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**MISSISSIPPI DEPARTMENT OF
WILDLIFE, FISHERIES, AND PARKS**

**SELECTED FUND FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2012

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

BOARD OF COMMISSIONERS

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MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Mississippi Department of Wildlife, Fisheries, and Parks
Jackson, Mississippi 39205

We have audited the accompanying financial statements of State Treasury Funds 2463 and 3463 of the Mississippi Department of Wildlife, Fisheries, and Parks as of and for the year ended June 30, 2012. These financial statements will be consolidated into the State of Mississippi's Comprehensive Annual Financial Report. These fund financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Funds 2463 and 3463 and do not purport to, and do not, present fairly the financial position of the Mississippi Department of Wildlife, Fisheries, and Parks as of June 30, 2012, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Funds 2463 and 3463 of the Mississippi Department of Wildlife, Fisheries, and Parks as of June 30, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Commissioners
Mississippi Department of Wildlife, Fisheries, and Parks
Jackson, Mississippi 39205

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 on our consideration of the Mississippi Department of Wildlife, Fisheries, and Parks internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the selected funds. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the Management Discussion and Analysis and the Budgetary Comparison Schedules that accounting principles generally accepting in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

This report is intended solely for the information and use of management, the Board of Commissioners, Members of the Legislature and the Office of the State Auditor, 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.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
October 12, 2012

EXHIBIT A

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

**BALANCE SHEET
SELECTED GOVERNMENTAL FUNDS
JUNE 30, 2012**

ASSETS

	Wildlife, Fisheries, and Parks General Fund 2463	Wildlife, Fisheries, and Parks Special Revenue Fund 3463
ASSETS		
Cash and cash equivalents	\$ 12,525	\$ 14,014,257
Inventories	-	57,401
Due from other governments	-	3,848,439
Due from other funds	60,195	5,750,000
Other receivables	-	10,000
	<hr/>	<hr/>
Total assets	\$ 72,720	\$ 23,680,097

LIABILITIES AND FUND BALANCES

LIABILITIES		
Warrants payable	\$ -	\$ 1,261,887
Accounts payable	1,829	774,775
Due to other governments	-	49,030
Due to other funds	-	71,349
Other payables	-	200,139
Customer deposits	-	25,500
Total liabilities	<hr/> 1,829	<hr/> 2,382,680
FUND BALANCES		
Nonspendable:		
Inventory	-	57,401
Restricted for recreation and resources development	-	21,240,016
Committed for recreation and resources development	70,891	-
Total fund balances	<hr/> 70,891	<hr/> 21,297,417
	<hr/>	<hr/>
Total liabilities and fund balances	\$ 72,720	\$ 23,680,097

See the independent auditor's report and accompanying notes to financial statements.

EXHIBIT B

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SELECTED GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	<u>Wildlife, Fisheries, and Parks General Fund 2463</u>	<u>Wildlife, Fisheries, and Parks Special Revenue Fund 3463</u>
REVENUES		
License fees, permits, and registrations	\$ -	\$ 14,231,314
Subscription revenue	-	64,027
Fines and penalties	-	69,843
Rental revenue	-	266,939
Park user fees	-	7,235,074
Golf revenue	-	635,240
Museum fees	-	374,567
State sources	6,818,268.00	5,750,000
Federal sources	-	15,800,624
Sale of personal property	-	174,288
Interest	-	15
Fulfillment fee receipt	-	726,114
Other revenues	-	123,569
Total revenues	<u>6,818,268</u>	<u>45,451,614</u>
EXPENDITURES		
Salaries	5,757,678	21,528,404
Travel	-	126,014
Contractuals	617,771	11,715,045
Commodities	151,390	5,721,076
Capital outlay	220,538	5,010,998
Subsidies	-	1,304,193
Merchandise purchased for resale	-	522,085
Debt service:		
Principal payments	-	107,428
Interest and fiscal charges	-	49,247
Total expenditures	<u>6,747,377</u>	<u>46,084,490</u>

See the independent auditor's report and accompanying notes to financial statements.

