



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

January 18, 2011

**Financial Audit Management Report**

Tom Burnham, Ed.D.  
State Superintendent of Education  
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, 2010. These financial statements will be 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, Lee Alford, Lisa Worthy and Stacey Allman, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

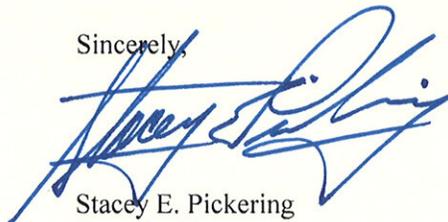
### **Compliance and Other Matters**

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. The Office of the State Auditor has also issued an Information Systems Management Report on the Mississippi Department of Education, dated June 7, 2010. That report should be read in conjunction with this report.

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 blue ink, appearing to read "Stacey E. Pickering", written over a horizontal line.

Stacey E. Pickering  
State Auditor

**End of Report**



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

March 21, 2011

**Single Audit Management Report**

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

Dear Dr. Burnham:

Enclosed for your review are the single audit findings for the Mississippi Department of Education for the Fiscal Year 2010. In these findings, the Auditor's Office recommends the Mississippi Department of Education:

1. Strengthen controls to ensure employee compensation costs are charged to the proper program; and
2. Strengthen controls over procurement and suspension and debarment requirements prior to entering into contracts.

Please review the recommendations and submit a plan to implement them by March 25, 2011. 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.

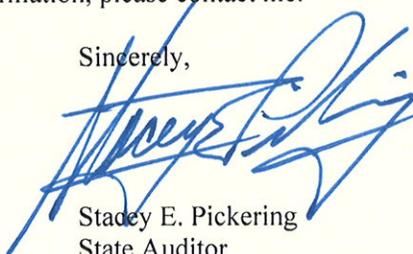
This report is intended solely for the information and use of management, individuals charged with governance, Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public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

Mississippi Department of Education  
March 21, 2011  
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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,



Stacey E. Pickering  
State Auditor

Enclosures

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, 2010. 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, Lisa Worthy, Lee Alford, and Stacey Allman, 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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance identified in this letter as items 10-11 and 10-12 to be significant deficiencies.

### **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 performing such other procedures as we considered necessary in the circumstances.

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is identified in this letter as item 10-11.

**CFDA/Finding  
Number**

**Finding and Recommendation**

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**ALLOWABLE COSTS/COST PRINCIPLES**

*Significant Deficiency  
Immaterial Noncompliance*

10.560

State Administrative Expenses for Child Nutrition

Federal Award Number and Year: FLS09-SAE – 2009 /FLS10-SAE – 2010

Questioned Costs: \$19,060

10-11

Controls Should Be Strengthened to Ensure Employee Compensation Costs are Charged to the Proper Program

*Finding:*

The *Code of Federal Regulations* (7 CFR 235.6(b)) requires that allowable costs be determined in accordance with the Office of Management and Budget (OMB) Circular A-87. OMB Circular A-87 requires that amounts charged to grant programs for compensation of employees relate to time devoted and identified specifically to the performance of the award.

During our audit of the Mississippi Department of Education, we reviewed the appropriateness of compensation charged directly to the State Administrative Expenses for Child Nutrition program. We selected 34 employees for testing and noted one employee out of 34 for which compensation of \$19,060 was improperly disbursed from the State Administrative Expenses for Child Nutrition award. The employee was linked to an incorrect organizational code during payroll setup, allowing the improper charge to occur.

Good internal controls require adequate controls be in place to ensure only allowable costs are charged to a federal grant award. Without adequate controls in place, the agency charged costs in violation of federal regulations, resulting in questioned costs.

Upon notification by the auditor, agency personnel corrected the error prior to year-end close.

*Recommendation:*

We recommend the Mississippi Department of Education strengthen controls over the review of employee compensation costs charged to the State Administrative Expenses for Child Nutrition program to ensure compliance with federal regulations. Payroll setup for each employee should be reviewed to ensure employee salaries are distributed from the proper source. Compensation charged to the program should be reviewed monthly to ensure all charges relate to time devoted and identified specifically to the performance of the award.

## PROCUREMENT AND SUSPENSION AND DEBARMENT

### *Significant Deficiency*

10.560 State Administrative Expenses for Child Nutrition

Federal Award Number and Year: FLS09-SAE - 2009 / FLS10-SAE - 2010

10-12 Controls Should Be Strengthened over Procurement and Suspension and Debarment Requirements Prior to Entering into Contracts

#### *Finding:*

The Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* states non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties who are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods and services which are expected to equal or exceed \$25,000 or meet other specified criteria detailed in the *Code of Federal Regulations* (2 CFR 180.220). The Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* further states when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System* (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity (2 CFR section 180.300).

During our review of the suspension and debarment compliance requirement at the Mississippi Department of Education, we tested all 5 contracts with parties who provided goods or services equal to or greater than \$25,000 under the State Administrative Expenses for Child Nutrition program in fiscal year 2010. We noted one instance, or 20 percent, in which the agreement with the contractor did not include any assurances related to the suspension and debarment requirement. In addition, the agency could not provide any documented certification from the contracted party or evidence of verification through the EPLS.

Failure to comply with Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* suspension and debarment requirements could result in distribution of federal funds to an entity who has been excluded from participation in federal programs by authorities. It should be noted we queried EPLS and did not find any evidence the contracted party was suspended or debarred.

#### *Recommendation:*

We recommend the Mississippi Department of Education strengthen controls to ensure procurement contracts are not entered into with parties who have been suspended or debarred. All contracts exceeding \$25,000 should include a clause or condition requiring the contracted party to comply with the suspension and debarment regulations. Further, we recommend the agency perform and document a search of the *Excluded Parties List System* annually to ensure the suspension and debarment contract provision has not been violated.