmacy's inventory of non-controlled substances by maintaining perpetual inventory records of all drugs on hand in the pharmacy and performing periodic physical counts.

Controls over Contractual Services Expenditures Should Be Strengthened

Finding:

During our review of 25 contractual services expenditures at East Mississippi State Hospital, we noted the following:

- The agency entered into an agreement with an individual to provide consulting services. The agreement stated that payment would be made for up to 20 hours per week for a maximum of 80 hours per month. A payment of \$3,920 was made to the consultant; however, we noted that the contract was not signed by both parties. We also noted the consultant submitted time sheets; however, the time sheets were not signed by the consultant. We further noted that the consultant billed the agency, and was paid for, 120 hours for the month of April, 2004, which is 40 hours more than authorized by the agreement. This resulted in payment of \$1,200 above the amount authorized by the contract. While the agreement could have been amended to allow 120 hours per month, there was no evidence on file to this fact.
- The agency entered into an agreement with a nutrition company. We noted a payment made to the company in the amount of \$1,300; however, the time sheets submitted by the company were not signed by the persons performing the work.
- Two instances related to rental contracts which stated: "payable in advance on the first of each month"; however, the agency paid for two months in advance for one item, and three months in advance for the other item.

Good internal controls require that contractual agreements be signed by both parties. Time sheets should be signed by individuals performing the work. Agency personnel should compare submitted invoices to terms agreed to in the contract prior to authorizing payment. Failure to maintain signed agreements and compare invoices to contract terms could allow errors or fraud to occur without being detected promptly.

Recommendation:

We recommend East Mississippi State Hospital strengthen internal controls by maintaining signed contractual agreements on file. We further recommend the agency immediately implement procedures to ensure that all time sheets and invoices received from contractual employees are signed by the individual requesting payment to certify that the work was performed. Procedures should be implemented to ensure that agency personnel verify that invoiced work has been properly completed in compliance with the contract and that agency approval for payment be documented. Evidence of the review should be documented by the reviewer's initials and the date of the review.

Controls over Procurement Card Purchases Should Be Strengthened

Finding:

During our review of 25 procurement card purchases at East Mississippi State Hospital, we noted:

- Five instances, or 20 percent, in which purchases totaling \$1,151 were made with no evidence of an independent review of the charges.
- Two instances, or 8 percent, in which charge slips for purchases totaling \$194 were signed by someone other than the approved card holder.

The agency's procurement card procedures require both the cardholder and the team leader sign the purchasing card record certifying the legitimacy and accuracy of the listed transactions. Good internal controls also require procurement card purchases only be made by an approved cardholder and that they be reviewed by an individual independent of the purchases. Failure to require procurement card purchases to be made by an approved card holder and reviewed by an independent individual increases the potential for errors or fraud to occur without being detected promptly.

Recommendation:

We recommend East Mississippi State Hospital strengthen controls over procurement card purchases by adhering to established procedures which require an independent review of these purchases. We further recommend the agency ensure that procurement card purchases are made only by an approved cardholder.

Reconciliations of the Collateral Sufficiency Analysis Reports to Agency Records Should Be Performed

Finding:

Bank account testwork at East Mississippi State Hospital revealed three instances during fiscal year 2004 in which the agency did not reconcile the State Treasury's Collateral Sufficiency Analysis quarterly reports to agency bank records. The State Treasury monitors the collateral level for every bank holding state deposits. Quarterly, the State Treasury sends each agency a Collateral Sufficiency Analysis report which discloses actual and average daily account balances in total and by account type. Also, the agencies receive a cover letter with this report which instructs the agency to report any discrepancies in account balances to the State Treasury.

Good internal controls dictate the agency prepare quarterly reconciliations to the Collateral Sufficiency Analysis reports to ensure account balances on the reports are accurate. Failure to perform quarterly reconciliations could result in an incorrect balance on the report and in the deposits not being properly collateralized.

Recommendation:

We recommend East Mississippi State Hospital prepare quarterly reconciliations to the Collateral Sufficiency Analysis reports. Any differences noted should be investigated and reported to the State Treasury.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

Major Medical Leave Should Be Used in Accordance with State Law

Finding:

Testwork performed on 25 leave records at East Mississippi State Hospital revealed the following:

- Two instances, or 8 percent, in which employees did not use one day of personal or compensatory leave prior to utilizing major medical leave, and there was no advance certification from a physician of a chronic illness on file.
- Two instances, or 8 percent, in which employees charged 32 hours of combined personal and major medical leave due to an illness without certification from the attending physician on file.

Section 25-3-95, Miss. Code Ann. (1972), requires that major medical leave may be used for an illness or injury only after the employee has used one day of accrued personal or compensatory leave for each absence due to an illness. However, major medical leave may be used, without prior use of personal leave, to cover regularly scheduled visits to a doctor's office or a hospital for the continuing treatment of a chronic illness, as certified in advance by a physician, or for a death in the employee's immediate family. Section 25-3-95, Miss. Code Ann. (1972), also requires that major medical leave be authorized only when certified by the attending physician for each absence due to illness of 32 consecutive working hours (combined personal and major medical leave).

Failure to comply with state law could result in employees maintaining an inflated leave balance which, upon termination, could result in additional expense to the agency through termination benefits. In addition, failure to comply with state law could result in errors or irregularities in employee time reports and agency leave records.

Recommendation:

We recommend East Mississippi State Hospital implement procedures to ensure major medical leave is used in compliance with state law.

Vendors Should Be Paid in Accordance with State Law

Finding:

Testwork performed on contractual services expenditures at East Mississippi State Hospital revealed two instances out of 25 items tested, or 8 percent, in which the agency failed to remit payment to the vendor within 45 days after the receipt of the invoice. Section 31-7-303, Miss. Code Ann. (1972), states that requisition for payment of an invoice should be filed with the State Fiscal Management Board "not later than thirty (30) days after receipt of the invoice and receipt, inspection and approval of the goods or services." The statute further requires the warrant to be mailed or otherwise delivered by the public body not later than 15 days after filing of the requisition for payment. Failure to remit payment within 45 days could result in additional expense being incurred by the agency through finance charges.

Recommendation:

We recommend East Mississippi State Hospital comply with state law by ensuring payment is remitted to vendors within 45 days after receipt of the invoice and receipt, inspection and approval of the goods and services.

Surety Bond Coverage Should Be Maintained for Security Guards

Finding:

A review of surety bond coverage for 24 security guards at East Mississippi State Hospital revealed the following:

- Eight instances, or 33 percent, in which the agency failed to obtain or pay the premium on a surety bond for security guards employed during fiscal year 2004.
- Two instances, or 8 percent, in which the annual bond coverage overlapped two months resulting in an overpayment of \$28.

Section 41-4-23, Miss. Code Ann. (1972), requires the director of any mental health facility to designate certain employees as security guards. Each person designated as a security guard must be covered, at a minimum, by a \$10,000 surety bond, at the expense of the mental health facility. Failure to obtain proper bond coverage could result in the agency suffering unrecoverable losses.

Recommendation:

We recommend East Mississippi State Hospital ensure employee surety bond coverage is maintained and the premiums for the bonds are paid for security guards as required by state law.

State Regulations over the Reporting of Housing Allowances Should Be Followed

Finding:

During our review of employer-provided housing allowances for employees at East Mississippi State Hospital, we noted the following:

- The former agency director was receiving \$1,125 per month as a non-cash housing allowance benefit; however, after being reassigned as a staff physician in May 2004, this employee should have been receiving \$750 per month as a non-cash housing allowance benefit.
- The current agency director was receiving \$1,125 per month as a non-cash housing allowance benefit; however, the current agency director has not lived in agency housing on the campus of East Mississippi State Hospital since appointment as agency director in May 2004. Therefore, the director should not have housing allowance benefits recorded.

The Public Employees' Retirement System (PERS) regulations allow for a non-cash housing allowance to be included in the retirement wage base for heads of state institutions and other personnel of state institutions. Section 401 of Part IV of the PERS regulations states the monthly maximum maintenance allowance for a given position or recipient. The failure to follow these regulations could result in errors in the employee's retirement benefits information which is submitted to PERS.

Recommendation:

We recommend East Mississippi State Hospital accurately record housing allowance benefits for employees. Non-cash benefits should be reported to the Public Employees Retirement System in accordance with the applicable regulations.

End of Report



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

October 15, 2004

Financial Audit Management Report

Henry L. Johnson, Ed.D., State Superintendent
Mississippi Department of Education
P. O. Box 771
Jackson, Mississippi 39205

Dear Dr. Johnson:

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Education for the year ended June 30, 2004. These financial statements will be 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, M. Diane Sanders, Jay Strait, and Scott Joyner, CISA.

The fieldwork for audit procedures and tests was completed on October 12, 2004. 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 Education'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.

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Education 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*.

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. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Education throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", written in a cursive style.

Phil Bryant
State Auditor



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

January 26, 2005

Single Audit Management Report

Henry L. Johnson, Ed.D., State Superintendent
Mississippi Department of Education
P. O. Box 771
Jackson, Mississippi 39205

Dear Dr. Johnson:

Enclosed for your review are the single audit findings and other audit findings for the Mississippi Department of Education for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Department of Education:

Single Audit Findings

1. Strengthen controls over the classification of expenditures for the Child and Adult Care Food Program;
2. Strengthen controls over input of revised budget allocations for the Special Education Programs;
3. Strengthen controls over earmarking requirements for the Special Education Programs;
4. Strengthen controls to ensure compliance with maintenance of effort requirements of the Title I Grants to Local Educational Agencies Program;
5. Strengthen controls to ensure compliance with the earmarking requirements of the Special Education Programs;
6. Strengthen controls over carryover requirements of the Title I Grants to Local Educational Agencies Program;
7. Strengthen controls over achievement reports for the Title I Grants to Local Educational Agencies Program;

Other Audit Findings

8. Strengthen controls over earmarking requirements for the Title I Grants to Local Educational Agencies Program; and
9. Strengthen controls over earmarking requirements for the State Grants for Innovative Programs.

Please review the recommendations and submit a plan to implement them by February 18, 2005. 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. However, this report is a matter of public record and its distribution is not limited.

Mississippi Department of Education
January 18, 2005
Page 2

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant". The signature is written in a cursive style with a large initial "P" and a long horizontal stroke at the end.

Phil Bryant
State Auditor

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Education for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Liza Hammett, M. Diane Sanders, Jay Strait, LaRondia Johnson, and Rebecca Wilson.

The fieldwork for audit procedures and tests was completed on January 20, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi Department of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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 noncompliance with applicable requirements of laws, regulations, contracts or grants that would be material to a major federal program being audited may occur and not be detected within a timely manner by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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. However, we believe none of the reportable conditions described above is a material weakness.

In addition, we noted other matters involving the internal control over compliance that require the attention of management that we have reported on the attached document "Other Audit Findings".

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Education for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Liza Hammett, M. Diane Sanders, Jay Strait, LaRondia Johnson, and Rebecca Wilson.

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Internal Control over Compliance

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We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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 noncompliance with applicable requirements of laws, regulations, contracts or grants that would be material to a major federal program being audited may occur and not be detected within a timely manner by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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. However, we believe none of the reportable conditions described above is a material weakness.

In addition, we noted other matters involving the internal control over compliance that require the attention of management that we have reported on the attached document "Other Audit Findings".

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133.

REPORTABLE CONDITIONS

<u>CFDA/Finding Number</u>	<u>Finding and Recommendation</u>
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ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

10.558 Child and Adult Care Food Program

Federal Award Number and Year: CN04-1099, 2004

04-02 Controls over the Classification of Program Expenditures Should Be Strengthened

Finding:

The Mississippi Department of Education - Office of Child Nutrition administers the Child and Adult Care Food Program (CACFP) which initiates and maintains non-profit food service programs for eligible children and adults in nonresidential day care settings. Federal assistance to institutions takes the form of cash reimbursement for meals served and cash in lieu of commodities. An institution's entitlement to cash reimbursement is computed by multiplying the number of meals served by category (free, reduced, paid) and type (breakfast, lunch, snack, supper) by prescribed per-unit reimbursement rates. The entitlement to cash in lieu of commodities is based on the number of lunches and suppers served. Each month the agency is required to submit a Report of the Child and Adult Care Program (FNS 44) that presents the number of meals served, by category and type, in institutions participating in the program. The program must also submit a quarterly Financial Status Report (SF 269) on the use of funds.

During testwork on 40 CACFP claims and statements of reimbursement, we encountered eight instances, or 20 percent, in which the reporting category used for reporting meals by category and type was incorrect. Although the total reimbursement to each subrecipient was correct, the reporting category for meal reimbursement (N214) was understated while the reporting category for cash in lieu of commodities reimbursement (N164) was overstated by the same amount. A problem with the Office of Child Nutrition on-line claims application system had already been detected by agency staff. However, the problem was unresolved at the time of the testwork. Failure to correctly classify and report program expenditures by category could impede the oversight responsibility of the federal grantor agency.

Recommendation:

We recommend the Mississippi Department of Education – Office of Child Nutrition implement necessary changes to the on-line claims application system to ensure reimbursements are properly classified as to reporting category.

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

84.027 Special Education – Grants to States
84.173 Special Education – Preschool Grants

Federal Award Number and Year: EH027A020108, 2002
EH027A030108, 2003

04-03 Controls over Input of Revised Budget Allocations Should Be Strengthened

Finding:

The Mississippi Department of Education – Office of Special Education is responsible for subgranting funds to local educational agencies (LEAs) from the Special Education – Grants to States and Special Education – Preschool Grants programs. Each LEA must submit an application for approval which includes a budget specifying how the funds will be used, statements of assurances and other required documentation. Initially, the agency will establish a budget amount for the LEA in the accounting system. After review is performed on the application, a revised budget amount may be approved. Testwork on 60 subgrant applications revealed three instances in which the LEA's budget was revised but the revised budget was not input to the Statewide Automated Accounting System (SAAS). Good internal controls require personnel to ensure the approved budget for each LEA is properly input to SAAS. Lack of adequate controls to ensure the final approved budget is properly input to SAAS could allow a LEA to incur questioned costs by drawing funds in excess of the approved budget.

Recommendation:

We recommend the Mississippi Department of Education - Office of Special Education strengthen controls over the Special Education – Grants to States and Special Education – Preschool Grants programs to ensure the final approved budget for each LEA is properly input to the Statewide Automated Accounting System.

MATCHING, LEVEL OF EFFORT, EARMARKING

Reportable Condition

84.027 Special Education – Grants to States
84.173 Special Education – Preschool Grants

Federal Award Number and Year: H027A030108, 2003
H173A030113, 2003

04-04 Controls over Earmarking Requirements Should Be Strengthened

Program regulations for the Special Education – Grants to States (Part B) and Special Education – Preschool Grants (Preschool) programs require the Mississippi Department of Education to allocate a portion of grant funding, commonly known as "minimum flow-through funds", to the various local educational agencies (LEAs) within the State.

The minimum flow-through funds are allocated based on a formula comprised of three components. The first component is a fixed base amount calculated on a count of the number of children with disabilities receiving special education and related services in December 1998 (for Part B) and December 1996 (for Preschool). The second component is an amount based on total elementary and secondary student enrollment in both public and private schools. The third component is an amount based on the number of students living in poverty.

Testwork performed on minimum flow-through allocations to LEAs for the 2003 Part B and Preschool grant awards revealed the following:

- The Part B base allocations were correctly calculated by agency personnel but we noted the calculated allocations were not properly input to the Statewide Automated Accounting System (SAAS) project budget tables. We also noted the project agreements forwarded to the LEAs were incorrect. Our testwork revealed 17 subrecipients were under funded by a total \$18,990. Due to time constraints, it was not practical for the auditor to document and compare all 163 Part B LEA allocations on the computer spreadsheet to the project agreements and SAAS tables.
- The Preschool base allocations did not include the correct student enrollment figures. Consequently, base allocations to the LEAs were incorrectly calculated. Five of the preschools were over funded by a total of \$744.73 and 149 preschools were under funded by the same amount.

As a result of the errors noted, it appears the agency may fail to achieve the minimum flow-through funds earmarking requirement. Reasonable management practices dictate that procedures be implemented to ensure the LEA allocations are accurately calculated, project agreements are correct and approved allocations are correctly input to SAAS budget tables.

Recommendation:

We recommend the Mississippi Department of Education – Office of Special Education strengthen controls to ensure the entry of data into the agency's computer spreadsheet is reviewed for accuracy and completeness. Procedures should be implemented to ensure the calculated base allocations are incorporated into the actual amounts awarded to the subrecipients. All independent reviews should be documented.

MATCHING, LEVEL OF EFFORT, EARMARKING

Reportable Condition
Immaterial Noncompliance

84.010

Title I Grants to Local Educational Agencies

Federal Award Number and Year: S010A030024, 2003

Questioned Costs: \$44,426

04-05

Controls over Maintenance of Effort Requirements Should Be Strengthened

Finding:

The Elementary and Secondary Education Act (ESEA), Section 9521 (20 USC 7901), requires the state educational agency to reduce the amount of allocation of Title I Grants to local educational agencies (LEA) program funds for a LEA in any fiscal year in which the LEA fails to maintain level of effort. The allocation will be reduced in the exact proportion by which the LEA fails to maintain level of effort by falling below 90 percent of both the combined fiscal effort per-pupil and aggregate expenditures.

The Mississippi Department of Education – Office of Innovative Support utilizes a spreadsheet which calculates the amount expended by each school district for per-pupil and aggregate spending. The spreadsheet calculates the percentage change for each category. Our review of the spreadsheet documenting each of the LEA's maintenance of effort revealed the percentage change for 151 of the 152 LEAs was incorrectly calculated. The original spreadsheet showed that all school districts met the maintenance of effort requirement when comparing the previous two fiscal years. After we brought the errors to the attention of agency personnel, a revised spreadsheet was calculated. Using the corrected spreadsheet, we noted that one school district failed to meet the maintenance of effort requirement. The fiscal year 2004 allocation for the school district should have been decreased by \$44,426.

Good internal controls dictate procedures be in place to ensure a LEA's maintenance of effort is correctly calculated and the allocation of funds is adjusted in a timely manner if level of effort is not maintained. Failure to ensure maintenance of effort by a LEA during the application approval process increases the risk that federal noncompliance could exist and go undetected.

Recommendation:

We recommend the Mississippi Department of Education – Office of Innovative Support strengthen its internal controls to ensure each local educational agency's maintenance of effort is correctly calculated and the allocation of funds is properly reduced if the level of effort is not maintained. The independent review of the calculations should be documented prior to the application approval process.

MATCHING, LEVEL OF EFFORT, EARMARKING

Reportable Condition
Immaterial Noncompliance

84.027 Special Education – Grants to States
84.173 Special Education – Preschool Grants

Federal Award Number and Year: H027A010108, 2001
H173A030113, 2003

04-06 Controls over Compliance with Earmarking Requirements Should Be Strengthened

Finding:

The Mississippi Department of Education – Office of Special Education administers the Special Education – Grants to States and Special Education – Preschool Grants programs. The grant award documents for these programs indicate the minimum amount of funds the State must distribute to its local educational agencies (LEAs) for formula and capacity building subgrants as well as the maximum amount that can be expended for administration and other state-level activities. During the audit of fiscal year 2004, we noted the agency had not developed adequate procedures to ensure the required budget allotment of funds was correctly determined and input to the accounting system. During testwork on the earmarking requirement for the federal fiscal year 2001 Special Education – Grants to States program, we noted the amount budgeted and expended in the Statewide Automated Accounting System (SAAS) for other state-level activities by the agency exceeded the maximum allowed by \$546,771 and the amounts budgeted and expended for capacity building and formula subgrants failed to reach the minimum required by \$521,877 and \$25,177, respectively. During the testwork on the earmarking requirement for the federal fiscal year 2003 Special Education – Preschool Grants program, we noted the amount budgeted in SAAS for administration exceeded the maximum allowed by \$39,633. Because the federal fiscal year 2003 was still ongoing at the time of audit testwork, actual expenditures had not exceeded the maximum amount allowed. Failure to properly calculate budgetary limits in SAAS could result in noncompliance by the Mississippi Department of Education with the maximum/minimum earmarking requirements mandated by the United State Department of Education.

After these problems were brought to the attention of management, agency personnel were able to make corrections to the 2001 grant by adjusting state-level activities to non-federal source funds to decrease the federal expenditures to comply with the maximum amount allowed. Likewise, state funds were used to satisfy the minimum amounts required for capacity building and formula subgrants. For the 2003 grant, the agency adjusted budgeted amounts for administrative expenditures to comply with federal regulations. Because adjustments were made at the time of audit testwork, no costs were questioned.

Recommendation:

We recommend the Mississippi Department of Education – Office of Special Education strengthen controls over the earmarking of Special Education - Grants to States and Special Education - Preschool Grants funds. Calculations for budgetary allotments should be reviewed and approved by an independent person.

PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Reportable Condition

84.010 Title I Grants to Local Educational Agencies

Federal Award Number and Year: S010A050024, 2002

04-07 Controls over Carryover Requirements Should Be Strengthened

Finding:

The Elementary and Secondary Education Act, Section 1127 (20 USC 6339), requires the state educational agency (SEA) and the local educational agency (LEA) to obligate funds during the 27 month period, extending from July 1 through September 30, of the second fiscal year for the Title I Grants to Local Educational Agencies program. This maximum period includes a 15-month period of initial availability for obligation plus a 12-month period for the carryover of unobligated funds. A LEA receiving \$50,000 or more in Title I, Part A funds cannot carry over more than 15 percent of its allocation for the project year. A SEA may grant a waiver to a LEA no more than once every three years to allow a LEA to carry over funds in excess of the 15 percent limitation.

The Mississippi Department of Education – Office of Innovative Support (MDE-OIS) developed a spreadsheet to track each LEA's expenditures, available allotment balance, and the amount in excess of the allowed 15 percent carryover. At the close of September, the schools which appear to have 15 percent or more of their allotment balance available are required to submit a Verification of Carryover Form by the first week of November to document/certify expenditures as well as obligations/commitments. If the available balance is in excess of the allowed carryover percentage, the LEA must also submit a waiver request signed by the superintendent, for MDE-OIS consideration and approval. Testwork performed for fiscal year 2004 revealed that the agency had not maintained a documented list of waivers granted to LEAs in prior years. Therefore, we could not determine if the agency had not approved a waiver to a LEA during the previous two years.

Good internal controls dictate that adequate procedures be in place to ensure compliance with program requirements. Without a listing of LEAs previously granted waivers, the Mississippi Department of Education – Office of Innovative Support could allow a LEA to exceed the spending authority approved by program regulations by allowing a LEA to carry over funds in excess of 15 percent of its allocation more than one time in three years.

Recommendation:

We recommend the Mississippi Department of Education - Office of Innovative Support strengthen procedures to ensure compliance with the 15 percent carryover limitation by maintaining a listing of LEAs previously granted waivers. Procedures should ensure waivers are not granted more than once in a three-year period.

SPECIAL TESTS AND PROVISIONS

Reportable Condition

84.010 Title I Grants to Local Educational Agencies

Federal Award Number and Year: S010A050024, 2004

04-08 Controls over Reporting Should Be Strengthened

Finding:

Section 1116(c) of the Elementary and Secondary Educational Act (20 USC 6316(c)) requires a state educational agency (SEA) to annually review the progress of each local educational agency (LEA) receiving funds under Title I Grants to Local Educational Agencies program to determine whether schools are making adequate yearly progress. The SEA must report annually to the Secretary of the United States Department of Education and make certain information widely available within the State, including the number and names of each school identified for improvement under Section 1116(b), the reason why each school was so identified, and the measures taken to address the achievement problems of each school. The SEA must prepare and disseminate an annual state report card that contains information on the performance of LEAs regarding adequate yearly progress. In addition, the SEA must ensure that each LEA collects the data necessary to prepare its annual report card (Sections 1111(h)(1) and (4)).

The Mississippi Department of Education - Office of Innovative Support is responsible for collecting, compiling and determining the accuracy of the information obtained about the number and names of schools and LEAs in need of improvement. Testwork performed on the Consolidated State Performance Report (Parts I and II) for school year 2002-2003 revealed the absence of supporting documentation for pertinent data in Part II. We also noted the absence of a documented supervisory review and approval of the report prior to submission to the federal grantor agency.

Good internal controls require source documentation be maintained for audit purposes and federal reports be given a documented supervisory review prior to submission. Without supporting documentation, we were unable to determine if the data in Part II was accurate and complete. Failure to provide a properly documented supervisory review could allow errors to occur without being detected promptly.

Recommendation:

We recommend the Mississippi Department of Education – Office of Innovative Support strengthen controls over the preparation of the Consolidated State Performance Report by ensuring supporting documentation is maintained for all data included in the report. We further recommend a documented supervisory review be performed prior to submittal of the report to the federal grantor agency.

OTHER AUDIT FINDINGS

In planning and performing our audit of the federal awards received by the Mississippi Department of Education for the year ended June 30, 2004, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs. Matters which require the attention of management were noted. These matters which do not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involve other internal control weaknesses.

IMMATERIAL WEAKNESS IN INTERNAL CONTROLS

CFDA/Finding
Number

Finding and Recommendation

MATCHING, LEVEL OF EFFORT, EARMARKING

Immaterial Weakness

84.101

Title I Grants to Local Educational Agencies

Federal Award Number and Year: S010A030024, 2003

Oth-2

Controls over Earmarking Requirements Should Be Strengthened

Finding:

During our review of the Title I Grants to Local Educational Agencies program administered by Mississippi Department of Education – Office of Innovative Support, we noted the controls were not operating effectively to ensure the earmarking requirements are being met. The Elementary and Secondary Education Act (ESEA), Section 1003(a)-(e) (20 USC 6303(a)-(e)), requires the state educational agency to reserve 2 percent of the amount the State receives from the grant award for school improvement. Of the amount reserved, not less than 95 percent is to be allocated directly to local educational agencies (LEAs) for schools identified for school improvement and not more than 5 percent may be used by the State to provide technical assistance and support of the schools. The amount budgeted in the Statewide Automated Accounting System (SAAS) for direct allocation to LEAs failed to achieve the minimum and the amount budgeted for the State exceeded the maximum required by \$157,215.84. Failure to properly calculate budgetary limits in SAAS could result in noncompliance by the Mississippi Department of Education with the earmarking maximum/minimum requirements. After the error was brought to the attention of management, agency personnel corrected the program budget in SAAS before expenditures exceeded the required limits.

Recommendation:

We recommend the Mississippi Department of Education – Office of Innovative Support strengthen controls over the earmarking of Title I Grants to Local Educational Agencies funds. Calculations for budgetary allotments should be reviewed and approved by an independent person to ensure amounts comply with restrictions in federal regulations.

MATCHING, LEVEL OF EFFORT, EARMARKING

Immaterial Weakness

84.298 State Grants for Innovative Programs

Federal Award Number and Year: S298A030024, 2003

Oth-3 Controls over Earmarking Requirements Should Be Strengthened

Finding:

Title V, Part A, Section 5112(a)(b)(c) of the Elementary and Secondary Education Act (20 USC 7211a(a)(b)(c)) indicates the Mississippi Department of Education – Office of Innovative Support must allocate a minimum of 85 percent to local educational agencies and a maximum of 15 percent for State use, of which no more than 15 percent may be used for State administration of the program. During testwork on the earmarking requirement of the State Grants for Innovative Programs we noted the amount budgeted in the Statewide Automated Accounting System (SAAS) for State administration exceeded the maximum amount allowed by \$58,760. Failure to properly calculate budgetary limitations in SAAS could result in noncompliance by the agency with the earmarking maximum/minimum requirements. After we brought the error to the attention of management, agency personnel corrected the program budget in SAAS before expenditures exceeded the required limits.

Recommendation:

We recommend the Mississippi Department of Education – Office of Innovative Support strengthen controls over the earmarking for the State Grants for Innovative Programs. Calculation of budgetary allotments should be reviewed and approved by an independent person to ensure the amounts comply with restrictions in federal regulations.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

July 28, 2004

Single Audit Management Report

Robert Latham, Executive Director
Mississippi Emergency Management Agency
P. O. Box 4501
Jackson, Mississippi 39296-4501

Dear Mr. Latham:

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Emergency Management Agency for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Marilyn Purvis, CGFM, and Yulunda Wesley.

The fieldwork for audit procedures and tests was completed on July 26, 2004. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi Emergency Management Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance that we consider to be material weaknesses.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

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. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Emergency Management Agency throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", with a large, stylized initial "P" and a long horizontal flourish extending to the right.

Phil Bryant
State Auditor

Enclosures

End of Report



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

January 11, 2005

Financial Audit Management Report

Tommye D. Favre, Executive Director
Mississippi Department of Employment Security
P. O. Box 1699
Jackson, Mississippi 39215-1699

Dear Mrs. Favre:

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Employment Security for the year ended June 30, 2004. 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, Vicki Alvey, Brian Quinn, and Shelia Sykes.

The fieldwork for audit procedures and tests was completed on October 28, 2004. 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 Employment Security'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.

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Employment Security 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*.

This report is intended solely for the information and use of management and Members of the Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Employment Security throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Phil Bryant".

Phil Bryant
State Auditor



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

March 14, 2005

Single Audit Management Report

Tommye D. Favre, Executive Director
Mississippi Department of Employment Security
P. O. Box 1699
Jackson, Mississippi 39215-1699

Dear Mrs. Favre:

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Employment Security for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Vicki Alvey, Johnnie Davenport, Andy Salin, and Rebecca Wilson.

The fieldwork for audit procedures and tests was completed on March 11, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi Department of Employment Security is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

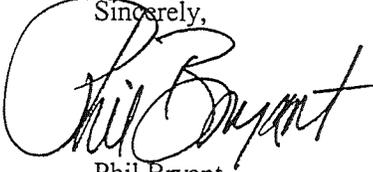
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance that we consider to be material weaknesses.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

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. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Employment Security throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant
State Auditor



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

June 21, 2005

Limited Internal Control and Compliance Review Management Report

Scott Rankin, Executive Director
Mississippi Ethics Commission
P. O. Box 22746
Jackson, Mississippi 39225-2746

Dear Mr. Rankin:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Ethics Commission for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Ethics Commission:

1. Strengthen controls over disbursements;
2. Strengthen controls over the petty cash bank account;
3. Strengthen controls over recording employee leave;
4. Document receipt of goods or services and invoices.

Please review the recommendations and submit a plan to implement them by July 12, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant".

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Ethics Commission for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis, and Yulunda Wesley.

The fieldwork for review procedures and tests was completed on March 31, 2005. 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 matters involving the internal control over financial reporting and an instance of noncompliance that require the attention of management. These matters are noted under the headings **IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCE OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls over Disbursements Should Be Strengthened

Finding:

During our review of the approval levels established in the Statewide Automated Accounting System (SAAS) for disbursements at the Mississippi Ethics Commission, we noted two employees had both input capabilities and all levels of agency approval authority for disbursements. These two employees were also authorized signors for payment vouchers and purchase orders. Good internal controls require duties to be properly segregated to prevent both the initiation and authorization of a transaction by a single individual. Failure to adequately segregate duties in an on-line system increases the risk for errors or fraud to occur without being detected promptly.

Recommendation:

We recommend the Mississippi Ethics Commission strengthen internal controls over disbursements by implementing proper segregation of duties to ensure no individual has the capability to both initiate and approve an entire transaction.

Finding:

Controls over the Petty Cash Bank Account Should Be Strengthened

During our petty cash bank account testwork at the Mississippi Ethics Commission, we noted the following:

- The employee who maintains physical custody of unused checks also prepares checks and is authorized to sign checks.
- Monthly reconciliations between the accounting records and the bank account statements were not prepared.

- There was no evidence of the agency reviewing the Collateral Sufficiency Analysis reports prepared by the State Treasury to ensure agreement with the bank account statements.

Good internal controls require duties to be properly segregated to prevent both the initiation and authorization of a transaction by a single individual. They also require the reconciliation of monthly bank statements with accounting records by a person independent of the check writing process. In addition, good internal controls require the review of the Collateral Sufficiency Analysis reports for accuracy be adequately documented. Failure to properly segregate the initiation and authorization functions and to prepare monthly reconciliations could result in errors or fraud occurring without being detected promptly.

Recommendation:

We recommend the Mississippi Ethics Commission strengthen internal controls over its petty cash bank account by ensuring the initiation and authorization functions are properly segregated. Monthly bank reconciliations should be prepared by a person independent of the check-writing process. We further recommend agency personnel initial and date the Collateral Sufficiency Analysis reports to document their review.

Controls over Recording Employee Leave Should Be Strengthened

Finding:

The Mississippi Ethics Commission used the practice of recording employees' personal, major medical, and compensatory leave taken in the Statewide Payroll and Human Resource System (SPAHRs) from data taken from control sheets which were completed using the employees' leave forms. These control sheets were given to the employees to review for accuracy prior to the data being entered into SPAHRs. During testwork performed on four employees' leave records for fiscal year 2004, we noted the following:

- Seven instances in which compensatory leave was not properly recorded in SPAHRs.
- Three instances in which personal and major medical leave were not properly recorded in SPAHRs.
- Four instances in which leave forms were not authorized by the executive director or assistant director in accordance with agency policy.

Good internal controls require employee leave recorded in SPAHRs be reviewed by supervisory personnel to ensure accuracy. In addition, employee leave forms should be authorized by supervisory personnel in accordance with agency policy. Without the proper recording and review of employee leave records, errors in employee leave balances could occur and not be detected promptly.

Recommendation:

We recommend the Mississippi Ethics Commission strengthen controls to ensure employee leave balances recorded in SPAHRs are reviewed by supervisory personnel for accuracy and completeness. We further recommend employee leave forms be approved by supervisory personnel in accordance with agency policy.

INSTANCE OF NONCOMPLIANCE WITH STATE LAWS

Receipt of Goods or Services and Invoices Should be Documented

Finding:

Testwork performed on 27 expenditures at the Mississippi Ethics Commission revealed the following:

- Ten instances in which the person verifying receipt of goods or services did not sign or date the invoice indicating when the goods or services were provided.
- Nine instances in which the invoice was not date-stamped as being received by the agency.
- Six instances in which the invoice was dated when goods or services were provided; however, the person verifying receipt of the goods or services did not sign the invoice.

Section 31-7-305, Miss. Code Ann. (1972), requires a record to be kept of the date of receipt of the invoice and dates of receipt, inspection and approval of the goods or services. Failure to comply with state law could result in payment of goods or services not yet received.

Recommendation:

We recommend the Mississippi Ethics Commission ensure compliance with state law by requiring agency personnel receiving goods or services to sign and date all invoices or other documentation as verification of receipt prior to the disbursement of funds. We further recommend the agency personnel date-stamp the invoices as they are received by the agency.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

December 6, 2004

Financial Audit Management Report

J. K. Stringer, Jr., Executive Director
Department of Finance and Administration
1301 Woolfolk Building
Jackson, Mississippi 39201

Dear Mr. Stringer:

The Office of the State Auditor has completed its audit of statewide controls and selected accounts included on the financial statements of the Department of Finance and Administration for the year ended June 30, 2004. These financial statements will be 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 Karlanne Coates, CPA, Liza Hammett, and LaRondia Johnson.

The fieldwork for audit procedures and tests was completed on October 26, 2004. 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 statewide controls and selected accounts included on the financial statements, we considered the Department of Finance and Administration'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.

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Department of Finance and Administration 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*.

Under the guidelines issued by the Auditing Standards Board of the American Institute of Certified Public Accountants, we have not included in the management letter a matter related to the failure of the Department of Finance and Administration to repay the outstanding balance of the loan made to the general fund by the Mississippi Department of Transportation, formerly the State Highway Department. Chapter 540 of General Laws of 1992 Legislative Session (Senate Bill Number 2707) required this loan to be repaid by June 30, 1993. This matter has been brought to the attention of management in previous years. Previous management of the agency has acknowledged its understanding of this matter, but has disagreed.

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. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Department of Finance and Administration throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", written in a cursive style.

Phil Bryant
State Auditor

End of Report



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

February 18, 2005

Single Audit Management Report

J. K. Stringer, Executive Director
Department of Finance and Administration
501 North West Street
1301 Woolfolk Building Suite A
Jackson, Mississippi 39201

Dear Mr. Stringer:

Enclosed for your review is the single audit finding for the Department of Finance and Administration for the Fiscal Year 2004. In this finding, the Auditor's Office recommends the Department of Finance and Administration ensure transfers from self insurance funds do not include federal funds.

Please review the recommendation and submit a plan to implement it by March 4, 2005. The enclosed finding contains more information about our recommendation.

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

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. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendation enables the Department of Finance and Administration to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Department of Finance and Administration throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over a circular stamp.

Phil Bryant
State Auditor

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the Cash Management Improvement Act, the Statewide Cost Allocation Plan and the Jobs and Growth federal program administered by the Department of Finance and Administration for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Marilyn Purvis, CGFM, Liza Hammett and Lucreta Walker.

The fieldwork for audit procedures and tests was completed on January 27, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Department of Finance and Administration is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs, as well as over Cash Management Improvement Act and Statewide Cost Allocation Plan systems (Systems) and the preparation of the required reports for the Systems. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal program and the Systems.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program and to the Systems 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 compliance that we consider to be material weaknesses.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal program and to the Systems is the responsibility of management. We have audited the major federal program and the Systems for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary.

The results of our auditing procedures disclosed an instance of immaterial noncompliance that is required to be reported in accordance with OMB Circular A-133.

CFDA/Finding
Number

Finding and Recommendation

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.UN

Various

Federal Award Number and Year: Various
Questioned Costs: To be determined

04-23

Transfers from Self-Insurance Funds Should Not Include Federal Funds

Finding:

Chapter 556 General Laws of Mississippi 2003 Regular Legislative Session, directed the State Treasurer to transfer to the Budget Contingency Fund, monies from various funds. Included in this list were the following self-insurance funds and respective amounts that were transferred:

Fund 3080 - Tort Claims Fund (\$14,000,000), and
Fund 3644 - Employment Compensation Revolving Fund (\$1,000,000).

As directed in the approved legislation, the Department of Finance and Administration processed these transfers during the months of July 2003 and January 2004. Section 25.d (5) of Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* states, "Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer."

Contributions from some of the agencies which participate in these two self-insurance reserve funds are partially funded with monies drawn from various federal government grant sources. As such, the federal percentage of contributions related to these transfers from these self-insurance reserve funds should be repaid to the federal government as required under Section 25.d (5) of OMB Circular A-87.

Recommendation:

The Department of Finance and Administration should review the activity of these self-insurance funds and make a determination as to what amount should be refunded to the federal government, as required by OMB Circular A-87.

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

November 3, 2004

Financial Audit Management Report

J. K. Stringer, Jr., Executive Director
Department of Finance and Administration
P. O. Box 1060
Jackson, Mississippi 392015

Dear Mr. Stringer:

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Department of Finance and Administration – Bureau of Buildings for the year ended June 30, 2004. These financial statements will be 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, Marilyn Purvis, Yulanda Wesley, and Rebecca Wilson.

The fieldwork for audit procedures and tests was completed on October 26, 2004. 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 Department of Finance and Administration – Bureau of Buildings' 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.

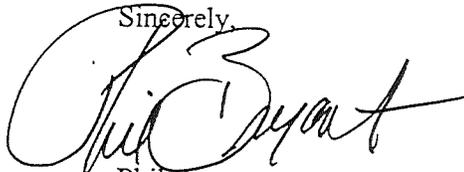
Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Department of Finance and Administration – Bureau of Buildings 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*.

This report is intended solely for the information and use of management and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Department of Finance and Administration – Bureau of Buildings throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Phil Bryant".

Phil Bryant
State Auditor

End of Report



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

October 28, 2004

Financial Audit Management Report

J. K. Stringer, Jr., Executive Director
Department of Finance and Administration
501 North West Street
1301 Woolfolk Building, Suite A
Jackson, Mississippi 39201

Dear Mr. Stringer:

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Department of Finance and Administration – Office of Insurance for the year ended June 30, 2004. These financial statements will be 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 Karlanne Coates, CPA, Laura Griffin, and Lucreta Walker.

The fieldwork for audit procedures and tests was completed on August 31, 2004. 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 Department of Finance and Administration'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.

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Department of Finance and Administration – Office of Insurance 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*.

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. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Department of Finance and Administration – Office of Insurance throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", written in a cursive style.

Phil Bryant
State Auditor



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

March 3, 2005

Single Audit Management Report

Brian W. Amy, MD, MHA, MPH, Health Officer
Mississippi State Department of Health
P. O. Box 1700
Jackson, Mississippi 39215-1700

Dear Dr. Amy:

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi State Department of Health for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Laura Griffin, Judy Bounds, Trissi Beskin, Mike McCollough, Kim McCrory, Andy Salin, Rebecca Wilson, and Amy Ellis, CPA.

The fieldwork for audit procedures and tests was completed on February 8, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi State Department of Health is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance that we consider to be material weaknesses.

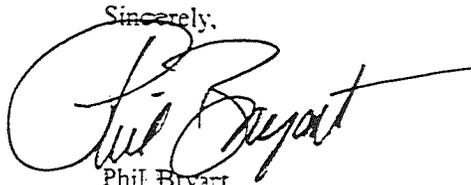
Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

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. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Department of Health throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", with a long horizontal flourish extending to the right.

Phil Bryant
State Auditor



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

December 20, 2004

Financial Audit Management Report

Donald R. Taylor, Executive Director
Mississippi Department of Human Services
P. O. Box 352
Jackson, Mississippi 39205

Dear Mr. Taylor:

Enclosed for your review are the financial audit findings for the Mississippi Department of Human Services for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Department of Human Services:

1. Implement procedures for disabling user IDs for employees leaving agency service;
2. Strengthen controls over SAAS access; and
3. Properly report the value of employer-provided vehicles.

Please review the recommendations and submit a plan to implement them by January 14, 2005. 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. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over the word "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 Human Services for the year ended June 30, 2004. These financial statements will be 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, Tonya Bierman, Susan Kimbrough, Daphonie Moulder, and Mary Jo Milner.

The fieldwork for audit procedures and tests was completed on November 24, 2004. 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 Human Services' 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.

