



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

April 8, 2013

Limited Internal Control and Compliance Review Management Report

Stephanie Lee, Executive Director
Mississippi State Board of Contractors
P.O. Box 320279
Jackson, Mississippi 39232

Dear Ms. Lee:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi State Board of Contractors for the period of July 1, 2011 through December 31, 2012. In these findings, the Auditor's Office recommends the Mississippi State Board of Contractors:

1. Review employee approval levels in the Statewide Automated Accounting System,
2. Verify board minutes are signed; and
3. Report property additions and deletions timely.

Please review the recommendations and submit a plan to implement them by April 29, 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 and Members of the Legislature 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 State Board of Contractors to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Board of Contractors throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Patrick Dendy", is written over a white background.

Patrick Dendy, CPA
Director, Department of Audit
Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi State Board of Contractors for the period of July 1, 2011 through December 31, 2012. The Office of the State Auditor's staff members participating in this engagement included Kimberly Majure, CPA, Yolanda Campbell, CPA, Lee Alford, and Kaylee Kasper.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. 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.

In performing our review, we noted certain matters involving the internal control over financial reporting and an instance of noncompliance that require the attention of management. These matters are noted under the headings **OTHER CONTROL DEFICIENCIES AND INSTANCE OF NONCOMPLIANCE WITH STATE LAW**. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

OTHER CONTROL DEFICIENCIES

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

Finding:

The Mississippi Management and Reporting System (MMRS), an office of the Mississippi Department of Finance and Administration, is responsible for maintaining and supporting SAAS. MMRS has published and made available on its website the *SAAS Agency Manual – MMRS/SAAS System Access*, which indicates “one user should not be given authority to perform all actions for one transaction”. Each agency is responsible for establishing the SAAS authority given to its employees.

During our review of the Mississippi State Board of Contractors, we tested transaction approval levels established in the Statewide Automated Accounting System (SAAS) for the quarter ending December 31, 2012. During our review, we noted four of four employees, or 100 percent, listed on the SAAS Security Table had both entry and full agency approval access for revenue (REV), disbursement (DISB) and/or journal voucher (JRVC) transactions.

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

Recommendation:

We recommend the Mississippi State Board of Contractors review employee approval levels in the Statewide Automated Accounting System (SAAS) to ensure duties are properly segregated and no one individual is assigned both input capability and all levels of agency approval.

Board Minutes Should Be Signed

Finding:

Section 25-41-11, Miss. Code Ann. (1972), states “minutes shall be kept of all meetings of a public body, whether in open or executive session” and requires minutes to “be open to public inspection during regular business hours.”

During our review of the Mississippi State Board of Contractors, we reviewed minutes of the ten regular and special board meetings held during the period of July 1, 2011 through December 31, 2012. We noted three instances in which a designated official did not sign the minutes adopting them as official records. As board minutes are open to public inspection, signature of a board member, preferably the chairman, is essential to exhibit approval of the minutes as an accurate and complete record of board actions.

Recommendation:

We recommend the Mississippi State Board of Contractors ensure all minutes are signed by a designated official to document the approval of minutes as the official record of board actions.

INSTANCE OF NONCOMPLIANCE WITH STATE LAW

Property Additions and Deletions Should Be Reported Timely

Finding:

Section 29-9-11, Miss. Code Ann. (1972), requires any additions and/or deletions to an agency’s inventory for the prior month be reported to the Property Audit Division of the Office of the State Auditor (State Property Office) on or before the fifteenth day of the following month. During testwork over property inventory at the Mississippi State Board of Contractors, we noted 11 of 18 monthly reports were submitted untimely to the State Property Office an average of ten business days after the fifteenth day of the following month. Additionally, our testwork over five specific inventory changes revealed one inventory replacement which occurred in May 2012 was not recorded/reported until submission of the July 2012 report. Failure to properly record inventory additions and deletions in a timely manner could result in the misstatement of inventory and hinder the State Property Office in its oversight responsibility of identifying and protecting state inventory and property.

Recommendation:

We recommend the Mississippi State Board of Contractors comply with state law by ensuring additions and deletions to property are reported timely to the Property Audit Division of the Office of the State Auditor.

End of Report