EXHIBIT B
PAGE TWO

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SELECTED GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	Wildlife, Fisheries, and Parks General Fund 2463	Wildlife, Fisheries, and Parks Special Revenue Fund 3463
Excess of revenues over (under) expenditures	\$ 70,891	\$ (632,876)
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	-	22,937,549
Transfers to other funds	-	(1,007,256)
Total other financing sources (uses)	-	21,930,293
Excess of revenues over (under) expenditures and other financing sources (uses)	70,891	21,297,417
FUND BALANCES - BEGINNING	-	-
FUND BALANCES - ENDING	\$ 70,891	\$ 21,297,417

See the independent auditor's report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applicable to the selected funds of the Mississippi Department of Wildlife, Fisheries, and Parks are described below:

Basis of Presentation - The accompanying selected fund financial statements of the Mississippi Department of Wildlife, Fisheries, and Parks have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

Financial Reporting Entity - The Mississippi Department of Wildlife, Fisheries, and Parks is reported as a state agency in the State of Mississippi's Comprehensive Annual Financial Report. The two selected funds presented in these financial statements are part of the larger entity that in whole comprises the financial reporting entity of the Mississippi Department of Wildlife, Fisheries, and Parks. The Wildlife Fisheries and Parks General Fund of the Mississippi Department of Wildlife, Fisheries, and Parks receives a portion of the State's general tax revenues and pays the regular operating and administrative expenses of the Agency. The Wildlife, Fisheries and Parks Special Revenue Fund, accounts for the expenditures of enforcing laws for the preservation and protection of the state's wildlife resources and enhancing their environments. Additional responsibilities and expenses of this fund are enforcement of boating safety on state lakes and streams and enforcement of hunter safety. This fund also accounts for expenditures to support the varied activities to promote, operate, and maintain the 28 park sites located throughout the State. Funding is primarily provided by the sale of hunting and fishing licenses, fees and permits, taxes, park user fees, museum fees, federal grants and transfers. Additionally, the special revenue fund accounts for expenditures to support the research and educational activities to promote, operate and maintain the museum. Funding is primarily provided by museum fees, federal grants and transfers. The fund also shares in administrative costs of the Agency through operating transfers to the administrative fund.

Measurement Focus, Basis of Accounting - Governmental Fund Financial Statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are generally included on the balance sheet. Under this method, revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The Agency considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include gasoline tax and federal grants. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures and related fund liabilities are recognized upon receipt of goods and services.

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

NOTES TO FINANCIAL STATEMENTS

PAGE TWO

YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The selected funds for the Mississippi Department of Wildlife, Fisheries, and Parks are reported as a General Fund and a Special Revenue Fund. The general fund accounts for transactions related to resources obtained and used for those services traditionally provided by a state government, which are not required to be accounted for in other funds. These services include, among others, general government, public safety, health and social services, social assistance, recreation and resources, transportation, and education (other than institutions of higher education). Revenues in these funds are derived from taxes, fees, and other sources that usually are not designated for any specific purposes (for example, licenses, permits or charges for incidental services). Certain resources obtained from federal grants and used to support general governmental activities are accounted for in the general funds consistent with applicable legal requirements. The special revenue fund primarily accounts for transactions related to resources obtained from specific revenue sources that are legally restricted to expenditures for specific purposes such as, certain federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.

Cash and Cash Equivalents - Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds and certificates of deposit with a maturity date within 90 days of the date acquired by the State.

Receivables - Receivables represent amounts due to the Agency for revenues earned that will be collected sometime in the future. Receivables are reported net of allowances for uncollectible accounts where applicable.

Interfund Activity - In the selected fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures of the disbursing fund. Reimbursements of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Inventories - Inventories of supplies and materials are stated at cost, generally using the first-in, first-out method. Inventories of supplies and materials of governmental funds are recorded as expenditures when consumed rather than when purchased.

Fund Balances - The Agency follows the guidance in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraint placed on a government's fund balances more transparent. The classification used in the selected governmental fund financial statements presented in this report is as follows:

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

NOTES TO FINANCIAL STATEMENTS

PAGE THREE

YEAR ENDED JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Nonspendable - This classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted - This classification includes amounts for which constraints have been placed on the use of the resources by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for the specific purposes determined by enabling legislation by the State legislature.