However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 judgement, could adversely affect the department's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. This matter is noted under the heading **REPORTABLE CONDITION**.

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. 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 considered to be material weaknesses. However, we do not believe the reportable condition described in this letter is a material weakness.

In addition, we noted a matter involving the internal control over financial reporting that requires the attention of management. This matter is noted under the heading **IMMATERIAL WEAKNESS IN INTERNAL CONTROL**.

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Human Services 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 immaterial instance of noncompliance that requires the attention of management. This matter is noted under the heading **IMMATERIAL NONCOMPLIANCE**.

REPORTABLE CONDITION

Procedures Should Be Implemented for Disabling User IDs for Employees Leaving Agency Service

Finding:

During our review of the Mississippi Department of Human Services, we noted the following weaknesses in disabling user IDs upon an employee leaving agency service:

- Nine terminated employees had active Resource Access Control Facility (RACF) user IDs. Last year there were eight terminated employees reported.
- Six terminated employees had active Windows 2000 user IDs. Last year there were 24 terminated employees reported.

Control Objectives for Information and Related Technology (CobiT), a generally accepted standard for good information technology security and control, as well as recognized industry best practices, require existence of adequate procedures to deactivate system access to terminated employees. Failure on the part of the agency to properly disable access for former employees could allow unauthorized access or fraud to occur without being discovered.

Recommendation:

We recommend the Mississippi Department of Human Services implement procedures to ensure employee user IDs are disabled immediately when an employee leaves agency service.

IMMATERIAL WEAKNESS IN INTERNAL CONTROL

Controls over SAAS Access Should Be Strengthened

Finding:

During our audit of the Mississippi Department of Human Services, we reviewed the agency's approval levels established in the Statewide Automated Accounting System (SAAS). We noted the following:

- Three instances in which employees continued to have SAAS access after termination. After notification by auditors, the agency took immediate action to remove SAAS access for these former employees.
- One instance in which an employee maintained SAAS for 5 months after termination.

Good internal controls require employee access to computer systems be removed immediately upon termination. Failure to maintain adequate internal controls could allow errors or fraud to occur without being promptly detected.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls to ensure employee access to SAAS is removed immediately upon an employee leaving agency service.

IMMATERIAL NONCOMPLIANCE

The Value of the Employer-Provided Vehicles Should Be Reported

Finding:

Section 15.20.40 of the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual states "The value of employer-provided vehicles used by state employees for commuting and personal use must be included in wages for social security, federal and state income tax, and retirement purposes." During fringe benefit testwork at the Mississippi Department of Human Services, we noted the following:

- The former Executive Director was provided a state-owned vehicle; however, travel logs were not on file. Therefore, we could not determine if there was daily commuting which should have been reported on the employee's wage records or W-2 form.
- The former Youth Services Director was provided a state-owned vehicle which was used for daily commuting, as well as official business travel according to travel logs on file; however, the fringe benefit amount associated with the travel which would be considered commuting was inaccurate on the employee's wage records or W-2 form.

Failure to report the value of an employer-provided vehicle for commuting on employees' wage records results in noncompliance with section 15.20.40 of the MAAPP manual and Internal Revenue Service policies regarding fringe benefits related to commuting. Also, failure to maintain travel logs detailing the use of employer-provided vehicles impedes our ability to audit for compliance.

Recommendation:

We recommend the Mississippi Department of Human Services ensure the value of employer-provided vehicles used for commuting is reported on wage records and on an employee's W-2 form in compliance with section 15.20.40 of the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual. We further recommend that the agency ensure that travel logs are maintained and filed for audit purposes.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

March 7, 2005

Single Audit Management Report

Donald R. Taylor, Executive Director
Mississippi Department of Human Services
P. O. Box 352
Jackson, Mississippi 39205

Dear Mr. Taylor:

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Human Services for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Laura Griffin, Tonya Bierman, Daphonie Moulder, Susan Kimbrough, Lutrina Bledsoe, Lisa Pendleton, Jay Strait, and Lucreta Walker.

The fieldwork for audit procedures and tests was completed on March 4, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi Department of Human Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

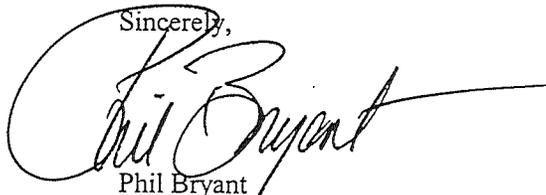
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance that we consider to be material weaknesses.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

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. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Human Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant
State Auditor



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

March 1, 2005

Limited Internal Control and Compliance Review Management Report

George Dale, Commissioner
Mississippi Insurance Department
P. O. Box 79
Jackson, Mississippi 39205-0079

Dear Commissioner Dale:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Insurance Department for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Insurance Department:

1. Strengthen controls over bank accounts;
2. Strengthen controls over procurement card purchases; and
3. Maintain adequate surety bond coverage.

Please review the recommendations and submit a plan to implement them by March 23, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over a large, stylized circular flourish.

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Insurance Department for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Laura Griffin, Tangela Beddingfield, Trisi Baskin, and Kim McCrory.

The fieldwork for review procedures and tests was completed on February 18, 2005. 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 matters involving the internal control over financial reporting and an instance of noncompliance that requires the attention of management. These matters are noted under the headings **IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCE OF NONCOMPLIANCE WITH STATE LAW**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls over Bank Accounts Should Be Strengthened

Finding:

Testwork performed on bank reconciliations at the Mississippi Insurance Department revealed there was no indication of supervisory review on the bank reconciliations for nine out of forty-eight reconciliations tested. We noted four instances in which a reconciliation was not performed. We also noted instances in which reconciling items remained on the statements for extended periods without appropriate follow-up by agency personnel.

Good internal controls dictate that a supervisory review be performed to ensure bank reconciliations are completed accurately and in a timely manner. Also, reconciling items which remain on the statements for several months should be researched for appropriate disposition by agency personnel. Failure to consistently apply adequate internal controls could allow fraud or errors to occur without being detected promptly.

Recommendation:

We recommend the Mississippi Insurance Department strengthen controls over bank accounts by ensuring bank account reconciliations are performed and supervisory review is documented by initialing/dating the reconciliation. We also recommend agency personnel investigate and resolve reconciling items noted during preparation of the bank reconciliation within a reasonable time.

Controls over Procurement Card Purchases Should Be Strengthened

Finding:

Testwork performed at the Mississippi Insurance Department revealed three of 15 purchases tested, or 20 percent, in which procurement card purchases lacked evidence of an independent review of charges by an approving official. We also noted eight out of the 15 purchases tested, or 53 percent, were made by the approving official without an independent review. Good internal controls dictate procurement credit card purchases be independently reviewed by an approving official. Failure to maintain adequate internal controls could allow unauthorized purchases to occur without being detected in a timely manner.

Recommendation:

We recommend the Mississippi Insurance Department strengthen internal controls to ensure all procurement credit card purchases are reviewed and approved by a person independent of the initial purchase.

INSTANCE OF NONCOMPLIANCE WITH STATE LAW

Agency Should Maintain Adequate Surety Bond Coverage

Finding:

Section 83-1-7, Miss. Code Ann. (1972), requires the Deputy Insurance Commissioner to furnish a surety bond in the sum of \$10,000. Surety bond testwork performed at the Mississippi Insurance Department revealed the agency failed to properly renew surety bond coverage for the Deputy Insurance Commissioner. Failure to maintain proper surety bond coverage could result in the agency's suffering unrecoverable losses.

Recommendation:

We recommend the Mississippi Insurance Department ensure proper surety bond coverage is maintained as required by state law.

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

June 20, 2005

Limited Internal Control and Compliance Review Management Report

Luther T. Brantley, III, Executive Director
Mississippi Commission on Judicial Performance
P. O. Box 22527
Jackson, Mississippi 39225-2527

Dear Mr. Brantley:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Commission on Judicial Performance for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Commission on Judicial Performance:

1. Strengthen internal controls over contractual expenditures; and
2. Ensure purchases are made in compliance with state laws.

Please review the recommendations and submit a plan to implement them by July 15, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over a circular embossed seal.

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Commission on Judicial Performance for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Laura Griffin, and Lucreta Walker.

The fieldwork for review procedures and tests was completed on March 11, 2005. 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 an instance of noncompliance that requires the attention of management. These matters are noted under the headings **IMMATERIAL WEAKNESS IN INTERNAL CONTROL** and **INSTANCE OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESS IN INTERNAL CONTROL

Internal Controls Should Be Strengthened over Contractual Services Expenditures

Finding:

During our review of 15 contractual services expenditures at the Mississippi Commission on Judicial Performance, we noted the following:

- Three instances in which there was no contract on file. Two of these instances related to court reporting services, and one instance related to consulting services.
- One instance in which payment was not submitted in accordance with the contractual agreement. This instance related to the monthly rental payment of the office building. We noted that three monthly invoiced amounts for rent for the months of November 2003, December 2003 and January 2004 were not paid until January 2004. The contract on file requires monthly payments.

Good internal controls dictate that contractual agreements be documented in writing, outlining the services to be performed and the consideration for such services (including the basis for consideration). Without a written contractual agreement, duties and costs to the parties involved are not adequately documented. Prudent business practices mandates execution of a written contractual agreement binding the parties in costs and duties. Good internal controls also require payments to be made in accordance with contractual agreements in place. Failure to obtain and maintain signed contractual agreements could allow improper payments to be made.

Recommendation:

We recommend the Mississippi Commission on Judicial Performance obtain written contractual agreements signed by both parties to document services to be performed by individuals and/or organizations. The contracts should document agreed upon costs as well as duties to be performed. We further recommend the Commission ensure that payments comply with terms of the contract.

INSTANCE OF NONCOMPLIANCE WITH STATE LAWS

Purchases Should Be Made in Accordance with State Laws

Finding:

Testwork performed at the Mississippi Commission on Judicial Performance on expenditures which required purchase orders revealed three instances totaling \$12,857.50 in which purchase orders were prepared after vendor invoices were 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 prepare purchase orders prior to making purchases impedes the agency's and the Department of Finance and Administration's ability to maintain budgetary control.

Recommendation:

We recommend the Mississippi Commission on Judicial Performance implement procedures to ensure purchase orders are prepared and approved prior to goods and services being ordered in compliance with Section 7-7-23, Miss. Code Ann. (1972).

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

December 3, 2004

Financial Audit Management Report

Warren A. Jones, M.D., FAAFP, Executive Director
Office of the Governor – Division of Medicaid
Suite 801, Robert E. Lee Building
239 North Lamar Street
Jackson, MS 39201

Dear Dr. Jones:

Enclosed for your review are the financial audit findings for the Office of the Governor – Division of Medicaid for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Office of the Governor – Division of Medicaid:

1. Strengthen controls over bank reconciliations;
2. Strengthen controls over the issuance of manual checks by the fiscal agent;
3. Strengthen controls over reports;
4. Strengthen controls over the disbursement account; and
5. Strengthen controls over checks voided by the fiscal agent.

Please review the recommendations and submit a plan to implement them by December 28, 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. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Office of the Governor – Division of Medicaid to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Office of the Governor – Division of Medicaid throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over a large, stylized, cursive flourish.

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 Office of the Governor – Division of Medicaid for the year ended June 30, 2004. 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 Karlanne Coates, CPA, Amy Buller, CPA, Daphonie Moulder, Sheila Sykes, and Oliver Strange.

The fieldwork for audit procedures and tests was completed on October 8, 2004. 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 Office of the Governor – Division of Medicaid'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.

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 judgement, could adversely affect the department's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. These matters are noted under the heading **REPORTABLE CONDITIONS**.

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. 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 considered to be material weaknesses. However, we believe none of the reportable conditions described in this letter is a material weakness.

In addition, 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 Office of the Governor – Division of Medicaid 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*.

REPORTABLE CONDITIONS

Controls Should Be Strengthened over Bank Reconciliations

Finding:

The Office of the Governor – Division of Medicaid’s contract with the fiscal agent requires the fiscal agent to submit bank reconciliations on the disbursement account to the agency on a monthly basis. The reconciliations are due within 30 days after the end of the month. We noted in our review of the independent auditor’s SAS 70 report related to the fiscal agent for the period January 2003 through December 2003 that the bank reconciliations performed by the fiscal agent were determined to be insufficient. The fiscal agent was preparing a recap of information from the bank statement (ex: beginning balance, total amount of deposits, total amount of checks, ending balance, etc.) as their bank reconciliation instead of reconciling the bank statement to the general ledger for the period from July 2003 through December 2003. No bank reconciliations had been prepared for the period from January 2004 through June 2004. Good internal control procedures require the reconciliation of monthly bank statements with accounting records. Failure to prepare proper monthly reconciliations could result in errors or fraud occurring without being detected promptly, or inaccurate information to be used or distributed by the agency.

Recommendation:

We recommend the Office of the Governor – Division of Medicaid ensure that internal controls over the preparation of the monthly bank reconciliations be strengthened by the fiscal agent. The agency should ensure accurate bank reconciliations are performed and submitted timely by the fiscal agent.

Controls Should Be Strengthened over the Issuance of Manual Checks by the Fiscal Agent

Finding:

The Office of the Governor – Division of Medicaid’s contract with the fiscal agent requires the fiscal agent to receive and process Medicaid claims through the Medicaid Management Information System (MMIS). In performing our audit procedures at the Division of Medicaid for fiscal year 2004, we selected 45 manual checks issued from July 2003 to June 2004 for testwork at the fiscal agent’s office. In addition, we selected all disproportionate share (DSH) payments made to nine out of 27 eligible providers, and all upper limit (UPL) payments made to 16 out of 176 eligible providers during fiscal year 2004. The following problems were noted:

- Ten manual checks totaling \$3,641,716 related to UPL payments and eight manual checks totaling \$28,809,502 related to DSH payments were not recorded in the MMIS. In addition, three manual checks not related to DSH or UPL totaling \$741,038 were not recorded in the MMIS. It should be noted that six of these checks totaling \$1,837,858 were not included in the fiscal agent’s request for funds to the agency.
- The fiscal agent suspended the recoupment from providers of two cash advances totaling \$1,225,000 under the direction of agency personnel other than the Executive Director. The agency had not provided the fiscal agent a listing of personnel authorized to suspend recoupment of cash advances. The agency subsequently provided a listing of authorized personnel to the fiscal agent upon notification of the deficiency.

We also noted missing documentation on the manual check log and the check stock issue log as follows:

- Forty entries in which check information (provider name, provider number, amount, etc.) was included on the manual check log; however, no check number was assigned to the information;
- Four instances in which manual checks were not recorded on the manual check log; and
- A range of checks, numbers 16308 through 16418, were not recorded on the manual check log or the check stock issue log. Management stated these check numbers had been used by systems personnel for testing purposes.

Good internal controls require all checks be entered in the MMIS to ensure that checks are properly accounted for and reports reflect accurate information. Good internal controls also require that approval be obtained from authorized agency personnel for the suspension of the recoupment from providers of cash advances. Per the fiscal agent's policies and procedures, the Banking Associate is required to complete the manual check database with the following information: manual check number and date, provider name, provider number, amount of advance and the purpose of the check. The failure to have adequate controls in place for the issuance of manual checks could result in errors or fraud occurring without being detected promptly and required additional audit time.

Recommendation:

We recommend the Office of the Governor – Division of Medicaid strengthen controls over the issuance of manual checks by the fiscal agent by performing the following:

- Ensure the fiscal agent enters all checks in the MMIS;
- Ensure all transactions involving the suspension of recoupment from providers of cash advances have been approved by authorized agency personnel prior to being processed by the fiscal agent;
- Ensure the fiscal agent maintains support for manual checks issued and accurately documents all check data on the check register, manual check log, and provider correspondence; and
- Ensure the fiscal agent properly accounts for all check numbers on the manual check log and check stock issue log.

Controls Should Be Strengthened over Reports

Finding:

The Office of the Governor – Division of Medicaid's contract with the fiscal agent included the design, development, and implementation of a new Medicaid Management Information System (MMIS). This system went "live" in October 2003. The MMIS is used by the fiscal agent to process claims. Part of the programming for the new system includes reports which are used by the agency for budgeting purposes and reports used for audit purposes. During our audit procedures, weaknesses in the reports produced by the MMIS were noted as follows:

- The MR-O-19 report provides the ranking of providers based on payment amounts. We noted the ranking on the report dated June 30, 2004, within the inpatient hospital category of service was not accurate. No provider received a ranking of number one or two, or four through nine. Also, the total year-to-date payment amount per the MR-O-19 report for the inpatient hospital category did not agree to the MR-O-01 report total year-to-date payment amount for the inpatient hospital category by the amount of \$357,964,562. The MR-O-19 report is used to select hospitals for rate setting testwork. The Bureau of Systems Management did generate a separate query to provide the auditors with this data when the error was noted; however, the totals reported on the query did not agree to either the MR-O-19 report or the MR-O-01 report.
- The MR-O-01 report for April 2004 which provides detail of total claims paid by category of service did not add down. The difference in the amount per the MR-O-01 report and the auditor's calculation was \$1,780,262. This report is used to determine the significant claim types for audit. Per discussion with management, this report is also used for budgeting purposes.
- The CP-O-132 report which was previously available to auditors to accumulate totals for the claims payable estimate was not available from the new system. This was a monthly report which documented the total claims paid for the month broken down by month of service. Auditors were referred by the fiscal agent to the MR-O-90 report which shows incurred expense for the month broken down by month of service. We noted the total year-to-date amount did not agree between the MR-O-90 report and the MR-O-01 report at June 30, 2004, by a difference of \$752,998.

Good internal controls require reports generated by the MMIS system to contain accurate data. The failure of the MMIS system to produce accurate reports could cause inaccurate information to be distributed or used by the agency and required significant additional audit time.

Recommendation:

We recommend the Office of the Governor – Division of Medicaid strengthen controls over the reports generated by the Medicaid Management Information System (MMIS). Agency personnel should review the reports produced by the MMIS to determine if the programming used in the production of the reports was designed to accurately accumulate and calculate the data presented.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROL

Controls Should Be Strengthened over the Disbursement Account

Finding:

During our review of internal controls at the Office of the Governor – Division of Medicaid, we noted the names of three former employees of the agency were on the listing of authorized signatures for the disbursement account of the fiscal agent. Good internal controls and prudent business practices require the listing of authorized signatures to be updated promptly in the event an employee included on the listing is terminated. Failure to update the listing of authorized signatures could result in the allowance of unauthorized transactions to the disbursement account.

Recommendation:

We recommend the Office of the Governor – Division of Medicaid strengthen controls to ensure the listing of authorized signatures for the disbursement account be updated promptly in the event of a change in employees included on the listing.

Controls Should Be Strengthened over Checks Voided by the Fiscal Agent

Finding:

The Office of the Governor – Division of Medicaid contracts with a fiscal agent to process claims payments to providers for Medicaid services. It is necessary at times for the fiscal agent to void previously issued checks. Testwork performed on the fiscal agent's void/stop payment check log for the period of June 2003 through June 30, 2004, revealed the following:

- Twenty-five checks totaling \$752,544 were found in the binder at the fiscal agent which contains all voided checks; however, these checks had not been recorded on the void/stop payment check log.
- Twenty-four checks totaling \$1,801,500 were listed as void per the manual check log but were not listed on the void/stop payment check log. It should be noted that we were able to determine the checks were either properly voided per the bank statement or the physical voided check was on file at the fiscal agent.
- In numerous instances, the void/stop payment check log did not contain the check numbers for the replacement checks. Also, the void/stop payment check log did not always contain descriptions noting the reason for voiding the checks or issuing a stop payment to the bank.

Good internal controls require voided and stop payment checks be properly accounted for and accurate and complete data be maintained on the fiscal agent's void/stop payment check log. Without adequate controls in place to track and support voided checks, errors or fraud could occur and not be detected promptly.

Recommendation:

We recommend the Office of the Governor – Division of Medicaid strengthen controls over checks voided by the fiscal agent. The void/stop payment check log should contain accurate and complete information on the voided or stop payment checks in order to support the actions of the fiscal agent.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

March 4, 2005

Single Audit Management Report

Warren A. Jones, M.D., FAAFP, Executive Director
Office of the Governor - Division of Medicaid
Suite 801, Robert E. Lee Building
239 North Lamar Street
Jackson, Mississippi 39201

Dear Dr. Jones:

Enclosed for your review are the single audit findings and other audit findings for the Office of the Governor - Division of Medicaid for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Office of the Governor - Division of Medicaid:

Single Audit Findings

1. Strengthen controls over federal cash draws;
2. Strengthen controls over computer edits;
3. Strengthen controls over recipient service limits;
4. Ensure paid hospital claims do not exceed service limits;
5. Ensure physician visit claims in excess of service limits are denied;
6. Ensure pharmacy claims in excess of service limits are denied;

Other Audit Findings

7. Reprocess claims for updated rates and fee schedule changes in a timely manner;
8. Strengthen controls over third party liability audit assessments;
9. Strengthen controls over desk reviews of hospital cost reports;
10. Strengthen controls over federal reporting;
11. Strengthen controls over provider enrollment;
12. Strengthen controls over recipient investigations;
13. Ensure nursing home rates are accurate;
14. Ensure Upper Payment Limit (UPL) Program reimbursements are made in accordance with the State Plan;
and
15. Ensure outpatient claims are paid in accordance with the State Plan.

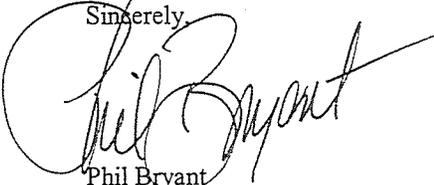
Please review the recommendations and submit a plan to implement them by March 18, 2005. The enclosed findings contain more information about our recommendations.

Office of the Governor - Division of Medicaid
March 4, 2005
Page 2

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. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Office of the Governor - Division of Medicaid to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Office of the Governor - Division of Medicaid throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant
State Auditor

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Office of the Governor - Division of Medicaid for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Amy Buller, CPA, Daphonie Moulder, Jessica Short, Oliver Strange, Mike McCollough, Rebecca Wilson, Amy Ellis, CPA, and Cheryl Mize.

The fieldwork for audit procedures and tests was completed on February 10, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Office of the Governor - Division of Medicaid is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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 noncompliance with applicable requirements of laws, regulations, contracts or grants that would be material to a major federal program being audited may occur and not be detected within a timely manner by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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. However, we believe none of the reportable conditions described above is a material weakness.

In addition, we noted other matters involving the internal control over compliance that require the attention of management that we have reported on the attached document "Other Audit Findings".

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary.

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133. We also noted other instances of noncompliance that we have reported on the attached document, "Other Audit Findings."

REPORTABLE CONDITIONS

**CFDA/Finding
Number**

Finding and Recommendation

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

04-14

Controls Should Be Strengthened over Federal Cash Draws

Finding:

The Office of the Governor - Division of Medicaid received an enhancement to the federal medical assistance percentage (FMAP) rate, which is the rate used to calculate the federal cash draws, of 2.95 percent effective the last quarter of federal fiscal year 2003 and the first three quarters of federal fiscal year 2004. The grant award noted disproportionate share (DSH) payments were not eligible for the enhanced FMAP percentage. During our review of federal cash draws for the period July 1, 2003, to May 20, 2004, we noted instances in which the agency had incorrectly drawn for DSH payments using the enhanced rate. The net amount overdrawn by the agency due to the use of the enhanced rate for DSH payments and DSH refunds totaled \$4,584,027.

In addition, we noted the agency received a grant award on June 24, 2003, in the amount of \$21,925,000 to support the increase in the federal medical assistance percentage (FMAP) of 2.95 percent for expenditures incurred during the period April 1, 2003, to June 30, 2003. Testwork revealed the agency should have drawn additional federal funds for these expenditures in the amount of \$20,091,536; however, the agency drew the entire grant award amount of \$21,925,000 on August 6, 2003. Therefore, the agency overdraw federal funds in the amount of \$1,833,464.

As a result of the two errors noted above, the agency overdraw federal funds in the amount of \$6,417,491. It should be noted the agency corrected these errors by reducing a subsequent federal cash draw when the auditor brought it to the attention of Division of Medicaid personnel.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen controls over federal cash draws to ensure they are calculated using the correct federal medical assistance percentage. In addition, all federal cash draws should be supported by actual expenditures incurred. We further recommend the agency contact the federal grantor agency for a determination of any interest owed to the federal government as a result of the amounts overdrawn.

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

04-15

Controls Should Be Strengthened over Computer Edits

Finding:

The Office the Governor - Division of Medicaid uses the Medicaid Management Information System (MMIS) to process claims for medical services. Computer edits are designed to prevent errors such as the processing of claims with inaccurate or missing data, duplicate claims and processing of claims in excess of a beneficiary's service limit as defined in the Mississippi Medicaid State Plan (State Plan). The Online Update Activity Report (RG010 report) lists changes which have been made within various areas of the MMIS system. It is possible to search the report under the title "Claims Exception Disposition Table" for the changes which have been made to edits. In addition, the claims exception control screen within the MMIS allows a user to see the current status of an edit.

We identified 115 specific edits which we considered significant for five claim types: inpatient hospital, nursing facility, outpatient hospital, physician and pharmacy. Our testwork on the significant edits revealed inconsistencies between the information shown by the RG010 report and the claims exception control screen in the MMIS on 66 edits. For example, for edit 129 "Beneficiary ID is Missing" for inpatient hospital claims, the RG010 report documents the edit was changed from "deny and report" to "pay" on June 4, 2004; however, the claims exception control screen for the edit showed the last update made to the edit was on May 1, 2003, and the edit was set to "deny and report." It appears the RG010 report was not accurately reflecting the activity occurring within the system. Due to these inconsistencies, we were unable to identify and review all changes made to significant edits throughout the fiscal year.

Good internal controls require documentation of changes to computer edits be accurate. The failure to maintain accurate documentation of changes to edits could result in unauthorized or erroneous changes occurring and not being detected promptly.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen controls over computer edits by ensuring changes to the edits are accurately documented in the system. The agency should review the RG010 report to determine the disposition of the discrepancies between the information on the report and the claims exception control screens.

ALLOWABLE COSTS/COST PRINCIPLES

Reportable Condition

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

04-16 Controls Should Be Strengthened over Recipient Service Limits

Finding:

The Mississippi Medicaid State Plan (State Plan) documents the recipient service limits and other claims payment policies (i.e., dispensing of generic drugs) for medical services covered by the Office of the Governor - Division of Medicaid. The Medicaid Management Information System (MMIS) includes computer edit functions which are intended to ensure claims which exceed the service limits or are not within the claims payment policies are denied. We requested the agency run exception reports to identify instances in which recipient service limits for several medical service types (i.e., inpatient hospital, physician, inpatient physician, pharmacy and outpatient hospital) may have been exceeded or other claims payment policies may not have been followed. Our testwork on these exception reports revealed claims were being paid which exceeded the recipient service limits or were not in accordance with other claims payment policies. We also noted agency personnel were not running and reviewing exception reports to ensure recipient service limits were not being exceeded or other claims payment policies were being followed.

Good internal controls require the computer system accurately process claims according to the service limits and other claims payment policies set forth in the State Plan in order to ensure compliance with federal regulations. Good internal controls also require that claims payments be adequately monitored to ensure payments are within the limits and policies set by the State Plan. The failure to monitor claims payments for adherence to service limits and other claims payment policies could result in unnecessary costs to the agency.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen internal controls over recipient service limits and other claims payment policies. Exception reports on claims payment data should be run and reviewed periodically for significant medical service types and follow up should be performed to ensure that edits for service limits and other payment policies are functioning properly so that claims will be paid in accordance with the State Plan. Documentation of these exception reports and follow-up procedures, including adjustments, should be maintained for audit purposes.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: \$816,607

04-18

Agency Should Ensure Paid Hospital Claims Do Not Exceed Service Limits

Finding:

The Mississippi Medicaid State Plan (State Plan) documents the reimbursement service limits for medical services covered by the Office of the Governor - Division of Medicaid. The service limits for medical service types covered by the agency are as follows:

- Inpatient Hospital Days - Attachment 3.1-A, Exhibit 1 of the State Plan sets a reimbursement limit of 30 inpatient days per fiscal year.
- Outpatient Hospital Visits - Attachment 3.1-A, Exhibit 2 of the State Plan sets a reimbursement limit of six outpatient visits per fiscal year.

Computer edits within the Medicaid Management Information System (MMIS) should ensure claims which exceed the service limits are not paid. We requested the agency run exception reports for the service types above, documenting all recipients whose paid claims exceeded the service limits for the period July 1, 2003, to June 30, 2004. Our testwork on these reports revealed the following:

- We reviewed claims data for 25 out of 467 recipients whose inpatient hospital days exceeded the service limits. Testwork indicated the service limits were exceeded without a valid policy exception for 24 out of 25 of the recipients. This resulted in an overpayment to providers of \$1,019,716, of which the federal share is \$814,906.
- We reviewed claims data for 11 out of 113 recipients whose paid outpatient hospital visits exceeded the service limit. Testwork indicated the service limits were exceeded without a valid policy exception for nine of the recipients. This resulted in an overpayment to providers of \$2,128, of which the federal share is \$1,701. Due to the complexities involved in calculating outpatient hospital reimbursements, we did not project the error to the population.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid ensure the edits for service limits in the Medicaid Management Information System are working properly so hospital claims will be paid in accordance with the State Plan. We further recommend the agency determine the disposition of the claims listed on the exception reports and make the appropriate adjustments to the claims history. Documentation that adjustments were made should be provided to the auditors by the agency for follow-up purposes.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: \$33,673

04-19

Agency Should Ensure Physician Visit Claims in Excess of Service Limits Are Denied

Finding:

The Mississippi Medicaid State Plan (State Plan) documents the reimbursement service limits for medical services covered by the Office of the Governor - Division of Medicaid. The service limits for two of the medical service types provided by the agency are as follows:

- 1) Physician Visits - Attachment 3.1-A, Exhibit 5 of the State Plan sets a reimbursement limit of 12 physician visits per fiscal year.
- 2) Inpatient Physician Visits - Attachment 3.1-A, Exhibit 5 of the State Plan sets a limit of one physician visit per inpatient hospital day, or 30 per fiscal year, except visits to patients in Intensive or Coronary Care Units (ICU or CCU) are limited to two per day and nursing home visits are limited to thirty-six per fiscal year (no daily limit).

Per documentation in the Medicaid Management Information System (MMIS), there are computer edits which should ensure claims which exceed the service limits identified above are not paid. Service limit files within the MMIS contain the current procedural terminology (CPT) and revenue codes which are accumulated by the system to determine if recipients have exceeded set service limits. We requested the agency run exception reports for these service types, documenting all recipients whose claims exceeded the service limits for the period July 1, 2003, to June 30, 2004. Our testwork on these reports revealed the following:

- We reviewed claims data for 25 recipients out of 5,732 recipients whose paid physician visits exceeded the service limit. Testwork indicated the service limits were exceeded without a valid policy exception for all 25 recipients. This resulted in an overpayment to providers of \$20,222, of which the federal share is \$16,161. We calculated an average amount paid per claim of approximately \$62 using total paid amounts and total paid units as identified in the exception report. Using this average physician visit rate of \$62 multiplied by a total of 20,724 units paid over the service limit as identified in the exception report, we estimate the agency overpaid \$1,284,888, of which the federal share is \$1,028,296.
- We reviewed claims data for 25 recipients out of 253 recipients whose paid inpatient physician visits exceeded the service limit. Testwork indicated the service limits were exceeded without a valid policy exception for 21 recipients. This resulted in an overpayment to providers of \$21,913, of which the federal share is \$17,512. Due to the complexities of determining whether recipients were nursing home residents and whether or not the charges were for intensive or coronary care, we did not project the error to the population.

- We noted four CPT codes, 99241-99244, which were included in the physician service limit file in the old computer system, were not included in the physician service limit file in the new computer system which was implemented in October 2003. Per discussion with agency personnel from the Bureau of Policy, the four CPT codes should be included in the physician service limit file and should accumulate toward a recipient's physician visit service limit. Due to the complexity of determining the claims paid containing these four codes which could have caused recipients to exceed their service limits, we did not determine the amount of questioned costs.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid ensure the edits for service limits in the Medicaid Management Information System are working properly so inpatient physician claims and physician claims will be paid in accordance with the State Plan. The agency should review all service limit files within the new computer system to determine if all CPT and revenue codes are appropriately included in the files to ensure recipients do not receive services in excess of the service limits set forth in the State Plan. The agency should also determine the disposition of the claims listed on the exception reports and make the appropriate adjustments to the claims history. Documentation that adjustments were made should be provided to the auditors by the agency for follow-up purposes.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: \$6,117

04-20

Agency Should Ensure Pharmacy Claims in Excess of Service Limits Are Denied

Finding:

The Mississippi Medicaid State Plan (State Plan) details the pharmacy service limit for prescriptions reimbursed each month. A total of seven prescriptions are allowed per month for each recipient. Five prescriptions are allowed on a monthly basis; however, a prior authorization should be obtained to extend benefits for up to two additional prescriptions per month. The Medicaid Management Information System (MMIS) includes computer edit functions which are intended to ensure claims which exceed the service limits are denied.

We requested the Office of the Governor - Division of Medicaid run an exception report documenting all recipients whose paid claims contained eight or more prescriptions for the period July 1, 2003, to June 30, 2004. We reviewed pharmacy claims data for 15 out of 4,372 recipients for whom paid claims exceeded seven prescriptions per month. We noted ten instances in which the MMIS allowed claims to be paid in excess of the service limits without a valid policy exception. This resulted in an overpayment of \$7,654 to providers, of which the federal share is \$6,117. Due to the complexities involved in calculating pharmacy reimbursements, we did not project the error to the population.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid verify edits in the computer system are functioning properly to ensure pharmacy claims are paid in accordance with the State Plan. We further recommend the agency determine the disposition of the claims listed on the exception report and make the appropriate adjustments to the claims history. Documentation that adjustments were made should be provided to the auditors by the agency for follow-up purposes.

OTHER AUDIT FINDINGS

In planning and performing our audit of the federal awards received by the Office of the Governor - Division of Medicaid for the year ended June 30, 2004, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs. Matters which require the attention of management were noted. These matters which do not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involve other internal control weaknesses and instances of noncompliance with laws and regulations.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

CFDA/Finding
Number

Finding and Recommendation

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Weakness

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-7

Claims Should Be Reprocessed for Updated Rates and Fee Schedule Changes in a Timely Manner

Finding:

The Medicaid Management Information System (MMIS) is used to process claims for the Office of the Governor - Division of Medicaid. When a provider submits a claim, the MMIS compares the procedure and/or revenue codes submitted on the claim to applicable tables contained within the system to determine the amount to be paid based on the service date of the claim. Outpatient claims are paid using the cost-to-charge ratio table and/or the fee schedule table, physician claims are paid using the fee schedule table and/or the encounter rate table, and nursing home claims are paid using a per-diem rate table. Rates and fee schedule amounts are updated in the tables on a regular basis (ex: once a year). At times, these updates can not be performed prior to claims being submitted and processed for the service dates represented by the update. When this occurs, previously processed claims should be reprocessed after the rates and fee schedule amounts are updated. The fiscal agent is directed by the agency when to enter these updates into the tables and reprocess claims.

Our review of claims from prior year testwork which required follow-up to determine if reprocessing had occurred noted five outpatient claims, one physician claim, and one nursing home claim which had not been reprocessed to reflect the updated amounts per the applicable tables as of November 16, 2004. The amount overpaid on the five outpatient claims was \$17, the amount underpaid on the physician claim was \$9, and the amount underpaid on the nursing home claim was \$255. The net error was an underpayment of \$246. Good internal controls require that claims previously processed with service dates relating to these updates be reprocessed in a timely manner to ensure correct payments are made to providers.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid review the status of claims reprocessing for all claim types to determine if all claims have been reprocessed for changes made to cost-to-charge ratios, fee schedules, encounter rates and per-diem rates. We further recommend the agency make the appropriate adjustments to the claims and provide documentation to the auditors that these adjustments were made.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-8 Controls over Third Party Liability Audit Assessments Should Be Strengthened

Finding:

The Office of the Governor - Division of Medicaid's Bureau of Third Party Recovery (Bureau) performs audits annually of providers to ensure third party payments are properly identified for reducing Medicaid payments. During our testwork on these audits, we noted the Bureau does not have a system in place to track the recovery of assessments generated by the audits performed. Good internal controls require the agency have a system in place to track the recovery of assessments generated by audits of providers. Failure to track the recovery of audit assessments could result in the undercollection of funds by the agency.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen internal controls at the Bureau of Third Party Recovery to ensure personnel track assessments generated by audits.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-9 Controls Should Be Strengthened over Desk Reviews of Hospital Cost Reports

Finding:

The Mississippi Medicaid State Plan (State Plan), Attachment 4.19-A, page 1, requires each hospital participating in the Mississippi Medicaid Hospital Program to submit a cost report which is to be used in calculating the hospital's per diem rate. Personnel from the Office of the Governor - Division of Medicaid's Bureau of Reimbursement prepare a desk review for each cost report submitted. The desk review form compiles information from the individual hospital's cost report and is used to prepare the calculations for each hospital's per diem rate.

We selected ten out of 192 Medicaid hospital providers in order to test controls over the calculation of fiscal year 2004 inpatient hospital per diem rates. We noted two instances in which the desk review was signed by the preparer; however, there was no documentation of a supervisory review. Good internal controls require a supervisory review be performed on desk reviews by someone other than the preparer. Failure to perform a supervisory review could allow errors to occur and not be detected promptly.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen controls over desk reviews of hospital cost reports to ensure a supervisory review is performed as evidenced by the signature of the reviewer.

REPORTING

Immaterial Weakness

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-10

Controls Should Be Strengthened over Federal Reporting

Finding:

The Office of the Governor - Division of Medicaid receives federal grant awards from a federal grantor agency under the Medical Assistance Program for medical services and administrative costs. As a condition of the grant awards, the federal grantor agency requires reports reflecting the financial information related to the grant be submitted to it on a quarterly basis. The agency uses a cost allocation plan approved by the federal grantor agency to determine the federal match rate for expenditures.

Testwork performed on the June 30, 2004, Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS 64) report revealed the agency had made an adjustment to reclassify \$2,213,491 in administrative expenditures incurred during the quarter ended June 30, 2004, from a category reported at 50 percent federal match to a category reported at 75 percent federal match. These expenditures related to additional operational charges paid monthly to the fiscal agent which were authorized by an amendment to the contract with the fiscal agent. The auditor reviewed the federal cost allocation plan effective October 1, 2003, and determined the expenditures did not appear to be eligible for a 75 percent federal match rate. Per our discussion with federal grantor agency personnel, communication has been sent to the agency recommending the Division of Medicaid amend the cost allocation plan to allow for a 75 percent match rate for the expenditures reclassified above. As of December 20, 2004, the revision had not been submitted.

In addition, our review of the Federal Cash Transaction Reports (PSC 272 report) revealed two instances in which there was no evidence of supervisory review of the report. In one instance, the agency could not locate the report for the quarter ended December 31, 2003. The agency requested an electronic copy from the federal grantor agency for our review. Therefore, it could not be determined if supervisory approval was present. In the other instance, the preparer had signed the report for the quarter ended September 30, 2003; however, there was no documentation of supervisory review.

Good internal controls require a supervisory review of federal reports be performed and that federal reports be accurate. The failure to properly report expenditure information on quarterly reports to the federal grantor agency could affect future funding. The failure to perform and document supervisory review of reports could allow errors to occur and not be detected promptly.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid ensure all expenditures are reported at the proper match rate as documented in the approved cost allocation plan. If changes in expenditures occur due to contract amendments, the agency should submit a revision of the cost allocation plan to the federal grantor agency for review and approval. We further recommend the agency ensure a supervisory review is performed and documented on federal reports, and that copies of all reports be maintained on file.

SPECIAL TESTS AND PROVISIONS

Immaterial Weakness

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-11

Controls Should Be Strengthened over Provider Enrollment

Finding:

Healthcare providers seeking participation in the Medicaid Program must submit a provider enrollment application to the Provider Enrollment Unit of the fiscal agent for the Office of the Governor - Division of Medicaid. Once the Provider Enrollment Unit ensures the applications are complete, they are forwarded to Provider Relations at the Division of Medicaid for distribution to various departments for their approval. Final approval is given by the Executive Director of the Division of Medicaid. The approved application is then returned to the fiscal agent to be input to the Medicaid Management Information System (MMIS) and filed. Information such as provider number, reimbursement rate, social security number and tax identification number are entered into the MMIS by the Provider Enrollment Unit. The MMIS produces the "Provider Duplicate SSN Report" (RP016) weekly which lists social security and/or tax identification numbers which match with two or more names and/or provider numbers. Our review of the controls over provider enrollment revealed the RP016 report was not reviewed by fiscal agent personnel. Good internal controls require a review of the RP016 report be performed periodically to ensure providers are not issued multiple provider numbers.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen controls over provider enrollment to ensure a review is performed of the RP016 report periodically by fiscal agent personnel to ensure providers are not issued multiple numbers. This review should be documented with the reviewer's initials and date.

SPECIAL TESTS AND PROVISIONS

Immaterial Weakness

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-12

Controls Should Be Strengthened over Recipient Investigations

Finding:

Testwork performed on 30 recipient cases at the Office of the Governor - Division of Medicaid's Bureau of Program Integrity (Bureau) revealed the following:

- Six instances were noted in which there was no evidence of supervisory approval for closure of the case.
- Two instances were noted in which the Bureau failed to close the case. Per agency personnel, the employee responsible for these cases had resigned. The cases were located in the former employee's office when requested by the auditor, and it appeared that no one was following up on these cases.

