



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

January 20, 2010

Financial Audit Management Report

Tom Burnham, Ed.D., State Superintendent
Mississippi Department of Education
P. O. Box 771
Jackson, Mississippi 39205

Dear Dr. Burnham:

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 fiscal year ended June 30, 2009. These financial statements are consolidated into the State of Mississippi's Comprehensive Annual Financial Report. We conducted our audit 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. The Office of the State Auditor's staff members participating in this engagement included Kimberly Majure, CPA, Kim McCrory, Lisa Worthy, and Andy Wright, CPA.

Our 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on these accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

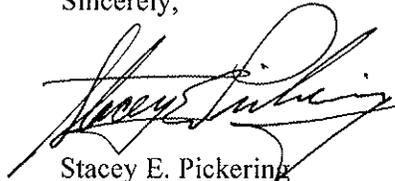
Compliance and Other Matters

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 grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, individuals charged with governance, 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,



Stacey E. Pickering
State Auditor



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

March 12, 2010

Single Audit Management Report

Tom Burnham, Ph.D., State Superintendent
Mississippi Department of Education
P. O. Box 771
Jackson, Mississippi 39205

Dear Dr. Burnham:

Enclosed for your review is the single audit finding for the Mississippi Department of Education for the Fiscal Year 2009. In this finding, the Auditor's Office recommends the Mississippi Department of Education strengthen controls over the comparability requirement.

Please review the recommendation and submit a plan to implement it by March 25, 2010. 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, individuals charged with governance, Members of the Legislature, 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 hope you find our recommendation enables 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 "Stacey E. Pickering", is written over a large, stylized flourish.

Stacey E. Pickering
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 major federal programs of the Mississippi Department of Education for the year ended June 30, 2009. 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 Kimberly Majure, CPA, Kim McCrory, Josh Shoemaker, CPA, Lisa Worthy, and Andy Wright, CPA.

Our 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 the Mississippi Department of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program.

Our consideration of internal control over compliance would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance identified in this letter as item 09-06 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. However, we do not consider the significant deficiency identified above to be 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. The results of our auditing procedures disclosed no instances of noncompliance that are required to be reported by OMB Circular A-133.

**CFDA/Finding
Number**

Finding and Recommendation

SPECIAL TEST AND PROVISIONS

Significant Deficiency

84.010

Title I Grants to Local Educational Agencies

Federal Award Number and Year: S010A080024A, 2008

09-06

Controls over Comparability Requirement Should Be Strengthened

Finding:

Section 1120A(c) of the Elementary and Secondary Education Act [20 USC 6321(c)] states that a local educational agency (LEA) may receive funds under Title I, Part A, only if state and local funds will be used in participating schools to provide services, taken as a whole, which are at least comparable to services that the LEA is providing to schools not receiving Title I, Part A funds. Each LEA is required to develop procedures for complying with the comparability requirements and must implement the procedures annually. Each LEA is also required to maintain records that are updated biennially, documenting compliance with the comparability requirements. The state educational agency (SEA) is ultimately responsible for ensuring LEAs remain in compliance with the comparability requirement.

For fiscal year 2009, the Mississippi Department of Education-Office of Innovative Support (MDE-OIS) administered the Title I Grant to school districts and required each LEA to submit a Comparability Report documenting compliance with the requirements. Each LEA's Comparability Report was reviewed for compliance by the MDE-OIS Title I Division. If any problems were noted during review, correspondence was sent to the respective LEA requesting action be taken to correct the issue. Additionally, MDE-OIS examined documentation supporting the Comparability Reports during monitoring activities. Testwork performed on 60 of the 152 LEAs revealed five instances in which the Comparability Reports evidenced miscalculations. As a result of the noted errors, we extended our testwork to 90 of the 152 LEAs in order to verify compliance with the comparability requirements. In our extended testwork, we noted three instances in which the Comparability Reports evidenced miscalculations. In all eight noted instances, the Comparability Reports had been reviewed and signed-off as comparable by the MDE-OIS Title I Division, with no revisions made to the calculations. It should be noted that, based on our corrected calculations, the comparable determination did not change for any of the eight LEAs.

Good internal controls require the agency to have adequate control procedures in place to ensure compliance with federal regulations. Failure to ensure the accuracy of monitoring documents used for determining LEA compliance with comparability requirements could result in noncompliance with federal regulations and jeopardize continued funding under the Title I Grants to Local Educational Agencies program.

Recommendation:

We recommend the Mississippi Department of Education-Office of Innovative Support strengthen control procedures to ensure the accuracy of documents used in monitoring local educational agencies' compliance with comparability requirements. Comparability Reports should receive a documented review for completeness, accuracy, and compliance. Any deficiencies noted in the reports should be documented and corrected.