Federal Grants - Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenue when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Subsequent Events - In connection with the preparation of the financial statements, management of the Mississippi Department of Wildlife, Fisheries, and Parks has evaluated subsequent events through October 12, 2102, which is the date the financial statements were available to be issued. See Note 8 for disclosure of subsequent events.

NOTE 2 - DEPOSITS

Section 27-105-5, Mississippi Code Ann. (1972), authorizes the State Treasurer to implement a statewide collateral pool program which secures all state and local public funds deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

NOTES TO FINANCIAL STATEMENTS

PAGE FOUR

YEAR ENDED JUNE 30, 2012

NOTE 2 - DEPOSITS (Cont.)

Section 27-105-5, Mississippi Code Ann. (1972), establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required 5½% primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105% of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the State's interests.

Custodial credit risk is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Agency. At June 30, 2012, all cash deposits of Funds 2463 and 3463 were fully collateralized in accordance with state statutes.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2012, interfund transactions due to/due from other funds consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund 3463</u> <u>Amount</u>
Mississippi State University Funds	\$ 4,429
MS Prison Industries Fund 3555	6,650
DEQ- Water Pollution Control Fund 3586	75
Wildlife, Fisheries and Parks General Fund 2463	<u>60,195</u>
	<u>\$ 71,349</u>

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

NOTES TO FINANCIAL STATEMENTS

PAGE FIVE

YEAR ENDED JUNE 30, 2012

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES (Cont.)

Fund 3463 has a due from other funds in the amount of \$5,750,000 due to gasoline tax revenue that is received every year from the Mississippi State Tax Commission.

The outstanding balances between funds result mainly from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made. All balances are expected to be paid and or collected in fiscal year 2013.

NOTE 4 - INTERFUND TRANSFERS

Transfers are used to recognize flows of assets between funds of the State without equivalent flows of assets in return and without a requirement for payment. Interfund transfers at June 30, 2012, consist of the following:

<u>Transfer Out</u>	<u>Transfers In Fund 3463</u>
Fisheries and Wildlife Special Revenue Fund 3460	\$ 14,047,814
Parks and Recreation Special Revenue Fund 3461	3,903,189
Natural Science Museum General Fund 3464	1,480,988
American Recovery and Reinvestment Act Fund 3997	1,000,000
Federal Emergency Management Agency Fund 3729	<u>2,505,558</u>
	<u>\$ 22,937,549</u>
	<u>Transfers Out Fund 3463</u>
MS Department of Archives & History Fund 3473	\$ 7,256
Department of Finance and Administration Bureau of Buildings Fund 3931	<u>1,000,000</u>
	<u>\$ 1,007,256</u>

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

NOTES TO FINANCIAL STATEMENTS

PAGE SIX

YEAR ENDED JUNE 30, 2012

NOTE 4 - INTERFUND TRANSFERS (Cont.)

During the year ended June 30, 2012, the agency made the following one-time transfers:

- Transfers due to the closing of funds 3460, 3461, and 3464 during the year totaling \$19,431,991 were made pursuant to legislation enacted during the fiscal year ending June 30, 2011 along with the authorization for the establishment of Fund 2463 (General Fund) and Fund 3463 (Special Revenue Fund).

NOTE 5 - DUE FROM OTHER GOVERNMENTS

At June 30, 2012, due from other governments consisted of the following:

<u>Due From</u>	<u>Due to Fund 3463</u>
United States Department of Defense	\$ 555,931
United States Department of Interior	2,558,770
United States Department of Transportation	125,000
United States Department of Homeland Security	<u>608,738</u>
Total Fund 3463	<u>\$ 3,848,439</u>

The entire amount is expected to be collected in fiscal year 2012.

NOTE 6 - RETIREMENT PLAN

Mississippi Department of Wildlife, Fisheries, and Parks contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, Mississippi 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

NOTES TO FINANCIAL STATEMENTS

PAGE SEVEN

YEAR ENDED JUNE 30, 2012

NOTE 6 - RETIREMENT PLAN (Cont.)

Funding Policy - PERS members are required to contribute 9.00% of their annual covered salary and Mississippi Department of Wildlife, Fisheries, and Parks is required to contribute at an actuarially determined rate. The current rate is 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. PERS contributions for fiscal year ended June 30, 2012 for the selected funds were as follows: Fund 2463 - \$558,048 and Fund 3463 - \$1,973,028.

