



**OFFICE OF
STATE AID ROAD CONSTRUCTION**

MISSISSIPPI DEPARTMENT OF TRANSPORTATION
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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 25, 2013

Dear Mr. Pickering:

This letter is in response to the Single Audit Management Report dated March 11, 2013 regarding the June 30, 2012 audit of the Office of State Aid Road Construction. We respectfully submit our response and corrective action plan for the findings listed below.

AUDIT FINDINGS:

Other Control Deficiencies

Controls Should Be Strengthened Over the Approval of Bridge Inspection Payments

<u>CFDA Number</u>	<u>Program Name</u>
20.205	Highway Planning and Construction
<u>Finding Number</u>	<u>Finding Recommendation</u>
Oth-01	Strengthen controls over the approval of bridge inspection payments.

RESPONSE:

The Office of State Aid Road Construction performed an examination and concur that the file copy of certain bridge inspection payments did not include the Bridge Engineer's initials and date. This is believed to be due to either a routing issue or the file copy may have been mailed to the vendor.

CORRECTIVE ACTION PLAN:

- a.
1. Develop a procedure in which the Bridge Engineer is required to sign each bridge inspection invoice as an approver before the invoice is routed to Contracts and Accounting.
 2. Implement a procedure in the Contracts Department to check for the Bridge Engineer's signature before processing a bridge inspection invoice for payment.
 3. The Bridge Engineer will edit the Office of State Aid Road Construction's procedures outlined in the Auditor's Compliance Supplement to include the new requirements.
- b.
- Persons responsible for the corrective action plan:
1. David Barrett – Bridge Engineer
 2. Carey Webb – State Aid Engineer
 3. John Bond – Director of Contract Administration
 4. Brandi Stuart – Director of Accounting and Finance
- c.
- Steps 1 and 2 have been implemented as of December 31, 2012. David Barrett's signature is now required on each bridge inspection invoice in place of the District Engineer's signature. Step 3 will be completed upon initiation of the FY2013 audit.

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

<u>Finding Number</u>	<u>Finding Recommendation</u>
Oth-02	Review employee approval levels in the Statewide Automated Accounting System.

RESPONSE:

Office of State Aid Road Construction has a limited accounting staff due to it being a small agency. The limited number of accounting personnel make it difficult to adhere to recommended security controls in SAAS. Most of the management has to travel from time to time and this creates situations where higher levels of approval are not available. Also, there are times when lower level staff are not available to enter transactions. Therefore, higher levels of management need all approval levels to enter and approve transactions in the event of an emergency such as payroll deadlines.

However, in order to maintain proper internal controls, we do not allow anyone to enter and sign the same transaction. This separation of duties prevents any abuse at this time. Only management personnel have signature authority and they do not enter transactions unless absolutely necessary. DFA will not approve any transaction without a signature from a signature approved manager, nor will they approve a transaction entered by and signed by the same individual. DFA checks the SAAS user ID against the signature of the paper document.

Also, as a result of the FY2010 audit, "Prepared by" stamps are now used on each PV/CR/PO/JV/J2 or any other type of transaction to create a paper audit trail of the preparer and signer of each document. The preparer initials the document before the authorized signer approves it. A paper copy with both levels of approval indicated is retained in our office and another is sent to DFA.

The Office of State Aid Road Construction concurs with the Office of the State Auditor's findings and recommendations regarding SAAS transaction approval levels. It should be noted that in the past it has not been a requirement that SAAS revenue approval levels be controlled within the system, as multiple controls exist within the agency, DFA and Treasury regarding revenues.

CORRECTIVE ACTION PLAN:

- a.
1. Analyze the SAAS security levels and attempt to find a solution to the SAAS approval level issue that will meet the requirements of the Office of the State Auditor without creating unnecessary strains on daily operations within the agency.
 2. Complete a SAAS Security Maintenance Form for the one employee with all levels of disbursement approval authority.
- b.
- Persons responsible for the corrective action plan:
1. Brandi Stuart – Director of Accounting and Finance
 2. Alex Lazarou – Admin PV/CR Preparer
 3. Sonia Smith – Construction PV Preparer
 4. Stephany Brown – Admin CR Preparer
 5. Kristen Eaton – Admin/Construction SAAS approver
- c.
- Both steps 1 and 2 were completed as of December 13, 2012.