Good internal controls require a supervisory review be performed and documented in the recipient case files to ensure appropriate decisions are made in closing cases. Good internal controls also require that adequate safeguards be in place to ensure all cases are followed up on in the event of employee resignations. The failure to ensure internal controls are in place could result in improper decisions or failure on the part of the Bureau to receive recoupment from recipients.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid strengthen controls at the Bureau of Program Integrity to ensure a supervisory review is performed and documented on all cases prior to closure. We further recommend the agency implement controls to ensure proper tracking of recipient cases.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: \$4,121

Oth-13

Agency Should Ensure Nursing Home Rates Are Accurate

Finding:

The Mississippi Medicaid State Plan (State Plan), Attachment 4.19-D, Chapter 7, documents the methodology which should be used to calculate the trend factor which is used in the preparation of per diem rates for nursing and intermediate care facilities for people with mental retardation (ICF/MR). The State Plan, Attachment 4.19-D, page 15, requires each nursing facility and ICF/MR participating in the Medicaid Program to submit a cost report which is to be used in calculating the facility's per diem rate. Personnel from the Office of the Governor - Division of Medicaid's Bureau of Reimbursement prepare a desk review for each cost report submitted. The desk review is a form used to compile information from the individual facility's cost report to prepare the calculations for each facility's per diem rate. We selected nine out of 186 nursing facilities and one out of 13 ICF/MR facilities for testwork. Our testwork revealed the following:

- The desk review for one nursing facility failed to detect the facility had incorrectly included \$11,763 in depreciation over cost basis. This caused the per diem rate to be overstated by \$.33 for the period January 1, 2004, to June 30, 2004. Agency personnel provided the total number of days paid by the agency for claims submitted by this nursing facility. Based on this information, an overpayment of \$5,150 was made to the provider, of which the federal share is \$4,121.
- The agency uses a spreadsheet to prepare a trend factor calculation which is used when preparing each facility's per diem rate. We noted the spreadsheet contained a transposition error. The agency had incorrectly recorded one of the numbers used in the calculation as 5.01 percent instead of 5.10 percent. This error did not affect the calculation of the trend factor due to rounding in the agency spreadsheet; however, an error of this nature has the potential to cause all of the per diem rates to be incorrect.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid ensure personnel performing desk reviews verify the accuracy of information provided by facilities. In addition, the agency should ensure a supervisory review is performed on the trend factor calculation to ensure clerical accuracy. We further recommend the agency make the appropriate adjustments to the claims history. Documentation that adjustments were made should be provided to the auditors by the agency for follow-up purposes.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778

Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-14 Reimbursements for the Upper Payment Limit (UPL) Program Should Be Made in Accordance with the State Plan

Finding:

The Office of the Governor - Division of Medicaid makes payments to hospitals and nursing home facilities under the Upper Payment Limit (UPL) Program. The *Code of Federal Regulations* (42 CFR 447.272) defines upper payment limits as "...a reasonable estimate of the amount that would be paid for the services furnished by the group of facilities under Medicare payment principles...." In accordance with this federal regulation, the Mississippi Medicaid State Plan (State Plan), Attachment 4.19A, page 15, states, "...hospitals located within Mississippi may be reimbursed in accordance with the applicable regulations regarding the Medicaid upper payment limit. For each specified class of hospital...the amount that Medicare would have paid for the previous year will be calculated and compared to the payments actually made by Medicaid during that same time period. This calculation may then be used to make payments to hospitals for the current year. Any payment made under this provision will be made bi-monthly." During our review of UPL payments made by the Division of Medicaid for fiscal year 2004, we noted the payments were made quarterly. Failure to make UPL payments bi-monthly results in non-compliance with the State Plan.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid ensure UPL payments are made bi-monthly in accordance with the State Plan. If other payment arrangements are deemed to be more reasonable, the agency should revise the State Plan to require such payments.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: \$7

Oth-15 Agency Should Ensure Outpatient Claims Are Paid in Accordance with the State Plan

Finding:

The Mississippi Medicaid State Plan (State Plan) Attachment 4.19-B, page 2a, documents the methodology which is to be used to calculate payment for outpatient claims. State Plan Attachment 4.18-A, page 1, documents the appropriate co-payment amounts to be collected by the provider based on claim type. Some common exceptions to the co-payment requirement are "true emergencies", pregnancy, and children under the age of 18. A co-payment exception indicator code should be included on the claim by the provider when submitting it for payment if an exception exists. Our review of 12 outpatient claims at the Office of the Governor - Division of Medicaid revealed one claim for which the reimbursement had not been calculated according to the State Plan. We also noted one outpatient claim for which the co-payment amount was not deducted from the payment to the provider, and no co-payment exception was present on the claim.

The error on the outpatient claim which had not been calculated according to the State Plan was the result of the system calculating the charge for two revenue codes incorrectly based on the prior year's cost-to-charge ratio. This resulted in an overpayment to the provider of \$6, of which the federal share is \$5. The error on the outpatient claim for which a co-payment amount was not deducted resulted in an overpayment to the provider of \$3, of which the federal share is \$2. Due to the complexity of determining all outpatient claims involving codes requiring a calculation using the cost-to-charge ratio and those requiring co-payment, we did not determine the amount of questioned costs.

Recommendation:

We recommend the Office of the Governor - Division of Medicaid ensure the Medicaid Management Information System is computing the payment for outpatient claims in accordance with the State Plan and that co-payment amounts are properly deducted from claims.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

July 13, 2005

Limited Internal Control and Compliance Review Management Report

W. Joseph Burnett, M.D., Executive Director
Mississippi State Board of Medical Licensure
1867 Crane Ridge Drive, Suite 200-B
Jackson, Mississippi 39216

Dear Dr. Burnett:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi State Board of Medical Licensure for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi State Board of Medical Licensure:

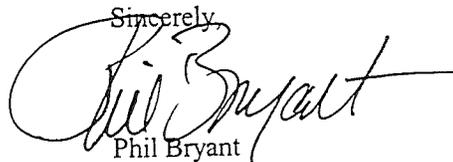
1. Strengthen controls to ensure expenditures comply with contractual agreements;
2. Strengthen controls by obtaining adequate blanket bond coverage; and
3. Strengthen controls over bank account.

Please review the recommendations and submit a plan to implement them by August 5, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi State Board of Medical Licensure to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Board of Medical Licensure 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 State Board of Medical Licensure for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Marilyn Purvis, CGFM, and Oliver Strange.

The fieldwork for review procedures and tests was completed on March 22, 2005. 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 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 CONTROLS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls Should Be Strengthened to Ensure Expenditures Comply with Contractual Agreements

Finding:

The Mississippi State Board of Medical Licensure contracted with an attorney to serve as complaint counsel for the agency. The contract spelled out the hourly rates the attorney and his assistants were to be paid. Review procedures performed on the payments made during fiscal year 2004 revealed the payments did not agree with the terms of the written agreement. The contract stated that the paralegals would be paid a rate of \$75 per hour and the associates would be paid a rate of \$110 per hour. The payments made to the paralegals and associates range from \$85 to \$125 per hour. As a result the attorney was paid \$2,200 in excess of the contract rate. Additionally, the attorney was paid for costs described as reimbursable costs. These costs included copy, fax, postage, long distance telephone, clerk runs and meal expenses. These expenses were not included in the contractual agreement. The total paid for these expenses was \$1,288. As a result, it appears the attorney was overpaid a total of \$3,488.

Good internal controls require a review of invoices to ensure adherence with the terms of the contract prior to payment. Failure to review invoices for adherence to agreed upon rates could allow improper payments to be made to vendors such as noted in this finding.

Recommendation:

We recommend the Mississippi State Board of Medical Licensure strengthen controls to ensure that all invoices submitted for contractual services are reviewed to verify charges are in agreement with the terms of the written agreement prior to payment. We also recommend the agency seek recovery of these over payments.

Controls Should Be Strengthened by Obtaining Adequate Blanket Bond Coverage

Finding:

During fiscal year 2004, the Mississippi State Board of Medical Licensure did not have adequate surety bond coverage. Review of the existing coverage revealed the blanket bond expired July 1, 2002 and was not renewed. The current surety bond only covers the executive director. Good internal controls require administrative and accounting personnel, especially those with access to cash and those involved in the authorizing or processing of transactions or custody of records or assets, to be covered by a surety bond. Without this coverage, the state may suffer unrecoverable losses due to any irregularities that might occur.

Recommendation:

We recommend the Mississippi State Board of Medical Licensure strengthen controls over transactions and records by obtaining adequate blanket bond coverage for all employees with significant financial responsibilities.

Controls over Bank Account Should Be Strengthened

Finding:

Testwork performed on the bank account at the Mississippi State Board of Medical Licensure revealed the following:

- The bank account reconciliations included reconciling items totaling \$400 which were outstanding in excess of one year.
- Collateral Sufficiency Analysis reports were not reconciled to the agency bank account.

Good internal controls require reconciling items be investigated for propriety and resolved in a timely manner. In addition, good internal controls require the quarterly Collateral Sufficiency Analysis reports be reconciled to the accounting records. Allowing reconciling items to remain outstanding indefinitely complicates the reconciliation process and could result in errors in financial reporting. Also, failure to reconcile the Collateral Sufficiency Analysis reports could undermine the state treasury's ability to ensure that public funds are properly collateralized.

Recommendation:

We recommend the Mississippi State Board of Medical Licensure strengthen controls over its bank account by ensuring reconciling items on bank reconciliations are explained and resolved in a timely manner. We further recommend quarterly Collateral Sufficiency Analysis reports be reconciled to agency records and maintained for audit review.

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Tennessee Society of Certified Public Accountants

FINANCIAL AUDIT MANAGEMENT REPORT

Major General Harold A. Cross, Adjutant General
Mississippi Military Department
P. O. Box 5027
Jackson, Mississippi 39296-5027

Dear General Cross:

Home CPA Group has completed its audit of selected accounts (see attached schedule) included on the financial statements of the Mississippi Military Department for the year ended June 30, 2004. These financial statements are consolidated into the State of Mississippi's Comprehensive Annual Financial Report.

The fieldwork for audit procedures and tests was completed on October 5, 2004. These procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met.

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts (see attached schedule) included in the financial statements, we considered the Mississippi Military Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of issuing an audit conclusion memorandum 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 material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether selected accounts (see attached schedule) included on the financial statements of the Mississippi Military Department 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.

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.

We appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Military Department throughout the audit. If you have any questions or need more information please feel free to call.

A handwritten signature in cursive script that reads "Horne CPA Group".

Jackson, Mississippi
October 5, 2004



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Tennessee Society of Certified Public Accountants

SINGLE AUDIT MANAGEMENT REPORT

Major General Harold A. Cross, Adjutant General
Mississippi Military Department
Post Office Box 5027
Jackson, Mississippi 39296-5027

Dear General Cross:

Horne CPA Group has completed its audit of CFDA #12.401 National Guard Military Operations and Maintenance Projects of the Mississippi Military Department for the year ended June 30, 2004. This audit was conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, Audits of States and Local Governments and Non-Profit Organizations.

The fieldwork for audit procedures and tests was completed on October 15, 2004. These procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met.

Internal Control over Compliance

The management of the Mississippi Military Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material to a major federal program 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 compliance and its operation that we considered to be material weaknesses.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited the selected major federal program for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

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 the specified parties.

We appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Military Department throughout the audit. Please feel free to contact us if you have any questions.

A handwritten signature in cursive script that reads "Horne CPA Group".

Jackson, Mississippi
October 15, 2004



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

March 15, 2005

Limited Internal Control and Compliance Review Management Report of the Medical Battalion of the Mississippi State Guard Medical Reserve Corps Federal Grant Program

Major General Harold A. Cross, Adjutant General
Mississippi Military Department
P. O. Box 5027
Jackson, Mississippi 39296-5057

Dear General Cross:

Enclosed for your review are the limited internal control and compliance review findings for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program of the Mississippi Military Department for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Military Department:

1. Strengthen controls over property;
2. Complete travel reimbursement claim forms as required by State rules and regulations;
3. Draw federal funds in accordance with applicable federal rules and regulations;
4. Utilize purchased equipment in accordance with the approved program budget; and
5. Properly document the receipt of goods.

Please review the recommendations and submit a plan to implement them by April 5, 2005. The enclosed findings contain more information about our recommendations.

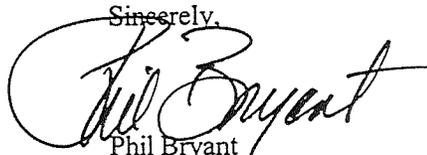
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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. However, this report is a matter of public record and its distribution is not limited.

Mississippi Military Department
March 15, 2005
Page 2

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant". The signature is written in a cursive style with a large initial "P".

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program of the Mississippi Military Department for the federal fiscal year 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis, and Lucreta Walker.

The fieldwork for review procedures and tests was completed on February 16, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal and 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.

In performing our review, we noted matters 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 AND FEDERAL LAWS AND REGULATIONS**.

BACKGROUND INFORMATION

The Mississippi Military Department requested the Office of the State Auditor review the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program for the award made for the federal fiscal year 2004. A limited internal control and compliance review was performed on all expenditures and federal draws against the federal fiscal year 2004 grant.

The Medical Battalion of the Mississippi State Guard is a volunteer group of healthcare professionals and support personnel established by the Mississippi State Guard in April 2003. The primary mission of the Medical Battalion is to provide a quickly mobilized medical response team in a natural or deliberately caused emergency or public health need. The secondary mission of the Medical Battalion is to provide care for responders to emergencies.

The Medical Battalion is a division of the Mississippi State Guard. Paragraph 2 of the National Guard Regulation 10-4 states, "...State Guards...are State organizations under the exclusive jurisdiction of the respective governor, organized, employed, and funded according to State laws." Section 33-5-51, Miss. Code Ann. (1972), states "The Mississippi State Guard shall be governed by the same laws and regulations so far as applicable, and shall be entitled to the same privileges, immunities and allowances, as may be now or hereafter provided for the Mississippi National Guard."

Without the prior knowledge of the Mississippi Military Department, a grant application seeking the award of federal funds from the Department of Health and Human Services was prepared and submitted by a volunteer of the Mississippi State Guard, and a federal grant in the amount \$49,440 was awarded to the Medical Battalion of the Mississippi State Guard for federal fiscal year 2004. However, the Medical Battalion did not have the mechanisms in place to receive the grant award funds (i.e. bank account, employer identification number, Dunn's number, etc.) and subsequently contacted the Mississippi Military Department to assist in the process of receiving the federal funds. Once the Mississippi Military Department became involved with this grant award, procedures were followed to have the award of funds transferred from the Medical Battalion to the Mississippi Military Department so that the expenditure and receipt of funds could be accomplished.

IMMATERIAL WEAKNESS IN INTERNAL CONTROLS

Internal Controls over Property Should Be Strengthened

Finding:

Testwork performed on property at the Mississippi Military Department for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed the following:

- One instance in which the purchased equipment was not properly recorded into the agency's property records;
- Six instances in which property was not properly tagged; and,
- One instance in which property was maintained at a private residence.

Expenditure testwork revealed one instance totaling \$5,375 out of five payment vouchers tested in which purchased equipment was not properly recorded in the agency's property records. This instance included one Dell desktop computer and two Dell laptop computers which were purchased on October 13, 2004. However, they were not added to the agency's property records until February 9, 2005.

Auditor's observation and discussion with a State Guard member revealed property items including one laptop computer, two utility trailers, one defibrillator, and two laser printers, totaling \$13,419, which were not properly tagged identifying them as being assets of the state.

Discussion with the State Guard member revealed one instance in which property was maintained at a private residence. Utility trailers (two trailers totaling \$8,778) were hand receipted out to a State Guard member who indicated the trailers were stored at another State Guard member's personal residence/property.

Good internal controls require purchased property be added to the agency's property records within a timely manner and be properly tagged identifying it as state property. Good internal controls also require that purchased property be maintained at a guard facility site or a facility approved by the state. The failure to maintain adequate internal controls over property could result in the misappropriation of state funds, theft of state property, and incorrect agency property records reported to the State Property Office.

Recommendation:

We recommend the Mississippi Military Department strengthen internal controls over property for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program to ensure purchased property is properly accounted for in the agency's property records and properly tagged for identification. The trailers purchased for use during emergency response needs should be removed from the State Guard member's personal residence/property and maintained at a designated military guard facility site for security purposes.

INSTANCES OF NONCOMPLIANCE WITH STATE AND FEDERAL LAWS AND REGULATIONS

Travel Reimbursement Claims Should Be Made in Accordance with State Travel Policy Rules and Regulations

Finding:

Testwork on travel expenditures of the Mississippi Military Department for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed the standard Department of Finance and Administration Office of Purchase and Travel reimbursement claim forms were not used for documenting travel reimbursement claims totaling \$6,607. Two events, the 2004 National Disaster Medical System Conference in Dallas, Texas, and the 2004 Lifesaver Exercise in Gulfport, Mississippi, were attended by State Guard volunteers.

The standard travel reimbursement claim form was not completed by the individuals who attended these events. A listing was prepared for each individual attending the events indicating the mileage claimed, amounts paid for hotel accommodations and meals, and the restaurants dined. These listings indicating the travel expenses incurred were not certified by each individual as being true expenses. Supporting documentation was not provided for all of the travel expenses claimed. Only hotel receipts totaling \$2,760 were provided indicating the amounts paid for hotel accommodations. One individual who functioned as the "Trip Administrator" was reimbursed for all of the participants' travel expenses. He then was responsible for disbursing these funds to the other individuals who attended the events.

Section 105 of the *State Travel Policy Rules and Regulations* of the Department of Finance and Administration Office of Purchasing and Travel states that travel expense vouchers should be completed and signed by the individual claiming reimbursement of travel expenses. Failure to properly complete a travel expense voucher for reimbursement of travel claims could result in an overpayment of actual travel costs or reimbursement to incorrect individuals.

Recommendation:

We recommend the Mississippi Military Department comply with *State Travel Policy Rules and Regulations* and ensure travel expense vouchers for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program are properly completed and submitted by each individual claiming reimbursement of travel expenses.

Federal Draws Should Be Made in Accordance with DHHS Payment Management System's Rules and Regulations

Finding:

Our review of the federal draws made by the Mississippi Military Department for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed one instance in which a draw in the amount of \$39,440 was made on September 27, 2004. At this time, only \$557 of expenditures had been incurred. Subsequent expenditures were incurred and payment vouchers in the amount of \$24,091 were issued after October 13, 2004, which resulted in a remaining cash balance of \$14,792.

The 2004 Notice of Grant Award issued by the Department of Health and Human Services stated that payments under this award would be made available through the DHHS Payment Management System. Chapter 2, Section 201 of the DHHS Manual for Recipients Financed under the Payment Management System states that recipients are expected to make cash draws based on "Checks Issued." Therefore, cash draws made should arrive at the time in which checks are released for payment to vendors. Failure to comply with the grantor's rules and regulations could result in termination of the grant or assessment of other penalties to the grantee.

Recommendation:

We recommend the Mississippi Military Department comply with the Department of Health and Human Services Payment Management System's Rules and Regulations and ensure federal funds are drawn after expenditures are incurred and payment is set to be made to vendors for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program.

Equipment Purchased with Grant Funds Should Be Utilized in Accordance with the Approved Program Budget

Finding:

Testwork on equipment purchased at the Mississippi Military Department for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed instances in which equipment purchased with grant funds was not utilized in accordance with the approved program budget. The approved program budget indicated eight radios with batteries would be purchased with grant funds and were to be used by the Medical Reserve Corps. Review of the agency's property records revealed eight radios purchased in the amount of \$3,848 were not being utilized by the Medical Reserve Corps.

The grant program director of the Medical Reserve Corps indicated specifications for the type of radios requested were given to Mississippi Military Department management. However, Mississippi Military Department management indicated that the particular type of radios requested could not be purchased and subsequently ordered another type of radio. The grant program director of the Medical Reserve Corps indicated the radios purchased with the grant funds would not adequately meet the needs of the Medical Reserve Corps and refused to accept the radios. Therefore, the radios are currently in the possession of the Mississippi Military Department and are not being utilized by the Medical Reserve Corps.

The approved budget for the 2004 grant included funds for the purchase of eight field radios which were to promote communication during emergency response efforts. Failure to comply with the approved grant budget could result in loss of the grant or assessment of penalties.

Recommendation:

We recommend the Mississippi Military Department follow the approved 2004 budget for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program and ensure goods purchased are utilized in the manner outlined in the budget. If the radios will not be utilized in accordance with the grant award, the program should be reimbursed for the cost of the radios charged to the grant.

Receipt of Goods Should Be Properly Documented

Finding:

Testwork performed at the Mississippi Military Department on five payment vouchers for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed two instances in which the receipt of goods totaling \$5,890 was not adequately documented by the agency.

Section 31-7-305, Miss. Code Ann. (1972), states that all public bodies of the state shall keep a record of the date of receipt of the invoice, dates of receipt, inspection and approval of the goods or services, date of issuing the check or date of filing the requisition for payment, and date of mailing or otherwise delivering the warrant or check in payment thereof. Failure to comply with applicable state law could result in payment of goods or services not yet received.

Recommendation:

We recommend the Mississippi Military Department comply with state law by ensuring that agency personnel receiving goods or services for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program sign and date all invoices or other documentation as verification of receipt prior to the disbursement of funds.

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

December 8, 2004

Financial Audit Management Report

Leland R. Speed, Executive Director
Mississippi Development Authority
P. O. Box 849
Jackson, Mississippi 39205-0849

Dear Mr. Speed:

Enclosed for your review are the financial audit findings for the Mississippi Development Authority for the Fiscal Year 2004. In these findings which are considered to be immaterial weaknesses in internal control, the Auditor's Office recommends the Mississippi Development Authority:

1. Strengthen controls over expenditures; and
2. Strengthen controls over network security.

Please review the recommendations and submit a plan to implement them by January 4, 2005. 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. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant".

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 Development Authority for the year ended June 30, 2004. These financial statements will be 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 Karlanne Coates, CPA, Vicki Alvey, Liza Hammett, Carla Dawkins, and Tangela Beddingfield.

The fieldwork for audit procedures and tests was completed on October 28, 2004. 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 Development Authority'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 Development Authority 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 Expenditures Should Be Strengthened

Finding:

During testwork performed on internal controls over expenditures at the Mississippi Development Authority, the following weaknesses were noted:

- Two instances out of 40 expenditures tested from fund 341X were noted as having no documented review of the request for cash by grants accounting personnel.
- Seven reporting worksheets out of 30 tested from fund 341Z were noted as having no documented review by grants accounting personnel.

Good internal controls require reports submitted to the agency receive a documented review by grants accounting personnel to ensure clerical accuracy, compliance with report requirements, and proper supporting documentation for amounts reported. The lack of an adequate review by grants accounting personnel could result in errors occurring and not being detected in a timely manner.

Recommendation:

We recommend the Mississippi Development Authority strengthen controls over expenditures by requiring reviews performed by grants accounting personnel be documented.

Controls over Network Security Should Be Strengthened

Finding:

During our review of the Novell network at the Mississippi Development Authority, we noted the following weaknesses:

- Unique passwords were not required for 24 users.
- No restrictions were in place for five vendor provided user names and generic user names. The use of vendor provided user names allows generic access to programs based on original parameters set by the vendor, not the agency. The use of generic user names allows access which is not restricted to a particular employee.
- Passwords for 19 users were not set to expire.
- Five terminated employees (one of which had two user IDs) had not been deactivated and still had access to the system.
- Passwords were not required for three users.

Control Objectives for Information and Related Technology (CobiT), a generally accepted standard for good information technology security and control practices, requires adequate access controls to resources. All employees should have a unique password. No generic or vendor provided user names should be used in the network. Also, employees who have not logged onto the computer system for 90 days should be deleted from the system. Without proper access controls in place, network security could be compromised, allowing unauthorized access to take place without being detected in a timely manner.

Recommendation:

We recommend the Mississippi Development Authority strengthen controls over network security by ensuring all users have a unique password to the network which is set to expire on a regular basis. The agency should identify users who have not used their passwords for 90 days and disable the passwords. All generic and vendor provided user names should be disabled or restricted.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

January 28, 2005

Single Audit Management Report

Leland R. Speed, Executive Director
Mississippi Development Authority
P. O. Box 849
Jackson, Mississippi 39205-0849

Dear Mr. Speed:

Enclosed for your review are the single audit findings and other audit findings for the Mississippi Development Authority for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Development Authority:

Single Audit Findings

1. Strengthen controls over reporting for the Workforce Investment Act (WIA) program;
2. Strengthen controls over subrecipient monitoring for the HOME Investment Partnerships (HOME) program;
3. Strengthen controls over monitoring subrecipient audit requirements for the WIA program;
4. Strengthen controls over the period of affordability inspections for the HOME program;

Other Audit Findings

5. Strengthen controls over monitoring subrecipient audit requirements for the HOME program; and
6. Strengthen controls over subrecipient monitoring for the WIA program.

Please review the recommendations and submit a plan to implement them by February 18, 2005. The enclosed findings contain more information about our recommendations.

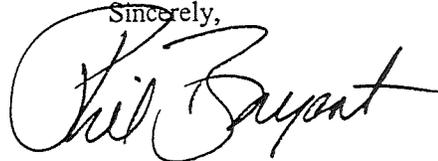
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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. However, this report is a matter of public record and its distribution is not limited.

Mississippi Development Authority
January 28, 2005
Page 2

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

Sincerely,

A handwritten signature in black ink that reads "Phil Bryant". The signature is written in a cursive style with a large, looping initial "P".

Phil Bryant
State Auditor

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Development Authority for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Liza Hammett, Vicki Alvey, Carla Dawkins, Tangela Beddingfield, and Andy Salin.

The fieldwork for audit procedures and tests was completed on January 5, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi Development Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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 noncompliance with applicable requirements of laws, regulations, contracts or grants that would be material to a major federal program being audited may occur and not be detected within a timely manner by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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. However, we believe none of the reportable conditions described above is a material weakness.

In addition, we noted other matters involving the internal control over compliance that require the attention of management that we have reported on the attached document "Other Audit Findings".

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

REPORTABLE CONDITIONS

CFDA/Finding Number

Finding and Recommendation

REPORTING

Reportable Condition

17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers

Federal Award Number and Year: Various

04-10

Controls over Reporting Should Be Strengthened

Finding:

The Mississippi Development Authority (MDA) is required to submit quarterly financial status reports to the U.S. Department of Labor (DOL) for the Workforce Investment Act (WIA) programs. A separate report is required for each of its funding streams, e.g., Adult Program, Youth Activities, Dislocated Workers, etc., by program year allotment and fiscal year allotment. These reports are initially prepared by accounting personnel and are submitted to program personnel for their review and certification.

Testwork performed on 11 financial status reports for the quarter ending March 31, 2004, out of 132 reports submitted to DOL during fiscal year 2004 revealed the following:

- Four instances were noted in which the "Total Outlays" and "Federal Unliquidated Obligations" amounts reported on the financial status reports submitted and certified by agency personnel did not agree to the accounting records. There was no support for changes made on the certified reports by program personnel. These changes increased "Total Outlays" and decreased "Federal Unliquidated Obligations" by the same amount. The amount of changes made ranged from \$49,150 to \$1,311,716.

- Three instances were noted in which the “Federal Unliquidated Obligations” and the “Unobligated Balance of Federal Funds” amounts reported on the financial status reports submitted and certified by agency personnel did not agree to the accounting records. There was no support for changes made on the certified reports by program personnel. These changes increased “Federal Unliquidated Obligations” and decreased the “Unobligated Balance of Federal Funds” by the same amount. The amounts of changes made ranged from \$4,013 to \$1,500,000.
- One instance was noted in which the “Total Federal Outlays,” the “Federal Unliquidated Obligations,” and the “Unobligated Balance of Federal Funds” amounts reported on the financial status report submitted and certified by agency personnel did not agree to the accounting records. There was no support for changes made on the certified reports by program personnel. These changes increased “Total Federal Outlays” by \$950,850 and decreased “Federal Unliquidated Obligations” and “Unobligated Balance of Federal Funds” by \$914,735 and \$36,115, respectively.

As a result of these discrepancies, we selected three additional financial status reports for the quarter ending June 30, 2004, and found that the amounts reported on the certified reports agreed to the accounting records. Good internal controls dictate any changes made to certified federal reports be adequately supported. Lack of adequate documentation supporting any changes could result in the submission of incorrect figures to the federal granting agency.

Recommendation:

We recommend the Mississippi Development Authority strengthen internal controls over reporting by ensuring amounts reported on quarterly financial status reports are properly supported prior to submission to the U.S. Department of Labor.

SUBRECIPIENT MONITORING

Reportable Condition

14.239 HOME Investment Partnerships Program

Federal Award Number and Year: Various

04-11 Controls over Subrecipient Monitoring Should Be Strengthened

Finding:

The *Code of Federal Regulations* (24 CFR Part 92.201) requires the Mississippi Development Authority (MDA) to conduct such reviews and audits of its State recipients as may be necessary or appropriate to determine compliance for the HOME Investment Partnerships Program. As further guidance for this regulation, the U.S. Department of Housing and Urban Development (HUD) issued a HOME Program Model entitled “Monitoring HOME Program Performance.”

This document requires MDA to perform on-site monitoring visits using risk factors to set monitoring priorities. The MDA has developed monitoring procedures which require an on-site visit to take place at least once during the life of a project to ensure compliance with all applicable federal regulations.

Testwork performed on 15 projects which closed prior to or during fiscal year 2004 to review the agency's adherence to its prescribed procedures for subrecipient on-site monitoring visits revealed the following weaknesses:

- Four instances in which the "Compliance Review" form, which documents supervisory review and approval of the monitoring visit and forms prepared by MDA monitors, did not have all required supervisory approvals documented.
- One instance in which the "Monitoring Response Review" form, which documents supervisory review and approval of the subrecipient's response to findings noted, did not appear in the monitoring file.
- One instance in which a subrecipient's response to monitoring findings did not appear in the monitoring file. There was no documentation on file indicating any attempts by MDA to obtain this response.
- One instance in which a subrecipient's monitoring file could not be located by MDA.
- One instance was noted in which the "Financial Management/IDIS Monitoring" checklist was not complete. Even though several questions were not answered on the checklist, the supervisor responsible for reviewing the "Financial Management/IDIS Monitoring" checklist signed off on the "Compliance Review" form indicating his review and approval.

Good internal controls dictate a supervisory review be performed on monitoring workpapers and reports to ensure completeness and propriety. Good internal controls also dictate agency personnel ascertain a monitoring response is received from the subrecipient in a timely manner. Finally, agency personnel should ensure all files are available for review. Without effective supervisory review procedures, potential subrecipient noncompliance could occur and not be promptly detected.

Recommendation:

We recommend the Mississippi Development Authority strengthen its existing internal controls for subrecipient monitoring. Greater care should be taken during the supervisory review process to ensure the completeness and availability of monitoring files.

SUBRECIPIENT MONITORING

Reportable Condition

17.258 WIA Adult Program
17.259 WIA Youth Activities
17.260 WIA Dislocated Workers

Federal Award Number and Year: Various

04-12 Controls over Monitoring Subrecipient Audit Requirements Should Be Strengthened

Finding:

The Mississippi Development Authority provided \$300,000 or more of federal financial assistance to multiple subrecipients through the Workforce Investment Act (WIA) programs during fiscal year 2002. The Office of the Management and Budget (OMB) Circular A-133 requires the pass-through entity (primary recipient of federal funds) to determine whether subrecipients have met the appropriate audit requirements. This includes ensuring receipt of an audit report performed in accordance with OMB Circular A-133 from each subrecipient expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in federal awards in a fiscal year. The audit reports are to be submitted to the primary agency within nine months after the end of the subrecipient's fiscal year. In addition, the primary recipient must issue a management decision on audit findings within six months after receipt of the audit report and ensure the subrecipient took appropriate and timely corrective action.

Testwork performed during the fiscal year 2004 audit on subrecipient audits received and reviewed by the agency for subrecipient audit year 2002 revealed the following:

- One instance out of seven tested, or 14 percent, was noted in which the agency did not complete its audit review checklist to ensure the audit contained the proper information.
- Five instances of seven tested, or 71 percent, were noted in which it could not be determined if the audit reports were received by the agency within the nine-month deadline. The agency did not utilize a tracking document nor did it date stamp the audit reports to document the date of receipt by the agency.

Without adequate controls over the submission of audit reports and completion of audit reviews, the agency could fail to comply with federal requirements. Also, federal noncompliance by subrecipients could occur and not be detected promptly.

Recommendation:

We recommend the Mississippi Development Authority strengthen controls to ensure subrecipient audit reports are received timely and audit reviews are completed for every audit submitted.

SPECIAL TESTS AND PROVISIONS

Reportable Condition

14.239 HOME Investment Partnerships Program

Federal Award Number and Year: Various

04-13 Controls over Period of Affordability Inspections Should Be Strengthened

Finding:

The *Code of Federal Regulations* (24 CFR 92.504) requires the participating jurisdiction to perform on-site inspections during the period of affordability. The period of affordability is the period for which the non-federal entity must maintain rental housing assisted with HOME Investment Partnerships Program funds. The purpose of these inspections is to ensure compliance with housing quality standards per the *Code of Federal Regulations* (24 CFR 92.251 and 92.252).

Testwork performed at the Mississippi Development Authority on 10 projects to ensure these on-site inspections were completed revealed the following:

- Three on-site inspections required to be performed during fiscal year 2004 had not been performed.
- One instance was noted in which the agency could not locate the period of affordability on-site inspection file; therefore, no testwork could be performed.
- One instance was noted in which there was no indication of supervisory review of the period of affordability on-site inspection by management.
- In addition, testwork performed to ensure the propriety of the agency's period of affordability inspection tracking document revealed five closed projects which should have been included on the document were not included.

Good internal control procedures dictate supervisory personnel ensure the period of affordability inspection tracking document is proper and ensure the required inspections are performed by agency personnel. Good internal controls also dictate proper supervisory reviews be performed of inspection documents and that all files be maintained. Failure to ensure the propriety of the period of affordability inspection tracking document could result in nonperformance of the required inspections, and failure to ensure the required inspections are performed and reviewed by supervisory personnel could result in housing quality standards not being properly maintained.

Recommendation:

We recommend the Mississippi Development Authority strengthen internal control procedures to ensure the period of affordability inspection tracking document is proper and period of affordability inspections are conducted in compliance with federal regulations for the HOME Investment Partnerships Program. We further recommend the agency ensure a supervisory review is performed on all inspections and the inspection files are properly maintained.

OTHER AUDIT FINDINGS

In planning and performing our audit of the federal awards received by the Mississippi Development Authority for the year ended June 30, 2004, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs. Matters which require the attention of management were noted. These matters which do not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involve other internal control weaknesses.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

**CFDA/Finding
Number**

Finding and Recommendation

SUBRECIPIENT MONITORING

Immaterial Weakness

14.239

HOME Investment Partnerships Program

Federal Award Number and Year: M01-SG-28-01, 2001

Oth-4

Controls over Monitoring Subrecipient Audit Requirements Should Be Strengthened

Finding:

Testwork performed at the Mississippi Development Authority during fiscal year 2004 on subrecipient audits received and reviewed by the agency for subrecipient audit year 2002 for the HOME Investment Partnerships Program revealed that for one of the ten subrecipient audits tested, or ten percent, the subrecipient submitted a copy of its financial statements instead of an audit report performed in accordance with OMB Circular A-133.

The Office of Management and Budget (OMB) Circular A-133 requires the pass-through entity (primary recipient of federal funds) to determine whether subrecipients have met the appropriate audit requirements. This includes ensuring receipt of an audit report performed in accordance with OMB Circular A-133 from each subrecipient expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in federal awards in a fiscal year. The audit reports are to be submitted to the primary recipient within nine months after the end of the subrecipient's fiscal year. In addition, the primary recipient must issue a management decision on audit findings within six months after receipt of the audit report and ensure the subrecipient took appropriate and timely corrective action.

Good internal controls require adequate review over subrecipient audit reports to ensure any errors or omissions are properly detected. Without adequate controls over the proper submission of audit reports, the agency could fail to comply with federal requirements. Also, federal noncompliance by subrecipients could occur and not be detected promptly.

Recommendation:

We recommend the Mississippi Development Authority strengthen internal controls over the review of subrecipient audit reports to ensure proper audit reports are received.

SUBRECIPIENT MONITORING

Immaterial Weakness

17.258 WIA Adult Program
17.259 WIA Youth Activities
17.260 WIA Dislocated Workers

Federal Award Number and Year: Various

Oth-5

Controls over Subrecipient Monitoring Should Be Strengthened

Finding:

The *Code of Federal Regulations* (20 CFR 667.410(a)) requires each recipient and subrecipient to conduct regular oversight and monitoring of its Workforce Investment Act (WIA) activities and those of its subrecipients and contractors. The Mississippi Development Authority's practice is to monitor all subrecipients at least once during each program year. Testwork performed on 10 subrecipients to ensure an on-site monitoring review was conducted during program year 2003 by the Mississippi Development Authority (MDA) revealed one on-site monitoring visit of a subrecipient had not been performed by MDA. Good internal control procedures dictate management ensure on-site monitoring visits are conducted in accordance with its procedures. Failure to ensure on-site monitoring visits are performed could result in subrecipient noncompliance with WIA regulations.

Recommendation:

We recommend the Mississippi Development Authority strengthen controls over subrecipient monitoring to ensure on-site visits are conducted each program year.

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

July 29, 2005

Limited Internal Control and Compliance Review Management Report

Delia Owens, Executive Director
Mississippi Board of Nursing
1935 Lakeland Drive, Suite B
Jackson, Mississippi 39216-5014

Dear Ms. Owens:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Board of Nursing for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Board of Nursing:

1. Perform monthly reconciliations of the bank accounts;
2. Strengthen controls over procurement card purchases;
3. Develop a written policy for compensatory leave; and
4. Ensure payments to vendors comply with state law.

Please review the recommendations and submit a plan to implement them by August 19, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Phil Bryant".

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Board of Nursing for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Laura Griffin, Lisa Pendleton and Rebecca Wilson.

The fieldwork for review procedures and tests was completed on April 8, 2005. 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 matters involving the internal control over financial reporting and an instance of noncompliance that require the attention of management. These matters are noted under the headings **IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCE OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Monthly Reconciliation of Bank Accounts Should be Prepared

Finding:

During our review of the Mississippi Board of Nursing, we noted monthly reconciliations between the accounting records and bank statements were not being prepared. Good internal control procedures require the reconciliation of monthly bank statements with accounting records. Failure to prepare monthly reconciliations could result in errors or fraud occurring without being detected promptly.

Recommendation:

We recommend the Mississippi Board of Nursing ensure monthly bank reconciliations are prepared. Differences noted on these reconciliations should be investigated and resolved.

Controls Over Procurement Card Purchases Should be Enforced

Finding:

Section 10.113 of the state *Procurement Manual* states that state agencies may make purchases under the Small Purchase Procurement Card program established by the Office of Purchasing and Travel provided, however, that all such purchases be made in compliance with the minimum policies and procedures established by the Office of Purchasing and Travel. It further states that the Director of the Office of Purchasing and Travel has the authority to limit the ability of any agency to use the Small Purchase Procurement Card program if it is determined that the agency is not in compliance with the policies and procedures.

Under policies adopted by the Office of Purchasing and Travel, an agency is required to have operating procedures and designate personnel to manage the program, comply with state purchasing requirements and adopt their own individual expenditure limits and purchase restrictions. The agency is also required to designate approving officials who will be responsible for review and verification of cardholder statements. Upon receipt of the monthly statement, the agency liaison officer is required to reconcile the statements to receipts in order to verify that all purchases are bona fide expenditures of the agency. It is required that the agency maintain a file with the statements and all applicable receipts and disputed documents.

Testwork performed at the Mississippi Board of Nursing on purchases made under the Small Purchase Procurement Card program revealed the following:

- The agency has not adopted policies and procedures to ensure compliance with the program;
- The agency does not have an organized filing system which ensures that monthly statements and supporting receipts and documents are readily available for review;
- Because receipts for several items tested were not on file, it does not appear that all receipts and supporting documentation are submitted to the agency liaison officer for verification with the monthly statements;
- No evidence of review by the agency liaison officer was maintained to document reconciling the monthly statements to supporting receipts prior to authorizing the statement for payment;
- We noted charges totaling \$689 which represented 5 separate instances in which the procurement card was used to purchase food in restaurants. The state *Procurement Manual* specifically states that the small purchase procurement card may not be used for purchases at a restaurant.
- It appears that cardholders have not received adequate training in complying with the minimum requirements set forth in section 10 of the state *Procurement Manual*. We noted several instances in which the cardholder submitted receipts or invoices with no evidence of who made the purchase.

Failure to comply with minimum requirements of the state *Procurement Manual* governing the Small Purchase Procurement Card program could allow improper payments to be made by failing to ensure that all purchases are for bona fide agency expenditures and that purchases were made by authorized personnel. Also, failure to comply with the *Procurement Manual* could jeopardize the agency's participation in the Small Purchase Procurement Card program.

Recommendation:

We recommend that the Mississippi Board of Nursing adopt agency policies and procedures which will ensure the agency is in compliance with requirements governing the Small Purchase Procurement Card program. Employees of the agency should receive training to ensure compliance with the program. Receipts and supporting documentation should be used in reconciling the monthly statements prior to authorization for payment. All receipts, supporting documentation and monthly statements should be filed in a logical system which facilitates review for audit purposes.

A Written Policy for Compensatory Leave Should Be Developed

Finding:

Throughout fiscal year 2004, employees at the Mississippi Board of Nursing were permitted to earn and use compensatory leave. Inquiries with agency personnel revealed the agency had no formal policy in place over earning and using compensatory leave. We also noted that employee compensatory leave balances were not maintained to ensure proper leave balances were documented. Good internal controls dictate the agency develop, distribute and enforce a written policy over the earning and taking of compensatory leave and that compensatory leave balances are maintained. Failure to maintain a written policy and a system for tracking compensatory leave balances could result in errors or irregularities in employee time reports and agency leave records.

Recommendation:

We recommend the Mississippi Board of Nursing implement a formal compensatory leave policy which addresses both exempt and non-exempt employees and ensures compliance with the Fair Labor Standards Act. This policy should include, but not be limited to:

- Procedures for employees to inform their immediate supervisor regarding earning compensatory time, whether it be through prior approval or after the fact;
- A statement documenting the length of time an employee has to exhaust compensatory leave earned and informing employees any unused compensatory leave will be lost upon termination and will not be applied towards retirement; and
- A ceiling on the amount of compensatory leave which can be earned.

