



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

March 25, 2013

**Single Audit Management Report**

Dr. Craig Orgeron, Executive Director  
Mississippi Department of Information Technology Services  
3771 Eastwood Drive  
Jackson, Mississippi 39211

Dear Dr. Orgeron:

Enclosed for your review are the other audit findings for the Mississippi Department of Information Technology Services for the Fiscal Year 2012. In these findings, the Auditor's Office recommends the Mississippi Department of Information Technology Services:

1. Perform a review of employee approval levels in the Statewide Automated Accounting System; and
2. Strengthen controls over the compilation and review of federal performance reporting.

Please review the recommendations and submit a plan to implement them by April 11, 2013. 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, 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 recommendations enable the Mississippi Department of Information Technology 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 Information Technology Services 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 "Patrick Dendy".

Patrick Dendy, CPA  
Director, Department of Audit

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 federal flow-through funds received by the Mississippi Department of Information Technology on behalf of the Mississippi Wireless Communication Commission from the Office of the Governor for the year ended June 30, 2012. These funds were from the Broadband Technology Opportunities Program (BTOP), a major program of the State administered by the Office of the Governor. This audit was conducted 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 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 Amy Buller, CPA, Emily McHan, CPA, and Jeremy Miller, 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

Management of the Mississippi Department of Information Technology 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 the Mississippi Department of Information Technology Services' 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 noted other deficiencies in internal control over compliance that require the attention of management that we have reported on the attached document "Other Audit Findings" as items Oth-23 and Oth-24.

### Compliance

We have audited the Mississippi Department of Information Technology Services' compliance with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs administered by the Mississippi Department of Information Technology Services. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our audit fieldwork included examining, on a test basis, evidence about the Mississippi Department of Information Technology Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

The results of our auditing procedures disclosed no instances of noncompliance that are required to be reported by OMB Circular A-133.

### OTHER AUDIT FINDINGS

In planning and performing our audit of the federal awards transferred to the Mississippi Department of Information Technology Services on behalf of the Mississippi Wireless Communication Commission from the Office of the Governor for the year ended June 30, 2012, we considered internal control over compliance with the 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 control deficiencies.

A *deficiency in internal control* 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.

**CFDA/Finding  
Number**

**Finding and Recommendation**

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**ACTIVITIES ALLOWED/ALLOWABLE COSTS**

***Control Deficiency***

11.557

Broadband Technology Opportunities Program (BTOP)

Federal Award Number and Year: NT10BIX5570094 2012

Oth-23

A Review Should Be Performed of Employee Approval Levels in the Statewide Automated Accounting System

*Finding:*

During our review of employee approval levels in the Statewide Automated Accounting System (SAAS) at the Department of Information Technology Services for fiscal year 2012, we noted the following problems.

- Three employees had entry and all agency levels of approval for journal vouchers (JRVC or J2JG).
- Three employees had entry and all agency levels of approval for revenue (REV).
- One employee had entry and all agency levels of approval for disbursements (DISB).

Good internal controls require duties to be segregated so no one individual has the ability to initiate, authorize, and record a transaction.

Failure to ensure segregation of duties could allow unauthorized or erroneous transactions to be recorded in SAAS and not be detected promptly.

*Recommendation:*

We recommend the Department of Information Technology Services review employee approval levels over disbursements, journal vouchers, and revenue in the Statewide Automated Accounting System (SAAS) to ensure duties are adequately segregated.

**REPORTING**

***Control Deficiency***

11.557

Broadband Technology Opportunities Program (BTOP)

Federal Award Number and Year: NT10BIX5570094 2012

Oth-24

Controls Should Be Strengthened Over the Compilation and Review of Federal Performance Reporting.

*Finding:*

The National Telecommunications and Information Administration (NTIA) administers the Broadband Technology Opportunities Program. The NTIA requires quarterly performance progress reporting (PPR) using the NTIA designated reporting format. The Department of Information Technology Services prepares the PPR quarterly for the Broadband Technology Opportunity Program funds received by the State of Mississippi. During our review of the PPR, the following problems were noted.

- Of the two quarters examined, one instance was noted in which there was not a documented supervisory review of the reports.
- Figures for the individual budget categories did not agree to the support for the March 2012 PPR.

Good internal controls dictate that a review of reporting should be conducted prior to submission to the federal grantor, and that review should be documented. In addition, NTIA requires reporting the budgeted category totals which agree to the most recently approved budget. A new budget was approved in January 2012; however, the figures in the individual budget categories in the Federal Funds (plan) column for the March 2012 report reflect the prior budget amounts. A lack of supervisory review could allow errors or irregularities to occur and not be detected timely. Additionally, inaccurate entry of budgeted category amounts could result in a given category being overspent.

*Recommendation:*

We recommend the Department of Information Technology Services strengthen controls over the compilation and review of federal performance reports to ensure a supervisory review is performed and documented as evidenced by the signature and date of the reviewer.

**End of Report**