



**STATE OF MISSISSIPPI**  
PHIL BRYANT, GOVERNOR  
**MISSISSIPPI DEVELOPMENT AUTHORITY**  
BRENT CHRISTENSEN  
EXECUTIVE DIRECTOR

Financial Audit Management Report

March 1, 2013

Honorable Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

Dear Mr. Pickering:

This letter is in response to the findings during the Financial Audit Findings of the Mississippi Development Authority (MDA) for the fiscal year ended June 30, 2012. Our response is as follows:

**2012-09**

**Controls Should be Strengthened over Preparation and Review of GAAP Reporting Packages**

**Response:**

MDA concurs with the finding.

**Corrective Action Plan:**

The Grants and Reporting Area is in the process of revising the check list for GAAP packages and for supervisory review and signature.

**2012-10**

**Controls should be Strengthened over Reconciliations Between Accounting Systems**

**Response:**

MDA concurs with the finding.

**Corrective Action Plan:**

The Grants and Reporting Area is revising procedures and providing cross-training for new employees.

2012-11

**Employee Approval Levels in the Statewide Automated Accounting System (SAAS) should be revised.**

**Response:**

MDA does not concur with all the findings. MDA does concur with the finding regarding JV documents.

**Corrective Action Plan:**

MDA has amended the security levels of employees who process JV's to strengthen internal controls. MDA feels the current procedures in place for all other transactions are sufficient to prevent fraud and feels the remaining suggestions will not decrease the possibility for fraud and will unnecessarily increase the amount of time it takes to process transactions.

We appreciate the professional manner in which the audit team conducted this audit. If you have any questions concerning this response, please contact Brian Daniel at (601) 359-2596.

Sincerely,



Brent Christensen  
Executive Director



**STATE OF MISSISSIPPI**  
PHIL BRYANT, GOVERNOR  
**MISSISSIPPI DEVELOPMENT AUTHORITY**  
BRENT CHRISTENSEN  
EXECUTIVE DIRECTOR

SINGLE AUDIT FINDINGS

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

March 18, 2013

Dear Mr. Pickering:

This letter is in response to the Single Audit Management Report, dated March 4, 2013, to the Mississippi Development Authority for the Fiscal Year 2012 from the Office of the State Auditor. The Mississippi Development Authority has provided responses and corrective action plans to the Single Audit Findings in accordance with OMB Circular A-133.

**AUDIT FINDINGS:**

CFDA Number: # 14.228  
Program Name: Community Development Block Grants/State's Program  
REPORTING: Significant Deficiency Immaterial Noncompliance  
Finding Number: #12-07 Controls Should Be Strengthened Over Section 3 Reporting

**Response:**

- The Mississippi Development Authority (MDA) did not receive a Section 3 Report from the one (1) sub-recipient (JPL – Greenwood, Inc.) of the Neighborhood Stabilization Program 3 (NSP3) Grant. MDA did not have any information to report on the NSP3 Grant.
- To ensure compliance with 24 CFR Sections 135.3(s) and 135.90, all sub-recipients with existing or new grants during the reporting period must submit a HUD Form 60002 Section 3 Report. The Section 3 Reporting requirements were discussed at the Annual Public Hearings on the State of Mississippi's Action Plan for Housing and Community Development Programs; Application Workshops; and Implementation Workshops. The Community Services Division issued two (2) CSD Instructions (*See Enclosed*) to sub-recipients with Section 3 \* Reporting due dates:

- 1) CSD Instruction #12-001, dated January 9, 2012: Due Dates for Applications, Matching Funds, Close-out Packages, Audits, Water Viability, and Other Required Reports; and
  - 2) CSD Instruction #12-010, dated June 13, 2012: Section 3 Reporting.
- The previous year's second notices did not provide a satisfactory response for Section 3 Reporting. The oral presentations during the aforementioned Public Hearings and Workshops, coupled with CSD Instructions #12-001 and #12-010, regarding Section 3 Reporting signified to MDA that the issuance of a second Section 3 Reporting notice would be ineffective. To further ensure compliance, MDA developed and disseminated a Section 3 Policy and Procedures Manual (*Adopted September 4, 2012; See Enclosed*) to all sub-recipients. As an additional \* corrective action measure, MDA will publish the sub-recipients listing and delinquent reports listing on MDA's website.
  - On the Section 3 Summary Report for CDBG Program Year 2011 (B-11-DC-28-0001), the City of Grenada was inadvertently excluded from the report.
  - MDA does concur with Finding #12-07: Controls Should be Strengthened Over Section 3 Reporting. MDA has noted the concerns and recommendations of the Office of the State Auditor regarding strengthening controls as it relates to the HUD Form 60002 Section 3 Report. MDA has developed and implemented corrective action measures to ensure compliance with OMB Circular A-133.

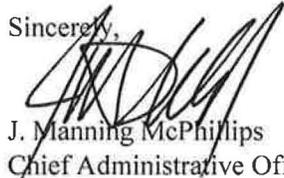
Corrective Action Plan:

- A. MDA has implemented the following corrective action measures and will continue to: disseminate the Section 3 Policy and Procedures Manual (*Adopted September 4, 2012; See Enclosed*); provide Section 3 guidance and requirements at all Public \* Hearings, Workshops, and Pre-Construction Conferences; and issue CSD Instructions regarding all sub-recipients requirements to complete HUD Form 60001 Section 3 Report timely and accurately for compliance with 24 CFR Sections 135.3(s) and 135.90.
- B. Ray Robinson, Compliance Bureau Manager, and Dean Patterson, IDIS and Financial Reporting Bureau Manager will be the responsible persons for this corrective action.
- C. The aforementioned corrective action plans have been implemented and are ongoing.

The Mississippi Development Authority will continue to administer the Housing and Community Development Programs in accordance with Federal and State applicable laws, regulations, and provisions.

Should the Office of the State Auditor need any additional clarification or information, please let me know.

Sincerely,

  
J. Manning McPhillips  
Chief Administrative Officer

Enclosures  
JM:SH



**STATE OF MISSISSIPPI**  
PHIL BRYANT, GOVERNOR  
**MISSISSIPPI DEVELOPMENT AUTHORITY**  
BRENT CHRISTENSEN  
EXECUTIVE DIRECTOR

OTHER AUDIT FINDINGS

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
State of Mississippi  
P.O. Box 956  
Jackson, MS 39205-0956

March 18, 2013

Dear Mr. Pickering:

This letter is in response to the Other Audit Findings within the Single Audit Management Report dated March 4, 2013, to the Mississippi Development Authority for the Fiscal Year 2012 from the Office of the State Auditor. The Mississippi Development Authority has provided responses and corrective action plans to the Other Audit Findings in accordance with OMB Circular A-133.

**AUDIT FINDINGS:**

CFDA Number: # 14.228  
Program Name: Community Development Block Grants/State's Program

DAVIS-BACON ACT: Other Control Deficiency

Finding Number: #Oth-11 Controls Should Be Strengthened Over Davis Bacon Requirements

**Response:**

- The Mississippi Development Authority (MDA) assumes the authority of 29 CFR Part 5 related to the Davis Bacon Act. MDA is responsible for providing the appropriate wage determinations and verifying contractor eligibility for Federally funded construction projects. The JPL- Greenwood, Inc. and the City of Holly Springs were projects generated by the Neighborhood Stabilization Program. The bidding processes for both projects were conducted by U.S. Department of Housing and Urban Development (HUD) and the developer/contractor was selected by HUD. Accordingly, MDA did not follow up regarding contractor eligibility. This was a process and communication oversight for the awarding agency's bidding and selection process and did not follow the typical Community

Development Block Grant bidding procedure. In the future, MDA will ensure to assume the Davis-Bacon Act responsibility in all cases.

