



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

July 25, 2014

Limited Internal Control and Compliance Review Management Report

Lynn Langley, DNP, FNP-BC, ANP-BC, CPQH
Mississippi Board of Nursing
713 Pear Orchard Road, Suite 300
Ridgeland, MS 39157

Dear Dr. Langley:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Board of Nursing for the Fiscal Year 2013. In these findings, the Auditor's Office recommends the Mississippi Board of Nursing:

1. Strengthen controls over receipts;
2. Strengthen controls over contractual services agreements;
3. Ensure compliance with laws over bank accounts;
4. Ensure cash receipts are promptly deposited and transferred timely to the state treasury;
5. Ensure compliance with state purchasing laws;
6. Obtain surety bonds in accordance with state law; and
7. Ensure compliance with laws over business meetings of the board.

Please review the recommendations and submit a plan to implement them by August 25, 2014. 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 Board of Nursing to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Board of Nursing 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", is written over a light blue horizontal line.

Patrick Dendy, CPA
Director, Department of Audit
Enclosure

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Board of Nursing for the year ended June 30, 2013. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Thomas Wirt, CPA, Jeremy Miller, CPA, and David Stewart.

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.

A *deficiency in internal control* 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. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above. However we identified certain deficiencies in internal control over financial reporting that we consider to be *significant deficiencies* in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. These matters are noted under the heading **SIGNIFICANT DEFICIENCIES**.

In addition, while performing our review, we noted certain instances of noncompliance with State laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

SIGNIFICANT DEFICIENCIES

Controls over Receipts Should Be Strengthened

Finding:

The Mississippi Board of Nursing receives checks and money orders by mail and from individuals at the agency's office; the receipts are subsequently deposited into a collection/clearing bank account. During a review of the agency's internal controls over receipts, we noted the same individual opens the mail, maintains custody of the checks and money orders, deposits the checks and money orders into the bank and then records the deposits in agency records. In addition, our testwork on 15 cash receipts revealed three instances in which source documentation for the receipts could not be located on file at the agency.

Good internal controls require adequate segregation of duties so that a single person does not have complete control over the processing of a transaction. Good internal controls also require that all accounting records, including original source documentation, be maintained on file to ensure the proper amount of revenue was collected and to provide an adequate audit trail. Failure to adequately separate duties over the receipt function and the failure to maintain source documentation for receipts could result in misstatement of agency revenue due to errors or fraud occurring without being detected promptly.

Recommendation:

We recommend the Mississippi Board of Nursing strengthen controls over receipts. Duties should be adequately segregated to ensure a single individual does not have complete control over a receipt transaction. In addition, we recommend the agency ensure source documentation for all revenue received is maintained on file.

Controls over Contractual Service Agreements Should Be Strengthened

Finding:

Section 73-15-17(p), Miss. Code Ann. (1972), states that the Mississippi Board of Nursing is authorized and empowered to enter into contracts. During our review of contractual service agreements at the Mississippi Board of Nursing, we noted that contracts were not reviewed and approved by the board. Good internal controls require that agency contracts be reviewed and approved by the board. Documentation of the approval of contracts should be noted in the board minutes. The failure of the board to review and approve contracts could result in the mismanagement of agency funds.

Recommendation:

We recommend the Mississippi Board of Nursing strengthen controls over contractual service agreements. Contracts should be reviewed and approved by the board, and the approval of contracts should be noted in the board minutes.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Agency Should Comply with State Laws over Bank Accounts

Finding:

During our review of transactions and activities of the Mississippi Board of Nursing's bank account, we noted the following problems.

- The agency failed to comply with the maximum allowed balance of \$10,000 as approved by the Department of Finance and Administration (DFA) and the State Treasurer. The bank account maintained month ending balances that ranged between \$12,167 and \$53,757 for 10 out of 12 months of the fiscal year. It should be noted that this account was a non-interest bearing account.
- The agency paid \$2,495 in bank service charges which had not been approved by DFA and the State Treasurer.
- The agency submitted the "Public Depositor Annual Report" to the State Treasurer on August 27, 2013, or 28 days after the due date. The due date was 30 days from the end of the fiscal year, or July 20, 2013. Also, the year-end account balance reported on the report was understated by \$24,034.

Section 7-9-12, Miss. Code Ann. (1972) allows agencies to request authorization from DFA and the State Treasurer to open a bank account to serve as a collection or clearing account. Each account established shall have a maximum balance to be fixed by the State Treasurer. Section 27-105-1, Miss. Code Ann.

(1972) allows state agencies to compensate depositories for the expense in maintaining deposit accounts subject to the approval by the State Treasurer and DFA. Section 27-105-5(6)(b), Miss. Code Ann. (1972) requires a public depositor to notify the State Treasurer, no later than thirty days after the end of the fiscal year, of its bank accounts that it has with a qualified public depository, including the balance in the accounts as of the fiscal year end.

Maintaining excessive bank account balances and remitting unapproved fees could result in the loss of revenue to the state. Failure to submit the "Public Depositors Annual Report" with accurate bank account information in a timely manner could result in the State Treasurer not having information necessary to determine proper collateralization.