We further recommend that compensatory leave balances for employees of the agency be maintained and tracked to ensure that leave is properly recorded when used by an employee.

INSTANCE OF NONCOMPLIANCE WITH STATE LAWS

Payments to Vendors Should Be Made in Accordance with State Law

Finding:

Expenditure testwork on contractual services at the Mississippi Board of Nursing revealed two instances out of 20 tested in which payments were not made to vendors within 45 days after the receipt of the invoice. It was also noted during travel testwork that a vendor was not paid for three invoices billed to the agency until the following fiscal year. MS Code Section 31-7-303 requires payments to be made no later than 45 days after receipt of the invoice for goods and services. Failure to comply with state law could result in the agency incurring additional costs through interest penalties prescribed by Section 31-7-305, Miss. Code Ann. (1972).

Mississippi Board of Nursing
July 29, 2005
Page 5

Recommendation:

We recommend the Mississippi Board of Nursing comply with state law by ensuring payments to vendors are made within 45 days after receipt of the invoice for goods and services.

End of Report

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

May 23, 2005

Limited Internal Control and Compliance Review Management Report

Robert E. Bass, Jr., State Personnel Director
Mississippi State Personnel Board
301 North Lamar Street, Suite 100
Jackson, Mississippi 39201-1495

Dear Mr. Bass:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi State Personnel Board for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi State Personnel Board:

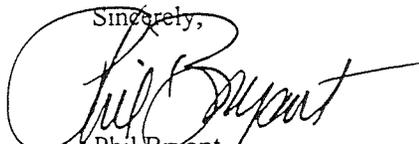
1. Strengthen controls over disbursements;
2. Ensure services rendered are supported by a written agreement;
3. Strengthen controls over employee leave;
4. Ensure purchase orders are prepared and approved prior to the ordering of goods or services; and
5. Ensure state travel laws and regulations are followed.

Please review the recommendations and submit a plan to implement them by June 15, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi State Personnel Board to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Personnel Board 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 State Personnel Board for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Judy Bounds, Jessica Short, and Trisi Baskin.

The fieldwork for review procedures and tests was completed on March 28, 2005. 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 matters 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 WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls over Disbursements Should Be Strengthened

Finding:

During our review of the authorized approval levels over transactions in the Statewide Automated Accounting System (SAAS) at the Mississippi State Personnel Board, we noted the Director of Accounting and Finance had input capability and all agency levels of approval over disbursements within SAAS. This employee also was an authorized signatory for payment vouchers, travel vouchers, and purchase orders. The Director of Accounting and Finance was added as an authorized signatory in January 2004 when the previous State Personnel Board Director resigned. However, the current State Personnel Board Director was hired in July 2004 and the Director of Accounting and Finance was not removed from the authorized signatory list until February 2005 when the auditors brought this matter to management's attention.

Good internal controls require duties to be properly segregated to prevent both the initiation and authorization of an entire transaction by one individual. Failure to adequately segregate duties increases the potential for errors or fraud to occur without being detected promptly.

Recommendation:

We recommend the Mississippi State Personnel Board continue to strengthen internal controls over disbursements by ensuring proper segregation of duties.

Services Rendered Should Be Supported by Written Agreements

Finding:

During our review of 20 contractual service expenditures at the Mississippi State Personnel Board, we noted two instances in which payments totaling approximately \$8,300 were made to individuals for clerical and legal services which were rendered without a written contractual agreement signed by both parties. Good internal controls require execution of a written contractual agreement binding the parties in costs and duties. Without a written contract executed and signed by both parties, duties and costs to the parties involved are not adequately documented and could result in costs being incurred or duties being performed that are not agreed upon.

Recommendation:

We recommend the Mississippi State Personnel Board obtain written contractual agreements signed by both parties to document services to be performed by individuals and/or organizations. The contracts should document agreed upon costs, as well as duties to be performed.

Controls over Employee Leave Should Be Strengthened

Finding:

The Mississippi State Personnel Board used the practice of recording employees' personal and major medical leave taken in the Statewide Payroll and Human Resource System (SPAHRs) from data on the employees' leave slips. During testwork performed on ten employee's personal, major medical, and compensatory leave, we noted the following:

- Three instances in which employees' leave slips did not agree with leave recorded in SPAHRs; and,
- Compensatory time accrued and compensatory leave taken did not appear to be recorded in SPAHRs.

Good internal controls require all employee leave be recorded in SPAHRs. Good internal controls also include supervisory review of leave records to ensure accuracy. Without the proper recording and review of leave records, errors and omissions could occur which result in the misstatement of employee leave balances.

Recommendation:

We recommend the Mississippi State Personnel Board strengthen procedures to ensure employee leave balances recorded in SPAHRs are reviewed by supervisory personnel for accuracy and completeness. We further recommend that employee compensatory time accrued and compensatory leave taken be recorded in SPAHRs.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

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

Finding:

During contractual services expenditure testwork at the Mississippi State Personnel Board, we noted three instances out of 20 items tested which required purchase orders, or 15 percent, in which purchase orders were prepared after the goods or services were ordered. 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 (DFA) on the same day the said order is issued. Failure to comply impedes the ability of the board and DFA to maintain budgetary controls over the agency's expenditures.

Recommendation:

We recommend the Mississippi State Personnel Board comply with state law by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

State Travel Laws and Regulations Should Be Followed

Finding:

During our review of 20 travel expenditures at the Mississippi State Personnel Board, we noted the following:

- Two instances in which there was no documentation maintained of prior written approval by the department head for the employee to attend a convention and a meeting; and
- One instance in which the airline travel return date was extended for employee vacation time; however, documentation was not maintained to support that additional travel costs were not incurred.

Section 25-1-83, Miss. Code Ann. (1972), provides no funds will be used in defraying the expenses of any state employee, other than an officer or department head, in attending a convention, association, or meeting, unless such employee is duly authorized by prior approval in writing of the departmental head or officer in charge of such department, agency, or institution. Section 25-3-41, Miss. Code Ann. (1972), establishes guidelines for travel reimbursement for state employees and provides the Department of Finance and Administration (DFA) will set rules and regulations regarding such travel. Section 106.1 of the travel handbook published by the DFA allows for business travel and vacation/personal leave to be combined when all of the following conditions are met: 1) the primary purpose of the trip is official state business; 2) the employee uses his/her approved leave for the personal part of the trip; 3) the state agency incurs no expenses beyond what it would have incurred had there been no personal travel involved in the trip.

Good internal controls require agency approvals for travel to be adequately documented. Good internal controls and DFA travel regulations also require documentation be maintained to support that the agency did not incur any additional travel costs for extended stays when combining business and personal vacation time. Failure to follow state travel laws and regulations could result in excessive travel costs being claimed and subsequently reimbursed by the agency.

Recommendation:

We recommend the Mississippi State Personnel Board implement procedures to ensure travel is properly authorized and reimbursed in compliance with state travel laws and regulations. We further recommend that documentation which supports no additional travel costs for extended stays be maintained on file at the agency.

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

July 19, 2005

Limited Internal Control and Compliance Review Management Report

Robert Praytor, Administrator
Mississippi Real Estate Appraiser
Licensing and Certification Board
P. O. Box 12685
Jackson, MS 39236

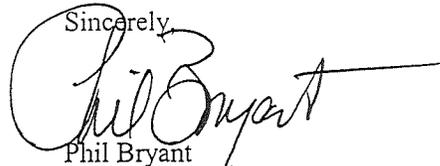
Dear Mr. Praytor:

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Real Estate Appraiser Licensing and Certification Board for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement were Rob Robertson, Judy bounds and Tangela Beddingfield.

The fieldwork for review procedures and tests was completed on April 4, 2005. I am glad to report that no findings came to our attention as a result of review procedures and compliance tests. However, because of the limited scope, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. 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.

We wish to acknowledge the cooperation and courtesy extended to us by the officials and employees of the Mississippi Real Estate Appraiser Licensing and Certification Board throughout the review.

This report is intended solely for the information and use of management and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Phil Bryant
State Auditor

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

July 19, 2005

Limited Internal Control and Compliance Review Management Report

Robert Praytor, Administrator
Mississippi Real Estate Commission
P. O. Box 12685
Jackson, Mississippi 39236

Dear Mr. Praytor:

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Real Estate Commission for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement were Rob Robertson, Judy Bounds, Tangela Beddingfield and Katie Gilmore.

The fieldwork for review procedures and tests was completed on April 4, 2005. I am glad to report that no findings came to our attention as a result of review procedures and compliance tests. However, because of the limited scope, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. 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.

We wish to acknowledge the cooperation and courtesy extended to us by the officials and employees of the Mississippi Real Estate Commission throughout the review.

This report is intended solely for the information and use of management and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script, appearing to read "Phil Bryant".

Phil Bryant
State Auditor

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

July 20, 2005

Limited Internal Control and Compliance Review Management Report

David K. Moody, Chairman
Mississippi Board of Registration for Foresters
P.O. Box 808
Philadelphia, Mississippi 39350

Dear Mr. Moody:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Board of Registration for Foresters for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Board of Registration for Foresters:

1. Strengthen controls over receipts and disbursements;
2. Prepare monthly reconciliations of the bank account;
3. Deposit funds promptly and transfer funds timely to the state treasury; and
4. Obtain proper approvals for rental contract.

Please review the recommendations and submit a plan to implement them by August 9, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Thank you for working to move Mississippi forward by serving on the Mississippi Board of Registration for Foresters. I hope you find our recommendations enable the Mississippi Board of Registration for Foresters to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Board of Registration for Foresters throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over a large, stylized, circular flourish.

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Board of Registration for Foresters for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Amy Buller, CPA, and Andy Salin.

The fieldwork for review procedures and tests was completed on March 30, 2005. 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. 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 judgement, could adversely affect the department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. These matters are noted under the heading **REPORTABLE CONDITIONS**.

In addition, we noted other matters involving instances of noncompliance that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

REPORTABLE CONDITIONS

Controls over Receipts and Disbursements Should Be Strengthened

Finding:

During our review of internal controls over receipts and disbursements at the Mississippi Board of Registration for Foresters, we noted that the office administrator had the responsibility for receiving and depositing funds, writing and signing checks and payment vouchers, and recording receipts and disbursements. We also noted that the board members were not reviewing receipt and disbursement transactions on a periodic basis.

Good internal controls require segregation of duties and supervisory review of all receipts and disbursements. Good internal controls also require procedures be in place to adequately safeguard assets. Without adequate internal controls, errors or fraud could occur and not be detected promptly.

Recommendation:

We recommend the Mississippi Board of Registration for Foresters strengthen internal controls by having the chairman of the board review and approve a monthly listing of expenditures and the monthly bank statements to ensure transactions appear reasonable and proper. We further recommend a review be made by the chairman comparing the daily receipt log with the amounts deposited and the amounts recorded in the accounting records. The performance of these reviews should be documented with the initials of the reviewer and the date of the review.

Monthly Reconciliations of the Bank Account Should Be Prepared

Finding:

During our review of the Mississippi Board of Registration for Foresters' bank account, we noted monthly reconciliations between the accounting records and the bank statements were not prepared. Good internal controls require the reconciliation of monthly bank statements to the accounting records. Failure to reconcile bank accounts on a monthly basis could allow errors or fraud to occur and not be detected promptly.

Recommendation:

We recommend the Mississippi Board of Registration for Foresters ensure bank account reconciliations are prepared on a monthly basis. Differences noted on these reconciliations should be investigated and resolved. We further recommend the board chairman review the bank reconciliations to ensure cash inflows and outflows are proper. The performance of this review should be documented with the initials of the reviewer and the date of the review.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Funds Should Be Deposited Promptly and Transferred Timely to the State Treasury

Finding:

During our review of 15 cash receipts at the Mississippi Board of Registration for Foresters, we noted the following:

- Ten instances in which funds were not deposited into the agency's clearing account timely. The range of time from receipt at the agency until deposit to the bank account was from approximately three to 40 business days.
- Three instances in which funds were not transferred from the agency's clearing account to the state treasury timely. The range of time from deposit of receipts in the clearing account until transfer to the state treasury was from approximately six to 31 business days.

A good system of internal controls dictates cash receipts be deposited into the agency's clearing account promptly to reduce the likelihood of loss or theft. In addition, Section 7-9-21, Miss. Code Ann. (1972), requires agencies to deposit funds with the state treasury by the end of the next business day following the date the funds are collected. However, the Department of Finance and Administration, with the advice and consent of the State Treasurer, has provided for the weekly settlements of accounts by any state agency which collects less than \$1,000 in any given week. The untimely deposit and transfer of funds may result in the loss of investment earnings and increases the risk of theft and/or misplacement of funds while held at the agency.

Recommendation:

We recommend the Mississippi Board of Registration for Foresters establish procedures to ensure receipts are deposited promptly to the clearing account and transfers to the State Treasury are made timely in compliance with state law.

Proper Approvals Should Be Obtained for Rental Contract

Finding:

During our review of contractual expenditures at the Mississippi Board of Registration for Foresters, we noted the agency's rental of office space had not been approved by the Department of Finance and Administration and the Public Procurement Review Board. The rental contract was \$500 per month (\$6,000 per year) and included office space and support services (clerical and administrative services). Section 29-5-2, Miss. Code Ann. (1972), states "In no event shall any employee, officer, department, federally funded agency or bureau of the state be authorized to enter a lease or rental agreement without prior approval of the Department of Finance and Administration and the Public Procurement Review Board."

Recommendation:

We recommend the Mississippi Board of Registration for Foresters obtain proper approval from the Department of Finance and Administration and the Public Procurement Review Board for its rental contract.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

February 3, 2005

Single Audit Management Report

H.S. McMillan, Director
Mississippi Department of Rehabilitation Services
1281 Highway 51 North
Madison, Mississippi 39110

Dear Mr. McMillan:

Enclosed for your review are the single audit management report and other audit finding for the Mississippi Department of Rehabilitation Services for the for the Fiscal Year 2004. In this finding, the Auditor's Office recommends the Mississippi Department of Rehabilitation Services maintain adequate supporting documentation for federal reports for the Social Security – Disability Insurance Program.

Please review the recommendation and submit a plan to implement it by February 25, 2005. The enclosed finding contains more information about our recommendation.

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

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. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendation enables the Mississippi Department of Rehabilitation Services to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Rehabilitation Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", with a long horizontal flourish extending to the right.

Phil Bryant
State Auditor

Enclosures

SINGLE AUDIT FINDING

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Rehabilitation Services for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis, Yulunda Wesley, Mike McCollough, Tangela Beddingfield, and Terry Laughlin, CPA.

The fieldwork for audit procedures and tests was completed on January 28, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi Department of Rehabilitation Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance that requires the attention of management that we have reported on the attached document "Other Audit Finding".

Compliance

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

OTHER AUDIT FINDING

In planning and performing our audit of the federal awards received by the Mississippi Department of Rehabilitation Services for the year ended June 30, 2004, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs. A matter which requires the attention of management was noted. This matter which does not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involves an internal control weakness.

IMMATERIAL WEAKNESS

CFDA/Finding
Number

Finding and Recommendation

REPORTING

Immaterial Weakness

96.004

Social Security – Disability Insurance

Federal Award Number and Year: 4-0404MSDI00, 2004

Oth-6

Adequate Supporting Documentation Should Be Maintained for Federal Reports

Finding:

Federal regulations (POMS DI 39506.800) require submission of the SSA-4514, *Time Report of Personnel Services* quarterly report, to the Social Security Administration for the Social Security – Disability Insurance Program. This report accounts for employee time charged to the program.

During our follow-up review of the prior year finding at the Mississippi Department of Rehabilitation Services – Office of Disability Determination Services, we noted there was no supporting documentation, such as a current time study, to support the number of cases reviewed per hour on average by contract physicians. This number is used to convert the number of cases reviewed to man-hours for contract physicians.

Good internal controls require supporting documentation be maintained for review of the quarterly reports. Without adequate supporting documentation, there is not a clear audit trail to ensure the accuracy of the quarterly reports. Agency personnel stated that a time study had been performed; however, a copy of the time study could not be located.

Recommendation:

We recommend the Mississippi Department of Rehabilitation Services – Office of Disability Determination Services ensure that adequate documentation, such as a current time study, is maintained to support the average number of cases reviewed per hour by the contract physicians used in the federal reports.

End of Report

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

June 20, 2005

Limited Internal Control and Compliance Review Management Report

Wynona Winfield, Director
South Mississippi State Hospital
823 Highway 589
Purvis, Mississippi 39475

Dear Ms. Winfield:

Enclosed for your review are the limited internal control and compliance review findings for the South Mississippi State Hospital for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the South Mississippi State Hospital: -

1. Review authorized SAAS approval levels;
2. Strengthen controls over contractual services;
3. Strengthen controls over merchant-specific card purchases; and
4. Ensure use of major medical leave complies with state law.

Please review the recommendations and submit a plan to implement them by July 18, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over the typed name and title. The signature is fluid and cursive.

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the South Mississippi State Hospital for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Marilyn Purvis, Terry Laughlin, CPA, and Andy Salin.

The fieldwork for review procedures and tests was completed on March 17, 2005. 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 matters involving the internal control over financial reporting and an instance of noncompliance that requires the attention of management. These matters are noted under the headings **IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCE OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Authorized SAAS Approval Levels Should Be Reviewed

Finding:

A review of the authorized approval levels over disbursements in the Statewide Automated Accounting System (SAAS) at the South Mississippi State Hospital revealed that four employees had input capabilities and all agency approval levels for disbursements. In addition, three employees had input capabilities and all agency levels of approval for journal voucher transactions. Good internal controls require duties to be properly segregated to prevent both the initiation and authorization of a transaction by a single individual. Failure to adequately segregate duties in an on-line system increases the potential for errors or fraud to occur without being detected in a timely manner.

Recommendation:

We recommend the South Mississippi State Hospital review assigned approval levels over disbursements and journal voucher transactions in the Statewide Automated Accounting System (SAAS) to ensure whether it is reasonable for individuals to have input capability and all levels of approval over agency's disbursements and journal vouchers. We further recommend the agency ensure the SAAS authorized approval levels over disbursements and journal vouchers adequately segregate duties to lessen the risk of errors or fraud occurring without being detected in a timely manner.

Controls over Contractual Services Should Be Strengthened

Finding:

The South Mississippi State Hospital contracted with several vendors to provide various services for the agency. Review procedures performed on 35 contractual service payments revealed one payment made to a vendor for services rendered without a written contractual agreement signed by both parties. In addition, testwork revealed two instances in which payments for contractual services did not agree with the terms of the written agreement in effect for the services rendered. This resulted in payments to vendors amounting to \$545 in excess of the contracted price.

Prudent business practices mandate execution of a written contractual agreement binding the parties in costs and duties. Good internal controls require a review of invoices to ensure adherence with the terms of the contract prior to payment. Failure to maintain executed agreements and review invoices for adherence to agreed upon rates could allow improper payments to vendors such as noted in this finding.

Recommendation:

We recommend the South Mississippi State Hospital obtain written agreements for contractual services performed for the agency. The contracts should be signed by all parties involved and should document the agreed upon duties to be performed and the costs of services to be rendered. Additionally, the agency should review all invoices submitted for contractual services to verify charges are in agreement with the terms of the written agreement prior to payment.

Controls over Merchant-Specific Card Purchases Should Be Strengthened

Finding:

During testwork on credit card purchases, we reviewed the monthly statements for the Wal-Mart card used by the agency. We noted for five of the twelve statements reviewed, there was no indication of an independent review of the statement prior to payment being made. Failure to independently review each statement could allow errors or improper purchases to occur without being promptly detected.

Recommendation:

We recommend the South Mississippi State Hospital strengthen internal controls over merchant specific card purchases to include an independent review of each statement prior to payment of billed amounts.

INSTANCE OF NONCOMPLIANCE WITH STATE LAWS

Major Medical Leave Should Be Used in Accordance with State Law

Finding:

Testwork performed at the South Mississippi State Hospital revealed two instances in which employees did not take eight hours of personal or compensatory leave prior to using major medical leave. Section 25-3-95, Miss. Code Ann. (1972), states major medical leave may be used, without prior use of personal leave, for regularly scheduled visits to a doctor's office or a hospital for the continuing treatment of a chronic disease, as certified in advance by a physician, or for a death in the employee's immediate family. Otherwise, the use of major medical leave must be preceded by the use of eight hours of personal or compensatory leave. Failure to comply with state law could result in errors or irregularities in employee time reports and agency leave records.

Recommendation:

We recommend the South Mississippi State Hospital implement procedures to ensure major medical leave is used in compliance with state law. Eight hours of personal or compensatory leave should be used prior to medical leave, unless there is appropriate documentation on file from a medical provider.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

January 26, 2005

Single Audit Management Report

J. Brooks Miller, Sr., State Aid Engineer
Mississippi Department of Transportation
Office of State Aid Road Construction
P. O. Box 1850
Jackson, Mississippi 39215-1850

Dear Mr. Miller:

Enclosed for your review is the single audit finding for the Mississippi Department of Transportation - Office of State Aid Road Construction for the Fiscal Year 2004. In this finding, the Auditor's Office recommends the Mississippi Department of Transportation - Office of State Aid Road Construction strengthen controls over Davis-Bacon Act requirements.

Please review the recommendation and submit a plan to implement it by February 16, 2005. The enclosed finding contains more information about our recommendation.

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

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. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendation enables the Mississippi Department of Transportation - Office of State Aid Road Construction to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Transportation - Office of State Aid Road Construction throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over a large, stylized circular flourish.

Phil Bryant
State Auditor

Enclosures

SINGLE AUDIT FINDING

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Transportation - Office of State Aid Road Construction for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis, CGFM, and Kim McCrory.

The fieldwork for audit procedures and tests was completed on January 14, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi Department of Transportation - Office of State Aid Road Construction is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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 noncompliance with applicable requirements of laws, regulations, contracts or grants that would be material to a major federal program being audited may occur and not be detected within a timely manner by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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. However, we believe the reportable condition described above is not a material weakness.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

**CFDA/Finding
Number**

Finding and Recommendation

DAVIS-BACON ACT

Reportable Condition

20.205

Highway Planning and Construction

Federal Award Number and Year: Various

04-09

Controls Should Be Strengthened over Davis-Bacon Act Requirements

Finding:

Federal regulations state that non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations (29 CFR Part 5), "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction." These regulations include a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

We tested a total of 40 payroll weeks from 27 projects selected for review at the Mississippi Department of Transportation - Office of State Aid Road Construction and noted the following:

- Two out of 27 projects for which the agency had not received the required wage and payroll documents for two prime contractors.
- Four out of 40 weeks in which the required wage and payroll documents were not received for subcontractors on four projects.
- One out of 40 weeks in which the hours worked per the project diaries (county engineer's document of daily activities) differed from the wage and payroll documentation by eight hours.

The agency's standard operating procedures (S.O.P. No. SAD II-2-10) states each contractor and subcontractor working on a federally funded project will submit weekly one copy of the "Weekly Summary of Wage Rates" (CAD-880) to the county engineer and one copy to the agency. If no work is performed during the week, the CAD-880 should be submitted with the statement "No Work Performed During This Period" typed or written on the form. Weekly payroll sheets must accompany the CAD-880, except when no work is performed during the week.

Good internal controls dictate procedures should be in place to ensure all required wage and payroll documents are received timely. Without these documents, the agency cannot determine whether laborers employed on federally funded projects are being paid in compliance with the requirements of the Davis-Bacon Act.

Recommendation:

We recommend the Mississippi Department of Transportation - Office of State Aid Road Construction strengthen controls over Davis-Bacon Act requirements. The agency should ensure copies of payrolls and supporting documentation are received from the contractors and subcontractors on a weekly basis and reviewed. Receipt and review of the wage reports should be documented.



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

December 2, 2004

Financial Audit Management Report

Joseph L. Blount, Chairman
Mississippi State Tax Commission
1577 Springridge Road
Raymond, Mississippi 39154

Dear Mr. Blount:

Enclosed for your review are the financial audit findings for the Mississippi State Tax Commission for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi State Tax Commission:

1. Strengthen controls over keypunch of journal entries;
2. Strengthen controls over individual income tax refunds;
3. Strengthen controls over data processing security; and
4. Follow procedures concerning delinquent sales tax payments.

Please review the recommendations and submit a plan to implement them by January 5, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", is written over a horizontal line.

Phil Bryant
State Auditor

Enclosures

FINANCIAL AUDIT FINDINGS

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi State Tax Commission for the year ended June 30, 2004. These financial statements will be 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, Laura Griffin, Judy Bounds, Mike McCollough, Andy Salin, Jessica Short, Rebecca Wilson, and Amy Ellis, CPA.

The fieldwork for audit procedures and tests was completed on October 29, 2004. 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 State Tax Commission'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.

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 judgement, could adversely affect the department's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. These matters are noted under the heading **REPORTABLE CONDITIONS**.

A material weakness is a condition in which the design or operation of one or more of the internal 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. 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 considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

In addition, we noted a matter involving the internal control over financial reporting that requires the attention of management. This matter is noted under the heading **IMMATERIAL WEAKNESS IN INTERNAL CONTROL**.

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi State Tax Commission 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*.

REPORTABLE CONDITIONS

Controls over Keypunch of Journal Entries Should Be Strengthened

Finding:

During testwork on sales tax journal entries performed at the State Tax Commission, we selected all journal entries which exceeded \$100,000 to test. We noted four instances out of 25 items tested, or 16 percent, in which errors were made in the keypunch of journal entries. In each of the instances noted, the original sales tax return information was keypunched to the wrong tax period causing a journal entry to be necessary to record the tax information in the correct tax period. Testwork performed on the journal entries revealed the following errors:

- One entry which should have been keypunched as \$765.31 gross tax with a discount of \$15.31 was input as \$7,653,115.31. It appears the keypunch operator input both the gross tax and the discount amounts in the gross tax field. At the time of audit testwork, agency personnel had made a correcting entry to record the correct amounts in the correct tax period, but had not reversed the incorrect entry.
- One entry which should have been keypunched as \$2,151.02 gross tax was input as gross tax of \$2,151,021.02. It appears the keypunch operator input the last three digits of the amount twice.
- One entry which should have been keypunched as \$10,857 gross tax was input as \$210,857.
- One entry which should have been keypunched as \$25,719 was input as \$225,719.

Because of the high error rate and the large dollar amounts noted in the errors, we extended our testwork by selecting a random sample of 25 additional journal entries for testing. Three instances, or 12 percent, were noted with errors caused by keypunch and/or calculation errors. Testwork revealed the following errors:

- One entry which was calculated incorrectly by sales tax personnel with a \$60 error was also keypunched incorrectly by data processing with an additional \$60 error. We also noted that this journal entry to correct the tax period of the return was unnecessary because a correcting journal entry had already been processed the previous week.
- One entry which should have been keypunched as \$7,845 was input as \$78,450.
- One entry totaling \$93,224 which was completed incorrectly by sales tax personnel. This entry was to correct the tax period of the return but the debit and credit of the entry was to the same tax period, therefore no correction was accomplished. We also noted that the entry was keypunched incorrectly with a \$20 error.

Discussions with agency personnel revealed that there are no computer checks to ensure that errors of the type noted are caught in post audit. While journal entries which exceed a certain dollar amount are reviewed by supervisory personnel in the sales tax division, there does not appear to be review procedures in place in data processing to ensure that journal entries are input to the system correctly. Because we tested all journal entries which were keypunched with amounts greater than \$100,000, we do not think that the problems noted would materially affect the State Tax Commission's ability to process and record tax returns. Also, the errors in calculation of journal entries that we noted were immaterial in amount. It should be noted that the state's revenues are recorded from the initial collection of tax receipts and should not be affected by the journal entries made to a taxpayer's individual accounts. However, errors of the type noted could affect the integrity of the information available.

Recommendation:

We recommend the State Tax Commission immediately implement controls over data processing of journal entries to ensure that sales tax journal entries are correctly input. We further recommend that the journal entries noted in this finding be researched and corrected so that taxpayer accounts correctly reflect tax return information submitted to the agency.

Controls over Individual Income Tax Refunds Should Be Strengthened

Finding:

Testwork performed at the State Tax Commission on individual income tax refunds issued revealed the following:

- Five instances in which a tax refund check was issued twice to the taxpayer. The amounts noted ranged from \$111 to \$22,000. In four of five instances noted, both the original refund check and the duplicate check were cashed by the taxpayer. In the one instance in which the duplicate check had not been cashed, the taxpayer had not returned the check or notified the agency.
- Two instances in which refunds were issued even though the income reported on the return was less than income reported on the W-2s. In these two instances, when audit procedures were applied, we noted that gross income was under-reported on the two returns by \$112,000 and \$3,100, respectively. After these returns were brought to the attention of agency personnel the agency issued a notice requesting repayment of \$18,000 in one instance, and in the other instance, the agency has requested additional documentation before determining the amount of repayment needed. It should be noted that both of these returns were reviewed by agency personnel prior to approving the refunds. It appears the information on the return was not vouched to the attached W-2s which is required by agency policy.
- Five instances in which refunds were issued to taxpayers who had failed to submit W-2s with the tax returns. Therefore, it appears the income was not verified prior to issuing the refunds. In the instances noted, the required documentation was not requested until the refunds were reviewed during the audit. The agency subsequently requested the documentation and the refunds appear to be valid. However, it is agency policy that returns received without W-2s are to be returned to the taxpayer for proper documentation at the time the return is opened in the mail room.

- One instance in which numerous errors were noted on a tax return and agency personnel reviewed the return prior to issuing a refund. We noted that when agency personnel reviewed the return and made corrections, they did not compare the amount withheld to the amount reported on the attached W-2 causing the refund to be understated. The agency owes an additional \$490 to the taxpayer.
- One instance in which a taxpayer claimed a credit of \$5,047 of tax paid to another state. The taxpayer did not submit documentation for the credit as required. This return was reviewed by agency personnel and a refund was issued without obtaining required documentation supporting the credit claimed as is agency policy. After bringing this to the attention of agency personnel, documentation was requested and received from the taxpayer which substantiated the refund. However, agency policy requiring documentation be received prior to authorizing the refund should have been followed.
- One instance noted in which the return was not input correctly which resulted in an over-stated refund. When agency personnel reviewed the return they did not note the error and approved the refund which was over-stated by \$900. When we brought this to the attention of agency personnel, a letter was sent to require repayment of \$900. This has subsequently been received.

It should be noted that of the returns selected for audit which are identified in this finding, nine of 15 returns, or 60 percent, had previously been selected and reviewed by agency personnel prior to issuing the refund. However, we noted the refunds were either in error or lacked proper verification or documentation.

Good internal controls require proper procedures be followed in processing tax refunds to ensure accuracy. We noted the agency has policies and procedures for reviewing a return and supporting documentation/verification of amounts reported on the return. However, it appears these procedures are not being consistently applied. Failure to properly process refunds and follow agency policies and procedures for reviewing tax returns and supporting documentation could result in loss of tax revenue to the state as well as errors or fraud to occur without being detected in a timely manner.

Recommendation:

We recommend the Mississippi State Tax Commission strengthen existing controls and implement additional controls over individual income tax refunds to ensure accuracy. Agency personnel should follow proper policies and procedures when reviewing and approving a refund based on receipt of a tax return. Returns received in the mail without appropriate documentation, such as W-2s, should be returned to the taxpayer prior to processing. When returns are reviewed during the process of approving refunds or as a result of computer flags, agency personnel should vouch return information to supporting documentation to ensure that all required documentation has been submitted and amounts reported on the tax return are properly supported. Any missing documentation should be requested prior to approving the tax refund. We also recommend that appropriate action be taken by the agency for the errors noted in this finding to recover funds erroneously paid to taxpayers, and in one instance, remit the amount owed to the taxpayer.

Data Processing Security Controls Should Be Strengthened

Finding:

During our review of the physical security controls over electronic data processing at the Mississippi State Tax Commission - Alcoholic Beverage Division, we noted the access door to the computer room was not locked and no other method of access tracking was utilized. We also noted materials used in the room such as furniture and blinds were not fire resistant.

The *Control Objectives for Information and Related Technology* (CobiT) guidelines, a generally accepted standard for good information technology security and control practices, require information technology facilities have appropriate physical security and access control measures. Without these controls, unauthorized access, theft and/or damage could occur. The lack of controlled access to the computer room, as well as failure to use fire resistant materials could result in corruption, loss and/or theft of data.

Recommendation:

We recommend the Mississippi State Tax Commission - Alcoholic Beverage Division improve physical security over the computer room by ensuring the door is secure at all times, therefore allowing only authorized personnel access to the room. This can be accomplished effectively through the use of keypad entry, swipe card entry or a locked door with assigned keys. We also recommend the use of fire resistant and/or retardant materials throughout the computer room to minimize damage in the event of a fire or disaster.

IMMATERIAL WEAKNESS IN INTERNAL CONTROL

Policies and Procedures Concerning Delinquent Accounts Should Be Followed

Finding:

During testwork at the Mississippi State Tax Commission on sales tax delinquencies, we noted three instances out of 25 tested, or 12 percent, in which agency personnel did not perform appropriate follow-up procedures for sales tax delinquencies. The three instances noted were out-of-state accounts for which a lien/warrant was not recorded. According to agency delinquency policies and procedures, assessment letters must be sent out within 30 days of the return date plus a 10 day grace period and liens/warrants must be recorded by the time the delinquency is 60 days past due. Failure to follow delinquency policies and procedures could result in delay or failure to collect delinquent taxes.

Recommendation:

We recommend the Mississippi State Tax Commission follow delinquency policies and procedures to collect taxes from delinquent sales tax accounts. Agency personnel should ensure that liens/warrants are recorded for delinquent accounts 60 days past due.

End of Report



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

November 18, 2004

Financial Audit Management Report

Larry Brown, Executive Director
Mississippi Department of Transportation
P. O. Box 1850
Jackson, Mississippi 39215-1850

Dear Mr. Brown:

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Transportation for the year ended June 30, 2004. These financial statements will be 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 Karlanne Coates, CPA, Marilyn Purvis, CGFM, Johnnie Davenport, Kim McCrory, and Jessica Short.

The fieldwork for audit procedures and tests was completed on October 29, 2004. 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 Transportation'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.

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Transportation 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*.

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. However, this report is a matter of public record and its distribution is not limited.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Transportation throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", written in a cursive style.

Phil Bryant
State Auditor

End of Report



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

January 13, 2005

Single Audit Management Report

Larry Brown, Executive Director
Mississippi Department of Transportation
P. O. Box 1850
Jackson, Mississippi 39215-1850

Dear Mr. Brown:

Enclosed for your review are the single audit finding and the other audit finding for the Mississippi Department of Transportation for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Department of Transportation:

Single Audit Finding

1. Strengthen controls over Davis-Bacon Act requirements; and

Other Audit Finding

2. Strengthen controls over monitoring subrecipient audit requirements.

Please review the recommendations and submit a plan to implement them by February 4, 2005. The enclosed findings contain more information about our recommendations.

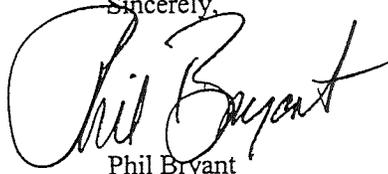
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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. However, this report is a matter of public record and its distribution is not limited.

Mississippi Department of Transportation
January 13, 2005
Page 2

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant". The signature is written in a cursive style with a large initial "P".

Phil Bryant
State Auditor

Enclosures

SINGLE AUDIT FINDING

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Transportation for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis, CGFM, Johnnie Davenport and Kim McCrory.

The fieldwork for audit procedures and tests was completed on October 29, 2004. These procedures and tests cannot and do not provide absolute assurance that all federal 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 Compliance

The management of the Mississippi Department of Transportation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the department's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants.

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 noncompliance with applicable requirements of laws, regulations, contracts or grants that would be material to a major federal program being audited may occur and not be detected within a timely manner by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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. However, we believe the reportable condition described above is not a material weakness.

In addition, we noted a matter involving the internal control over compliance that requires the attention of management that we have reported on the attached document "Other Audit Finding".

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary.

Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

REPORTABLE CONDITION

**CFDA/Finding
Number**

Finding and Recommendation

DAVIS-BACON ACT

Reportable Condition

20.205

Highway Planning and Construction

Federal Award Number and Year: Various

04-01

Internal Controls Should Be Strengthened over Davis-Bacon Act Requirements

Finding:

The Davis-Bacon Act requires all laborers and mechanics employed by contractors or subcontractors who work on construction contracts in excess of \$2,000 financed by federal assistance funds be paid wages not less than those established for the locality of the project (prevailing wage rates) by the Department of Labor (40 USC 276a to 276a-7). Non-federal entities are required to include in their construction contracts which are subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the Department of Labor regulations (29 CFR Part 5), "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction". This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls).

Standard operating procedures (S. O. P. No. CAD-07-01-00-000) established by the Mississippi Department of Transportation, require each contractor and subcontractor working on a federal aid project to submit to the project engineer two copies of the "Weekly Summary of Wage Rates" (CAD-880) on a weekly basis. The project engineer is required to verify the information on the CAD-880 by comparing to the daily diaries which detail the work on the project. The CAD-880 is then submitted to the contract compliance officer who reviews and maintains all Davis-Bacon payroll files.

Testwork performed on 40 payrolls from federal aid projects during fiscal year 2004 revealed the following:

- Three instances in which copies of the payrolls were not on file.
- Five instances in which the log-in cards used to document receipt of the payrolls could not be located.
- One instance in which the receipt of the payroll was not logged in on a card.
- One instance in which the number of hours worked recorded on the payroll differed from the number of hours worked per the project diary by eight hours.

Good internal control procedures require the receipt of payrolls be recorded on the log-in cards and copies of the payrolls and log-in cards be maintained to document compliance with the Davis-Bacon Act. The failure to practice good internal controls could result in improper wages being paid and non-compliance with the Davis-Bacon Act.

Recommendation:

We recommend the Mississippi Department of Transportation strengthen controls over the Davis-Bacon Act requirements. The agency should ensure copies of all payrolls are logged in when received, properly reviewed for accuracy and maintained on file. We further recommend the agency maintain the log-in cards in order to document the monitoring procedures performed over contractor and subcontractor payrolls.

OTHER AUDIT FINDING

In planning and performing our audit of the federal awards received by the Mississippi Department of Transportation for the year ended June 30, 2004, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs. A matter which requires the attention of management was noted. This matter which does not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involves an internal control weakness.

IMMATERIAL WEAKNESS IN INTERNAL CONTROLS

**CFDA/Finding
 Number**

Finding and Recommendation

SUBRECIPIENT MONITORING

Immaterial Weakness

20.205

Highway Planning and Construction

Federal Award Number and Year: Various

Oth-1

Controls over Monitoring Subrecipient Audit Requirements Should Be Strengthened

Finding:

Office of Management and Budget (OMB) Circular A-133 requires the pass-through entity (primary recipient of federal funds) to determine whether subrecipients have met the appropriate audit requirements. This includes ensuring receipt of an audit report from each subrecipient expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in federal awards within nine months after the end of the subrecipient's fiscal year. In addition, OMB Circular A-133 requires the primary recipient to issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and to ensure the subrecipient took appropriate and timely corrective action.

The Mississippi Department of Transportation provided \$300,000 or more of federal financial assistance to multiple subrecipients through a variety of federal programs during fiscal year 2002. Testwork performed during the fiscal year 2004 audit on subrecipient audits received and reviewed by the agency for subrecipient audit year 2002 revealed the following:

- For 11 of 19 subrecipients tested, or 58 percent, we noted audit reports were not received by the agency within the nine-month deadline. The reports were received between two and 12 months late. The letters reminding the subrecipients of the due dates for the audit reports were mailed to the subrecipients during June, the month the reports were due to the agency. We also noted, in four of these instances, the second reminder letters were not mailed until seven months after the reports were due.

- For one of 19 subrecipients tested, or 5 percent, we noted the agency did not receive an audit report from the subrecipient.
- One instance was noted in which an audit report was received with errors and the discrepancies were not resolved for approximately one year.

Without adequate controls over the submission of audit reports and prompt follow-up of audit findings, the agency could fail to comply with federal requirements. Also, federal noncompliance by subrecipients could occur and not be detected timely.

Recommendation:

We recommend the Mississippi Department of Transportation strengthen controls to ensure subrecipient audit reports are received and reviewed in a timely manner. Reminder letters should be promptly mailed to subrecipients to ensure compliance with audit requirements. The appropriate funding division within the agency should be notified of any subrecipient audit findings and should resolve these findings within six months of receipt of the report by the agency.

End of Report

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

January 18, 2005

Financial Audit Management Report

Honorable Tate Reeves, State Treasurer
State Treasury Department
P. O. Box 138
Jackson, Mississippi 39205

Dear Mr. Reeves:

Enclosed for your review are the financial audit findings for the State Treasury Department for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the State Treasury Department:

1. Strengthen controls over the statewide collateral pool;
2. Strengthen controls over the use of the signature stamp;
3. Support contractual services with written agreements; and
4. Perform supervisory review of arbitrage schedules.

Please review the recommendations and submit a plan to implement them by February 8, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in cursive script that reads "Phil Bryant".

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 State Treasury Department for the year ended June 30, 2004. 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 Karlanne Coates, CPA, Tonya Bierman, Kayla Jackson, Terry Laughlin, Rebecca Wilson, Oliver Strange, and Lucreta Walker.

The fieldwork for audit procedures and tests was completed on November 30, 2004. 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 State Treasury Department'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 State Treasury Department 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

Internal Controls over the Statewide Collateral Pool Should Be Strengthened

Finding:

Testwork on the statewide collateral pool at the State Treasury Department revealed the following:

- The Public Funds Guaranty Pool Rules state the average daily balance should be used to determine a bank's required collateral pledging level. Six instances were noted in which agency personnel did not use the average daily balance to determine the guaranty pool bank's required collateral pledging level. Agency personnel used either the higher of month end or average daily balance or month end balance. These errors resulted in two bank's deposits being understated by \$2,613,014 and \$1,450,120 on the spreadsheet used by agency personnel to monitor each bank's deposits and related collateral. However, these errors did not cause the banks to be under collateralized.
- A bank's monthly deposit information and Federal Deposit Insurance Corporation (FDIC) coverage is used in determining its required collateral pledging level. Eight instances were noted in which FDIC calculations were in error. These errors ranged from an understatement in FDIC coverage of \$4,016,308 to three overstatements of \$100,000. However, these differences did not cause the banks to be under collateralized.
- Agency personnel have developed a spreadsheet for monitoring each bank's deposits and related collateral to determine if each bank is adequately collateralized. In verifying the accuracy of deposit information on the spreadsheet, one instance was noted in which an entity on the bank's monthly report was not an allowable public entity. Thus, this entity's deposit information in the amount of \$4,545 should not have been included in determining the required pledging level of the bank.