NOTE 7 - CONTINGENCIES AND COMMITMENTS

Encumbrances - The Agency utilizes encumbrance accounting. All encumbrances are classified as either Restricted Fund Balances or Committed Fund Balances. The following amounts were encumbered as of June 30, 2012:

	<u>Encumbrances</u>	
Fund 2463	\$	2,972
Fund 3463		1,173,265

Federal Grants - The Agency has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the Agency. The Agency estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

Litigation - The Agency is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the Agency in a majority of these cases. In the event they are not successful in defending such cases, the State's opinion is that the ultimate disposition of these matters will not have a material adverse effect on the financial position of the state.

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

NOTES TO FINANCIAL STATEMENTS

PAGE EIGHT

YEAR ENDED JUNE 30, 2012

NOTE 8 - LEASE OBLIGATIONS

During fiscal year ending June 30, 2008, the Agency entered into two master lease agreements for equipment and energy management projects. These leases are being amortized over five and fifteen years, respectively.

Presented below are the terms for the master leases:

Master Leases	Description	Original Borrowing	Interest Rate	Final Maturity	Outstanding June 30, 2012
Master Lease Series 2008A	5 Year Equipment	\$150,000	3.79%	2013	\$32,544
Master Lease Series 2008A	15 Year Equipment Energy Management Project	\$1,354,539	4.15%	2023	\$1,079,529

Presented below are the debt service requirements for the master leases:

Year ending June 30,	Principal	Interest
2013	\$ 111,813	\$ 44,861
2014	82,589	40,613
2015	86,048	37,155
2016	89,652	33,551
2017	93,406	29,796
Thereafter	648,565	90,654
	<u>\$ 1,112,073</u>	<u>\$ 276,630</u>

NOTE 9 - SUBSEQUENT EVENTS

The Agency is still recovering from Hurricane Katrina and has ongoing costs to rebuild Buccaneer State Park in the estimated amount of \$21,020,089. The current estimated shortfall for the project is \$2,608,741. Subsequent to year end Hurricane Isaac caused damage to Buccaneer as well as Lake Lamar Bruce and Percy Quinn State Park structures in the estimated amount of \$9,081,856. Bond funding has been made available estimated at \$6,067,596.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Mississippi Department of Wildlife, Fisheries, and Parks
Jackson, Mississippi

We have audited the financial statements of State Treasury Funds 2463 and 3463 of the Mississippi Department of Wildlife, Fisheries, and Parks as of and for the year ended June 30, 2012, and have issued our report thereon dated OCTOBER 12, 2012. 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.

Internal Control Over Financial Reporting

Management of Mississippi Department of Wildlife, Fisheries, and Parks is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mississippi Department of Wildlife, Fisheries, and Parks internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mississippi Department of Wildlife, Fisheries, and Parks internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mississippi Department of Wildlife, Fisheries, and Parks internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

To the Board of Commissioners
Mississippi Department of Wildlife, Fisheries, and Parks

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 a 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. We consider the deficiencies described in the accompanying schedule of findings as Finding 2012-1 and Finding 2012-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mississippi Department of Wildlife, Fisheries, and Parks financial statements of State Treasury Funds 2463 and 3463 are free of material misstatement, we performed tests of its 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*.

Mississippi Department of Wildlife, Fisheries, and Parks' responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, Members of the Legislature and the Office of the State Auditor, 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.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
October 12, 2012

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified that is not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Section II - Financial Statement Findings

Significant Deficiency – Material Weakness

Finding 2012-1 **Finding:**

The Agency's various checking account statements are not being reconciled on a timely basis, nor is there a documented timely review process in place for the bank statement reconciliation procedures.

Recommendation:

The Agency should design and implement internal control procedures that will allow for accurate and timely bank reconciliations to be performed on all checking accounts with a documented review of the reconciliations being performed on a timely basis by supervisory personnel. Particular emphasis should be placed upon vouching all reconciling items into the subsequent month's bank statement and reconciling document. These procedures would also allow for a more reliable compilation of year end checking account balances for the preparation of the annual adjustments to the Agency's cash account balances pursuant to the Agency's documentation of year end accrual entries.