- In response to the instance in which the wage determination was not documented to inform the sub-recipient of the U.S. Department of Labor hourly wage rates before construction began for JPL Greenwood, MDA conducted a Pre-Construction Conference on April 13, 2011 and provided all labor guidance to the developer/contractor that included the Davis Bacon Act requirements. This information is enclosed. \*
- MDA is in the process of developing a Labor Standards Policy and Procedures Manual that will provide the necessary Labor Standards guidance.
- MDA does concur with Other Audit Finding #Oth-11: Controls Should be Strengthened Over Davis-Bacon Requirements. MDA has noted the concerns and recommendations of the Office of the State Auditor regarding strengthening controls as it relates to the Davis-Bacon Act requirements. MDA has developed and implemented corrective action measures to ensure compliance with 29CFR Part 5 related to the Davis Bacon Act.

Corrective Action Plan:

- A. MDA provides guidance regarding the Davis-Bacon Act during all Annual Public Hearings on the State of Mississippi's Action Plan for Housing and Community Development Programs; Application Workshops; Implementation Workshops, and Pre-Construction Conferences. All sub-recipients must request Wage Rate Determination and Contractor Eligibility as it relates to the Davis-Bacon Act prior to contract execution. The appropriate request forms and information for Wage Rate Determination and Contractor Eligibility are located on MDA's website on the Community Services Program Overview page with designated links for sub-recipients to download. Specific guidance has been developed for contractors regarding the Davis-Bacon Act.
- B. Ray Robinson, Compliance Bureau Manager, will be the responsible person for this corrective action plan.
- C. The aforementioned corrective action plans have been implemented and are ongoing.

CFDA Number: # 14.228  
Program Name: Community Development Block Grants/State's Program

DAVIS-BACON ACT: Other Control Deficiency

Finding Number: #Oth-12 Controls Should Be Strengthened Over Federal Funding and Accountability Transparency Act Reporting

Response:

- The NSP 3 Grant was not entered into the Federal Funding and Accountability Transparency Act (FFATA) by the Federal Government. MDA was not able to enter the NSP 3 Grant award in the FFATA, because the NSP 3 Grant was and is not in the FFATA system. Attached are the emails dated March 10, 2011 notifying HUD about the NSP 3 Grant issue and the FFATA print out indicating the grant could not be found on January 31, 2013.
- In response to no evidence of supervisory review of reports submitted, before submitting the FFATA reports, each report was reviewed by the Bureau Manager and a secondary supervisory review.
- The delays of the thirteen (13) subawards not reported in FSRS by the last day of the month following the month in which the award was signed were due to the Federal Government not entering the 2011 CDBG into the FFATA system until November 2011. Until the 2011 CDBG was entered into the FFATA system, MDA could not report any 2011 CDBG awards.
- MDA does concur with Other Audit Finding #Oth-12 Controls Should Be Strengthened Over Federal Funding and Accountability Transparency Act Reporting. MDA has noted the concerns and recommendations of the Office of the State Auditor regarding strengthening controls over Federal Funding and Accountability Transparency Act (FFATA) Reporting. MDA has developed and implemented corrective action measures to ensure compliance with 2 CFR Part 170.

Corrective Action Plan:

- A. MDA will ensure timeliness and data quality control in Federal Funding and Accountability Transparency Reporting through supervisory review, secondary supervisory review, and supervisory approval prior to submittal. The Bureau Manager will ensure the facilitation of the collection of the information, improvement of data quality, enhancement of the overall collection data, and any new reporting requirements are documented as it relates to all sub-recipient projects.
- B. Dean Patterson, IDIS and Financial Reporting Bureau Manager, will be responsible for this corrective action plan.
- C. The aforementioned corrective action plans have been implemented and are ongoing.

CFDA Number: # 14.228  
 Program Name: Community Development Block Grants/State's Program

DAVIS-BACON ACT: Other Control Deficiency

Finding Number: #Oth-13 Controls Should Be Strengthened over Sub-recipient Monitoring

Response:

- The Audit Log is populated using the Federal Disbursement List generated by the Grants Management Systems Database (GMS). This list determines the sub-recipients CSD will correspond with regarding the OMB A-133 Audit Submission Requirements and CSD Policy Requirements. When the Federal Disbursement list is complied, the staff person responsible

for the Audit Log transfers the names of the sub-recipients into the Audit Log and then manually enters the appropriate fiscal year dates of the sub-recipients for the current Audit Fiscal Year.