Good internal controls require the required collateral pledging level of the guaranty pool banks be determined based on guidelines approved by the Guaranty Pool Board. Also, good internal controls require the deposit information and FDIC coverage used to determine the required collateral pledging level of banks within the statewide collateral pool be accurate. Failure to properly determine the required pledging level of individual banks could result in banks being under collateralized.

Recommendation:

We recommend the State Treasury Department strengthen internal controls over the statewide collateral pool to ensure the required collateral pledging level of guaranty pool banks is properly determined based on rules approved by the Guaranty Pool Board. Also, the deposit and FDIC information used in determining the required collateral pledging level for banks within the statewide collateral pool should be accurate.

Internal Controls over the Use of the Signature Stamp Should Be Implemented

Finding:

During fiscal year 2004, the State Treasury Department utilized a signature stamp to sign checks in the absence of personnel authorized to sign checks. We noted the following weaknesses during our review of internal controls governing the use of the signature stamp:

- The signature stamp was not properly safeguarded. The employee responsible for maintaining the signature stamp was not aware that other agency personnel used the stamp to apply the State Treasurer's signature to checks.
- For checks signed using the signature stamp, the agency's practice required that at least two people witness the stamping. This was documented by a Director or the Internal Auditor initialing the Daily Bank Reconciliation (DBR) which authorizes the issuance of a check. During our review of 11 payments in which the signature stamp was used to sign checks on a bank account, eight instances were noted in which the DBR was not properly initialed to indicate a second employee witnessed the use of the signature stamp.

Good internal controls require the signature stamp be properly safeguarded and verification procedures over the use of the stamp be performed and documented to deter improper usage. Improper usage of the signature stamp could result in a check being fraudulently written, stamped and issued.

Recommendation:

We recommend the State Treasury Department implement internal control procedures over the use of the signature stamp to ensure the stamp is properly safeguarded. We further recommend verification procedures over the use of the stamp be performed and documented.

Contractual Services Should Be Supported by Written Agreements

Finding:

The State Treasury Department contracted with several individuals to perform various services for the agency. Review procedures performed on 15 contractual service payments revealed two payments totaling \$11,598 were made to individuals for services rendered without written contractual agreements. Without written contracts, duties and costs to the parties involved were not adequately documented. Prudent business practices mandate the execution of written contractual agreements binding the parties in costs and duties.

Recommendation:

We recommend the State Treasury Department obtain written contractual agreements which document services to be performed by individuals and/or organizations. The contracts should be signed by both parties and should document agreed upon costs, as well as duties to be performed.

Supervisory Review of Arbitrage Schedules Should Be Performed

Finding:

Our review of arbitrage schedules for two of the 12 bond issues with an arbitrage calculation due in fiscal year 2004 at the State Treasury Department revealed the agency did not perform a supervisory review of the schedules which were used in rebate calculations to ensure they were properly prepared. Good internal controls require a supervisory review be performed and documented to ensure the arbitrage requirement is met. A penalty may be imposed on the State Treasury Department by the Internal Revenue Service for failure to comply with tax laws if the arbitrage calculations were not prepared and it was determined later that a rebate payment was due.

Recommendation:

We recommend the State Treasury Department strengthen controls over the arbitrage rebate requirement by ensuring a supervisory review of the arbitrage schedules is performed and documented.

End of Report

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

August 22, 2005

Limited Internal Control and Compliance Review Management Report

E. Mac Huddleston, DVM, Executive Secretary
Mississippi Board of Veterinary Medicine
P. O. Box 99
Ecru, Mississippi 38841

Dear Dr. Huddleston:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Board of Veterinary Medicine for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Board of Veterinary Medicine:

1. Perform monthly bank reconciliations;
2. Prepare and approve purchase orders prior to ordering goods and services;
3. Properly obtain telecommunication services;
4. Ensure contractual expenditures are approved and properly documented; and
5. Ensure agency fees comply with state laws.

Please review the recommendations and submit a plan to implement them by September 16, 2005. 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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Phil Bryant", written over a horizontal line.

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Board of Veterinary Medicine for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Amy Buller, CPA and Andy Salin.

The fieldwork for review procedures and tests was completed on April 18, 2005. 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 certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. 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 judgement, could adversely affect the department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. This matter is noted under the heading **REPORTABLE CONDITION**.

In addition, we noted instances of noncompliance that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

REPORTABLE CONDITION

Monthly Bank Reconciliations Should Be Performed

Finding:

During our review of the bank account at the Mississippi Board of Veterinary Medicine, it was noted the agency did not prepare monthly bank reconciliations. Good internal controls require a reconciliation be performed between the bank statement and accounting records on a monthly basis. Any discrepancies should be investigated and resolved promptly. The failure to perform a monthly bank reconciliation could allow errors or fraud to occur and not be detected promptly.

Recommendation:

We recommend the Mississippi Board of Veterinary Medicine strengthen controls to ensure a reconciliation is performed between the bank statement and accounting records on a monthly basis. This reconciliation and the bank statements should be reviewed for propriety by the board chairman as evidenced by the signature and date of the chairman.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

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

Finding:

During testwork on 17 contractual expenditures at the Mississippi Board of Veterinary Medicine, we noted four instances in which the purchase order was prepared after the date of the invoice. Section 7-7-23, Miss. Code Ann. (1972), states "Purchases of equipment, supplies, materials or services of whatever kind or nature for any department, officer, institution or other agency of the state.....may be made only by written purchase orders duly signed by the official authorized to do so, on forms prescribed by the State Fiscal Officer." Failure to follow this state regulation could impede the agency's and the Department of Finance and Administration's ability to maintain budgetary control over expenditures.

Recommendation:

We recommend the Mississippi Board of Veterinary Medicine comply with state purchasing laws by ensuring purchase orders are prepared and approved prior to ordering goods and services.

Telecommunication Services Should Be Properly Obtained

Finding:

During our expenditure testwork at the Mississippi Board of Veterinary Medicine, we noted the agency was using the services of a private telephone company. Section 25-53-111 (a), Miss. Code Ann. (1972), gives the Mississippi Department of Information Technology Services (ITS) authority to establish and coordinate through state ownership or commercial leasing all telecommunications systems and services affecting the management and operations of the state. Section 25-53-111 (g), Miss. Code Ann. (1972), also gives ITS authority to review, coordinate, approve or disapprove all state agency requests for procurement, through purchase or lease, of telecommunications systems or services. Chapter 15 of the ITS procurement manual requires state agencies to obtain telecommunication services through ITS. Failure to comply with state law could result in the overpayment for telecommunication services.

Recommendation:

We recommend the Mississippi Board of Veterinary Medicine comply with state law by obtaining its phone service through the Mississippi Department of Information Technology Services.

Expenditures for Contractual Employees Should Be Approved and Properly Documented

Finding:

During our review of 17 contractual expenditures at the Mississippi Board of Veterinary Medicine, we noted the following:

- Two instances totaling \$1,176 in which there was no documentation of the approval of timesheets supporting payments to contractual employees. It should be noted the timesheet was the only support provided for the expenditure.
- One instance in which there was not a timesheet or any other documentation on file to support a payment for the services of a contractual employee in the amount of \$132.

Section 31-7-305, Miss. Code Ann. (1972), requires that all public bodies of the state keep a record of the date of receipt, inspection and approval of goods or services purchased. The failure to require the completion and approval of employee timesheets could allow improper or incorrect payments to be made by the agency.

Recommendation:

We recommend the Mississippi Board of Veterinary Medicine ensure that expenditures for contractual employees are approved and properly documented in compliance with state law.

Agency Fees Should Comply with State Laws

Finding:

During our review of 20 receipts at the Mississippi Board of Veterinary Medicine, we noted the following:

- Two instances totaling \$200 in which the agency charged a fee of \$100 for the veterinarian licensing exam. Per discussion with agency personnel, the agency has been charging \$100 for the licensing of veterinarians since approximately July 2001, \$50 of which is the veterinarian state board testing fee, and \$50 of which is an administrative fee. Section 73-39-11, Miss. Code Ann. (1972), sets the veterinarian examination fee at \$50 but does not provide authority for the collection of an administrative fee. Therefore, the agency overcharged the applicants taking the veterinarian licensing exam by \$50.
- One instance totaling \$175 in which the agency charged \$175 for the animal technician licensing exam. Per discussion with agency personnel, the agency has been charging \$175 for the licensing of animal technicians since approximately July 2001, \$100 of which is sent directly to the national board, and \$25 of which is the animal technician state board testing fee, and \$50 of which is an administrative fee. Section 73-39-34, Miss. Code Ann. (1972), sets the animal technician examination fee at \$25 but does not provide authority for the collection of an administrative fee. Therefore, the agency overcharged the applicants taking the animal technician exam by \$50.

We noted the board approved the collection of these fees by resolution at the June 2000 meeting; however, we are unaware of any statutory authority which allows the board to establish administrative fees. Therefore, it appears the board failed to comply with state laws over the collection of revenues. It should be noted that Section 4 of Senate Bill 2978, enacted during the 2005 Regular Session, grants authority to the Board to establish and publish annually a schedule of fees for licensing and certification. The authority to establish fees took effect from and after July 1, 2005.

Recommendation:

We recommend the Mississippi Board of Veterinary Medicine establish and publish a schedule of fees for licensing and certification. We further recommend the Board ensure all funds collected by the agency are in compliance with the listing of established fees.

End of Report

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September 20, 2004

Financial Audit Management Report

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OTHER OFFICES:
150 OLD HWY 98 EAST
POST OFFICE BOX 609
COLUMBIA, MISSISSIPPI 39429
TELEPHONE 601-736-3449
FAX 601-736-0501

Dr. Sam Polles
Executive Director
Mississippi Department of Wildlife,
Fisheries and Parks
Post Office Box 451
Jackson, Mississippi 39205-0451

Dear Dr. Polles:

Enclosed for your review are the financial audit findings for the Mississippi Department of Wildlife, Fisheries and Parks for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Department of Wildlife, Fisheries and Parks:

1. Strengthen internal controls over parks revenue;
2. Strengthen internal controls over network security;
3. Strengthen internal controls over the card security system;
4. Review Resource Access Control Facility (RACF) settings to maximize control capabilities;

Please review the recommendations and submit a plan to implement them by October 11, 2004. The enclosed findings contain more information about our recommendations.

Dr. Sam Polles
Executive Director
Mississippi Department of Wildlife,
Fisheries and Parks
September 20, 2004
Page Two

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.

We hope you find our recommendations enable the Mississippi Department of Wildlife, Fisheries and Parks to carry out its missions more efficiently. We appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Wildlife, Fisheries and Parks throughout the audit. If you have any questions or need more information, please contact us.

Sincerely,


Nicholson & Company, P.A.

Enclosures

Dr. Sam Polles
Executive Director
Mississippi Department of Wildlife,
Fisheries and Parks
September 20, 2004
Page Three

Nicholson & Company, P.A. has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Wildlife, Fisheries and Parks for the year ended June 30, 2004. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report. Nicholson & Company, P.A. staff members participating in this engagement included Susan Riley, CPA, Paige Millsap, CPA, David Carmichael, Shelley Gendusa, CPA, Jamie Hearn, and Brent King, MCSE.

The fieldwork for audit procedures and tests was completed on September 20, 2004. 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 the planning and performing our audit of selected accounts included on the financial statements, we considered the Mississippi Department of Wildlife, Fisheries and Parks' 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.

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 operating of the internal control over financial reporting that, in our judgment, could adversely affect the department's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. These matters are noted under the heading **REPORTABLE CONDITIONS**.

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. 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 considered to be material weaknesses. However, we believe none of the reportable conditions described in this letter is a material weakness.

Dr. Sam Polles
Executive Director
Mississippi Department of Wildlife,
Fisheries and Parks
September 20, 2004
Page Four

Compliance

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Wildlife, Fisheries and Parks 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*.

REPORTABLE CONDITIONS

Controls Should Be Strengthened Over Park Revenues

Finding:

The Mississippi Department of Wildlife, Fisheries and Parks collects fees at each of the state parks. Audit testwork performed on forty (40) weekly park receipts disclosed the following weaknesses in internal controls:

- There were three (3) instances in which the fees charged did not appear reasonable and two (2) instances where fees could not be calculated due to incomplete information on the park receipt.
- In total, there were five (5) instances in which the park receipts were not properly completed.

Without adequate controls in place over park revenues, errors or fraud could occur and not be detected in a timely manner, causing revenue to be misstated on the financial statements.

Dr. Sam Polles
Executive Director
Mississippi Department of Wildlife,
Fisheries and Parks
September 20, 2004
Page Five

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks strengthen existing controls over the collection of park revenue to include but not be limited to: providing training to park personnel on the proper collection and reporting of park revenues; and requiring park managers to review the weekly park revenue reports for accuracy and ensuring fees collected appear reasonable. Each park manager should document their review by signing and dating the weekly park revenue report. For consistency and accuracy, the agency should charge the same fees at all parks for the various types of camping.

Internal Controls Over Network Security Should be Strengthened

Findings:

During our test of Mississippi Department of Wildlife, Fisheries and Parks' Novell network settings, we noted the following control weaknesses:

- Three (3) user accounts on the Novell network did not require a password and were not disabled or did not have network address restrictions placed on it.
- Twenty-nine (29) user accounts on the Novell network did not require passwords be changed every thirty (30) days as required by adopted policies and procedures
- Twenty-six (26) users and/or groups were improperly assigned "Full-Control" Share or NTFS permission on the Windows 2003 network.

Control Objectives for Information and Related Technology (CobiT), as well as recognized industry best practices, require adequate access controls to resources. Without these access controls in place, security could be compromised, allowing unauthorized access or fraud to occur without being detected.

Dr. Sam Polles
Executive Director
Mississippi Department of Wildlife,
Fisheries and Parks
September 20, 2004
Page Six

Recommendation

We recommend the management of the Mississippi Department of Wildlife, Fisheries and Parks review all settings for Novell users so that all users have a password expiration interval of 30 days. Also, a template could be used when adding new users to ensure that all users have a password expiration interval of 30 days. The template should have a password interval of 30 days. Accounts that require no password should have IP or IPX network address restrictions. "Full Control" Share or NTFS permission should be used sparingly and only as required for proper functionality of the Windows 2003 network

Internal Controls Over The Card Security System Should Be Strengthened

Finding:

During our test of the card security system at the Mississippi Department of Wildlife, Fisheries and Parks, we noted the following errors:

- Two (2) instances in which individuals had access to restricted areas in which the auditor could not determine a need for such access.
- Two (2) instances in which individuals were issued multiple cards and are not on the authorized list.
- Five (5) instances in which individuals have active and deactivated cards that have varying levels of access.
- The computer room in the Museum does not have a Card Access Security System installed.

Control Objectives for Information Related Technology (CobiT), as well as recognized industry best practices, require management to ensure that access to system, data and programs is restricted to authorized users. Without these restricted access controls, unauthorized access, theft, and/or damage could occur.

Dr. Sam Polles
Executive Director
Mississippi Department of Wildlife,
Fisheries and Parks
September 20, 2004
Page Seven

Recommendation:

We recommend that the Mississippi Department of Wildlife, Fisheries and Parks strengthen controls over the card security system to prevent excessive access privileges. Access group membership should be reassessed pertaining to access times and areas of access. Access levels of active and deactivated cards should be reassessed to ensure that access levels are consistent. Only one card should be issued to each authorized employee. We further recommend that a Card Access Security System be installed on the computer room in the museum to prevent authorized access. Management should ensure that Access Control System policies and procedures are being followed.

Resource Access Control Facility (RACF) Settings Should Be Reviewed To Maximize Control Capabilities

Findings:

During our test of Mississippi Department of Wildlife, Fisheries and Parks' Resource Access Control Facility (RACF) settings, we noted the following control weaknesses:

- Password intervals had not been set to thirty (30) days on four (4) user accounts.
- Nine (9) user accounts had not been accessed in excess of six (6) months.
- Five (5) user accounts had generic names.

Control Objectives for Information and Related Technology (Cobit), as well as recognized industry best practices, require adequate access controls to resources. Without these access controls in place, security could be compromised, allowing unauthorized access or fraud to occur without being detected.

Recommendation:

We recommend the management of Mississippi Department of Wildlife, Fisheries and Parks review all settings for RACF to ensure that all employees have a unique password and user ID that is set to expire on a regular basis. We further recommend management review all dormant user accounts and their attribute settings. If accounts are not deemed necessary, access ID's should be deactivated. Terminated employees' accounts should be disabled immediately.

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State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

January 19, 2006

Limited Internal Control and Compliance Review Management Report

Sam Polles, Executive Director
Mississippi Department of Wildlife, Fisheries and Parks
1505 Eastover Drive
Jackson, Mississippi 39211-6374

Dear Dr. Polles:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Department of Wildlife, Fisheries and Parks for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Department of Wildlife, Fisheries and Parks:

1. Reconcile bank accounts to agency records;
2. Obtain written agreements for contractual services;
3. Develop a written policy for the cutting of timber/trees on state lands;
4. Prepare purchase orders prior to the ordering of goods and services;
5. Maintain signed payment vouchers;
6. Record and report property additions timely;
7. Document the receipt of goods and services;
8. Ensure payments to vendors are timely;
9. Comply with regulations regarding the use of employer-provided vehicles; and
10. Obtain authorization for bank accounts.

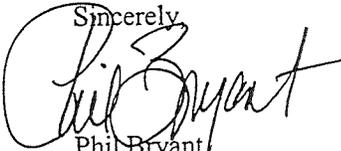
Please review the recommendations and submit a plan to implement them by February 17, 2006. The enclosed findings contain more information about our recommendations.

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. However, this report is a matter of public record and its distribution is not limited.

Mississippi Department of Wildlife, Fisheries and Parks
January 19, 2006
Page 2

I hope you find our recommendations enable the Mississippi Department of Wildlife, Fisheries and Parks to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Wildlife, Fisheries and Parks 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 Department of Wildlife, Fisheries and Parks for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Vicki Alvey, Diane Sanders, Lisa Pendleton, and Rebecca Wilson.

The fieldwork for review procedures and tests was completed on May 5, 2005. 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 matters 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 WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS and REGULATIONS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Bank Reconciliations Should Be Properly Prepared

Finding:

During our review of the bank reconciliations at the Mississippi Department of Wildlife, Fisheries and Parks, we noted the Lifetime Endowment collection bank account was not reconciled to agency records. The reconciliation prepared was simply a recap of the information obtained from the bank statement itself. Good internal controls dictate that bank accounts be reconciled promptly to the agency's accounting records with differences documented and resolved timely. Failure to properly reconcile bank statements with the accounting records could result in errors or fraud occurring without being detected in a timely manner and an incorrect balance being recorded on the financial statements.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks ensure bank statements are reconciled to agency records promptly.

Contractual Services Should Be Supported by Written Agreements

Finding:

The Mississippi Department of Wildlife, Fisheries and Parks contracted with several businesses to perform various services for the agency. Review procedures performed revealed payments were made to businesses for services rendered without a written contractual agreement signed by both parties. Without a written contract, duties and costs to the parties involved were not documented. Prudent business practice mandates execution of a written contractual agreement binding the parties in duties and costs.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks obtain written agreements for contractual services performed for the agency. The contracts should be signed by all parties involved and should document the agreed upon duties to be performed and the costs of services to be rendered.

A Written Policy for the Cutting of Timber/Trees on State Lands Should Be Developed

Finding:

Testwork performed on contractual expenditures at the Mississippi Department of Wildlife, Fisheries and Parks revealed a vendor was paid \$15,000 on two separate occasions for cutting timber/trees on state park land. Based on review of the invoices, the number of trees cut on each separate occasion differed greatly. A written contractual agreement detailing the services and the agreed upon cost was not executed by the agency. Furthermore, inquiries with agency personnel concerning the agency's policy governing the cutting of timber/trees from state lands revealed the agency had no formal policy in place.

Good internal controls dictate the agency develop, distribute and enforce a written policy over the cutting of timber/trees on state lands. Failure to maintain a written policy could allow errors or fraud to occur and remain undetected. Also, prudent business practices mandate the execution of written contractual agreements binding all parties in duties and costs. Without a written contract, duties and costs to the parties involved was not adequately documented.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks develop and implement a written policy which addresses the cutting of timber/trees on state lands. We further recommend the agency ensure written contractual agreements are executed binding all parties involved in duties and costs.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

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

Finding:

During expenditure testwork at the Mississippi Department of Wildlife, Fisheries and Parks, we noted five instances out of 49 items tested which required purchase orders, or 12 percent, in which the purchase orders were prepared after the invoices were received. Section 7-7-23, Miss. Code Ann. (1972), requires 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 requires 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 with state law impedes the agency and the Department of Finance and Administration's ability to maintain budgetary controls over the agency's expenditures.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks comply with state law by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

Copies of Signed Payment Vouchers Should Be Maintained

Finding:

Section 7-7-27, Miss. Code Ann. (1972), requires that invoices be approved for payment by the proper officials of each agency and the original copy thereof forwarded to the Department of Finance and Administration, along with a requisition for payment containing a certification by the approving officer of each agency that the goods or services specified on each invoice have been received or performed. During expenditure testwork at the Mississippi Department of Wildlife, Fisheries and Parks, we noted two instances out of 80 tested, or 3 percent, in which the agency's copy of the payment voucher did not have the certification signature of an agency official. Good internal controls dictate that a copy of the signed payment voucher be maintained for audit purposes. Without an authorized signature on the agency's copy of the payment voucher, the auditor cannot readily determine the expenditure has been properly authorized.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks maintain signed copies of the payment voucher to ensure audits can be performed efficiently.

Property Additions Should Be Recorded Timely in Inventory Records and Properly Reported to the State Property Office

Finding:

Testwork performed on the property inventory at the Mississippi Department of Wildlife, Fisheries and Parks revealed the following:

- Two buildings costing \$319,791 that were completed and paid for in January 2004 and June 2004 were not recorded on the agency's inventory or reported to the Property Audit Division of the Office of the State Auditor (State Property Office) until February 2005.
- The agency incorrectly reported one building costing \$144,830 to the State Property Office at \$142,830.
- Two hundred satellite receivers purchased in December 2003 and February 2004 for a per unit value of \$5,100 were not recorded on the agency's inventory or reported to the State Property Office as additions until May 2004. Also, 23 of 35 satellite receivers purchased in June 2004 for a per unit value of \$5,100 were not recorded to the agency's inventory or reported to State Property Office as additions until July and August of 2004; and furthermore, 12 of the 35 satellite receivers had not been reported as of the date of audit fieldwork.

Section 29-9-11, Miss. Code Ann. (1972), requires that on or before the fifteenth day of each month, the agency shall add to its inventory the items purchased or otherwise acquired during the last preceding month, and indicate as deleted the items that have been disposed of. The additions and/or deletions to an agency's inventory for the prior month shall be reported to the State Property Office on or before the fifteenth day of the following month. Failure to report assets in a timely manner results in the misstatement of the asset inventory for financial statement purposes and also hinders the agency's ability to properly safeguard assets from potential theft or loss.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks properly record additions and/or deletions to its inventory records and to the State Property Office in a timely manner.

Receipt of Goods and Services Should Be Documented

Finding:

The Mississippi Department of Wildlife, Fisheries and Park's practice is to document the receipt of goods or services by including the signature and date of the person receiving the goods or services on the invoice. Testwork performed on 80 expenditures revealed the following:

- Fourteen instances, or 18 percent, in which the invoice documented the signature of the person verifying the receipt of goods and services; however, the person did not document the date the agency received the goods or services on the invoice.
- Three instances, or 4 percent, in which the signature and date of the person receiving the goods or services was not documented on the invoice.

Section 31-7-305, Miss. Code Ann. (1972), requires a record to be kept of the date of receipt of the invoice and dates of receipt, inspection and approval of the goods or services. Failure to comply with state law could result in payment for goods or services not yet received.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks strengthen procedures to ensure compliance with state law by requiring persons receiving goods or services to sign and date invoices or other documentation to indicate proper receipt of the goods or services prior to the disbursement of funds.

Payments to Vendors Should Be Timely

Finding:

During expenditure testwork at the Mississippi Department of Wildlife, Fisheries and Parks, we noted two instances out of 80 tested, or 3 percent, in which the payment made to the vendor was not timely. Section 31-7-305 of the Miss. Code Ann. (1972), requires payments to be made to a vendor within 45 days after the receipt of the invoice and receipt, inspection and approval of the goods or services. Failure to comply could result in the agency incurring additional costs through interest penalties prescribed by Section 31-7-305, Miss. Code Ann. (1972).

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks comply with state law by ensuring payments to vendors are made within 45 days after receipt of the invoice and goods or services.

Agency Should Report the Use of Employer-Provided Vehicles

Finding:

Subsection 15.20.40 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual states "the value of employer-provided vehicles used by state employees for commuting must be included in wages for social security, income tax (federal and state) and retirement purposes. Commuting is defined as taking an employer-provided vehicle to or from work and the employee's residence." If the employer requires the employee to commute in the vehicle for bona fide noncompensatory business reasons the criteria for commuting are met. Examples of noncompensatory business reasons include lack of space to store the vehicle, the expectation that the employee will respond to emergency calls from his/her residence, security reasons, etc. The MAAPP manual lists certain types of employee-provided vehicles, which are not subject to commuting requirements, such as clearly marked law enforcement vehicles and officially authorized uses of unmarked vehicles by law enforcement officers.

During fringe benefit testwork at the Mississippi Department of Wildlife, Fisheries and Parks, we noted the agency provided state-owned vehicles to employees who are not law enforcement officers. The employees used the state-owned vehicles for daily commuting, as well as official business travel; however, the agency did not report the fringe benefits associated with travel considered commuting on the employee's wage records or W-2 form.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks ensure the value of employer-provided vehicles used for commuting is included as wages on monthly payroll to ensure compliance with Subsection 15.20.40 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual.

Bank Accounts Should Be Properly Authorized

Finding:

Bank account testwork performed at the Mississippi Department of Wildlife, Fisheries and Parks revealed the agency had not obtained authorization for the Lake Claude collection bank account and the Lifetime Endowment investment bank account from the Department of Finance and Administration. Subsection 29.60.35 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual requires authorization of agency bank accounts by the State Treasurer and the Department of Finance and Administration. It further explains any changes made in an approved bank account must be re-approved. Failure to comply with this MAAPP manual requirement could impair the ability of the State Treasurer and the Department of Finance and Administration to properly regulate bank accounts utilized by state agencies and could allow errors or fraud to occur without being detected in a timely manner.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks obtain authorization of bank accounts from the State Treasurer and the Department of Finance and Administration as required by Subsection 29.60.35 of the *Mississippi Agency Accounting Policies and Procedures (MAAPP)* manual. Reauthorization should be obtained for any changes made to an approved bank account.

End of Report



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

May 5, 2005

Limited Internal Control and Compliance Review Management Report

Ray Minor, Executive Director
Mississippi Workers' Compensation Commission
P. O. Box 5300
Jackson, Mississippi 39296-5300

Dear Mr. Minor:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Workers' Compensation Commission for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Workers' Compensation Commission:

1. Prepare and approve purchase orders prior to the ordering of goods and services; and
2. Document the date of receipt of goods or services and invoices.

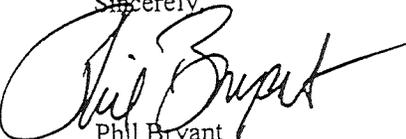
Please review the recommendations and submit a plan to implement them by May 26, 2005. The enclosed findings contain more information about our recommendations.

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 and Members of the Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Workers' Compensation Commission to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Workers' Compensation 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 Workers' Compensation Commission for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Vicki Alvey, and Yulanda Wesley.

The fieldwork for review procedures and tests was completed on March 8, 2005. 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 instances of noncompliance that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS**.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

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

Finding:

During expenditure testwork at the Mississippi Workers' Compensation Commission, we noted two instances out of 13 items tested which required purchase orders, or 15 percent, in which the purchase orders were prepared after the goods or services were received. Section 7-7-23, Miss. Code Ann. (1972), requires 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 requires 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 with state law impedes the agency's and the Department of Finance and Administration's ability to maintain budgetary controls over the agency's expenditures.

Recommendation:

We recommend the Mississippi Workers' Compensation Commission comply with state purchasing laws by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

Date of Receipt of Goods or Services and Invoices Should Be Documented

Finding:

The Mississippi Workers' Compensation Commission's practice is to document the receipt of goods or services by including the signature and date of the person receiving the goods or services on the invoice and to date stamp the invoice. Testwork performed on 24 expenditures revealed the following:

- Four instances, or 16 percent, in which the invoice documented the signature of the person verifying the receipt of goods or services; however, the person did not document the date the agency received the goods or services on the invoice.

- Two instances, or 8 percent, in which the invoice was not date stamped documenting the date received.
- One instance, or 4 percent, in which the signature and date of the person receiving the goods or services was not documented on the invoice.

Section 31-7-305, Miss. Code Ann. (1972), requires a record to be kept of the date of receipt of the invoice and dates of receipt, inspection and approval of the goods or services. In addition, the section requires payments to be made to a vendor within 45 days after receipt of the invoice and receipt, inspection and approval of goods or services. Failure to comply with state law could result in payment for goods or services not yet received and could result in the agency incurring costs through interest penalties prescribed by Section 31-7-305, Miss. Code Ann. (1972), for payments made 45 days after receipt of the invoice and receipt of goods or services.

Recommendation:

We recommend the Mississippi Workers' Compensation Commission strengthen procedures to ensure compliance with state law by requiring persons receiving goods or services to sign and date invoices or other documentation to indicate proper receipt of the goods or services prior to the disbursement of funds. We further recommend the agency document the date of receipt of the invoice on the invoice.

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II. AGENCIES' RESPONSES AND CORRECTIVE ACTION PLANS



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AGRICULTURAL AVIATION BOARD OF MISSISSIPPI

MEMBERS OF THE BOARD

Charles Chisolm, Chairman
Dr. David Smith
Malone Buchanan
Bob Provine, Jr.
Steve Brown



STAFF

Teresa "Les" Oswald
Director

208 N Dunn St., Eupora, MS 39744
www.aab.state.ms.us - email: agriavbd@network-one.com
Telephone (662) 258-3474; Fax (662) 258-5262

Compliance Review Findings

June 28, 2005

Mr. Phil Bryant
State Auditor
Office of the State Auditor
Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

The Agricultural Aviation Board of Mississippi (AAB) is in receipt of the Limited Internal Control and Compliance Review Management Report for the AAB noting an instance of noncompliance with state law. The AAB offers the following response to your findings and recommendations:

AUDIT FINDINGS:

INSTANCE OF NONCOMPLIANCE WITH STATE LAW

Response: The AAB concurs with the findings.

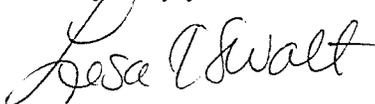
Corrective Action Plan: The Agricultural Aviation Board of Mississippi will comply with state law by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

Responsible person: Teresa Oswald, Director.

Completion date for corrective action will be immediately from this date forward.

If the AAB can be of further assistance, please call on us.

Very truly yours,



Teresa "Les" Oswald
Director

cc: Mr. Charles Chisolm, Chairman

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Mississippi Board of Animal Health

JAMES A. WATSON, D.V.M.
State Veterinarian

August 25, 2005

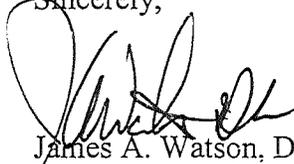
RECEIVED
AUG 26 2005
STATE AUDITOR
PHIL BRYANT

Mr. Phil Bryant
State Auditor
P. O Box 956
Jackson, MS 39205

Dear Mr. Bryant:

Enclosed is the implementation plan to the Limited Internal Control and Compliance Review Findings conducted by your office. While some of the findings and recommendations are valid, others are impossible to implement due to the small size of the agency. There is myself, as Agency Director, our Director of Accounting and Finance, a Receptionist and an Administrative Assistant. There are simply not enough people within the agency to properly segregate the necessary duties to comply with some of your recommendations. Please let me know if you do not find our plan satisfactory, or wish to make suggestions on improving our response plan.

Sincerely,



James A. Watson, DVM
State Veterinarian

1. Strengthen controls over cash receipts and disbursements

We do not have the checks and balances that larger agencies can afford, being constrained by the size of our administrative staff. In order to segregate duties, an Administrative Assistant will receive and post all checks in an Excel spreadsheet exclusive to their computer; however, this employee does not have access to SAAS so the cash receipts will still have to be entered by the Director of Accounting and Finance.

2. Support contractual services with written agreements

We will obtain written agreements signed by both parties when there is a question about the service or the charge for that service; however, in some instances the invoice is the contract. The invoice is for services we requested and received a price quote for prior to receiving the service, if the invoice is not correct payment is not made.

3. Strengthen controls over procurement card purchases

All goods or services purchased with the procurement card will be signed for by one of the Administrative Assistants in the office and they will also reconcile the credit card receipts with the credit card invoice each month before the Director of Accounting and Finance pays the bill. We will also be more attentive to receipts to insure that sale tax has not been charged. I have also attached a copy of our procurement card policy to this report.

4. Strengthen controls over asset management

All equipment purchases will be approved and signed for upon receipt by the Agency Director. The Agency Director will also review and sign all deletion and salvage forms. Due to the size of our staff and the training of our Director of Accounting and Finance, he will still perform all of the other duties related to asset management.

5. Develop a written policy for earning compensatory leave

There are certain instances when our employees are permitted to earn compensatory leave such as working the gate at the State Fair and Dixie National or when they have worked their normal hours and we need them to perform additional duty. More than 4 hours compensatory leave earned in a one week period requires prior approval by the immediate supervisors of the employee. All leave taken must be approved by the employee's supervisor. I have enclosed a copy of our compensatory leave policy.

6. Prepare and approve purchase orders prior to the ordering of goods and services

We will comply with state laws by ensuring purchase orders are prepared and approved prior to goods and services being ordered, except in emergency circumstances when we do not have the time to wait for the purchase order. The majority of our personnel is in the field and often works on Holidays and after hours., therefore no one is in the office to provide a purchase order. In those cases they purchase the item and we reimburse them. Some of these items require a purchase order, which means a purchase order is issued after the fact.

7. Ensure employee travel complies with state law

We will ensure travel is reimbursed in compliance with state travel laws. We will require amounts paid in error be reimbursed to the agency by the proper agency personnel.

8. Document the receipt of goods and services

The Administrative Assistant at the front desk of the agency will date stamp and sign for all goods and services, in her absence the other Administrative Assistant will sign.

MBAH COMPENSATORY LEAVE POLICY

The use of compensatory leave should be for the benefit of the Office of the Mississippi Board of Animal Health. It is not to be considered a means for accumulating additional leave time as desired by the employee.

This policy is developed in accordance with the Fair Labor Standards Act (FLSA) and its definition of exempt and non-exempt employees. If you are not aware of your status, contact the Personnel Director.

Except for compensatory holiday leave earned for working holidays when the Mississippi Board of Animal Health is open, all compensatory leave accumulated of more than four hours in a week must be approved by the employee's supervisor prior to the leave being earned. The employee must state the specific need for the accumulation of compensatory (overtime) time and the **maximum number of hours** that will be credited as compensatory time. Compensatory time is not considered accumulated until **40 hours have been worked** in the work period. For the non-exempt employee, hours worked in excess of 40 hours per week will be considered compensatory time and will be accumulated at one and a half times the number of hours worked in compliance with FLSA. It should be understood that if the employee is allowed to take time off within the same work period, the time and a half rule does not apply and compensatory time will be hour for hour.

Exempt employees will earn compensatory time on an "hour-for-hour" basis.

The maximum amount of compensatory time an exempt employee can accumulate will be **limited to 80 hours**. Any time off, with the exception of approved major medical leave or pregnancy/maternity leave, will be first charged against the employee's compensatory leave. The maximum amount a non-exempt employee can accumulate is **240 hours** under the FLSA regulations. It is the intent of this Office that accumulated amounts be limited to the minimum practicable amount.

All accumulated compensatory leave earned by exempt employees must be used within twelve months of the date it was earned.

No compensatory time will be earned by exempt employees for attendance at seminars, conventions, etc. or traveling to or from these meetings. Non-exempt employees should develop their schedule with the supervisor before attendance.

Upon termination of employment, the non-exempt employee shall be paid for unused compensatory time at a rate of compensation not less than:

- (a) the average regular hourly rate received by the employee during the last three years of employment, or
- (b) the final regular rate received by such employee, whichever is higher.

Exempt employees shall not be paid for compensatory time upon termination or retirement.

PROCUREMENT CARD POLICY FOR MS BOARD OF ANIMAL HEALTH

AUTHORIZED EMPLOYEES TO USE CARD:

Dr. Jim Watson
Chris Smith
Ginger Williams
Ronnie White
Brigid Elchos
Mary Porter
Angeliki Polles

(From time to time Chris Smith may order a good or service and give the number over the phone and another employee, other than the ones listed will received the good or service.)

SPENDING LIMITS:

\$1500.00 per single order, but all orders must be pre-approved by Chris Smith.

RAYMOND JOHNSON
DIRECTOR



COMPLIANCE REVIEW FINDINGS

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

June 6, 2005

Dear Mr. Bryant:

Boswell Regional Center recently completed a review for limited internal control and compliance for the year ended June 30, 2004. As a result of this review, several matters involving the internal control over financial reporting and instances of noncompliance were discovered and reported. Please accept this letter as our confirmation of the findings of the auditors and our plans of correction in which will be implemented to strengthen and control these areas of concern.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Internal Controls over Purchases Should Be Strengthened : Payee did not comply with specific terms of contract.

The agency agrees with these findings of the auditor concerning noncompliance with terms of contracts. BRC will strengthen internal controls over contract payments by ensuring all expenditures are reviewed and approved with supporting documentation maintained on file.

Specific steps taken in a plan of correction include, but are not limited to:

- a) The formulation of a summary spreadsheet for all contract employees clearly stating the specific terms of each individual contract. This summary spreadsheet will enable payroll personnel to efficiently determine the required documentation before payroll is approved.
- b) Simplify the requirements of many of the contracts to include only necessary documentation.

Jeff Martin, Business Services Director, will be the contact person responsible for this corrective action. The plan of correction will become effective with the implementation of new contracts effective July 1, 2006.

Controls over Drugs Inventories and Issuances Should Be Strengthened: BRC Pharmacy failed to properly log controlled drugs purchased and maintain the Individual Narcotic Count Sheet to ensure controlled drugs were properly tracked.

The agency agrees with the findings of the auditor concerning deficiencies with controls over drug inventories and issuances. BRC will strengthen internal controls to ensure all controlled drug purchases and issuances are recorded in the perpetual inventory log. These controls will also ensure supporting documentation for the controlled drugs issued is maintained and readily accessible for audit purposes.

Specific steps taken in a plan of correction include, but are not limited to:

- a) Pharmacy Technician hired on April 13, 2004 to ensure that controls and supporting documentation are recorded and accessible.
- b) Standard Operating Procedures were developed by the Pharmacist and Pharmacist Technician on February 7, 2005 with minor revisions made on May 17, 2005.
- c) Training was provided at the time the procedures were written and approved on February 7, 2005 and May 17, 2005.
- d) Random spot checks of documentation will be made by the Director of Medical Services or her designee.

Pat Burris, Medical Services Director, will be the contact person responsible for this corrective action. The plan of correction became effective June 1, 2005.

Strengthen Controls to Ensure Existing Policies are Followed: The agency failed to follow various policies and procedures governing operation of the agency's group homes. Cites concerning the inventory of individual's personal property, banking/financial deficiencies, and narcotic count sheets were reported by the auditor.

The agency agrees with the findings of the auditor concerning the need to strengthen controls to ensure existing policies are followed.

Specific steps taken in a plan of correction include, but are not limited to:

- a) Cites concerning the inventory of individuals personal property - the BRC clothing policy was reviewed and staff was in-serviced. The weekly/monthly inventory and addition/deletions are now being completed in accordance with BRC written policy.
- b) Cites concerning banking/financial deficiencies - a new Banking/Financial standard operating procedure was established on May 16, 2005. Deficient practices noted in the audit were addressed and corrected. Check stocks are locked up and individual's personal check books are assessable anytime. Banking transactions/statement reconciliations are verified by staff initialing the transaction, with supervisors reviewing all bank statements monthly.
- c) Cites concerning Narcotic Count Sheet - Nursing staff has been trained on the importance of properly maintained individual's medical records. Instructions were also given to file all medical records in the individual's current medical record or in the purged files located at the group home.

Kerry Bynum, Community ICF/MR Director, will be the contact person responsible for this corrective action. The plan of correction became effective June 1, 2005.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS

Adequate Bond Coverage Should be Obtained for Security Guards: Agency failed to obtain bond coverage for one of nine security guards employed by the agency.

The agency agrees with the findings of the auditor concerning the failure to obtain adequate bond coverage for a security guard. BRC will comply with state laws by obtaining and maintaining adequate bond coverage for all security guards.

Specific steps taken in a plan of correction include, but are not limited to:

- a) Quarterly reviews of bond coverage for all security guards.
- b) List of all security guards to be sent to Business Services on a quarterly basis by the Chief of Security for comparison with the current list on file.

Jeff Martin, Business Services Director, will be the contact person responsible for this corrective action. The plan of correction became effective on June 1, 2005.

Major Medical Leave Should Be Used in Accordance with State Law: Proper personal or compensatory leave was not taken properly prior to using major medical leave and a lack of adequate documentation on file certifying the use of continuous care for ongoing treatment or chronic illness.

