



PHIL BRYANT  
GOVERNOR

SINGLE AUDIT FINDINGS

March 26, 2013

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

Dear Mr. Pickering:

The Office of the Governor is providing the following response and corrective action plan to the Audit Management Report dated March 21, 2013.

AUDIT FINDING:

12-09 Controls Should Be Strengthened over Preparation of the Schedule of Expenditures of Federal Awards

Response:

The grant award was originally recorded as \$83,987,788, which reflects the exact amount of the award plus the state match requirement. The record was corrected to denote only the federal grant award of \$70,055,000 immediately upon realizing this input error.

Staff became aware of the discrepancy for receipts and expenditures on the June 2012 Grant Schedule during the semi-annual completion of the Generally Accepted Accounting Principles (GAAP) package for December 2012. The Grant Schedule was corrected for the mid-year reporting in January 2013. DFA staff was notified that the information was incorrect on the June 2012 report. The Comptroller was asked to ensure the correct amount was indicated on the December 2012 report. The Department of Finance and Administration (DFA) staff took note of the error of on the June 2012 report, but indicated it could not be changed since the reporting period was closed.

To prevent reporting errors such as this, the audit report recommends the Governor's Office require in-house supervisory review of the GAAP schedules prior to submission to DFA. Due to

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the limited staff of the Office of the Governor, the agency coordinates with DFA to perform supervisory reviews of financial reporting. Although DFA is not physically located in the Office of the Governor, DFA is an executive agency that works hand-in-hand with the Governor's Office on accounting and financial management and has historically assisted the Office with fiscal activities. This Office appreciates the added benefit of having multiple staff members trained in GAAP. However, in an effort to maintain a small agency size and thus smaller government, the Office of the Governor continues to rely on the expertise of DFA in these regards. The Governor's Office believes this to be a proven and effective strategy.

Corrective Action Plan:

The Governor's Office will continue to coordinate the review of financial reporting with its Analyst in the DFA Office of Financial Reporting. In addition, mid-year and end-year GAAP schedules will be forwarded to the Chief of Staff for his review and signature before submission to DFA.

If you have any questions or require additional information, please contact Joseph Songy at 601.576.9830.

Sincerely,



Kirk Sims  
Chief of Staff

JKS/tma



PHIL BRYANT  
GOVERNOR

OTHER AUDIT FINDINGS

April 12, 2013

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

Dear Mr. Pickering:

The Office of the Governor is providing the following response and corrective action plan to the Audit Management Report dated March 21, 2013.

AUDIT FINDINGS:

Oth-19: A Review Should Be Performed of Employee Approval Levels in the Statewide Automated Accounting System

Response:

The Governor's Office has two staff with SAAS access. In practice, the Comptroller is the primary user of SAAS, with the Federal Grants Coordinator as a secondary user. Having two users with full access ensures that payments, disbursements, etc. can be handled in a timely manner in the event the Comptroller is out of the office for a prolonged period of time. On a regular work day, the Federal Grants Coordinator only accesses SAAS to process GPs (intergovernmental payments) to ITS/WCC. Further, even with complete access of both individuals, only the Comptroller has signature authority on transactions with DFA, and all transactions (CR, PV, GP, etc.) must be signed by the Comptroller in accordance with DFA policies and procedures.

While it is possible, with our work processes, to give only the Comptroller access to journal vouchers, it is not feasible for only one of the two employees to have access to disbursements and revenue. Since the Federal Grants Coordinator is the only person with access to draw funds from the ASAP system, she should not be responsible for posting the receipt of those funds. Additionally, the CR must match the wire amount to be processed by the Treasury Department, thus there is no room for inaccuracy.

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Further, disbursements are made through either the PV (for UMC) or the GP (for WCC/ITS). The PV and the GP/GT are used for all accounts payable in the Governor's Office, not just for grants. The SAAS system does not distinguish these transaction codes between grant/non-grant funds, therefore, both individuals need access to disbursement in SAAS to perform grant and non-grant duties.

**Corrective Action Plan:**

The agency will update the SAAS security tables to remove journal voucher access from the Federal Grants Coordinator.

**Oth-20: Controls Should Be Strengthened over Cash Management**

**Response:**

Staff is aware of the three-day turnaround time requirement for the receipt of federal funds and transfer to sub-recipients. Every effort is made to meet this requirement. Each step of the drawdown, receipt, and transfer is an overnight system process. Money is requested from ASAP and comes into the Treasury overnight. Staff is notified in the morning of its receipt. Staff completes paperwork to deposit the money into the Governor's Office account. The money is deposited overnight. On the next day it is transferred to the agency electronically (the first payment to UMC for FY 2012 was a paper check, which added another day of processing time). Receipt and transfer paperwork is always hand-delivered to ensure promptness in payment; however, since the receipt and transfer process involves three separate individuals at two different agencies, it is not always possible to achieve the three-day target. If any of the three individuals are not in the office during the three-day period, a delay can occur in the processing time.

The audit noted that of the 15 transfers reviewed, two were beyond the three-day limit: one was four days and one was six days. The primary concern noted was that the failure to meet the three-day limit "could result in the Governor's Office earning interest on federal money that would then be required to be remitted to the federal government." The BTOP funds are deposited into a non-interest bearing account, therefore, there would be no interest earned that would need to be returned.

**Corrective Action Plan:**

Staff will work diligently to process all transfers within the three-day limit, particularly by continuing the practice of hand-delivering the cash receipt paperwork to the Treasury Department and the payment voucher documentation to DFA.

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Oth-21: A Review of Federal 1512 Reporting Should Be Performed and Documented

Response:

While it was indicated in the audit that no supervisory review was performed on Federal 1512 reporting, this is not the case. Supervisory review is conducted on the federal report 1512 by the Governor's Office State Broadband Coordinator. All reporting is compiled in collaboration between the Comptroller and the State Broadband Coordinator. The review, however, is not indicated in writing on the form.

Corrective Action Plan:

To better document written supervisory approval in the future, the Comptroller will forward a hard copy of the report to the State Broadband Coordinator for his signature.

Oth-22: Controls Should Be Strengthened Over Preparation of the SF-425 Report and Supporting Documentation Should Be Maintained

Response:

While it was indicated in the audit that no supervisory review was performed or documented for the SF-425 report, this is not wholly the case. Supervisory review is conducted on the SF-425 by the Governor's Office State Broadband Coordinator. All reporting is compiled in collaboration between the Comptroller and the State Broadband Coordinator. The review, however, is not indicated in writing on the form.

Further, the audit noted that the Governor's Office did not obtain, review, or maintain supporting documentation for the amounts recorded as "unliquidated obligations." Unliquidated Obligations are contracted/committed amounts minus expenses. The documentation available would only be a mathematical calculation. However, staff will request this calculation from the sub-recipients on the data collection spreadsheet used for quarterly reporting.

Corrective Action Plan:

To better document written supervisory approval in the future, the Comptroller will forward a hard copy of the report to the State Broadband Coordinator for his signature.

Staff will request the calculation of unliquidated obligations from ITS/WCC and UMC on the data collection spreadsheet used for quarterly reporting.

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If you have any questions or require additional information, please contact Joseph Songy at 601.576.9830.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kirk Sims", with a stylized flourish at the end.

Kirk Sims  
Chief of Staff

JKS/tma