Recommendation:

We recommend the Mississippi Board of Nursing ensure compliance with state laws over the agency bank account. Account balances should be maintained in accordance with authorized amounts approved by the State Treasurer and DFA. The agency should obtain authorization from DFA and the State Treasurer to pay a bank service charge. We further recommend the "Public Depositors Annual Report" be submitted to the State Treasurer in a timely manner with accurate bank account information to ensure public funds are adequately collateralized.

Cash Receipts Should Be Promptly Deposited and Transferred Timely to the State Treasury

Finding:

The Mississippi Board of Nursing collects fees for nursing licenses and other miscellaneous fees, both electronically submitted and manually submitted. During review of 15 receipts, we noted 14 instances in which transfer to the state treasury was not made within two business days after deposit into the agency's bank account. The transfers were made between four and sixteen working days after receipt of funds. In addition, two of these receipts were not deposited into the agency's clearing account during the same or following business day.

Section 7-9-21, Miss. Code Ann. (1972), requires public funds to be deposited into the state treasury by the end of the next business day following the day that funds are collected. Good internal controls require cash receipts to be deposited into the agency's bank account on the day of receipt to reduce the likelihood of loss or theft. Failure to deposit receipts daily could result in the loss of receipts and interest revenue by the state and increases the risk of theft and/or misplacement of funds.

Recommendation:

We recommend the Mississippi Board of Nursing ensure daily deposits are made to their bank account and timely transfers are made to the state treasury in compliance with state law.

Agency Should Comply with State Purchasing Laws

Finding:

Section 25-9-120, Miss. Code Ann. (1972) created the Public Service Contract Review Board (PSCRB) to promulgate rules and regulations governing the solicitation and selection of contractual services personnel. During our review of 25 contractual services expenditures at the Mississippi Board of Nursing, we noted a personal service contract totaling \$52,000 was procured without obtaining at least three

written quotes as required by PSCRB policy. In addition, a subsequent contract was entered into during fiscal year 2014 for \$104,867 with the same vendor after the previously stated contract expired; however, approval was not obtained from the PSCRB and public notification for bids or proposals was not made, as required by PSCRB policy. In addition, our testwork revealed payment was not made within 30 days after receipt of invoice in three instances and purchase orders were dated subsequent to the date goods and services were received in nine instances.

PSCRB *Rules and Regulations* manual section 7-102 requires contracts greater than \$50,000 and not exceeding \$100,000 to be procured from the lowest acceptable bidder after obtaining three written quotes, which are to be maintained by the agency. It also requires personal service contracts in excess of \$100,000 to be procured from the lowest bidder or best proposal after advertising and soliciting for bids in accordance with PSCRB *Rules and Regulations*, and subject to the approval by the PSCRB. Section 31-7-303, Miss. Code Ann. (1972) requires payments to be made within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods or services. Section 7-7-23, Miss. Code Ann. (1972) requires purchase orders to be issued for goods and services paid from funds in the state treasury. Failure to follow PSCRB *Rules and Regulations* could result in contractual agreements that are not the most affordable or the best available option to accept. Failure to submit payments within 30 days of the receipt of the invoice and receipt, inspection, and approval of the goods and services could result in additional expenses being incurred by the agency through finance charges. Failure to create and approve a purchase order prior to the date the goods and services are received impedes the ability of the agency and the Department of Finance and Administration to maintain budgetary controls over the agency's expenditures.

Recommendation:

We recommend the Mississippi Board of Nursing ensure compliance with state purchasing laws. Contractual service agreements should be properly solicited in accordance with PSCRB *Rules and Regulations* and supporting documentation should be maintained on file. In addition, payments should be made timely and purchase orders should be issued and approved prior to the receipt of goods and services.

Surety Bonds Should Be Obtained in Accordance with State Law

Finding:

Section 73-15-13 (3), Miss. Code Ann. (1972) requires the treasurer and executive director of the Mississippi Board of Nursing to obtain surety bonds in a sum determined by the board, conditioned upon the faithful performance of their duties and upon their accounting for all monies received by them. Upon our review of the agency's surety bond policy, we noted the policy excluded coverage for any person required to be individually bonded. In addition, the policy stated it did not apply to any treasurer of the agency. Therefore, it appears the language of the agency's surety bond excludes coverage for the executive director and the treasurer as required by state law. Failure to properly obtain surety bonds could possibly result in unrecoverable losses to the agency in the event of theft or misappropriation of funds.

Recommendation:

We recommend the Mississippi Board of Nursing obtain surety bonds for the executive director and the individual performing duties of treasurer in accordance with state law. The surety bond coverage should be for the amount determined by the board.

Agency Should Comply with Laws over Board Business Meetings

Finding:

During our review of the board minutes of the Mississippi Board of Nursing from April 2012 through December 2013, we noted four instances in which board members missed two consecutive meetings. Section 73-15-11(2), Miss. Code Ann. (1972) requires the president of the board to notify the Governor in writing when any board member fails to attend two consecutive business meetings of the board. Any board member who does not attend two consecutive business meetings of the board is subject to removal by the Governor. In all four instances, the Governor was not notified in writing. Per discussion with agency personnel, circumstances such as health issues were the reason for some board members missing two consecutive meetings. Failure to notify the Governor in writing when a board member misses two consecutive business meetings results in noncompliance with state law.

Recommendation:

We recommend the Mississippi Board of Nursing ensure compliance with laws over business meetings of the board. The Governor should be notified in writing when any board member misses two consecutive regular business meetings of the board.