Auditee's Response:

The Agency will implement internal control procedures that will allow for accurate and timely bank reconciliations to be performed with a documented review being performed on a timely basis by supervisory personnel.

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

SCHEDULE OF FINDINGS AND RESPONSES

PAGE TWO

YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings (Cont.)

Finding 2012-2 **Finding:**

The Agency has journal entries that were made during the year with no supporting documentation and no understanding of the purpose of the entry. There is also no review process for manual journal entries prepared.

Recommendation:

The Agency should design and implement internal control procedures that will allow for supporting documentation to be provided for all manual journal entries with a documented review of the journal entries.

Auditee's Response:

The Agency will implement internal control procedures that will allow for supporting documentation to be retained for all manual journal entries and a documented review will be performed.

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

**AUDITED PROGRAM FINANCIAL STATEMENT
AND OTHER INFORMATION**

Year Ended June 30, 2012

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Mississippi Department of Wildlife, Fisheries, and Parks
Jackson, Mississippi

We have audited the accompanying schedule of expenditures of federal awards for the Recreational Trails Program of the Mississippi Department of Wildlife, Fisheries, and Parks for the year ended June 30, 2012. This financial statement is the responsibility of the Mississippi Department of Wildlife, Fisheries, and Parks' management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.

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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

To the Board of Commissioners
Mississippi Department of Wildlife, Fisheries, and Parks
Jackson, Mississippi

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the Recreational Trails Program in conformity with accounting principles generally accepted in the United States of America.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
October 12, 2012

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
<i>Department of Transportation</i>				
<i>Office of Highway Administration (FHWA)</i>				
Passed-through the Mississippi Department of Transportation				
Recreational Trails Program	20.219	MS05/MS08/MS/10(001)	\$ 970,738	\$ 935,738
			<u>\$ 970,738</u>	<u>\$ 935,738</u>

See the independent auditor's report and accompanying notes to financial statement.

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

NOTE 1 - BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Mississippi Department of Wildlife, Fisheries, and Parks for its Recreational Trails Program under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Mississippi Department of Wildlife, Fisheries, and Parks, it is not intended to and does not present the financial position or changes in fund balances of Mississippi Department of Wildlife, Fisheries, and Parks.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-Through Entity Identifying Numbers - Pass-Through Entity Identifying Numbers are presented where available.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON THE FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE PROGRAM
SPECIFIC AUDIT OPTION UNDER OMB CIRCULAR A-133**

To the Board of Commissioners
Mississippi Department of Wildlife, Fisheries, and Parks
Jackson, Mississippi

Compliance

We have audited the Mississippi Department of Wildlife, Fisheries, and Parks' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its Recreational Trails Program for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program is the responsibility of Mississippi Department of Wildlife, Fisheries, and Parks' management. Our responsibility is to express an opinion on Mississippi Department of Wildlife, Fisheries, and Parks' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Recreational Trails Program occurred. An audit includes examining, on a test basis, evidence about Mississippi Department of Wildlife, Fisheries, and Parks' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mississippi Department of Wildlife, Fisheries, and Parks' compliance with those requirements.

As described in item 2012-1 in the accompanying schedule of findings and questioned costs, the Mississippi Department of Wildlife, Fisheries, and Parks did not comply with requirements regarding subrecipient monitoring applicable to the Recreational Trails Program. Compliance with such requirements is necessary, in our opinion, for the Mississippi Department of Wildlife, Fisheries, and Parks to comply with requirements applicable to that program.

To the Board of Commissioners
Mississippi Department of Wildlife, Fisheries, and Parks
Jackson, Mississippi

In our opinion, except for the noncompliance described in the preceding paragraph, the Mississippi Department of Wildlife, Fisheries, and Parks complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Recreational Trails Program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Mississippi Department of Wildlife, Fisheries, and Parks is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mississippi Department of Wildlife, Fisheries, and Parks' internal control over compliance with the requirements that could have a direct and material effect on its Recreational Trails Program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Mississippi Department of Wildlife, Fisheries, and Parks' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a material weakness.