EDP Control Deficiencies

A Disaster Recovery Process Should Be Established and Information Back-ups Should Be Stored Off-site

<u>Finding Number</u>	<u>Finding Recommendation</u>
Oth-03	Establish a disaster recovery process and store information and back-ups off-site.

RESPONSE:

The Office of State Aid Road Construction has undertaken several projects with the planned goal of accomplishing both off-site back-up and disaster recovery. The success of these projects has, to date, been limited.

The Office of State Aid Road Construction concurs with the Office of the State Auditor's finding and recommendations regarding off-site back-up and a comprehensive disaster recovery plan.

CORRECTIVE ACTION PLAN:

- a.
1. We have already begun removing previous back-up tape sets from the office on the day they are removed from the tape library device.
 2. We have set a high-level and IT staff meeting for April to discuss the overall situation with IT with the Office of State Aid Road Construction. The topics for this meeting will include overall IT direction, management, governance and back-up/disaster recovery.
- b.
- Persons responsible for the corrective action plan:
1. Dan Jordan – Director of Administrative Services
 2. Jim Maher – Information Technology
 3. Robert Jenkins – Information Technology
- c.
- Step 1 was initiated at the time of the audit. Step 2 will be undertaken in April, 2013.

A Program of IT Governance Should Be Established

<u>Finding Number</u>	<u>Finding Recommendation</u>
Oth-04	Establish a program of IT governance.

RESPONSE:

The Office of State Aid Road Construction understands the usefulness of formal organizational governance, the size and structure of State Aid and its IT section render many of the suggestions unobtainable.

The Office of State Aid Road Construction does agree that appropriate written policies and procedures for IT are needed.

CORRECTIVE ACTION PLAN:

- a.
 1. We have set a high-level and IT staff meeting for April to discuss the overall situation with IT with the Office of State Aid Road Construction. The topics for this meeting will include overall IT direction, management, governance and back-up/disaster recovery.
 2. Create IT policies and procedures.
- b.

Persons responsible for the corrective action plan:

 1. Dan Jordan – Director of Administrative Services
 2. Jim Maher – Information Technology
 3. Robert Jenkins – Information Technology
- c.

Step 1 will be undertaken in April, 2013. Step 2 will begin as soon as we are able.

A Formal Change Management Process Should Be Developed

<u>Finding Number</u>	<u>Finding Recommendation</u>
Oth-05	Develop a formal change management process.

RESPONSE:

The Office of State Aid Road Construction is a small agency with an IT staff of 2. We do not have now, nor in the foreseeable future, the resources to put into place formal change management process. Code bases for the few non-commercial-off-the-shelf software programs utilized are tightly controlled and accessible only by the IT staff (who wrote the software) and in the case of the SBT Accounting package, an expert consultant. It should be further stated that the SBT accounting package will be rendered obsolete when MAGIC comes fully on-line.

While the Office of State Aid Road Construction agrees in principal with the Office of the State Auditor's finding that a formal change management process should be developed, the lack of resources will not allow for one to be implemented at this time.

CORRECTIVE ACTION PLAN:

- a.
 - 1. We will establish written policies and procedures for documenting changes to application systems.

- b.

Persons responsible for the corrective action plan:

 - 1. Dan Jordan – Director of Administrative Services
 - 2. Jim Maher – Information Technology
 - 3. Robert Jenkins – Information Technology

- c.

Step 1 will be begin as soon as we are able.

Sincerely,

A handwritten signature in blue ink that reads "H. Carey Webb". The signature is written in a cursive, flowing style.

H. Carey Webb, P.E.
State Aid Engineer