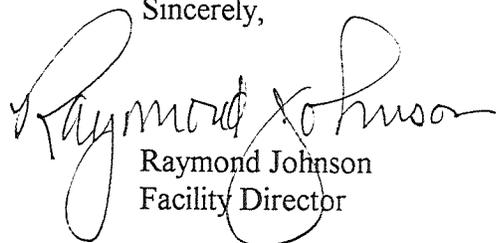
The agency agrees with the findings of the auditor concerning improper usage of major medical leave. BRC will implement procedures to ensure the use of major medical leave complies with state law.

Specific steps taken in a plan of correction include, but are not limit to:

- a) Monthly leave balances distributed to supervisors for improved knowledge of remaining personal or compensatory leave for employees.
- b) Creation of a simple application for approval of Leave without Pay for short periods of time.
- c) Requirement of more specific information before approval for continuous treatment is granted.

Jeff Martin, Business Services Director, will be the contact person responsible for this corrective action. The plan of correction will become effective on July 1, 2005.

Sincerely,



Raymond Johnson
Facility Director

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STATE OF MISSISSIPPI
OFFICE OF CAPITAL POST-CONVICTION COUNSEL

Louwlynn Vanzetta Williams
Staff Attorney

Robert M. Ryan
Director

Tomika Harris
Investigator

William J. Clayton
Staff Attorney

Deirdre Jackson
Paralegal

Honorable Phil Bryant
State Auditor
PO Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

We received your Limited Internal Control and Compliance Review Management Report for our agency. Our response to this report is provided below.

Immaterial Weaknesses in Internal Control

1. Controls Over Petty Cash Should Be Strengthened

We concur that additional controls should be implemented over the petty cash account. The person responsible for writing checks from this account has never been the person seeking reimbursement of expenditures from the account. When reimbursements are made, the fiscal consultant reviews the expenses at that time. We will increase the responsibilities of the fiscal consultant to include performing monthly bank reconciliations. Additionally, the Executive Director will review the account periodically to ensure expenditures are appropriate.

2. Controls Over Procurement Card Purchases Should Be Strengthened

Our agency has a fiscal consultant who is responsible for the accounts payable functions of the agency. The consultant receives copies of the invoices and does not use the original documents when performing these functions. The consultant performs a detailed review of the procurement card purchases, ensuring receipts are available for each purchase, contract items are not purchased or are purchased for less than the contract amount, and the billing statement is accurate. Since this review is performed on a copy, which is not retained, there was no evidence of this detailed review process; however, it should be noted that the review does occur.

All future receipts will be signed by the purchaser and the fiscal consultant will verify the signatures and dates as part of the accounts payable process for procurement card purchases.

3. Controls Over Travel Expenditures Should Be Strengthened

All requested travel vouchers were provided to the auditor performing the audit. The auditor assigned to our agency made numerous requests for the same records, even though the records were previously provided. We cannot determine what happened to the records provided; we explained that if provided documentation was missing, the auditor would have to be obtained from DFA as the original records and not copies had already been provided. In the future, we can provide copies of records to the auditor to ensure if they are misplaced, they can be reproduced.

The fiscal consultant performs a detailed verification of all travel vouchers submitted. Again, the verification is noted on a copy of the voucher and not on the original voucher. An examination of the paid vouchers would more than likely reveal no clerical errors or inaccuracies were encountered.

4. Collateral Sufficiency Analysis Reports Should Be Reconciled to Agency Records

The only bank account utilized by this office is the \$1,000 Petty Cash Account. The collateral report will be reviewed as part of the bank reconciliation process in the future.

Noncompliance with State Laws and Regulations

1. Purchases Should Be Made in Compliance with State Laws

The agency makes every effort to comply with state purchasing laws and every attempt is made to issue a purchase order prior to ordering goods or services. Although the audit report does not define which purchase orders were prepared after the invoices were received, we assume that it was for computer repairs. In the past, if the network was down, a service vendor may have been called to perform maintenance functions immediately, which may have occurred before a purchase order was approved by DFA. In an attempt to ensure that this does not occur in the future, we have instructed our fiscal consultant to enter an encumbrance order for computer repairs, in the same manner as is done for copies and books.

We will ensure that DFA's online approval is received prior to ordering the goods or services from vendors in light of the fact that DFA no longer requires purchase orders to be forwarded to them.

2. Agency Should Comply with State Travel Laws and Regulations

The Office has instituted procedures to ensure travel reimbursements comply with all laws and regulations. The reimbursable rates and all documentation are currently being reviewed prior to processing travel vouchers. Generally, employee lodging is paid via direct bill with the hotel; therefore, the state single rates are utilized.

Often the employees incorrectly complete their vouchers but the correct information is entered into SPAHRS (i.e., taxable meals vs. non-taxable meals and allowable meal rates) when the fiscal consultant reviews the vouchers. If the auditor only reviewed the travel vouchers and not the SPAHRS documentation, the finding may have changed.

The cost savings for use of a personal vehicle will be denoted on the travel vouchers in the future.

3. Receipt of Goods and Services Should Be Documented

Although the Office has only four employees and knowledge of receipt of items received is known, we have instructed the fiscal consultant not to pay any bill that does not have a receipt of goods or services noted on its face.

Thank you for providing our Office this opportunity to review our policies and procedures and recommending methods for internal controls to be strengthened. We will make every effort to ensure this Office complies with the recommendations set forth in your report and in our response to that report.

Sincerely,


Robert Ryan, Director

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MISSISSIPPI STATE BOARD OF CHIROPRACTIC EXAMINERS

P.O. DRAWER 775
LOUISVILLE, MS 39339
(662) 773-4478
FAX (662) 773-4433
www.msbce.ms.gov

Thomas F. Walker, D.C.
Chairman

Richard Walker, D.C.
Executive Secretary

COMPLIANCE REVIEW FINDINGS

October 22, 2005

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

Dear Mr. Bryant:

Enclosed is the plan which the Mississippi State Board of Chiropractic Examiners is implementing to correct the problems found in the audit for fiscal year 2004.

AUDIT FINDINGS

Strengthen Controls Over Petty Cash Disbursements

Response/Corrective Action: The Board has requested from SAAS that the vendor name/number being used for reimbursements to the Petty Cash Account be changed to the name of the bank account which is Mississippi State Board of Chiropractic Examiners/Petty Cash. In the meantime, all PVs for reimbursement to the Petty Cash account are signed by the Vice Chairman.

Reconcile the Collateral Sufficiency Analysis Reports to Agency Records

Response/Corrective Action: The Board was unaware that we were to be reconciling the Collateral Sufficiency Analysis Reports with the agency records; but, we are now doing this whenever the report is received.

Munson Hinman, D.C.
Vice Chairman

L.A. Norville, D.C.
David Ritch, D.C.

Michael Patterson, D.C.
Brian W. Amy, M.D.

Ensure Expenditures Comply with Contractual Agreements

Response/Corrective Action: The Board was unaware that the matching Social Security and Medicare payments from the Board had to be included in the Executive Secretary's contract as income. The contract now includes the extra moneys as the full amount which is received monthly by the Executive Secretary.

Comply with State Travel Laws and Regulations

Response/Corrective Action: The Board had not been apprised of an increase in mileage reimbursement rates, so the old rate was being used to reimburse Board members, which was actually less than the new rate. The Board is now checking the web sites frequently for changes in rates. Also, the backs of the travel vouchers are now being copied.

Ensure Purchases Comply with State Law

Response/Corrective Action: The Board, during the previous audit, was asked to obtain a procurement card. After further investigation and on advice from SAAS, it was found that a procurement card, at that time, would not have been cost-effective and the Board was to continue using the merchant-specific card. SAAS was asked about sales tax and they said to include it in the total cost of the purchases.

The Board has since made application and received the current state procurement card. This card does not have a monthly fee and is cost-effective.

Ensure Expenditures are Coded to the Proper Account Number

Response/Corrective Action: The Board's response disputes this audit finding. The Board does not feel that State law concerning purchases was violated in any way. This was a repair of the current computer CPU, which is the only computer this agency has. If the Board had not repaired this computer, the Board would have been unable to function for at least 6 weeks. The new CPU was bought according to the pricing of the state EPL list published by ITS. However, in the future, the Board will contact SAAS as to how it should proceed with purchases.



STATE BOARD FOR
COMMUNITY AND JUNIOR COLLEGES

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW FINDINGS

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

April 1, 2005

Dear Mr. Bryant:

Please find enclosed the Mississippi State Board for Community and Junior Colleges' response and corrective action plan regarding the Limited Internal Control and Compliance Review Finding.

AUDIT FINDINGS:

Reconciliations of the Collateral Sufficiency Analysis Reports to Agency Records Should be Performed.

Response:

The State Board for Community and Junior Colleges concurs with the above finding. The agency will prepare quarterly reconciliations of its bank accounts to the Collateral Sufficiency Analysis report.

Corrective Action Plan:

- A. The agency's Collateral Sufficiency Analysis report is received about a month after the end of the quarter. Upon receipt the State Board for Community and Junior Colleges' accountant will reconcile the report to the agency's bank statements. The Director of Accounting will review the reconciliation. If errors are detected they will be reported to the State Treasury.
- B. The agency's accountant, Jason Carter, will be responsible for reconciling the Collateral Sufficiency Analysis report to the agency's bank statements. The agency's Director of Accounting, Debbie Borgman, will review the reconciliation.
- C. The corrective action will take place upon receipt of the next quarterly report and there after. This report, for the quarter ending March 31, 2005, will be received around the first of May.

Should you need additional information concerning this response or corrective action plan, please feel free to contact Deborah Gilbert, Associate Executive Director Administrative Services at 432-6337.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Stonecypher".

Wayne Stonecypher
Executive Director

WWS/jc

Phil Bryant, State Auditor
October 22, 2005
Page 3

Obtain Authorization for Merchant-specific Credit Card

Response/Corrective Action: Please see response above under “Ensure Purchases Comply with State Law.” This has been completed.

Sincerely,
MISSISSIPPI STATE BOARD OF CHIROPRACTIC EXAMINERS



Thomas F. Walker, D.C.
Chairman

dlw



STATE OF MISSISSIPPI

DEPARTMENT OF CORRECTIONS

CHRISTOPHER B. EPPS
COMMISSIONER

November 9, 2004

FINANCIAL AUDIT FINDINGS

Handmail

The Honorable Phil Bryant
State Auditor, State of Mississippi
501 N. West Street – Suite 801
Jackson, MS 39201

Dear Mr. Bryant:

Listed below are the findings and recommendations of your office concerning the Mississippi Department of Corrections fiscal year 2004 audit, along with this Agency's response and corrective action plan for each finding.

PRIOR YEAR FINDINGS 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 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.

Response:

We concur with the state auditor's findings regarding supervision fee collections. Increased internal audits and additional analytical review procedures will increase assurance that supervision fees are properly collected, posted and deposited in a timely manner. Collections are currently reviewed analytically to detect unusual fluctuation in collections.

Additionally, regarding segregation of the collection and recordkeeping functions the agency is testing the following collections method:

- We are involved in a pilot program using an independent agent to collect supervision fees from offenders in the Hinds County area. Offenders pay a small fee to agents located in the Jackson area for the service of transferring supervision fees to a central account and posting the transaction to the offender's account. An independent agent is currently in the process of setting up an agent-based network

throughout the state. Upon establishment of an agent-based system which provides adequate statewide coverage, MDOC will have the option of using agents to collect supervision fees throughout the state, removing the field officer from the collection function.

Corrective Action Plan:

- A. MDOC is exploring options regarding collecting supervision fees utilizing an independent collection agent.
- B. The responsible parties for implementation of an agent based collection system will be the Deputy Commissioner of Administration & Finance and the Deputy Commissioner of Community Corrections.
- C. MDOC is working towards having a central or agent based collection system in place prior to the end of Fiscal Year 2006.
- D. Not applicable

CURRENT YEAR FINDINGS

Finding 1:

Our review of accounting procedures for Fund 8091, Inmate Welfare Fund, determined that collections and transfers of telephone commission revenues were not being properly tracked. We have noted a number of controls that mitigate the opportunity for misappropriation of these funds. However, phone commissions are being received and subsequently transferred to the appropriate funds without proper oversight to ensure the transfers comply with the law governing this revenue source. The lack of appropriate procedures resulted in an overstatement of transfers to other funds of approximately \$119,000.

Recommendation:

We recommend MDOC track the phone commission collection and transferring of these funds to the appropriate accounts as provided by Section 47-5-158 of the Mississippi Code. A spreadsheet should be prepared on a monthly basis by an MDOC accountant detailing the receipts and transfers of telephone commissions during the month. The report should be tied to the general ledger, as well as bank statements, to ensure its accuracy. This report should be sent to the Deputy Commissioner of Finance each month.

Response:

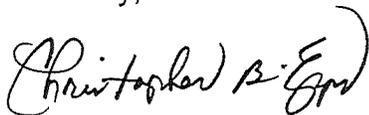
We concur with the State Auditor's finding regarding improper tracking of telephone commission revenues. The audit finding concerning accounting procedures for Fund 8091, Inmate Welfare Fund, has been reviewed. In September 2003, the data for this fund was transferred to a new accounting software package. During this process a journal entry was made incorrectly, thereby overstating the original amount due to other funds. This error has been rectified and can be seen in the Fiscal Year 2005 books.

Now that the initial starting balance on the new software has been corrected, phone commission activity can be easily tracked. Each month the general ledger will show the commission deposited for that month. When the commission is transferred out, the general ledger balance for phone commissions will go back to zero.

Corrective Action Plan:

- A. An adjusting entry has been posted to correct the overstatement.
- B. Richard Rogers, Accountant Auditor III
- C. The corrective action was completed in September 2004
- D. Not applicable

Sincerely,



Christopher B. Epps, Commissioner
Mississippi Department of Corrections

CE/RM:vle/aa

Pc: Rick McCarty, Deputy Commissioner of Administration & Finance
File



EAST MISSISSIPPI STATE HOSPITAL
P.O. BOX 4128, WEST STATION, MERIDIAN, MISSISSIPPI 39304-4128

Ph. (601) 482-6186
Fax (601) 483-5543

CHARLES A. CARLISLE, DIRECTOR

COMPLIANCE REVIEW FINDINGS

September 30, 2005

Phil Bryant, State Auditor
Office of State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

In connection with your examination of East Mississippi State Hospital's financial records for the year ended June 30, 2004, we submit our responses/ corrective action plans for each of the eleven (11) findings resulting from the Limited Internal Control and Compliance Review Management Report dated August 11, 2005.

1. Properly segregate of duties over bank accounts

Response:

For the patient activities donation account, East Mississippi State Hospital concurs with the finding. The duties over this bank account were not properly segregated.

Corrective Action Plan:

- The Business Services Director has segregated duties over transactions in order to improve and strengthen internal controls over the patient activity account. Job duties in the accounting office have been reassigned to the staff, so that no one individual has complete control over the bank account, in accordance to the MAAPP Sub-Section 30.40.65. as follows:
 - A. The Personnel Officer records the receipt into the Accounting Office.
 - B. The Business Services Director approves expenditures.
 - C. The Accounting Auditing Technician in the Accounting office is responsible for recording receipts and disbursements, for writing the checks, and verifying receipts.
 - D. The Accountant Auditor III in the Accounting Office prepares the bank deposit and signs checks.
 - E. The Transportation or Security Department takes deposits to the bank.
 - F. The Administrative Assistant reconciles the bank account monthly.

Response:

For the clearing account, East Mississippi State Hospital concurs with the finding. The duties over this bank account were not properly segregated.

Corrective Action Plan:

- The Business Services Director has segregated duties over transactions in order to improve and strengthen internal controls over the clearing account. Job duties in the accounting office have been reassigned to the staff, so that no one individual has complete control over the bank account, in accordance to the MAAPP Sub-Section 30.40.65. as follows:
 - A. The Personnel Officer records the receipt into the Accounting Office.
 - B. The Accounting Auditor III is responsible for recording receipts and disbursements into check register, for writing the checks, preparing the bank deposit, and preparing transfer of funds to the State Treasury.
 - D. The Transportation or Security Department takes deposits to the bank.
 - E. The Business Services Director signs the checks.
 - G. The Administrative Assistant maintains daily receipt register, verifies receipts, and reconciles the bank account monthly.
 - H. The Accounting Auditor I verifies the transfer of funds by reconciling the daily receipt register with D.F.A. records monthly.

Response:

For the petty cash account, East Mississippi State Hospital concurs with the finding. The duties over this bank account were not properly segregated.

Corrective Action Plan:

- The Business Services Director has segregated duties over transactions in order to improve and strengthen internal controls over the petty cash account. Job duties in the accounting office have been reassigned to the staff, so that no one individual has complete control over the bank account, in accordance to the MAAPP Sub-Section 30.40.65. as follows:
 - A. The Personnel Officer records the receipt into the Accounting Office.
 - B. The Business Services Director approves expenditures.
 - C. The Accounting Auditing Technician in the Accounting office is responsible for recording receipts and disbursements, for writing the checks, and verifying receipts.
 - D. The Accountant Auditor III in the Accounting Office prepares the bank deposit and signs checks.
 - E. The Transportation or Security Department takes deposits to the bank.
 - F. The Administrative Assistant reconciles the bank account monthly.

Response:

For the Weems Foundation account, East Mississippi State Hospital does not concur with the finding. The duties over this bank account were properly segregated.

Corrective Action Plan:

- The Business Services Director finds that these duties were segregated over transactions over the Weems Foundation account. Job duties in the reimbursement office were assigned to the staff so that no one individual has complete control over the bank account in accordance to the MAAPP Sub-Section 30.40.65.

2. Strengthen controls over bank accounts

Response:

For the patient activities donation account, the clearing account, the Weems Foundation account, the garnishment account and the petty cash account, East Mississippi State concurs the unused checks were not adequately safeguarded.

Corrective Action Plan:

- The Business Services Director requires all unused checks and checkbook be stored in the accounting office safe.

Response:

For the Weems Foundation account, East Mississippi does concur that there were two instances in which checks lacked a signature.

Corrective Action Plan:

- The Reimbursement Director will monitor that all checks have required signature

Response:

For the resident trustee account, East Mississippi State concurs that outdated checks did remain outstanding.

Corrective Action Plan:

- The Business Services Director will monitor that all outstanding checks over one year are promptly voided and resolved.

3. Strengthen controls over disbursements

Response:

East Mississippi State Hospital does concur that the agency's approval levels had not been updated after a turnover of staff.

Corrective Action Plan:

- The Business Services Director initiated and processed changes to the agency's approval level required to properly segregate to prevent both the initiation and authorization of a transaction by a single individual.

4. Implement controls over pharmacy inventory

Response:

East Mississippi State Hospital does concur that the agency's pharmacy did not maintain a record of the pharmacy's inventory of non-controlled substances and did not perform periodic physical inventory of non-controlled substances on hand.

Corrective Action Plan:

- East Mississippi State Hospital is searching for a Pharmacy program that will maintain a record of the pharmacy's inventory and allow periodic physical inventory of the non-controlled drugs on hand, as feasible within the budget limitations.

5. Strengthen controls over contractual services expenditures

Response:

East Mississippi State Hospital does concur with the findings concerning the agreement for consulting services.

Corrective Action Plan:

- The Business Services Director has initiated processes that will assure that payments are in agreement with the contract.
 - A. The Business Services Director maintains the original signed contracts.
 - B. The Business Services Director does not authorize payment to an individual without a completed time sheet.
 - C. The Business Services Director monitors contractual payments are made in accordance to the contract.

6. Strengthen controls over procurement card purchases

Response:

East Mississippi State Hospital does concur with the findings concerning procurement card purchases.

Corrective Action Plan:

- The Policies and Procedures have been updated and the Purchasing Agent monitors adherence to the policies.
 - A. Policy dictates that credit card users must submit a purchase requisition to the Purchasing Office for approval before a purchase is made.
 - B. Policy dictates that a designated person, or persons, may use the credit card,

only in specific cases as defined in the policies.

- C. Policy dictates that Purchasing Card Record with supporting documentation and disputed item report (where applicable) be sent to the Purchasing Department within two working days of receipt of statement.
- D. The Purchasing Agent reviews the Purchasing Card Record for compliance to policy, then forwards to the Accounts Payable Department to process for payment.
- E. CitiBank has reissued Credit Cards. Cardholders received in-service training on the correct procedures.

7. Perform reconciliations of the collateral sufficiency analysis reports to agency

Response:

East Mississippi State Hospital failed to do timely reconciliations of collateral sufficiency analysis for fiscal year 2004.

Corrective Action Plan:

The Business Services Director will monitor that all collateral sufficiency analysis are reconciled quarterly and will report any discrepancies to the State Treasury.

8. Ensure major medical leave is use in accordance with state law

Response:

East Mississippi State Hospital does concur with the findings concerning the use of Major Medical Leave.

Corrective Action Plan:

- The Business Services Director has initiated procedures to ensure major medical leave is used in compliance with state law.
 - A. Policy dictates that the leave slips must accompany daily timesheets to ensure proper documentation of leave.
 - B. Policy dictates that doctor's excuse must accompany leave to assure proper documentation of major medical leave. Leave requests for a continuing treatment must give sufficient detail to be authorized for major medical leave.
 - C. Aggressive measures are being taken to ensure compliance with State Laws and Regulations.

9. Ensure vendors are paid in accordance with state law

Response:

East Mississippi State Hospital does concur with the findings concerning the failure to remit payment to the vendor with 45 days after the receipt of the invoice.

Corrective Action Plan:

The Director of Reimbursement has initiated procedures to monitor and ensure that all medical payments are paid timely.

10. Maintain surety bond coverage for security guards

Response:

East Mississippi State Hospital does concur with the findings that surety bonds were not acquired timely.

Corrective Action Plan:

- The Business Services Director is responsible for providing the Administrative Assistant with names of new or terminated security guards as the information is received from payroll. The Director of Security also notifies the Administrative Assistant of any changes in security staff. The Administrative Assistant secures surety bonds in accordance with laws and regulations.

11. Follow state regulations over reporting housing allowances

Response:

East Mississippi State Hospital does concur with the findings of employer-provided housing allowances.

Corrective Action Plan:

- The housing allowances were corrected for both situations. The Director of Payroll is responsible for ensuring compliance to the Public Employees' Retirement System and to report any discrepancies to the Business Services Director.

Sincerely,



Charles Carlisle
Director,
East Mississippi State Hospital



**STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION**

Henry L. Johnson
State Superintendent of Education

OTHER AUDIT FINDINGS

February 18, 2005

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

In accordance with your January 26, 2005, correspondence, the Department of Education is providing the following responses and corrective action plans for the other audit findings for the fiscal year ended June 30, 2004:

AUDIT FINDINGS:

Controls over Earmarking Requirements Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

As noted in the finding, after the errors were brought to the attention of program management, the budgeted earmarking allotments for the 2003 Title I grant were corrected in the Statewide Automated Accounting System (SAAS).

To ensure earmarking requirements are met for future grant awards, the Mississippi Department of Education, Office of Innovative Support will strengthen controls over the budgeting of earmarking allotments. The Title I Supervisor will determine the proper budget amount for each of the earmarking areas of the grant in accordance with federal regulations. The budget amounts will be reviewed and approved by the Director of Innovative Support prior to submission to the Office of Budget and Planning for entry into SAAS. Supervisory reviews will be documented in writing.

B. Name of the contact person responsible for corrective action:

Nikisha Ware, Director
Office of Innovative Support

C. Anticipated completion date for corrective action:

The budgets of the 2003 Title I grant have been corrected. The additional control procedures described will be implemented during the budgeting process for the 2005 grant award.

Controls over Earmarking Requirements Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

As noted in the finding, after the error was brought to the attention of program management, the budgeted earmarking allotment for state administration for the 2003 Title V grant was corrected in the Statewide Automated Accounting System (SAAS).

To ensure earmarking requirements are met for future grant awards, the Mississippi Department of Education, Office of Innovative Support will strengthen controls over the budgeting of earmarking allotments. The Title V Supervisor will determine the proper budget amount for each of the earmarking areas of the grant in accordance with federal regulations. The budget amounts will be reviewed and approved by the Director of Innovative Support prior to submission to the Office of Budget and Planning for entry into SAAS. Supervisory reviews will be documented in writing.

B. Name of the contact person responsible for corrective action:

Nikisha Ware, Director
Office of Innovative Support

Phil Bryant, State Auditor
February 18, 2005
Page 3

C. Anticipated completion date for corrective action:

The budget for state administration of the 2003 Title V grant has been corrected. The additional control procedures described will be implemented during the budgeting process for the 2005 grant award.

Should you have any questions or need additional information, do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Henry L. Johnson".

Henry L. Johnson
State Superintendent of Education

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WALTER BROWN, Chairman
Natchez

BEN H. STONE, Vice Chairman
Gulfport

JIM INGRAM, Secretary
Madison

GARY L. CARNATHAN
Tupelo

MISSISSIPPI ETHICS COMMISSION

Post Office Box 22746
Jackson, Mississippi 39225-2746
Telephone: 601-359-1285
Telecopier: 601-354-6253

SCOTT RANKIN, Executive Director

JAMES E. STIRGUS, SR.
Vicksburg

ANJUAN BROWN
Greenwood

GENE WARR
Gulfport

BRAD STEWART
Starkville

June 21, 2005

Mr. Rob Robertson
Office of the State Auditor
Post Office Box 956
Jackson, MS 39205

RE: Limited Internal Control and Compliance Review Findings for the Mississippi Ethics Commission for Fiscal Year 2004

Dear Sir:

This correspondence is our plan to implement your office's recommendations to address the above referenced findings. This plan, as specifically set forth below, has already been implemented by this office.

1. Strengthen controls over disbursements:

Action: The SAAS input capabilities and all levels of agency approval authority for disbursements for the two employees in question were corrected prior to your field auditor completing the fieldwork on March 31, 2005. The corrections were reviewed and approved by your field auditor.

2. Strengthen controls over petty cash bank account:

Action:

- The executive director no longer prepares the checks issued from the petty cash bank account. In accordance with your field auditor's advice, the accounting clerk is the authorized employee to prepare the checks and the executive director is the authorized employee to sign the checks.
- The executive director initials and dates the monthly bank statement reconciliation providing evidence of the reconciliation as recommended by your field auditor.
- The executive director initials and dates the State Treasury's Collateral Sufficiency Analysis report providing evidence of his review as recommended by your field auditor.

3. Strengthen controls over recording employee leave:

Action:

- A system is in place that requires all employees to personally bring their leave forms to the executive director or the assistant director for approval and thereby not depend on the accounting clerk to deliver the leave forms to the executive director or the assistant director for approval. Also, a system is in place requiring the executive secretary to review all leave forms for the proper authorizing signatures when the executive secretary conducts her review of the leave forms for entry on the second control document for reconciliation with the control sheet. This system was reviewed and approved by your field auditor.
- A system is in place requiring the accounting clerk to print the "SPAHRs Leave Balance Listing" sheet for each month and to give same to the executive secretary who reconciles it with her second control document and the control sheet. Discrepancies found by the executive secretary between the second control document and the control sheet and the printout of the "SPAHRs Leave Balance Listing" sheet for each month are reported to the accounting clerk who re-enters SPAHRs and makes the corrections and thereafter prints a second "SPAHRs Leave Balance Listing" sheet for the month and gives same to the executive secretary who again reconciles that sheet with the second control document and the control sheet. This system was reviewed and approved by your field auditor.

4. Document receipt of goods or services invoices:

Action: All invoices are now signed, stamped and dated by the employee confirming that goods and services were provided. Also, the executive director or the assistance director reviews each invoice before giving SAAS approval authority for disbursement to verify the invoice has been signed, stamped and dated confirming the goods or services were provided. The executive director or the assistance director initials and dates the invoice evidencing the review. This system is based upon the advice of your field auditor.

I believe your office will find that our implementation of the above actions set forth in Items 1, 2 and 3 appropriately strengthens our internal controls over disbursements, the petty cash bank account, and employee leave balances. Also, I believe your office will find that the implementation of the above action set forth in Item 4 brings us in full compliance with § 31-7-305, Miss. Code Ann. (1972). In summary, I believe you will find that the above actions fully and completely accomplish your recommendations.

If you have any questions regarding this response, please do not hesitate to contact me.

Sincerely yours,



Scott Rankin
Executive Director



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR

DEPARTMENT OF FINANCE AND ADMINISTRATION
J.K. STRINGER, JR.,
EXECUTIVE DIRECTOR

February 28, 2005

SINGLE AUDIT FINDING

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

Dear Mr. Bryant:

The following is our response to the finding and recommendation contained in your Single Audit Management Report dated February 18, 2005.

AUDIT FINDING:

93.UN Various

ALLOWABLE COSTS/COST PRINCIPLES

04-23 Transfers from Self-Insurance Funds Should Not Include Federal Funds

Response: We concur with this finding.

Corrective Action Plan:

- A. Based on discussions with the federal DHHS negotiator assigned to the State of Mississippi, it is our understanding that the determination of refunds required by the federal government will be made in conjunction with the review and approval of the applicable year's Statewide Cost Allocation Plan. When the proposed FY 2006 plan is submitted to the federal government, we will submit information about the FY 2004 transfers and begin the negotiation process to determine appropriate action.

Honorable Phil Bryant

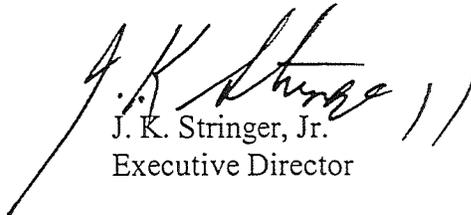
Page 2

February 28, 2005

- B. Mrs. Sandra Lohrisch, Director of the Office of Budget and Accounting, will be responsible for coordinating the corrective action.
- C. Final settlement of this issue will depend on review of the state's SWCAP for FY 2006 by the federal cognizant agency and subsequent negotiations with the federal government.
- D. Not applicable.

If you should need additional information concerning this response, please let me know.

Sincerely,



J. K. Stringer, Jr.
Executive Director



STATE OF MISSISSIPPI
HALEY REEVES BARBOUR, GOVERNOR
DEPARTMENT OF HUMAN SERVICES
DONALD R. TAYLOR
EXECUTIVE DIRECTOR

January 14, 2005

FINANCIAL AUDIT FINDINGS

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

Dear Mr. Bryant:

The following are our responses and corrective action plans to the Financial Audit as outlined in the Department of Human Services audit performed for the year 2004.

AUDIT FINDINGS:

REPORTABLE CONDITION

Procedures Should be Implemented for Disabling User IDs for Employees Leaving Agency Service

Finding:

During our review of the Mississippi Department of Human Services, we noted the following weaknesses in the employee termination procedures:

- Nine terminated employees had active Resource Access Control Facility (RACF) IDs. Last year there were eight terminated employees reported.

- Six terminated employees had active Windows 2000 user IDs. Last year there were 24 employees reported.

Control Objectives for Information and Related Technology (CobiT), as well as recognized industry best practices, require existence of adequate procedures to deactivate system access to terminated employees. Failure on the part of the agency to properly disable access for former employees could allow unauthorized access or fraud to occur without being discovered.

Recommendation:

We recommend the Mississippi Department of Human Services implement procedures to ensure retired or terminated employee user IDs are disabled immediately when an employee leaves agency service.

Response:

MDHS was made aware of fifteen employees that were not properly terminated from MDHS systems and agrees that failure to properly disable access for all terminated employees could allow unauthorized access to occur.

Corrective Action Plan:

Termination notices received from the Division of Human Resources is the information used by the MIS Division to disable system access for terminated and retired employees. MIS has also implemented the use of a termination report based on information from the SPAHRS system to ensure all employees that leave agency service are deleted from all systems. A termination validation process is currently being implemented as an additional procedure to ensure our objective of zero exceptions is achieved for this control area. The User IDs for the terminated employees identified by the Auditor have been deleted from all systems.

IMMATERIAL WEAKNESS IN INTERNAL CONTROL

Controls over SAAS Access Should Be Strengthened

Finding:

During our audit of the Mississippi Department of Human Services, we reviewed the agency's approval levels established in the Statewide Automated Accounting System (SAAS). We noted the following:

- Three instances in which employees continued to have SAAS access after termination. After notification by auditors, the agency took immediate action to remove SAAS access for these former employees.
- One instance in which an employee maintained SAAS for 5 months after termination.

Good internal controls require employee access to computer systems be removed immediately upon termination. Failure to maintain adequate internal controls could allow errors or fraud to occur without being promptly detected.

Recommendation:

We recommend the Mississippi Department of Human Services strengthen controls to ensure employee access to SAAS is removed immediately upon an employee leaving agency service.

Response:

MDHS concurs with the finding. We are convinced that timely notification via the SAAS/MARS Access Security Form is still workable. Each unit/office/division is responsible for advising the Office of General Accounting -SAAS Control unit via a SAAS/MARS Access Security form to delete an employee's access to SAAS immediately upon termination. We initiated a procedure to remind each unit/division to advise security staff personnel when to delete an employee. Human Resources - Personnel are now notifying us via the termination notice of employees leaving the agency. A request was submitted to DFA-MMRS to discontinue SAAS access for the employees noted in the finding.

Corrective Action Plan:

Reemphasize to each unit/division the importance of completing the SAAS Security Request Form to delete an employee immediately upon termination.

Periodically submit to each unit/division a list of SAAS users in their area for review and continued SAAS access.

Continue to work with Human Resources - Personnel on receiving the Termination Notices, timely and submit necessary authorization forms to DFA-MMRS to delete applicable employees SAAS access immediately upon termination.

IMMATERIAL NONCOMPLIANCE

The Value of the Employer-Provided Vehicles Should Be Reported

Finding:

Section 15.20.40 of the Mississippi Agency Accounting Policies and Procedures (MAPP) manual states “The value of employer-provided vehicles used by state employees for commuting and personal use must be included in wages for social security, federal and state income tax, and retirement purposes.” During fringe benefit testwork at the Mississippi Department of Human Services, we noted the following:

- a. The former Executive Director was provided a state-owned vehicle; however, travel logs were not on file. Therefore, we could not determine if there was daily commuting which should have been reported on the employee’s wage records or W-2 form.
- b. The former Youth Services Director was provided a state-owned vehicle which was used for daily commuting, as well as official business travel according to travel logs on file; however, the fringe benefit amount associated with the travel which would be considered commuting was inaccurate on the employee’s wage records or W-2 form.

Failure to report the value of an employer-provided vehicle for commuting on employees’ wage records results in noncompliance with section 15.20.40 of the MAAPP manual and Internal Revenue Services policies regarding fringe benefits related to commuting. Also, failure to maintain travel logs detailing the use of employer-provided vehicles impedes our ability to audit for compliance.

Recommendation:

We recommend the Mississippi Department of Human Services ensure the value of employer-provided vehicles used for commuting is reported on wage records and on an employee’s W-2 form in compliance with section 15.20.40 of the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual. We further recommend that the agency ensure that travel logs are maintained and filed for audit purposes.

Phil Bryant
January 14, 2005
Page 5

Response:

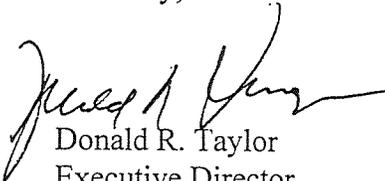
MDHS was made aware of the error/omission by the State Auditor's Office and agrees that the value of employer-provided vehicles should be included as wages for social security, federal and state income tax, and retirement purposes. In addition, MDHS acknowledges that we made an error in the calculation of the former Youth Services Director's wage record with regards to the employer provided vehicle that he was driving.

Corrective Action Plan:

MDHS has made the necessary calculation changes in the determination of the value of employer-provided vehicles. In addition, all employees who are driving employer-provided vehicle are submitting the proper travel logs to ensure that all wages are reported correctly.

We appreciate the courtesy and professionalism demonstrated by Tonya Bierman and her field staff throughout the audit. Should you have any questions regarding our responses or corrective action plans, feel free to contact Brian Daniel of the Division of Budgets and Accounting at 601-359-4739.

Sincerely,



Donald R. Taylor
Executive Director

DRT:BD:klm

pc: Richard Harris
Richard A. Berry
Peter Boulette
Brian Daniel

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GEORGE DALE
Commissioner of Insurance
State Fire Marshal

LEE HARRELL
Deputy Commissioner

STATE OF MISSISSIPPI
Mississippi Insurance Department

501 N. West Street
1001 Woolfolk Building (39201)
Post Office Box 79
Jackson, Mississippi 39205-0079
(601) 359-3569
<http://www.doi.state.ms.us>

COMPLIANCE REVIEW FINDINGS

March 7, 2005

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

Dear Mr. Bryant:

The Mississippi Insurance Department's response to the Compliance Audit Finding for the Fiscal Year 2004 is outline below. Corrective action has been taken to comply with the audit recommendations.

AUDIT FINDING:

1. Controls over bank accounts should be strengthened

Response:

The Department agrees that in some instances, there was no supervisory review of bank reconciliations. We agree that outstanding checks in the general account were not cleared until the beginning of the current fiscal year.

Corrective Action Plan:

- A. The Accounting Division will require a second level review of the bank statement reconciliations to ensure completion and accuracy of bank accounts. These reviews will be initialed and dated. The Department makes every effort to process and clear all outstanding checks after one year on the general account. This will be done at the end of each fiscal year. The Accounting Division is researching the outstanding checks on the remaining accounts in order to clear all of these items.
- B. Both Nancy Stuart and Yvonne Shotts will be working together to ensure any corrective measures are implemented.
- C. All corrections recommended by the Audit Department have either already been corrected, or will be immediately.

Mr. Phil Bryant, State Auditor
March 7, 2005
Page 2

2. Controls over Procurement Card purchases should be strengthened

Response:

The Insurance Department agrees that all procurement card purchases made by the Purchasing Chief were not signed off on by another approving official.

Corrective Action Plan:

- A. The Insurance Department has immediately begun the process of a second level approval for all procurement card purchases made by the Purchasing Chief.
- B. Yvonne Shotts, Nancy Stuart or Fran Shoemaker will ensure the second level approval is received on all procurement card purchases made by the Purchasing Chief.
- C. This recommendation has already been implemented.

3. Agency should maintain adequate Surety bond coverage

Response:

The Insurance Department maintains Fidelity or Surety Bonds on all Insurance Department employees. However, after the 2003 election, the Insurance Department did not receive an invoice for the renewal of the Surety Bond for the Deputy Insurance Commissioner. This was an oversight by the Insurance Department and the vendor.

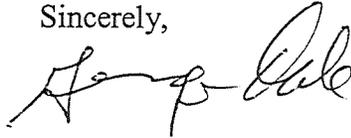
Corrective Action Plan:

- A. The Insurance Department has renewed the Surety Bond for the Deputy Insurance Commissioner. The Purchasing Chief and both secretaries for the Insurance Commissioner and Deputy have made notations on their calendars to ensure the renewal of the Insurance Commissioner and Deputy Insurance Commissioner's Surety Bonds at the end of policy term.
- B. Both Yvonne Shotts and Nancy Stuart will be the contacts to ensure all Fidelity and Surety bonds are renewed properly and timely.
- C. This audit finding was corrected immediately during the audit review. The Surety Bond was renewed immediately by the agency and vendor.

Mr. Phil Bryant, State Auditor
March 7, 2005
Page 3

We appreciate the cooperation of all the Audit Department's staff during this audit. If you have any further questions, please feel free to contact Nancy Stuart of my office at 359-2482 or me.

Sincerely,

A handwritten signature in black ink, appearing to read "George Dale". The signature is fluid and cursive, with the first name "George" and last name "Dale" clearly distinguishable.

George Dale
Commissioner of Insurance

GD:ns

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MISSISSIPPI COMMISSION ON JUDICIAL PERFORMANCE

P.O. BOX 22527

JACKSON, MISSISSIPPI 39225-2527

TELEPHONE: (601) 359-1273

FAX: (601) 354-6277

August 1, 2005

Honorable Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
PO Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

Our agency has reviewed your Limited Internal Control and Compliance Review Management Report and is submitting this letter in response. We wish to thank you and your staff for the professionalism exhibited during the course of the review.

Audit Findings:

Internal Controls Should Be Strengthened Over Contractual Services Expenditures

The Mississippi Commission on Judicial Performance has had a policy to obtain contracts for all contractual services performed. During the year audited, your staff noted instances where this procedure was not followed. We have reinstated our procedure to obtain contracts for all consulting services. In the future contracts will exist for all consulting services. Our fiscal staff will review the contract prior to entering a purchase order for the services and prior to making payments for services when rendered.

The Commission makes every attempt to pay its invoices in a timely manner. The majority of our invoices are paid within the week they are received. We will continue to make timely payments whenever possible; however, there have been instances in the past when payment had to be held due to funding considerations. The Commission has not been fully funded in the past several years and has had to seek deficit appropriations each year in order to meet the basic operational expenses of the office. When funds are not available, payments cannot be made. During the past year, our agency received an additional funding source from the Criminal Justice Fund. We are hopeful that the Legislature will enable the Commission to expend these funds as collected thereby eliminating the necessity for holding payments until such time as General Funds are made available to the Commission.

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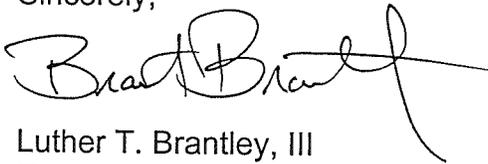
455 N. LAMAR STREET
BAREFIELD COMPLEX BUILDING
SUITE 201
JACKSON, MISSISSIPPI 39201

Purchases Should Be Made in Accordance with State Laws

The audit letter did not identify which three purchases were prepared upon receipt of invoices; therefore limited the nature of our response. The Commission had noted that this weakness existed after the Fiscal Officer retired at the end of the year audited. A procedure was then put in place to assist in eliminating this concern. Encumbrance purchase orders have been entered at the beginning of the fiscal year for items routinely purchased. These include books ordered over the Internet, copies obtained from various sources and computer repairs. We believe that this procedure will ensure purchase orders are prepared and approved prior to goods and services being ordered.

Thank you for assisting our agency by making these recommendations to assist us in complying with Mississippi statutes.