Mississippi Department of Wildlife, Fisheries, and Parks' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Mississippi Department of Wildlife, Fisheries, and Parks' response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the management, the Board of Commissioners, the members of the Mississippi Legislature, the Office of the State Auditor, the federal awarding agency, and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
October 12, 2012

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditor's Results

Program Specific Federal Awards

Internal control over federal programs:

Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None identified

Type of auditor's report issued on compliance for the federal programs:	Qualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
---	-----

Auditee qualified as low-risk auditee?	No
--	----

Section II - Financial Statement Findings

None

Section III - Federal Awards Findings and Questioned Costs

Material Weakness – Material Noncompliance

Finding 2012-1 **Finding:**

CFDA No. 20.219	Recreational Trails Program U.S. Department of Transportation Grant Numbers – MS05/MS08/MS/10(001) Passed through the Mississippi Department of Transportation
-----------------	---

Criteria:

Subrecipient Monitoring – Federal law and regulations and standards identified in 2 CFR parts 25 and 170, and 48 CFR parts 4, 42, and 52 Federal awarding agency regulations, and the terms and conditions of award documents pertaining to subrecipient monitoring requirements applicable to federal grant programs, and the inclusion in subrecipient grant agreements the applicable audit requirements of OMB Circular A-133 and to establish procedures to monitor subrecipient audit compliance with those requirements.

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PAGE TWO

YEAR ENDED JUNE 30, 2012

Section III - Federal Awards Findings and Questioned Costs (Cont.)

Statement of Condition:

The Mississippi Department of Wildlife, Fisheries, and Parks administers the Recreational Trails Program funds that are provided to the State of Mississippi for the development and maintenance of recreational trails and trail related facilities. During fiscal year ended June 30, 2012, it was noted that project sponsor (subrecipient) agreement files include signed "Audit Assurance" forms requiring the submittal of audits at the completion of the respective projects, but follow-up procedures have not been implemented in order to ascertain compliance with the above-cited subrecipient monitoring requirements applicable to OMB Circular A-133 audits. Additionally, the Audit Assurance forms do not specify the applicable subrecipient monitoring provisions of OMB Circular A-133.

Questioned Cost:

None.

Effect or Potential Effect:

Failure to implement reliable subrecipient monitoring procedures could result in findings and questioned costs identified for Recreational Trails Program subrecipients not being reported to the federal granting agency on a timely basis.

Recommendation:

The Mississippi Department of Wildlife Fisheries, and Parks should implement procedures that require nonfederal subrecipients that expend financial assistance of \$500,000 or more in Federal awards to have a single audit or a program-specific audit for that year. Recreational Trails Program grant agreements should include these provisions that are in accordance with the OMB Circular A-133, and Mississippi Department of Wildlife, Fisheries, and Parks should establish procedures to monitor subrecipient audit compliance.

Views of Responsible Officials:

The Department of Wildlife Fisheries, and Parks' Corrective Action Plan is presented on page 9.

MISSISSIPPI DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS

CORRECTIVE ACTION PLAN

Year Ended June 30, 2012



**MISSISSIPPI
DEPARTMENT OF WILDLIFE, FISHERIES, AND PARKS**

Sam Polles, Ph.D.
Executive Director

Finding 2012-1

Program: Recreational Trails Program
CFDA No.: 20.219
Federal Agency: U.S. Department of Transportation/FHWA
Passed-Through: Mississippi Department of Transportation
Award Year: Fiscal Year 2011-2012
Compliance Requirement: Subrecipient Monitoring
Questioned Costs: None

Department's Response:

The Department of Administration concurs with the finding.

Corrective Action Plan:

Response from the Mississippi Department of Wildlife, Fisheries, and Parks

Administration will emphasize the importance of the coordination of all aspects of grant administration, including applicable subrecipient monitoring requirements, by implementing procedures that require nonfederal subrecipients that expend financial assistance of \$500,000 or more in Federal awards to have a single audit or a program-specific audit for that year. Recreational Trails Program grant agreements will include these provisions that are in accordance with the OMB Circular A-133 and Mississippi Department of Wildlife, Fisheries, and Parks will establish procedures to monitor subrecipient audit compliance.

Name of Responsible Person: Michael Bolden, Director of Administrative Services
Name of Department Contact: Jean Caraway, Project Officer Special IV
Expected date of Completion: September 19, 2012