- The instance where the tracking dates for Itawamba County Board of Supervisors (BOS) were erroneously entered into the Audit Log spreadsheet was an oversight of the staff person responsible for the Audit Log and was a data transfer error and has since been corrected. The instance where the Town of Oakland and the Town of Macon were not listed on the Audit Log was an error in data transfer and an oversight of the staff person responsible for the Audit Log and has since been corrected. Letters regarding OMB Circular A-133 were forwarded to the Mayors of the Town of Oakland and the Town of Macon via U.S. Postal Service. (*See Enclosed*) \*
- The CSD Compliance Bureau has developed a checklist, *Desk Review Guide for Single Audits* (*See Enclosed*), to ensure that steps are taken to verify the transfer of information from \* the Federal Disbursement List to the Audit Log has been reviewed, verified and dates entered correctly. This information is reviewed by the Staff personnel responsible for Audits and a secondary review will be conducted by the Compliance Manager.
- These internal control measures should improve the management of the manually updated Audit Log until a more effective and evolvable software system can be generated. After the test work of June 30, 2012 was conducted, CSD developed an Audits Policy and Procedures Manual (*Adopted January 17, 2013; See Enclosed*) that summarizes the Audit requirements \* and it serves as a guide for audit submissions to MDA. The Audits Policy and Procedures Manual has been forwarded to all local units of government and listed non-profits agencies.
- MDA does concur with Finding #Oth-13 Controls Should Be Strengthened over Sub-recipient Monitoring. MDA has noted the concerns and recommendations of the Office of the State Auditor regarding strengthening controls as it relates to the Federal Funding Accountability and Transparency Act. MDA ensures sub-recipients will be accurately tracked and the status of OMB Circular A-133 Single Audit for each sub-recipient will be followed up in a timely manner. As defined by OMB Circular A-133 Single Audit, exemption of sub-recipients will be determined. MDA has developed and implanted corrective action measures to ensure compliance with 29 CFR Section 99.400 (d)(4).

Corrective Action Plan:

- A. The CSD Compliance Bureau developed and implemented a checklist, *Desk Review Guide for Single Audits* (*See Enclosed*), to ensure that steps are taken to verify the transfer of \* information accurately from the Federal Disbursement List to the Audit Log. This process will document that the information has been reviewed, verified and dates entered correctly. This information is reviewed by the Staff personnel responsible for Audits and a secondary review will be conducted by the Compliance Bureau Manager. Letters regarding OMB Circular A-133 are forwarded to the Mayors, Board of Supervisors, and other interested parties via U.S. Postal Service. All sub-recipients receive an Audits Policy and Procedures Manual. OMB Circular A-133 oral presentations are given at all Annual Public Hearings on the State of Mississippi's Action Plan for Housing and Community Development Programs; Application Workshops; Implementation Workshops, and Pre-Construction Conferences. An Audit Log has also been implemented to accurately track sub-recipients compliance with OMB Circular A-133.
- B. Ray Robinson, Compliance Bureau Manager, will be the responsible person for this corrective action plan.

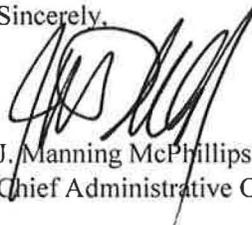
B. Ray Robinson, Compliance Bureau Manager, will be the responsible person for this corrective action plan.

C. The aforementioned corrective action plans have been implemented and are ongoing.

The Mississippi Development Authority will continue to administer the Housing and Community Development Programs in accordance with Federal and State applicable laws, regulations, and provisions.

Should the Office of the State Auditor need any additional clarification or information, please let me know.

Sincerely,



J. Manning McPhillips  
Chief Administrative Officer

Enclosures

MM:SH