Sincerely,

A handwritten signature in black ink, appearing to read "Luther T. Brantley, III". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Luther T. Brantley, III
Executive Director



STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR
DIVISION OF MEDICAID
WARREN A. JONES, M.D., FAAFP
EXECUTIVE DIRECTOR

FINANCIAL AUDIT FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, MS 39025-0956

December 28, 2004

Dear Mr. Bryant:

Our responses and corrective action plans, relative to your letter dated December 3, 2004, are as follows:

REPORTABLE CONDITION

Controls Should Be Strengthened over Bank Reconciliations

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall ensure that internal controls over the preparation of the monthly bank reconciliation be strengthened by fiscal agent according to the terms and condition set forth in contract for services.

Controls Should Be Strengthened over the Issuance of Manual Checks by the Fiscal Agent

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall ensure that the fiscal agent enters all checks in the MMIS, in which this shall be monitored by Division of Medicaid, Accounting and Finance Bureau and Internal Auditors Bureau.

Also, Division of Medicaid shall ensure all transactions involving the suspension of recoupment from the providers of cash advance have been approved by authorized agency personnel prior to being processed by the fiscal agent.

The Division of Medicaid shall ensure that the fiscal agent maintains documentation and support for manual checks issued and accurately document all check data on the check register, the manual check log and the provider's correspondence.

Division of Medicaid shall ensure that fiscal agent properly account for all check numbers on the manual check log and checks stock issues log.

Controls Should Be Strengthened over Reports

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall strengthen controls over the report generated by the Medicaid Management Information System (MMIS). Division of Medicaid personnel, along with the fiscal agent, shall review the reports produced by the MMIS to determine if the programming used in the production of the reports are designed to accurately accumulate and calculate the data that is presented.

IMMATERIAL WEAKNESS IN INTERNAL CONTROL

Controls Should Be Strengthened over Disbursement Account

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall strengthen controls to ensure the listing of authorized signatures for the disbursement account are promptly updated in the event of personnel changes at Division of Medicaid and/or the fiscal agent.

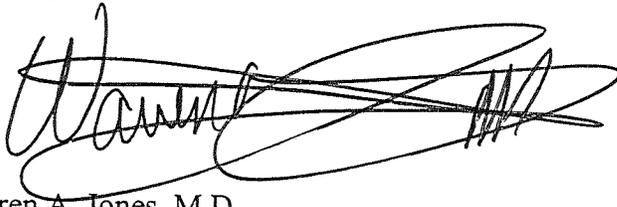
Controls Should Be Strengthened over Checks Voided by the Fiscal Agent

Response: We concur with the auditors' findings.

Corrective Action: Division of Medicaid shall strengthen controls over voided checks by the fiscal agent. In addition, the Division of Medicaid shall ensure that void/stop payment check log be completed in a timely manner and ensure all data be complete and accurate, which shall support the actions of the fiscal agent.

If you have any questions, please call Leonard Boddie at 359-6527.

Sincerely,

A handwritten signature in black ink, appearing to read "Warren A. Jones", with several large, overlapping loops and flourishes extending to the right.

Warren A. Jones, M.D.

WAJ/LWB

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STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR
DIVISION OF MEDICAID
WARREN A. JONES, M.D., FFAFP
EXECUTIVE DIRECTOR

OTHER AUDIT (CONTROLS) FINDINGS

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

April 29, 2005

Dear Mr. Bryant:

Your letter dated March 4, 2005, presented the results of an audit of the Office of the Governor - Division of Medicaid for Fiscal Year 2004 as it relates to other findings. Our replies to the specific findings are noted in the responses and corrective action plans that follow:

AUDIT FINDINGS:

**CFDA
Number**

Other Audit Findings

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Weakness

93-778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-7 Claims Should Be Reprocessed for Updated Rates and Fee Schedule Changes in a Timely Manner

Response: The Division is not aware of any Federal or State laws or regulations that require claims to be reprocessed within a specific time period after changes occur to cost-to-charge ratios, fee schedules, encounter rates, and per-diem rates. The Division is currently reprocessing claims that were postponed due to delays in the submission of Medicare cost reports caused by filing extensions approved by the federal grantor agency and the implementation of a new medical services claims processing computer system in October of 2003.

Corrective Action: The Division is retroactively reprocessing claims adjustments, and will provide documentation to the auditors that these adjustments were completed.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 050405MS5028, 2004

Oth-8 Controls over Third Party Liability Audit Assessments Should Be Strengthened

Response: The Division has strengthened internal control procedures related to third party liability audit assessments to ensure that they are tracked properly and to ensure that all provider audit findings and assessments are accurately documented.

Corrective Action: The Division's staff will ensure that guidelines stipulated in the State Plan and internal policies and procedures are adhered to for all third party liability audit assessments.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 050405MS5028, 2004

Oth-9 Controls Should Be Strengthened over Desk Review of Hospital Cost Reports

Response: A control mechanism is in place to ensure documentation of supervisory reviews. Each hospital cost report is subject to two reviews, and both reviews are documented on an electronic log maintained by the Bureau of Reimbursement. The first review is documented both by a physical signature on the paper review sheet and an entry on the electronic log; however, the second review is normally only documented on the electronic log. Both of the instances referred to in the above finding had entries on this log to document that a second review was performed by a supervisory staff member who was not the original preparer. A copy of the log was presented for review.

Corrective Action: Not Applicable.

REPORTING

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-10 Controls Should Be Strengthened over Federal Reporting

Response: The Division is in the process of amending our federal cost allocation plan. The Division believes that the expenditures related to additional operational charges paid monthly to the fiscal agent will be eligible for the 75 percent federal match rate once this process has been completed. Per discussions with federal grantor agency personnel, the reclassification of these expenditures to the 75 percent federal match rate can be retroactively applied to all periods subsequent to the fiscal agent contract amendments once approved. Federal grantor agency personnel also advised the Division to delay submitting amended Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS 64) reports until the amended federal cost allocation plan has been reviewed.

A signed supervisory approval form is currently required to be completed and filed with all reports submitted to the federal grantor agency.

Corrective Action: All future fiscal agent contract amendments will require the submission of an amended federal cost allocation plan to the federal grantor agency.

SPECIAL TESTS AND PROVISIONS

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-11 Controls Should Be Strengthened over Provider Enrollment

Response: The Division has strengthened internal control procedures related to provider enrollment. Furthermore, a monthly report (RP016 – Provider Duplicate SSN Report) is generated to identify instances where the same SSN appears more than once in the MMIS. The Provider Enrollment Supervisor reviews this report to ensure the provider files are correct and no duplicates exist.

Corrective Action: The Division's staff will ensure that guidelines stipulated in the State Plan, internal policies and procedures, and the fiscal agent agreement are adhered to for all issues related to provider enrollment.

SPECIAL TESTS AND PROVISIONS

Immaterial Weakness

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-12 Controls Should Be Strengthened over Recipient Investigations

Response: The Division has strengthened internal control procedures related to supervisory review of recipient investigations. Staff shall review all investigative files in accordance with the Division's policies and procedures.

Corrective Action: Not Applicable

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004
Questioned Costs: \$4,121

Oth-13 Agency Should Ensure Nursing Home Rates Are Accurate

Response: The Division agrees that one nursing facility's depreciation expense exceeded their cost basis and that the resultant overstatement of that facility's per diem rate for the six-month period ending June 30, 2004, was not detected during the desk review. However, verification of facility expenses is not a desk review function but takes place upon field audit.

The Division also acknowledges that the trend factor calculation contained a transposition error which was not detected at supervisory review.

Corrective Action: The facility's desk review and per diem rate will be amended. Staff has been instructed to exercise additional care in checking computations, especially those computations that have the potential to affect the entire rate-setting process.

ALLOWABLE COSTS/COST PRINCIPLES

Immaterial Noncompliance

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

Oth-14 Reimbursements for the Upper Payment Limit (UPL) Program Should Be Made in Accordance with the State Plan

Response: UPL payments are not being made on a bi-monthly schedule, as outlined in the State Plan. Program computations cannot be available in time to make the first bi-monthly payments, a situation that could not be anticipated at the time the State Plan amendment establishing the UPL plan was submitted.

Corrective Action: The State Plan will be amended to rectify this requirement as soon as administratively feasible.

93.778 Medical Assistance Program

Federal Award Number and Year: 05-0405MS5028, 2004

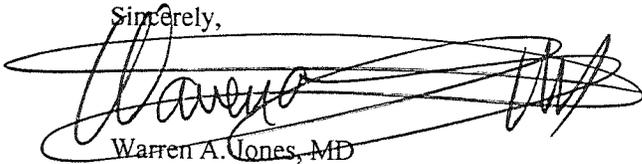
Oth-15 Agency Should Ensure Outpatient Claims Are Paid in Accordance with the State Plan

Response: The Division has strengthened internal control procedures related to computer system edit controls.

Corrective Action: As stated in Finding Number 04-15, of the Single Audit Findings, the Division has strengthened internal control procedures related to computer system edit controls (including service limit edits) to ensure that they are operating effectively and to ensure that all changes are accurately documented.

Please call Leonard Boddie, Staff Officer, at 359-6527 if you have any questions relative to our responses and corrective action plans.

Sincerely,



Warren A. Jones, MD

WAJ/LWB/llb

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MISSISSIPPI STATE BOARD OF MEDICAL LICENSURE

COMPLIANCE REVIEW FINDINGS

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

July 28, 2005

Dear Mr. Bryant:

We have reviewed the findings noted in your letter dated July 13, 2005. Below is our response and corrective action plan for the findings.

AUDIT FINDINGS:

Strengthen controls to ensure expenditures comply with contractual agreements.

Response:

The Board of Medical Licensure concurs with the findings of the auditor. The contract used for Mr. Ingram is the same contract that has been used for the last ten years, with modifications to attorney fees and the overall amount. It has never been brought to the attention of the Board that these additional fees, such as copies, telephone, fax, etc., must be discussed separately.

Previously, the Fiscal Officer was responsible for verifying that all invoices met the contractual agreement and was never questioned by executive staff. Upon receiving this finding, the executive staff was made aware that they must verify the information prior to approving the invoice payment.

Corrective Action Plan:

- A. The Board amended Mr. Ingram's FY2006 contract to incorporate reimbursable costs such as copy, fax, postage, long distance telephone, clerk runs and meal expenses.

- B. The Board is strengthening its controls to ensure that all invoices submitted for contractual services are reviewed and verified by two employees. The Board has also requested and received a reimbursement of the fees which were in excess of the contract rate.

Phil Bryant, State Auditor
July 28, 2005
Page Two

Strengthen controls by obtaining adequate blanket bond coverage.

Response:

Once the Board was advised of its inadequate bond coverage, it was researched and determined that the Board had a Commercial Crime Policy with Boyles, Moak, Brickell, Marchetti Insurance, Inc. This policy was a three year policy and was purchased in FY 2003; therefore, it was not with the FY 2004 information. A copy of this policy is enclosed for your review.

Corrective Action Plan:

- A. The Board will continue to renew its Commercial Crime Policy.

Strengthen controls over bank account.

Response:

The Board of Medical Licensure concurs with the findings of the auditor. Prior to the 2004 audit, a statement had been added to the Board's checks to invalidate them after one year. However, the checks that were outstanding prior to the statement being added were not written off.

The Board was reconciling the Collateral Sufficiency Report with the bank statement, but was unaware that the reconciliation should be documented on the report.

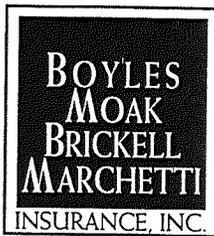
Corrective Action Plan:

- A. The Fiscal Officer sent letters requesting information on outstanding checks. Based on the information provided, the proper action was taken to resolve the outdated items.
- B. For all new outstanding checks, after one year the checks will be written off the account.
- C. The Fiscal Officer will reconcile the Collateral Sufficiency Report with the indicated bank statement and document the Collateral Sufficiency Report by signing and indicating the date of reconciliation.

Sincerely,



W. Joseph Burnett, M.D.
Executive Director



*Insuring Your Future
Since 1893*

JUL 15 2002

July 11, 2002

State Bd Of Medical Licensure
1867 Crane Ridge Drive
Suite 200-B
Jackson, MS 39216

Re: *Crime Policy 406CG4805*

Dear Ms Davis:

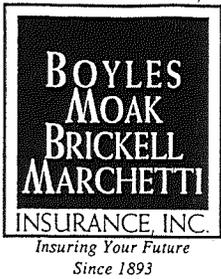
Enclosed is the Government Crime Renewal policy, which continues coverage for the period of July 1, 2002 until 2005. Our invoice in the amount of \$250 is enclosed. This amount represents a three-year premium.

Sincerely,

A handwritten signature in black ink, appearing to read "Dickie Greenlee".

Dickie Greenlee
Account Executive

Encl.



Fire • Casualty • Surety • Life • Accident
Insurance

P.O. Box 2240 1062 Highland Colony Parkway, Suite 100
 Telephone: (601) 605-4114
 Ridgeland, Mississippi 39157

INVOICE

CLIENT	State Bd Of Medical Licensure	2680
DATE	07/11/2002	
CLIENT SERVICE	Dickie Greenlee CIC Jamie zzBeasley	
PAGE	1 of 1	

State Bd Of Medical Licensure
 1867 Crane Ridge Drive
 Suite 200-B
 Jackson, MS 39216

PAYMENT INFORMATION	
INVOICE SUMMARY	Invoice #148510
PAYMENT AMOUNT	
PAYMENT FOR:	406CG4805

Thank You

PLEASE DETACH AND RETURN WITH PAYMENT.

Client: State Bd Of Medical Licensure

V000040425-1 03-018

INVOICE	EFFECTIVE	TRANSACTION	DESCRIPTION	AMOUNT
148510	07/01/2002	Renew policy	Policy #406CG4805 07/01/2002-07/01/2005 U. S. F. & G./St. Paul Crime - Renew policy Government Crime Policy -Employee Theft	250.00
				<i>125.00 / 125.00</i>
				<i>61710</i>
				TOTAL
				250.00



Thank You

Boyles Moak Brickell Marchetti Ins., Inc. (601)605-4114	DATE 07/11/2002
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STATE OF MISSISSIPPI
MILITARY DEPARTMENT

THE ADJUTANT GENERAL'S OFFICE
POST OFFICE BOX 5027
JACKSON, MISSISSIPPI 39296-5027



COMPLIANCE REVIEW FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
Post Office Box 956
Jackson, Mississippi 39205-0956

March 15, 2005

Dear Mr. Bryant

All audit findings and related recommendations disclosed in the COMPLIANCE REVIEW FINDINGS management letter dated March 15, 2005 have been reviewed and evaluated by the Mississippi Military Department. As a result the Mississippi Military Department has prepared a formal response and corrective action plan for each audit finding.

AUDIT FINDINGS:

Specific action taken or in process:

Internal Controls over State Property Should be Strengthened

The State Property Officer will insure that all property is entered into the State Property Data Base and properly accounted for in a timely manner. In this situation the attempt to accommodate the handoff to the user resulted in the equipment being delivered and hand receipted prior to the equipment being recorded in the State Property records. The fact that the property was being fielded to a volunteer organization with no permanent facility to support operations resulted in the equipment being taken off of Military Department property for storage.

The State Property Officer, John Barrett, will personally install the State Property Decals/Stickers to any acquired property or supervise the installation.

A letter of instruction has been delivered through the chain of command to the Medical Battalion Commander to have the trailers and supplies re-located to Camp McCain or to contact this office to coordinate some other location for storage sites. This will be accomplished not later than April 15, 2005.

Travel Reimbursement Claims Should be Made in Accordance with State Travel Policy Rules and Regulations

This situation arose from the fact that we had not established procedures for the payment of travel expenses for volunteers using State procedures. Since the individuals are not State

Employees the SPAHRS Travel system could not be used. To accommodate the group an individual was appointed to coordinate the payment of the Hotel expenses and to provide an accounting for the other reimbursable expenses. Upon return a claim was assembled that would allow for the payment to the coordinator who later reimbursed the individuals as appropriate. His cancelled checks provided an audit trail to reflect the amount reimbursed.

Coordination will be made with the Department of Finance and Administration not later than April 15, 2005 to develop a method of reimbursement for travel expenses for volunteer personnel. In any case each individual will submit a claim under their signature for record. Dot Moore will assist individuals with procedures for travel authorization and reimbursement.

Federal Draws Should be made in Accordance with DHHS Payment Management System's Rules and Regulations

The grant period was set to expire on September 30, 2004. Because of a lack of communication with the Project Director (A Volunteer that was not readily available and that did not want to communicate with this office) a plan was developed to obligate the remaining funds to purchase the only items not yet purchased and that were authorized in the grant program. These items were the Crash Carts and the supplies that are part of the Crash Carts. An obligation document was recorded in the SAAS for the remainder of the funds prior to the grant expiration on September 30, 2004. At the same time communication was sent to the Project Director and those working with her to move faster with the procurement of the two Crash Carts and supplies so that the grant funds could be expended within the grant period. While this was being accomplished the Project Director was communicating directly to the grant office without any authority from this Headquarters to obtain an approval to extend the grant period beyond September 30, 2005 and to modify the grant to eliminate the two crash carts and change the purpose of the grant. This lack of coordination resulted in the grant funds being requested for immediate expenditure as approved in the original grant period. This resulted in a cash balance of \$14,792 for several months as the situation was sorted out with the grant office.

Because of the obvious inability of the Project Director to work within the Military Department and to follow normal chain of command procedures it was decided by the Adjutant General that the grant would no longer be supported within the Military Department.

A final accounting of funds and reimbursement for radios and a desktop computer system resulted in a check for \$18,407.74 which has been prepared for return to the grant office to close out the program. Records are available for audit to reflect how this amount was determined. Colonel (Retired) Woodrow G. Lyon will coordinate all procedures regarding accounting of funds and reimbursements not later than March 15, 2005.

Equipment Purchased with Grant Funds Should be Utilized in Accordance with the Approved Program Budget

This issue is the result of the Project Director not having an understanding of the type radios authorized for use by the Medical Battalion. The type specified in the grant and authorized for fielding for the type missions expected for the unit were ordered and received. Controversy still

persists over the fact that the specifications for the type radios the Project Director claims to want have not been delivered to the Purchasing Office as of the date of this letter. **This is no longer an issue as the radios have been transferred to a Camp Shelby office that uses this type radio for operational communications and the grant funds have been credited back to the program.** The radios were purchased based upon the description provided by the Program Director and she later changed her mind and wanted a different kind. Based upon conversations within the State Guard staff it is apparent that the Project Director has the false assumption that she can obtain radios that will allow her to modify the frequencies so that she can talk to police and emergency responders on various frequencies. If the Project Director had made any effort to communicate with the appropriate staff at this Headquarters this confusion could have been avoided. The Project Director wanted to have complete and absolute freedom to modify the grant and change her mind on a daily basis concerning the use of the grant funds. This office was and is determined to insure that the grant funds are used in support of the approved and authorized items within the program budget.

Colonel (Retired) Woodrow Lyon completed the transfer of equipment mentioned above on March 15, 2005.

Receipt of Goods Should be Properly Documented

The receipt of goods and services will be properly documented to include the date of receipt and the signature of the individual receiving the goods and/or services. Colonel (Retired) Woodrow Lyon will coordinate procedures for receipt of goods and services not later than March 15, 2005.

Sincerely,



Harold A. Cross
Major General, Mississippi National Guard
The Adjutant General of Mississippi

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STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
LELAND R. SPEED
EXECUTIVE DIRECTOR

Financial Audit Findings

January 28, 2005

Mr. Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

This letter is in response to your letter of December 8, 2004 concerning the Financial Audit Findings for the Mississippi Development Authority (MDA) for the fiscal year ended June 30, 2004. We are pleased to note that no matters involving the internal control over financial reporting and its operation were considered to be material weaknesses. Our responses to the two immaterial weaknesses noted are as follows:

Controls Over Expenditures Should be Strengthened

Response:

MDA concurs that reviews performed by grants accounting personnel should be documented. Cash requests are entered into MDA's Grants Management System that electronically submits the information to the Statewide Automated Accounting System to produce a payment voucher. The Grants Management System requires a security password; therefore only authorized personnel have access to initiating these payments.

Corrective Action:

Grants accounting personnel have been reminded that their review of request for cash and reporting worksheets should be documented by initialing the forms. Staff who review payment vouchers prior to submitting for signature will also be reminded that the supporting requests should be initialed by grants accounting personnel.

Controls Over Network Security Should be Strengthened

Response:

MDA concurs that network security could be compromised if proper access controls are not in place.

Corrective Action:

MDA has corrected all noted instances of noncompliance. In addition, our employee separation process has been updated and we have implemented templates for user password accounts. The updated procedures and templates have been provided to the auditors.

We appreciate the professional manner in which the audit team conducted this audit. If you have any questions concerning this response, please contact Donna Sanford at 359-2911.

Sincerely,



Terri P. Hudson
Chief Financial Officer



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
LELAND R. SPEED
EXECUTIVE DIRECTOR

Other Audit Findings

March 14, 2005

Mr. Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

This letter is in response to your letter of January 28, 2005 concerning the Other Audit Findings for the Mississippi Development Authority (MDA) for the fiscal year ended June 30, 2004. Our responses to the two Other Audit Findings are as follows:

CFDA Number and Program Name
14.239 HOME Investment Partnerships Program

Federal Award Number and Year: M01-SG-28-01, 2001

Oth-4 Controls Over Monitoring Subrecipient Audit Requirements Should be Strengthened

Response: MDA concurs that there should be adequate reviews of subrecipient audit reports to ensure proper reports are received. After agency personnel were made aware that a financial statement rather than a single audit was accepted for the subrecipient, a request to the subrecipient for a single audit was made. MDA has continued to follow-up with the subrecipient on this matter.

Corrective
Action Plan: MDA will require adequate review over subrecipient audit reports to ensure any errors or omissions are properly detected. MDA will document in the audit file all correspondence and follow-up with subrecipients to obtain adequate information.

Phil Bryant, State Auditor
March 14, 2005
Page 2 of 2

CFDA Number and Program Name
17.258 WIA Adult Program
17.259 WIA Youth Activities
17.260 WIA Dislocated Workers

Federal Award Number and Year: Various

Oth-5 Controls Over Subrecipient Monitoring Should be Strengthened

Response: MDA concurs that on-site monitoring visits should be conducted in accordance with established procedures.

Corrective

Action Plan: MDA now has procedures in place to ensure that each subrecipient and contractor is monitored appropriately during each program year. The Employment Training Division will continue to refine its monitoring procedures to ensure adequate monitoring.

We appreciate the professional manner in which the audit team conducted this audit. If you have any questions concerning this response, please contact Donna Sanford at 359-2911.

Sincerely,



Terri P. Hudson
Chief Financial Officer



BOARD OF NURSING

1935 Lakeland Drive, Suite B
Jackson, MS 39216-5014
Telephone: (601) 987-4188
Fax: (601) 364-2352



COMPLIANCE REVIEW FINDINGS

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

August 9, 2005

Dear Mr. Bryant:

We have received your July 27, 2005, limited internal control and compliance review findings for the Mississippi Board of Nursing for Fiscal Year 2004. The following is the Mississippi Board of Nursing's response to your findings and recommendations:

Monthly Reconciliation of Bank Accounts Should be Prepared

Response:

The Board of Nursing's bank statements and accounting records have routinely been reconciled. However, the reconciliation process has not always been documented.

Corrective Action Plan:

The Board of Nursing staff have been instructed to document all reconciliations including signing/initialing all reconciliation documents.

Controls Over Procurement Card Purchases

Response:

The Board of Nursing has for years limited procurement card purchases to small items and procurement card limits to \$500 or less with the exception of the procurement card held by the Director of Finance which has a limit of \$1,500. The Director of Finance indicated that he or his designee have reviewed and reconciled the statements monthly. However, this reconciliation process has not been in writing.

As for receipts which "were not on file," I was made aware of the auditors' inability to find three receipts. Upon review of the receipts provided to the auditor, I located the receipts in question and gave them to the auditor.

As a cost control measure, the Board of Nursing began having lunch purchased as a group for Board hearings and meetings in 2003. The \$689 food purchases questioned were for Board hearings or meetings. Minutes and/or agendas for all dates at issue have been provided. All food purchases on the procurement cards are for Board meetings and hearings.

Corrective Action Plan:

Board of Nursing staff with procurement cards are currently required to sign a statement acknowledging review and understanding of Small Purchase Procurement Card Program Policies and Procedures. (See attached documents.) You will note that the Board of Nursing requirements include a mandate of individual reconciliation of receipts and statements and that the receipts be attached to the statements and forwarded to the appropriate individual in the Finance Department for their review and reconciliation process.

Written Policy for Compensatory Leave

Response:

Based upon advice of counsel, the agency has no written personnel policies and procedures other than those published by the State Personnel Board and/or those in statute. The agency has tracked compensatory leave on time sheets for many years. Staff record time accumulated, activities during time of accumulation, time taken and time carried over. Compensatory time should be used within 30 days of accumulating the time. Time is tracked and approved by the division director and reviewed and approved by the Director of Finance and Personnel and the Executive Director of the agency.

Corrective Action Plan:

See above.

Payment to Vendors Should be Made in Accordance with State Law

Response:

The agency has endeavored to pay bills within the required parameters. However, up until this time, the agency has had somewhat limited success in meeting the requirement.

Corrective Action Plan:

In addition to budget report meetings, the Finance Department has instituted budget and payment record flow sheets which are regularly reviewed by administrative staff. Payment record flow sheets should result in minimization of bills not being paid within the 45 day period.


Delia Y. Owens, JD, RN, Executive Director

Enclosures

DEPARTMENT OF FINANCE AND ADMINISTRATION

OFFICE OF PURCHASING AND TRAVEL

SMALL PURCHASE PROCUREMENT CARD PROGRAM

CARDHOLDER AGREEMENT

The cardholder shall sign a statement verifying that he/she has read these minimum requirements and any additional policies or procedures established by the agency and that it is understood he/she will be personally liable for any purchase that is made which is not in compliance with these procedures; and in addition to being responsible for any such charges, the cardholder may lose the privilege of using the procurement card and may face disciplinary action.

The following are the minimum requirements for use of the Small Purchase Procurement Card Program. Individual agencies may decide to implement stricter or additional requirements. Agencies should develop written policies and procedures to present to cardholders prior to receipt of the card.

The cardholder shall:

1. Assure that the commodities/services purchased are required for bona fide government purposes. No equipment is to be purchased with the procurement card.
2. Assure that the prices paid are fair and reasonable.
3. Notify the merchant that the purchase is being made in the name of a government entity which is exempt from state and local taxes.
4. Assure that a list of the commodities/services purchased (either in the form of a detailed sales receipt or an order description) is reviewed and confirmed by the cardholder.
5. Assure that all commodities are received (no back orders allowed).
6. Assure that state contract commodities are purchased only from the state contract vendor at or below the state contract price.
7. Assure that purchases are within the limits set by the individual agency and available budget authority.
8. Assure that no purchases are made from hotel, motel, or restaurants for travel related expenses.
9. Assure that no cash advances are made with the card.
10. Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable dispute documents, reconcile the statement with copies of receipts and order logs, and approve and sign the statement.
11. Forward the statement, copies of receipts, logs, and dispute documents to the appropriate official within the agency according to agency policy. This should be done within one day after receipt of the statement. The documents may be mailed, but it is recommended that these items be sent via fax machine.

DEPARTMENT OF FINANCE AND ADMINISTRATION

OFFICE OF PURCHASING AND TRAVEL

SMALL PURCHASE PROCUREMENT CARD PROGRAM

POLICIES AND PROCEDURES

The following are the minimum requirements for use of the Small Purchase Procurement Card Program. Individual agencies may decide to implement stricter or additional requirements. Agencies should develop written policies and procedures to present to cardholders prior to receipt of the card.

The cardholder shall:

1. Assure that the commodities/services purchased are required for bona fide government purposes. No equipment is to be purchased with the procurement card.
2. Assure that the prices paid are fair and reasonable.
3. Notify the merchant that the purchase is being made in the name of a government entity which is exempt from state and local taxes.
4. Assure that a list of the commodities/services purchased (either in the form of a detailed sales receipt or an order description) is reviewed and confirmed by the cardholder.
5. Assure that all commodities/services are received (no back orders allowed).
6. Assure that state contract commodities are purchased only from the state contract vendor at or below the state contract price.
7. Assure that purchases are within the limits set by the individual agency and available budget authority.
8. Assure that no purchases are made from hotel, motel, or restaurants for travel related expenses.
9. Assure that no cash advances are made with the card.
10. Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable dispute documents, reconcile the statement with copies of receipts and order logs, and approve and sign the statement.
11. Forward the statement, copies of receipts, logs, and dispute documents to the appropriate official within the agency according to agency policy. This should be done within one day after receipt of the statement. The documents may be mailed, but it is recommended that these items be sent via fax machine.

The agency liaison officer/program coordinator shall:

1. Review statements and applicable documents to assure that only proper purchases have been made and that the statement accurately reflects the charges indicated on the receipts, logs, and dispute documents. If correct, the liaison officer/program coordinator will approve the statements for payment and process to the agency accounting office.

Prior to receiving a Procurement Card or authority to use a ghost account, the cardholder and the liaison officer/program coordinator shall sign the following statements:

I, _____ (name of cardholder), certify that I have read and fully understand the policies and procedures for use of the State of Mississippi Small Purchase Procurement Card Program and that I understand that I will be held personally responsible for all charges for any purchase which is made and is not in compliance with these procedures. I also understand that my own agency may have additional restrictions and that I will abide by any and all such requirements. In addition to being personally liable for any such charges, I understand that misuse of the program may be cause for loss of procurement card privileges as well as possible disciplinary action.

Printed Name of Cardholder

Date

Signature of Cardholder

I, _____ (name of liaison officer/program coordinator), certify that I have read and fully understand the policies and procedures for use of the State of Mississippi Small Purchase Procurement Card Program and that I understand that I may be held jointly responsible for all charges for purchases which I have approved but which are not in compliance with these procedures. I also understand that my own agency may have additional restrictions and that I will abide by any and all such requirements. In addition to being jointly liable for any such charges, I understand that misuse of the program may be cause for loss of procurement card privileges for our agency.

Printed Name of Liaison Officer/
Program Coordinator

Date

Signature of Liaison Officer/
Program Coordinator

**MISSISSIPPI BOARD OF NURSING
SMALL PURCHASE PROCUREMENT CARD PROGRAM
REQUIREMENTS FOR CARDHOLDER
APRIL 26, 2005**

The requirements of the cardholder are as follows:

1. Assure that the items purchased are required for bona fide government purposes.
2. Assure that the prices paid are fair and reasonable.
3. Notify the merchant that the purchase is being made in the name of a government entity which is exempt from state and local taxes. (Tax ID #: 64-6000800)
4. Assure that a list of the items purchased (either in the form of a detailed sales receipt or an order description) is reviewed and confirmed by the cardholder. Each receipt must be initialed.
5. Assure that all items are received (no back orders allowed).
6. Assure that state contract items are purchased only from the state contract vendor at or below the state contract price.
7. Assure that purchases are within the limits set by the individual agency and available budget authority.
8. Assure that no purchases are made from hotel, motel, or restaurants for travel related expenses.
9. Assure that no cash advances are made with the card.
10. Assure that charges have been correctly authorized and do not exceed the Board of Nursing's authorized credit limit as the State of Mississippi will not accept any liability or financial responsibility otherwise.
11. Upon receipt of the monthly statement, the cardholder shall review all charges to assure accuracy, complete applicable dispute documents, reconcile the statement with copies of receipts and order logs, attach copies of initialed receipts to the statement, and approve and sign the statement.
12. Forward the statement, copies of receipts, logs, and dispute documents to the appropriate official - the Director of the Department of Finance and Technology or his designee. **This should be done within one day after receipt of the statement.**

I, _____ (name of cardholder), certify that I have read and fully understand the policies and procedures for use of the State of Mississippi Small Purchase Procurement Card Program and that I understand that I will be held personally responsible for all charges for any purchase which is made and is not in compliance with these procedures. I also understand that my own agency may have additional restrictions and that I will abide by any and all such requirements. In addition to being personally liable for any such charges, I understand that misuse of the program may be cause for loss of procurement card privileges as well as possible disciplinary action.

Printed Name of Cardholder

Date

Signature of Cardholder

I, _____ (name of liaison officer/program coordinator), certify that I have read and fully understand the policies and procedures for the State of Mississippi Small Purchase Procurement Card Program and that I understand that I may be held jointly responsible for all charges for purchases which I have approved but which are not in compliance with these procedures. I also understand that my own agency may have additional restrictions and that I will abide by any and all such requirements. In addition to being jointly liable for any such charges, I understand that misuse of the program may be cause for loss of procurement card privileges for our agency.

Printed Name of Liaison Officer/
Program Coordinator

Date

Signature of Liaison Officer/
Program Coordinator

BOARD MEMBERS
Bill Cossar, Charleston, Chairman
Leslie L. Daniels, Greenwood,
Vice-Chairman



BOARD MEMBERS
S. Tom Hall, Oxford
John Baas, Ridgeland
E.A. Allen, Gulfport

STATE PERSONNEL DIRECTOR
Robert E. Bass, Jr.

MISSISSIPPI STATE PERSONNEL BOARD

COMPLIANCE REVIEW FINDINGS

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

June 10, 2005

Dear Mr. Bryant:

Thank you for your recommendations and the opportunity to respond to your letter of May 23, 2005, as it is always important for the State Personnel Board to be as efficient as possible. The following corrective actions taken will strengthen internal control and ensure compliance with State Laws.

AUDIT FINDINGS:

Controls over Disbursements Should Be Strengthened

Response: The State Personnel Board does concur with the finding and recommendation.

In January, 2004, the Director of Accounting and Finance was added to the DFA authorization list during the absence of the State Personnel Director. On July 1, 2004, an Agency Director was appointed and the Director of Accounting and Finance continued to be on the authorization list. It was brought to our attention by auditors that one person had all levels of approvals in SAAS and also had authority to sign payment vouchers, travel vouchers and purchase orders. The intent of this authorization was the ability for the Director of Finance to sign these vouchers and purchase orders in emergency situations during the absence of both the Deputy Director and Agency Director. No vouchers or purchase orders were signed by the Accounting and Finance Director during this period.

Corrective Action:

- a. The Director of Accounting and Finance was removed from the authorization list in February 2005. SAAS Security Levels were reviewed to ensure that other individuals did not have all levels of approval over disbursements, and authority to sign vouchers and purchase orders. The State Personnel Board will take precautions in the future to ensure the proper segregations of duties.
- b. Mary Lewis, John Mulholland, and Robert Bass
- c. Corrective action was completed immediately when brought to our attention by the auditors.

Services Rendered Should Be Supported by Written Agreements

Response: The State Personnel Board concurs with the findings and recommendations.

1. It was an oversight that no written agreement was executed between the State Personnel Board and Balsh & Bingham for services rendered in February 2004.
2. Price quotes were received from Tempstaff at the beginning of FY 03. New price quotes were received verbally, but not requested in writing for FY 04 which reflected an increase per hour for one position and a new position that requires a higher salary.

Corrective Action:

- a. All SPB employees were notified in writing that no contractual services would be authorized for payment without a written agreement signed by both parties stating both cost and duties to be performed. The Business Services Division will monitor such agreements in order to ensure written contracts have been requested before the services are rendered.
- b. Mary Lewis and Patrice Stewart
- c. Employees were notified in writing on June 10, 2005.

Controls over Employee Leave Should Be Strengthened

Response: The State Personnel Board concurs with the findings and recommendations.

1. Incorrect leave information was entered on three instances which resulted in incorrect leave balances for employees. These errors would not have occurred with proper review of recorded leave.
2. Due to a very little compensatory leave accrued and taken, the State Personnel Board did not record this time in SPAHRS. Compensatory Leave has been overseen by the immediate supervisors of each division.

Corrective Action:

- a.
 - Corrections were made to reflect employees correct leave. Leave balances recorded in SPAHRS are now entered by one individual and reviewed by another to ensure accuracy.
 - Employees were also notified in writing that leave slips should be submitted to the Business Office by their supervisors immediately following approval of the leave. This will reduce the chances of improper recording from month to month.
 - All employees are now required to submit time reports to the business office and leave slips are checked against time reports to ensure accuracy of leave taken.
 - Employees have been notified in writing that compensatory time earned and taken should be submitted to the Business Office and will be entered in SPAHRS.
- b. Mary Lewis, Patrice Stewart, Christie Pittman, and Jean Cox
- c.
 - Beginning March 2005, leave is being entered in SPAHRS by one individual and reviewed for accuracy by another.
 - On February 23, 2005 employees were notified in writing that all compensatory should be reported to the Business Office and were also reminded that leave slips should be submitted in a timely manner.
 - Effective April 2004, all employees were required to submit time reports to the Business Office. Beginning in FY 2005 the Business Office began checking leave slips against time reports.
 - In March 2005 compensatory leave was recorded in SPAHRS.

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

Response: The State Personnel Board concurs with the finding and recommendation.

Purchase Orders for three contractual services were prepared after the services were ordered.

Corrective Action Plan:

- a. All employees were notified in writing that state law requires purchases of equipment, supplies, materials or services may only be made by written purchase orders approved by authorized official and the Department of Finance and Administration, before the order can be issued. Guidelines and purchasing procedures were also distributed to each employee.
- b. Patrice Stewart and Mary Lewis
- c. Employees were notified of laws, guidelines, and procedures on June 10, 2005.

State Travel Laws and Regulations Should Be Followed

Response: The State Personnel Board concurs with the findings and recommendations.

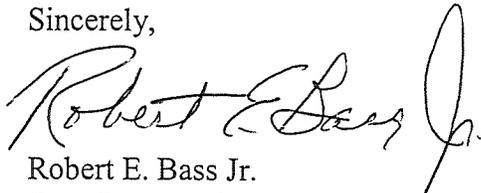
1. Two instances showed prior approval for travel was not documented. These instances of travel were approved but the authorization forms were not submitted.
2. One instance showed the travel return date was extended for personal time, and documentation was not maintained to support that the agency did not incur additional costs for the extended stay. The flight costs were checked and verified but supporting documentation was not maintained.

Corrective Action Plan:

- a.
 - o All employees were notified in writing that all travel requests must be submitted on the Travel Authorization Form and forwarded to the Business Office. The Business Office will ensure proper approval of the travel by authorized signatory.
 - o The Business Office will implement procedures to ensure travel is properly authorized and reimbursed in compliance with state travel laws and regulations.
 - o When an employee has any extended travel for personal time, we will take precautions that documentation is maintained showing the agency did not incur any extra costs due to extension.
- b. Mary Lewis and Christie Pittman
- c. On June 10, 2005 employees were notified in writing that a Travel Authorization Form must be submitted and approved prior to travel. The Business Office will implement travel procedures by July 31, 2005.

If the above corrective actions do not comply with your recommendation, or you have any questions please contact Mary Lewis at 601-359-2705. We commend you and your staff for their courtesy and cooperation as they worked throughout the review.

Sincerely,



Robert E. Bass Jr.
State Personnel Director



MISSISSIPPI

BOARD OF REGISTRATION FOR FORESTERS

Box 9681, Mississippi State, MS 39762 - 9681 • 662-325-2772
borf@cfr.msstate.edu • www.cfr.msstate.edu/borf

October 7, 2005

Mr. Phil Bryant, State Auditor
PO Box 956
Jackson, MS 39205

Dear Mr. Bryant:

Thank you for reviewing the Board of Registration for Foresters operating procedures and offering suggestions on ways we can improve them. Listed below is a recap of the suggested recommendations along with our plan to implement each one.

1. Strengthen controls over receipts and disbursements and prepare monthly reconciliation's of bank accounts.

The chairman of the board will, on a monthly basis, review and approve expenditures as well as the reconciliation of the monthly bank statements. The chairman will also review the daily receipt log to compare them with the amounts deposited. These reviews will be acknowledge by the reviewers initials and dated.

2. Deposit funds promptly and transfer funds timely to the state treasury.

The board's Executive Secretary works on Tuesdays and Thursdays. She will make deposits and transfers to the State Treasury on a weekly basis. The board chairman will review these activities each month and will acknowledge the review by initialing and dating the balance sheet.

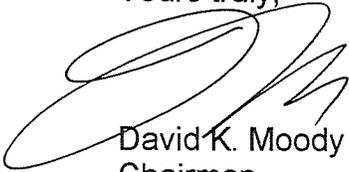
3. Obtain proper appraisals for rental contract.

The board is in the process of obtaining approval from the Department of Financial Administration and the Public Procurement Review Board for its rental contract.

Office of the State Auditor
October 7, 2005
Page 2

On behalf of the Mississippi Board of Registration for Foresters, I want to thank you and your staff for making these recommendations that will allow us to better serve the people of Mississippi.

Yours truly,

A handwritten signature in black ink, appearing to read 'DM', written over a large, loopy flourish.

David K. Moody
Chairman

CC: Kathie Parker



**Mississippi Department of
Rehabilitation Services**

Providing the freedom to live

OTHER AUDIT FINDINGS

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

Dear Mr. Bryant:

The Mississippi Department of Rehabilitation Services is pleased to respond to the following Other Audit Findings resulting from the audit performed by your office for State Fiscal Year 2004.

AUDIT FINDING:

Oth-6 Adequate Supporting Documentation Should Be Maintained for Federal Reports

Response:

The MS Department of Rehabilitation Services (MDRS) acknowledges this finding. During fiscal year 2004, the Office of Disability Determination Services did prepare a new time study converting the number of cases reviewed to man-hours for contract physicians during the respective fiscal year. However, the employee responsible for completing this task, retired during fiscal year 2004 and the necessary documentation prepared to support the time study could not be located.

Corrective Action Plan:

The MDRS is in the process of developing a new time study for fiscal year 2005, which would be used to convert the number of cases reviewed per hour by our contract physicians to man-hours in which to report on our federal report, SSA-4514. Recently, the Disability Determination Services' program has gone through a major change in its business practice of determining eligibility for this federal program, in which examiner personnel are now required to perform their casework through an electronic system as opposed to the maintaining the traditional paper cases. As a result of this change in our business practice, the procedures used by our contract doctors in reviewing cases has also changed. Therefore, due to this change, a new time study is needed to ensure we maintain an accurate and timely conversion rate.

To ensure the time study is accurately prepared and properly supported, the time study will be coordinated between the Office of Financial Management and the Office of Disability Determination Services and will be reviewed and approved by the Director from both offices. In addition, a final review/approval will be performed by the Deputy Director over Administration. In addition, all supporting documentation will be maintained by the Director of Financial Management and will be available to the state auditors upon their return for the next fiscal year's audit.

Should you have any questions regarding the Response or Corrective Action Plan, please feel free to contact Sheila Everett, Director of the Office of Disability Determination Services, at 853-5235 or Chris Howard, Director of the Office of Financial Management, at 853-5220.

Sincerely,

A handwritten signature in cursive script that reads "H.S. McMillan, CAA".

H.S. McMillan
Executive Director

South Mississippi State Hospital

823 Highway 589, Purvis, MS 39475 Phone: (601) 794-0100—Fax: (601) 794-0210

July 15, 2005

COMPLIANCE REVIEW FINDINGS

Mr. Rob Robertson
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205

Dear Mr. Robertson:

We are appreciative of the work of your staff in conducting our audit. We are committed to operating South Mississippi State Hospital in strict accordance with state laws, regulations, and policies and procedures. We are proud of the services we provide on behalf of Mississippi tax payers to individuals with mental illness.

Review Authorized SAAS Approval Levels:

Response:

We agree with audit recommendations. The internal control system will ensure that there is a segregation of duties for persons with SAAS input and/or approval capabilities.

Corrective Action:

Request to MMRS/SAAS control a change for authority levels for staff employees so that they do not have both input and approval capabilities. Management will no longer have input capabilities, thus segregating responsibilities of input and approval capabilities.

The SAAS security person, currently Vickey Waldrop, at our facility will be responsible for making these corrections.

Anticipated completion date is July 22, 2005.

Strengthen Controls Over Contractual Services:

Response:

We agree with the audit recommendation to obtain written agreements for contractual services for individuals or companies. The agreements will document the costs and duties to be performed.

Corrective Action:

Make sure that all contractual services are supported by written agreements.

Review invoices to be sure that charges are as stated in the contract.

Responsible persons are Accountant Auditor Nancy Britton, Administrative Assistant Rebecca Carr and Fiscal Services Director Vickey Waldrop.

Strengthen Controls Over Merchant-Specific Card Purchases:

Response:

We agree with the audit recommendation. In all but one case, the procedures were as stated in your recommendation. We have implemented the full controls over each and every procurement card.

Corrective Action:

The Accountant Auditor or Business Services Director will perform a monthly independent review of all procurement card purchases. The independent reviewer will initial or sign-off on the review.

Each cardholder will review his/her individual procurement card purchase and sign off on those items as correct.

The Fiscal Services Director will review all procurement card invoices to verify appropriate reviews.

This procedure is now in process.

Ensure Use of Major Medical Leave Complies With State Law.

Response:

We agree with the audit recommendation. All persons taking major medical leave are first required to take eight hours of personal leave. Supervisors have been trained to be sure that personal time is taken or that proper documentation is on file. The instances cited were for continued physical therapies after an automobile accident. No document from the physician was on file in reference to the continued therapy. Another employee had a death in the immediate family that was then followed with illness of another immediate family member. No personal day was taken at the onset of the family illness.

Corrective Action:

All employees are required to take eight hours of personal leave before taking medical leave.

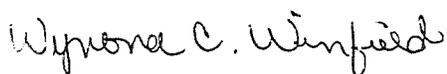
Appropriate documentation for major medical leave used for continuing therapy or chronic illness will be required.

A new time and attendance system is in place that sends a flag to the supervisor if eight hours of personal leave does not precede medical leave.

Supervisory and payroll staff are responsible for ensuring medical leave is appropriately taken.

Thank you and your staff for your assistance.

Sincerely,



Wynona C. Winfield
Director

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**OFFICE OF
STATE AID ROAD CONSTRUCTION**

MISSISSIPPI DEPARTMENT OF TRANSPORTATION
P. O. BOX 1850
JACKSON, MISSISSIPPI 39215-1850

J. Brooks Miller, Sr., P.E.
State Aid Engineer
Telephone 359-7150

412 Woodrow Wilson Avenue
Jackson, Mississippi 39216
Fax 359-7141

February 01, 2005

Mr. Phil Bryant
State Auditor
3750 I-55 North Frontage Road
P.O. Box 956
Jackson, MS 39211

Dear Mr. Bryant:

RE: Single Audit Davis-Bacon Act

There is attached for your review written response to the referenced findings as presented to our Agency during the Exit Audit on January 26, 2005.

We appreciate the cooperative spirit of the personnel assigned to our office for the Audit and welcome their comments.

If additional information is needed please let us know.

Sincerely,



J. Brooks Miller, Sr.
State Aid Engineer

JBM/ey
Attachment

**OFFICE OF
STATE AID ROAD CONSTRUCTION**

MISSISSIPPI DEPARTMENT OF TRANSPORTATION
P. O. BOX 1850
JACKSON, MISSISSIPPI 39215-1850

J. Brooks Miller, Sr., P.E.
State Aid Engineer
Telephone 359-7150

412 Woodrow Wilson Avenue
Jackson, Mississippi 39216
Fax 359-7141

February 01, 2005

AUDIT FINDINGS:

CFDA

NUMBER

*20.205
04.09

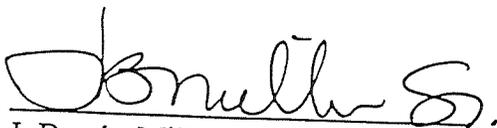
"DAVIS-BACON ACT"

RESPONSE:

In addition to the checks we have in place at this time to control this problem: We are adding the attached letter "statements and payrolls".

The letter will be sent with each contractor's packet on each new federal aid project. Also, we will send this letter a second time when we receive the notice to proceed for construction from the project engineer on each new federal aid contract.

Also, when we receive a project diary, we are going to route the project diary by our payroll compliance person, Sandy Mohr, so that she can check for work by the prime contractor and any sub-contractors working on the project.



J. Brooks Miller, Sr
State Aid Engineer

STATE AID ROAD CONSTRUCTION

MISSISSIPPI DEPARTMENT OF TRANSPORTATION
P.O. BOX 1850
JACKSON, MISSISSIPPI 39215-1850

J. Brooks Miller, Sr., P.E.
State Aid Engineer
Telephone (601) 359-7150

401 North West Street
Jackson, Mississippi 39201
Fax (601) 359-7141

Statements and Payrolls

The Contractor and subcontractors shall submit one copy each of forms CAD-880, "Weekly Summary of Wage Rates" and CAD-881, "Weekly Statement of Compliance", along with a copy of the payroll records, each week to the Office of State Aid and to the County Engineer. If submission of the here-in-before stated forms are delinquent by (14) fourteen days, the State Aid Engineer shall hold progress estimates for payment until the required completed forms are submitted. Each Contractor and subcontractor shall preserve his weekly payroll records for a period of three years from the date of the completion of the contract.

The payroll records shall contain the name, address and social security number of each employee, his correct classification, rate of pay, daily and weekly number of hours worked, itemized deductions and actual wages paid.

It is your responsibility to make sure your subcontractors are aware of this and send in payrolls for all work they perform on this project.

Please mail one copy to the County Engineer on this project and one copy to Office of State Aid Road Construction, Attn: Sandy Mohr, P.O. Box 1850, Jackson, MS 39215-1850.

If you have any questions on this, please call Sandy Mohr at 601 359-7846.

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Joseph L. Blount, *Chairman
and Commissioner of Revenue*

Terry L. Jordan
Associate Commissioner

Donald L. Green
Associate Commissioner



MISSISSIPPI

STATE TAX COMMISSION

Executive
1577 Springridge Road
Raymond, Mississippi 39154

Post Office Box 22828
Jackson, Mississippi 39225

Phone: 601-923-7400
FAX: 601-923-7423
www.mstc.state.ms.us

December 20, 2004

Phil Bryant, State Auditor
Office of the State Auditor
501 North West Street
Suite 801
Jackson, Mississippi 39201

RE: Financial Audit Findings

Dear Mr. Bryant:

With respect to your audit of the financial statements of the Mississippi State Tax Commission for the Fiscal Year ended June 30, 2004, and your findings and recommendations, we offer the following comments:

REPORTABLE CONDITION

Controls over Key punch of Journal Entries Should Be Strengthened

Response:

The Mississippi State Tax Commission acknowledges the importance of controls over data processing of journal entries to ensure the correct input of information from sales tax journal entries. All seven items cited in your report resulted from human error and have been corrected.

Corrective Action Plan:

A programming change has been initiated to update the data entry requirements for a Period Change Journal Entry. The data entry operator will be prevented from further work until the error is corrected within the batch.

This change will not only correct the larger errors, such as those questioned in the audit report, but also smaller errors that would not be caught when manually reviewing each day's journal entry recap.

Controls over Individual Income Tax Refunds Should Be Strengthened

Response:

The Mississippi State Tax Commission agrees good internal controls are vital to ensure accuracy and that agency personnel should follow policies and procedures. In response to your examples we offer the following:

- The five instances noted where refund checks were issued twice resulted from human error. These items have been corrected.
- The two instances noted where income reported on the return was less than income reported on W2s resulted from gambling income. The W2 was actually a W2G. Due to a recent law change, gambling income is no longer reportable income.
- There were five instances noted where refunds were issued to taxpayers who had failed to submit W2s with their tax return. Front-end review of the return when opened in the mailroom to detect this error would be best practice; however, this procedure is labor intensive and unable to be performed consistently during times of high volume due to lack of sufficient resources.
- There was one instance noted in which numerous errors were found on a tax return that agency personnel had reviewed prior to issuing the refund. Another error was noted where credit for tax paid to another state was not substantiated by personnel reviewing the return. In each situation, agency personnel reviewed the return and made other corrections, but did not compare the withholding or credit to the amount reported on return. Both errors have been corrected.
- One instance was noted in which a return was not input correctly and resulted in an overstated refund. When agency personnel reviewed the return, the error went unobserved and the refund was approved. This error was due to the taxpayer including penalty and interest on estimate and that inclusion was not detected by staff. This account has been corrected.

Corrective Action Plan:

The above issues have been discussed with personnel. Supervisors in mailroom, data entry, and income plan to strengthen our training and instruction procedures for employees.

Data Processing Security Controls Should Be Strengthened

Response:

The Mississippi State Tax Commission agrees that adequate computer room security at the ABC facility in Gluckstadt is important in order to prevent unauthorized access. The agency also agrees that fire resistant materials in the room would reduce the possibility of a loss of property due to fire.

Corrective Action Plan:

Measures have been taken that entry to the computer room will be strictly limited to authorized personnel and a register will be maintained of all other personnel who have reason to enter the room. This action will be monitored by the Director and Deputy Director of the ABC.

The computer room is currently equipped with a fire extinguisher in the event of fire. When financial resources are made available, we will investigate alternatives for fire resistant materials to replace existing furniture and fixtures.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROL:

Policies and Procedures Concerning Delinquent Accounts Should Be Followed:

Response:

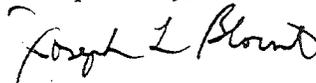
Three instances were noted where agency personnel did not perform appropriate follow-up procedures for out of state accounts. A lack of resources has caused delay in enrollment of Notice of Tax Liens, primarily on out-of-state accounts. It should be noted that the agency has little collection authority over many out-of-state accounts. Therefore, the absence or presence of a Notice of Tax Lien often has little impact on these delinquencies.

Corrective Action Plan

Dependent upon sufficient resources, the agency will engage in a practice of enrolling these liens in a timely fashion to protect the State's interest.

Our staff is available to furnish any additional information requested or further details concerning this audit of our financial statements and the implementation of suggested changes.

Respectfully,



Joseph L. Blount, Chairman
and Commissioner of Revenue

JB/kw

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William R. "Bill" Minor
Northern District Commissioner

Dick Hall
Central District Commissioner

Wayne H. Brown
Southern District Commissioner



Larry L. "Butch" Brown
Executive Director

Harry Lee James
Deputy Executive Director/
Chief Engineer

Brenda Znachko
Deputy Executive Director/
Administration

P. O. Box 1850 / Jackson, Mississippi 39215-1850 / Telephone (601) 359-7001 / FAX (601) 359-7110 / www.goMDOT.com

OTHER AUDIT FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

February 4, 2005

Dear Mr. Bryant:

We appreciate the professionalism and courtesy shown to our staff by your audit staff during the federal compliance audit recently conducted. We had the exit conference and received the Single Audit Management Report and the following details our response to the Other Findings:

AUDIT FINDING:

IMMATERIAL WEAKNESS IN INTERNAL CONTROLS

SUB RECIPIENT MONITORING

CFDA Number 20.205 Highway Planning and Construction

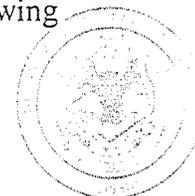
Internal Controls over the Review of Sub Recipient Audit Reports Should be Strengthened

Response: We agree with this recommendation.

Corrective Action Plan:

The Internal Audit Division will strengthen controls over monitoring sub recipient audit requirements by:

- A. The Internal Audit Division will notify sub recipients who are subject to the audit requirement of OMB Circular A-133 and direct their compliance with the nine month submission deadline.
- B. The internal Audit Division will communicate with sub recipients who are not in compliance with the deadline requirement and determine if the audit is in progress and determine if we will receive the report in a timely manner following the completion of the audit.



Page Two
Other Audit Findings
February 4, 2005

- C. The Internal Audit Division will review the audit report within six months of receipt of the sub recipients audit report. If findings are noted relating to MDOT federal pass through funds, the Internal Audit Division will contact the sub recipient and work toward resolving any findings.
- D. The internal Audit Division will make this audit function a priority and ensure these audit reports are completed within six months of receipt and will issue a management decision on audit findings, when applicable, thus complying with the sub recipient monitoring compliance requirements for a pass-through entity as noted in OMB Circular A-133.

The responsible party for the corrective action plan regarding this finding is Diane Gavin, Internal Audit Director. Should you have any questions or need additional information, contact her at 359-7499.

Sincerely,



Larry L. (Butch) Brown
Executive Director

LLB:JMV/cc



STATE OF MISSISSIPPI
TREASURY DEPARTMENT

TATE REEVES
STATE TREASURER

POST OFFICE BOX 138
JACKSON, MISSISSIPPI 39205
TELEPHONE (601) 359-3600

Honorable Phil Bryant
State Auditor
State of Mississippi
8th Floor, Woolfolk Building
Jackson, Mississippi 39201

Dear Mr. Bryant:

We have reviewed the financial audit findings in reference to our fiscal year 2004 audit. Listed below are our responses and plan for corrective action:

AUDIT FINDING: Strengthen Controls over the Statewide Collateral Pool

Response: We concur with this finding.

Corrective Action: The controls over the Statewide Collateral Pool and the Public Funds Guaranty Pool were established to ensure that adequate collateral is maintained to secure the public deposits of over 1200 entities held by over 110 financial institutions. The State Treasury staff will continue to monitor the pools under the current procedures and will be instructed to verify that errors are kept to a minimum. In regards to the calculation of required collateral, the staff has been instructed to use the more conservative approach in determining the collateral level. We are currently using the higher of average daily balance or month end balance and will continue to do so.

AUDIT FINDING: Internal Controls over the Use of the Signature Stamp Should Be Implemented

Response: We concur with this finding.

Corrective Action: We have implemented the use of a log that requires the user of the signature stamp to document the purpose and sign and date. We no longer use the signature stamp to sign checks. This method was only in place during the term of the interim State Treasurer. We now use the signature machine maintained in the vault that requires the user and a second witness to sign a log.

AUDIT FINDING: Contractual Services Should be Supported by Written Agreements

Response: We concur with this finding.

Corrective Action: Written contracts for existing and new contractual employees will be implemented and the originals will be maintained by the Accounting Director.

AUDIT FINDING: Supervisory Review of Arbitrage Schedules Should be Performed

Response: We concur with this finding.

Corrective Action: The employee responsible for preparing these schedules spends a considerable amount of time reviewing MERLIN reports and compiling the schedules before they are sent to the arbitrage attorney for calculation. In order to fully comply with the request as stated in the audit finding, a supervisor would be required to review the reports and trace all numbers back to supporting documentation to ensure they were properly prepared without error. We will begin performing a cursory review of the schedules and this review will be documented, however, due to the limited number of staff at the State Treasury, the review will be limited in scope.

If you have any question, please call Liz Welch, Deputy Treasurer at 359-3600.

Sincerely,

A handwritten signature in cursive script that reads "Liz Welch".

Tate Reeves
State Treasurer

MISSISSIPPI BOARD OF VETERINARY MEDICINE

MEMBERS OF THE BOARD

STUART G. DENMAN, JR., DVM
RT. 2 BOX 21
CHARLESTON, MISSISSIPPI 38921

CLYDE E. TAYLOR, DVM
107 FOREST HILL DR
STARKVILLE, MISSISSIPPI 39759

DOUGLAS F. JEFCOAT, DVM
P.O. BOX 1646
LAUREL, MISSISSIPPI 39440

BETSY A. LIPSCOMB, DVM
1011 ST. MARK DRIVE
PORT GIBSON, MISSISSIPPI 39150

DAVID C. NEWELL, DVM
2200 HIGHWAY 45 NORTH
MERIDIAN, MISSISSIPPI 39301

EXECUTIVE SECRETARY

E. MAC HUDDLESTON, DVM
209 S. LAFAYETTE
STARKVILLE, MISSISSIPPI 39759
Telephone & Fax: (662) 324-9380

ATTORNEY

MICHAEL MALSKI
P.O. BOX 543
AMORY, MISSISSIPPI 38821

Compliance Review Findings

October 20, 2005

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P O Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

The Mississippi Board of Veterinary Medicine has reviewed the findings in the Compliance Review performed in April of 2005. Below you will find our response to these findings.

1. Perform Monthly Bank Reconciliations
 - a. The monthly bank statements were being visually checked for accuracy.
 - b. The monthly bank statements are being reconciled on the form provided by the bank. After the reconciliation by the administrative secretary, the president of the Board of Veterinary Medicine will check the reconciliation and sign the form.
 - c. The President of the Board along with the administrative secretary will be responsible for implementing this action.
 - d. This action was implemented on October 1, 2005 for the September, 2005 bank statement.
2. Prepare and approve purchase orders prior to ordering goods and services.
 - a. Some of the purchase orders were being prepared and approved as the goods were being ordered.

- b. Estimates of cost are being obtained prior to goods and services being ordered. At that time the purchase order is prepared and approved. After receiving the completed purchase order the goods or services are ordered.
 - c. The administrative secretary is taking this action with the approval of the executive secretary.
 - d. This action was implemented on May 1, 2005.
3. Properly obtain telecommunications services:
- a. The Mississippi Board of Veterinary Medicine will contact the Mississippi Department of Information Technology Services (ITS) to obtain telephone services in compliance with Section 25-53-111 (a), Mississippi Code Antr.
 - b. The administrative secretary will contact ITS to begin this process.
 - c. The process will be implemented before January 1, 2006.
4. Ensure contractual expenditures are approved and properly documented
- a. The Mississippi Board of Veterinary Medicine ensures that all employees have a current contract on file and that time records are kept on hourly employees. It was found during the audit that some temporary employees had not had their time records verified by the Executive Secretary.
 - b. The Mississippi Board of Veterinary Medicine will implement a system to ensure that all time sheets are approved by the Executive Secretary prior to transmittal for payment.
 - c. The administrative secretary will be responsible for ensuring that all contracts are on file in the Board office and that all time sheets are signed and approved by the executive secretary.
 - d. This action was implemented on May 1, 2005.
5. Ensuring agency fees comply with state laws
- a. A new Veterinary Practice Law was passed by the Mississippi House of Representatives and the Mississippi Senate and signed by the governor on April 26, 2006. This legislation took affect on July 1, 2005. In the veterinary practice act the Board is empowered to "(g) Establish and publish annually a schedule of fees for licensing and certification."
 - b. The Mississippi Board of Veterinary Medicine will annually establish and publish all fees associated with licensing, certification, testing, etc. for public record.

- c. The Mississippi Board of Veterinary Medicine along with the Mississippi Veterinary Medical Association worked together to propose and obtain passage of the 2005 Veterinary Practice Act.
- d. The Mississippi Board of Veterinary Medicine will each year at its annual meeting on the second Tuesday of June revise and agree to all fees. At that time the administrative secretary will be responsible for compiling and publishing all fees.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. Mac Huddleston, D.V.M.", written in black ink.

E. Mac Huddleston, D.V.M.

Executive Secretary

EMH/nc



**MISSISSIPPI
DEPARTMENT OF WILDLIFE, FISHERIES AND PARKS**

**SAM POLLES, Ph. D
Executive Director**

FINANCIAL AUDIT FINDINGS

October 20, 2004

Honorable Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
501 North West Street Suite 801
Jackson, MS 39205-0956

Dear Mr. Bryant:

We are pleased to receive the financial audit findings for the Department of Wildlife, Fisheries and Parks for fiscal year 2004.

The audit of selected accounts disclosed the following items of concern which this department has already corrected or will correct immediately:

REPORTABLE CONDITIONS

Controls Should Be Strengthened over Park Revenue

The Parks Division is in the final stages of implementing a Point of Sale System for the collection of all Park User fees. By computerizing the system all discrepancies in the fees that are charged should be eliminated and a universal fee system will be used.

Internal Controls over Network Security Should Be Strengthened

The three user accounts on the Novell network that did not require a passwords have been corrected..

All Novell network users have been set to have password changes in accordance with adopted agency policies.

We disagree with the statement that twenty-six (26) of the users of the Windows 2003 network were improperly assigned "Full Control Access". Certain areas are given full control access, however there are filters in place to block access as needed.

Internal Controls over the Card Security System should be Strengthened

We agree with this finding with one exception, The Director of the Agency's Law Enforcement, Wildlife and Fisheries Divisions should have access to all areas. All other problems have been resolved.

Resource Access Control Facility (RACF) Settings Should Be Reviewed To Maximize Control Capabilities

We concur with this finding and all problems have been resolved.

We want to thank your audit staff for their professional approach to our audit. We consider this input to be a real benefit to the agency.

Sincerely,

A handwritten signature in cursive script that reads "Sam Polles". The signature is written in black ink and is positioned above the typed name.

Sam G. Polles, Ph. D.
Executive Director

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STATE OF MISSISSIPPI
HALEY BARBOUR
GOVERNOR

DEPARTMENT OF WILDLIFE, FISHERIES AND PARKS
SAM POLLES, PH.D., EXECUTIVE DIRECTOR

February 17, 2006

The Honorable Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
501 North West Street, Suite 801
Jackson, MS 39201

I am in receipt of the findings submitted to me for the Audit Year Ending June 30, 2004. The following are our responses, including corrective actions, if needed. We have listed the findings in the order presented in your report of January 19, 2006.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Bank Reconciliations Should Be Properly Prepared

Finding:

During our review of the bank reconciliations at the Mississippi Department of Wildlife, Fisheries and Parks, we noted the Lifetime Endowment collection bank account was not reconciled to agency records. The reconciliation prepared was simply a recap of the information obtained from the bank statement itself. Good internal controls dictate that bank accounts be reconciled promptly to the agency's accounting records with differences documented and resolved timely. Failure to properly reconcile bank statements with the accounting records could result in errors or fraud occurring without being detected in a timely manner and an incorrect balance being recorded on the financial statements.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks ensure bank statements are reconciled to agency records promptly.

Response:

Agree with finding.

Corrective action:

This was an oversight and has been corrected.

Contractual Services Should Be Supported by Written Agreements

Finding:

The Mississippi Department of Wildlife, Fisheries and Parks contracted with several businesses to perform various services for the agency. Review procedures performed revealed payments were made to businesses for services rendered without a written contractual agreement signed by both parties. Without a written contract, duties and costs to the parties involved were not documented. Prudent business practice mandates execution of a written contractual agreement binding the parties in duties and costs.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks obtain written agreements for contractual services performed for the agency. The contracts should be signed by all parties involved and should document the agreed upon duties to be performed and the costs of services to be rendered.

Response :

Do not agree with finding.

Corrective action:

Both vendors were paid less than \$50,000; contractual agreements, although encouraged, are not required under Personal Services Contract Procurement Regulations in these situations.

A Written Policy for the Cutting of Timber/Trees on State Lands Should Be Developed

Finding:

Testwork performed on contractual expenditures at the Mississippi Department of Wildlife, Fisheries and Parks revealed a vendor was paid \$15,000 on two separate occasions for cutting timber/trees on state park land. Based on review of the invoices, the number of trees cut on each separate occasion differed greatly. A written contractual agreement detailing the services and the agreed upon cost was not executed by the agency. Furthermore, inquiries with agency personnel concerning the agency's policy governing the cutting of timber/trees from state lands revealed the agency had no formal policy in place.

Good internal controls dictate the agency develop, distribute and enforce a written policy over the cutting of timber/trees on state lands. Failure to maintain a written policy could allow errors or fraud to occur and remain undetected. Also, prudent business practices mandate the execution of written contractual agreements binding all parties in duties and costs. Without a written contract, duties and costs to the parties involved was not adequately documented.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks develop and implement a written policy which addresses the cutting of timber/trees on state lands. We further recommend the agency ensure written contractual agreements are executed binding all parties involved in duties and costs.

Response:

Do not agree with finding.

Corrective Action:

The services provided did not require a contract under the Personal Services Contract Procurement Regulations. Further, the items removed were not removed to harvest; they were obstructions causing security and safety hazards for users of the Lefleur's Bluff Golf Course and areas which were adversely affecting the growth of turf grass. Until the recent formation of a Wildlife, Fisheries and Parks Timber Fund, timber was cut so infrequently that it was not needed. The Agency has, however, developed a timber management plan for public lands for which the Agency is responsible.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

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

Finding:

During expenditure testwork at the Mississippi Department of Wildlife, Fisheries and Parks, we noted five instances out of 49 items tested which required purchase orders, or 12 percent, in which the purchase orders were prepared after the invoices were received. Section 7-7-23, Miss. Code Ann. (1972), requires 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 requires 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 with state law

Honorable Phil Bryant, State Auditor

Page 4

February 17, 2006

impedes the agency and the Department of Finance and Administration's ability to maintain budgetary controls over the agency's expenditures.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks comply with state law by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

Response:

Do not agree with finding.

Corrective Action:

The Kips Tree Services were performed in an effort to immediately address security concerns for customers of Lefleur's Bluff State Park, and were, therefore, emergency in nature. These trees were removed to lessen the legal liability related to customer safety and to increase potential revenue by promoting the growth of grass on the golf course. The initial invoice dated May 6, 2004 to Kips Tree Service was done to immediately address security concerns for customers parking at the course to play golf. The nature of the work provided for in the invoice dated June 16, 2004 covered a broad spectrum of activities. Dead and falling trees posed safety concerns for customers and employees of the golf course. Other trees were cut to clear obstructions, promote the growth of turf grass, and serve as erosion control for areas of the course and customer safety over time. The service provider was not allowed to disrupt the normal course of business by using heavy machines during select times of play or use/transport equipment on the course during or just after inclement weather, resulting in irregular work schedules.

The expenditures to Kramertown Ace and Morton Home Center were made quickly in order to ensure continuity of services without interruption and create an impression to the public of attention to critical matters requiring immediate attention, and were, therefore, also emergency in nature.

The purchase for Outfitter Hunting and Fishing was requisitioned on June 8th. The purchase order date was June 14th, and items were received June 15th. Items were received after the purchase order origination date. The Agency had a contractual agreement with Fashions of Jackson in FY 03. The Office of Purchasing and Travel (OPT) approved an extension on the contract through FY 04 (see attached copy of memo from their office). However, when we attempted to enter the purchase orders for this vendor, the P-1's were rejected. DFA representatives advised the rejection was merely a system problem, and that a new purchase

order would be prepared during which time the vendor completed work per our agreement. Since this was a problem with OPT, and not the MDWFP, we do not feel we are responsible for the incorrect purchase order.

Copies of Signed Payment Vouchers Should Be Maintained

Finding:

Section 7-7-27, Miss. Code Ann. (1972), requires that invoices be approved for payment by the proper officials of each agency and the original copy thereof forwarded to the Department of Finance and Administration, along with a requisition for payment containing a certification by the approving officer of each agency that the goods or services specified on each invoice have been received or performed. During expenditure testwork at the Mississippi Department of Wildlife, Fisheries and Parks, we noted two instances out of 80 tested, or 3 percent, in which the agency's copy of the payment voucher did not have the certification signature of an agency official. Good internal controls dictate that a copy of the signed payment voucher be maintained for audit purposes. Without an authorized signature on the agency's copy of the payment voucher, the auditor cannot readily determine the expenditure has been properly authorized.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks maintain signed copies of the payment voucher to ensure audits can be performed efficiently.

Response:

Agree with this finding.

Corrective Action:

These two expenditures were investigated and the payment vouchers were sent to the Department of Finance and Administration (DFA) unsigned. The procedures for signing payment vouchers have been changed which will reduce the risk of future incidences of this nature.

Property Additions Should Be Recorded Timely in Inventory Records and Properly Reported to the State Property Office

Finding:

Testwork performed on the property inventory at the Mississippi Department of Wildlife, Fisheries and Parks revealed the following:

- Two buildings costing \$319,791 that were completed and paid for in January 2004 and June 2004 were not recorded on the agency's inventory or reported to the Property Audit Division of the Office of the State Auditor (State Property Office) until February 2005.
- The agency incorrectly reported one building costing \$144,830 to the State Property Office at \$142,830.
- Two hundred satellite receivers purchased in December 2003 and February 2004 for a per unit value of \$5,100 were not recorded on the agency's inventory or reported to the State Property Office as additions until May 2004. Also, 23 of 35 satellite receivers purchased in June 2004 for a per unit value of \$5,100 were not recorded to the agency's inventory or reported to State Property Office as additions until July and August of 2004; and furthermore, 12 of the 35 satellite receivers had not been reported as of the date of audit fieldwork.

Section 29-9-11, Miss. Code Ann. (1972), requires that on or before the fifteenth day of each month, the agency shall add to its inventory the items purchased or otherwise acquired during the last preceding month, and indicate as deleted the items that have been disposed of. The additions and/or deletions to an agency's inventory for the prior month shall be reported to the State Property Office on or before the fifteenth day of the following month. Failure to report assets in a timely manner results in the misstatement of the asset inventory for financial statement purposes and also hinders the agency's ability to properly safeguard assets from potential theft or loss.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks properly record additions and/or deletions to its inventory records and to the State Property Office in a timely manner.

Response:

Agree with finding.

Corrective Action:

Regarding the two buildings, the Senior Property Officer resigned leaving the remaining staff with no knowledge of this situation. Once this situation was brought to our attention, the buildings were added to inventory immediately, as can be evidenced by the February 2005 State Property Office (SPO) report, on file at the State Auditor's Office.

Regarding the \$2,000 mistake in listing the building, this was simply a typographical error and has been corrected.

Regarding the satellite receivers, it is the agency's policy that no item of equipment is placed on inventory until the Property Officer receives a property form with the user's name and signature. These satellite units were being installed by a private company. This became a time consuming operation. MDWFP policies have since been amended to ensure that newly acquired equipment items are placed on inventory in the month following purchase, and that situations such as this will not occur in the future.

Receipt of Goods and Services Should Be Documented

Finding:

The Mississippi Department of Wildlife, Fisheries and Park's practice is to document the receipt of goods or services by including the signature and date of the person receiving the goods or services on the invoice. Testwork performed on 80 expenditures revealed the following:

- Fourteen instances, or 18 percent, in which the invoice documented the signature of the person verifying the receipt of goods and services; however, the person did not document the date the agency received the goods or services on the invoice.
- Three instances, or 4 percent, in which the signature and date of the person receiving the goods or services was not documented on the invoice.

Section 31-7-305, Miss. Code Ann. (1972), requires a record to be kept of the date of receipt of the invoice and dates of receipt, inspection and approval of the goods or services. Failure to comply with state law could result in payment for goods or services not yet received.

Honorable Phil Bryant, State Auditor

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February 17, 2006

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks strengthen procedures to ensure compliance with state law by requiring persons receiving goods or services to sign and date invoices or other documentation to indicate proper receipt of the goods or services prior to the disbursement of funds.

Response:

Agree with some reservations.

Corrective Action:

While we understand that signing and dating invoices to verify the date that goods or services are received is a good internal control procedure, the agency does not have the resources to send staff into the field to verify the accuracy of these signatures and dates. Individuals authorizing the purchase of goods and services are responsible for ensuring the receipt of items purchased and that services were performed.

Regarding the three invoices that were not signed, two are contractual agreements that are signed between the agency and the vendor, copies of signed agreements are on file. The third invoice was paid without a signature in error. Goods and services were proper and received, and no taxpayer's funds were misspent.

Payments to Vendors Should Be Timely

Finding:

During expenditure testwork at the Mississippi Department of Wildlife, Fisheries and Parks, we noted two instances out of 80 tested, or 3 percent, in which the payment made to the vendor was not timely. Section 31-7-305 of the Miss. Code Ann. (1972), requires payments to be made to a vendor within 45 days after the receipt of the invoice and receipt, inspection and approval of the goods or services. Failure to comply could result in the agency incurring additional costs through interest penalties prescribed by Section 31-7-305, Miss. Code Ann. (1972).

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks comply with state law by ensuring payments to vendors are made within 45 days after receipt of the invoice and goods or services.

Honorable Phil Bryant, State Auditor
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February 17, 2006

Response:

Agree with finding.

Corrective Action:

For these two payments, the invoices were first sent to the location that received the services and then forwarded to the central office for payment. They were misplaced in the transfer, and copies had to be sent at a later date to be certified.

MDWFP will stress to all project managers to ensure that all invoices are sent to the accounting office for timely payment in the future.

Agency Should Report the Use of Employer-Provided Vehicles

Finding:

Subsection 15.20.40 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual states “the value of employer-provided vehicles used by state employees for commuting must be included in wages for social security, income tax (federal and state) and retirement purposes. Commuting is defined as taking an employer-provided vehicle to or from work and the employee’s residence.” If the employer requires the employee to commute in the vehicle for bona fide noncompensatory business reasons the criteria for commuting are met. Examples of noncompensatory business reasons include lack of space to store the vehicle, the expectation that the employee will respond to emergency calls from his/her residence, security reasons, etc. The MAAPP manual lists certain types of employee-provided vehicles, which are not subject to commuting requirements, such as clearly marked law enforcement vehicles and officially authorized uses of unmarked vehicles by law enforcement officers.

During fringe benefit testwork at the Mississippi Department of Wildlife, Fisheries and Parks, we noted the agency provided state-owned vehicles to employees who are not law enforcement officers. The employees used the state-owned vehicles for daily commuting, as well as official business travel; however, the agency did not report the fringe benefits associated with travel considered commuting on the employee’s wage records or W-2 form.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks ensure the value of employer-provided vehicles used for commuting is included as wages on monthly payroll to ensure compliance with Subsection 15.20.40 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual.

Honorable Phil Bryant, State Auditor

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February 17, 2006

Response:

Do not agree with finding.

Corrective Action:

MDWFP policy prohibits employees from being assigned vehicles for commuting purposes only. Only individuals in positions or job classifications that require twenty four hour, seven day on call status or who are required to respond to emergency situations from home, are assigned vehicles.

Bank Accounts Should Be Properly Authorized

Finding:

Bank account testwork performed at the Mississippi Department of Wildlife, Fisheries and Parks revealed the agency had not obtained authorization for the Lake Claude collection bank account and the Lifetime Endowment investment bank account from the Department of Finance and Administration. Subsection 29.60.35 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual requires authorization of agency bank accounts by the State Treasurer and the Department of Finance and Administration. It further explains any changes made in an approved bank account must be re-approved. Failure to comply with this MAAPP manual requirement could impair the ability of the State Treasurer and the Department of Finance and Administration to properly regulate bank accounts utilized by state agencies and could allow errors or fraud to occur without being detected in a timely manner.

Recommendation:

We recommend the Mississippi Department of Wildlife, Fisheries and Parks obtain authorization of bank accounts from the State Treasurer and the Department of Finance and Administration as required by Subsection 29.60.35 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual. Reauthorization should be obtained for any changes made to an approved bank account.

Response:

Agree with finding.

Honorable Phil Bryant, State Auditor
Page 11
February 17, 2006

Corrective Action:

This has since been corrected, and no funds were expended outside the scope of the intention of funding rules.

We appreciate the courteous manner in which your staff conducted the audit of our Agency. Should you need to discuss these findings further, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Sam Polles" with a stylized flourish underneath.

Sam Polles, Ph. D.
Executive Director

cc: Al Tuck, Deputy Director
Robert Cook, Executive Officer
Lloyd Marshall, Director of Support Services



MISSISSIPPI
DEPARTMENT OF WILDLIFE, FISHERIES AND PARKS
SAM POLLES, Ph.D.
Executive Director

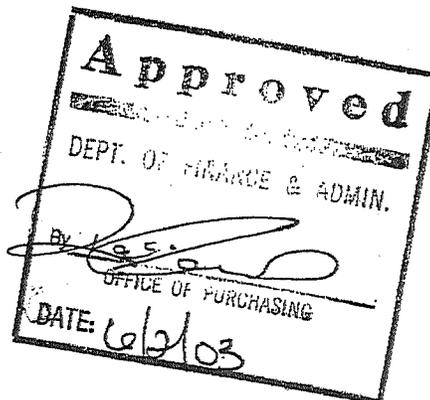
Purchasing Office • Telephone: (601) 432-2149 • Fax: (601) 432-2152 • Location: 1505 Eastover Drive - Jackson, MS 39211-6322

To: Office of Purchasing-Randi Chambers
From: Nellie White-Chief of Purchasing *N.W.*
Date: May 16, 2003
Subject: Extension of Contracts

We would like permission to extend the three contracts listed below for another year at the same prices. These three contracts will all end July 31, 2004.

46400000900	Fashions Inc of Jackson
46400000901	Mid South Uniform & Supply, Inc.
46400000950	Mid South Specialty Advertising

NW:lrp





Mississippi Workers' Compensation Commission

1428 Lakeland Drive / Post Office Box 5300
Jackson, Mississippi 39296-5300
(601) 987-4204
<http://www.mwcc.state.ms.us>

RECEIVED
MAY 11 2005
STATE AUDITOR
PHIL BRYANT
Ray C. Minor, Executive Director

Liles Williams, Chairman
Barney J. Schoby, Commissioner
Lydia Quarles, Commissioner

May 9, 2005

Honorable Phil Bryant
Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Dear Mr. Bryant:

We concur with the findings of the State Auditor's Office and the Commission will implement a policy whereby the Purchasing Agent III position will be responsible for all goods received. This position will be furnished with date stamps for the various departments and will insure that no invoices or services will be acceptable for payment until purchase orders are issued, signed by the official authorized to do so and date stamps documenting the date goods are received are in order. In the absences of the Purchasing Agent III, the Director of Finance and Accounting will be responsible for the purchasing of all goods and services.

With your recommendations and our updates, this will enable us to carry out our purchasing more efficiently.

Sincerely,

Ray C. Minor
Executive Director

RCM/nf



Mississippi Workers' Compensation Commission

1428 Lakeland Drive / Post Office Box 5300

Jackson, Mississippi 39296-5300

(601) 987-4284

<http://www.mwcc.state.ms.us>

Liles Williams, Chairman
Barney J. Schoby, Commissioner
Lydia Quarles, Commissioner

Ray C. Minor
Executive Director

COMPLIANCE REVIEW FINDINGS

May 25, 2005

The Honorable Phil Bryant
State Auditor
State of Mississippi
P O Box 956
Jackson, MS 39205-0956

Dear Mr. Bryant:

This letter is the response of the MS Workers' Compensation Commission to the May 5, 2005, letter from the Office of the State Auditor outlining internal control and compliance review findings for FY 2004.

AUDIT FINDINGS:

Control over Purchasing Procedures Should be Strengthened

Response: The Agency understands this finding.

Corrective

Action Plan: Agency will implement a policy whereby the Purchasing Agent will be responsible for entering a purchase order before goods or services are received.

Control over Documenting Date of Receipt of Goods or Services and Invoices Should be Strengthened

Response: The Agency understands this finding.

Corrective

Action Plan: Agency will furnish date stamps to various departments and will ensure that no invoices for goods or services will be acceptable for payment until date stamps documenting the delivery is recorded and purchase is signed by the official authorized person to do so.

If there are questions regarding the corrective action plans, please contact Ray C. Minor, Executive Director of MS Workers' Compensation Commission at 601-987-4205

Sincerely,

A handwritten signature in black ink, appearing to read "Ray C. Minor".
Executive Director

III. INFORMATION ON MANAGEMENT LETTERS ISSUED FOR COMPONENT UNITS



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MANAGEMENT LETTERS ISSUED FOR COMPONENT UNITS

Component units other than the State's universities presented in the State's *Comprehensive Annual Financial Report* for the year ended June 30, **2004**, were audited by other independent auditors. The State's universities were audited by the Office of the State Auditor. Management letters issued for component units may be obtained by writing to the following addresses:

Public Employees' Retirement System
PERS Building
429 Mississippi Street
Jackson, MS 39201-1005

Mississippi Business Finance Corporation
735 Riverside Drive, Suite 300
Jackson, MS 39202

Mississippi Coast Coliseum Commission
P. O. 4676
Biloxi, MS 39531

Mississippi Development Bank
735 Riverside Drive
Jackson, MS 39202

Mississippi Prison Industries Corporation
663 North State Street
Jackson, MS 39202

Pat Harrison Waterway District
P. O. Drawer 1509
Hattiesburg, MS 39403

Pearl River Basin Development District
P. O. Box 5332
Jackson, MS 39296-5332

Pearl River Valley Water Supply District
P. O. Box 2180
Ridgeland, MS 39158

Tombigbee River Valley Water Management District
P. O. Box 616
Tupelo, MS 38802

State Universities:
Office of the State Auditor
Education Audit Section
501 North West Street, Suite 801
Jackson, MS 39201

