



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

February 5, 2014

Financial Audit Management Report

Carey M. Wright, Ed.D.
State Superintendent of Education
Mississippi Department of Education
P.O. Box 771
Jackson, MS 39205

Dear Dr. Wright:

Enclosed for your review are the financial audit findings for the Mississippi Department of Education for the Fiscal Year 2013. In these findings, the Auditor's Office recommends the Mississippi Department of Education:

1. Strengthen controls over payments made to Child Nutrition and Child and Adult Care Food Program subrecipients; and
2. Review employee approval levels in the Statewide Automated Accounting System (SAAS).

Please review the recommendations and submit a plan to implement them by February 27, 2014. The enclosed findings contain more information about our recommendations.

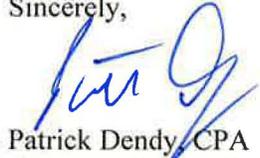
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Mississippi Department of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mississippi Department of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Mississippi Department of Education
February 5, 2014
Page 2

I hope you find our recommendations enable the Mississippi Department of Education to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Education 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".

Patrick Dendy, CPA
Director, Department of Audit
Enclosures

FINANCIAL AUDIT MANAGEMENT REPORT

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Education for the year ended June 30, 2013. These financial statements are consolidated into the State of Mississippi's *Comprehensive Annual Financial Report*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Office of the State Auditor's staff members participating in this engagement included Amy Buller, CPA, Kimberly Majure, CPA, Donna Parmegiani, CPA, Stacey Allman, CPA, Camden Baird, CPA, Natalie Wolf, CPA, Elaina Jo Smith, Elevia Tate, and Lee Alford.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. 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.

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts included on the financial statements, we considered the Mississippi Department of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on these accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Mississippi Department of Education's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control identified in this letter as item 13-12 that we consider to be a significant deficiency.

In addition, we noted a control deficiency involving an internal control that requires the attention of management. This matter is listed under the heading **OTHER CONTROL DEFICIENCY** as item 13-13.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Education are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Finding Number

Finding and Recommendation

SIGNIFICANT DEFICIENCY

13-12

Controls Should Be Strengthened Over Payments Made to Child Nutrition and Child and Adult Care Food Program Subrecipients

Finding:

Federal Regulations for the National School Lunch Program, 7 CFR Part 210.9(a), require School Food Authorities (SFA's) wishing to participate in the Program to submit a written application to the State agency for any school in which it desires to operate the Program. Applications shall provide the State agency with sufficient information to determine eligibility. Section 210.7(a) states that reimbursement payments to finance nonprofit school food service operations shall be made only to school food authorities operating under a written agreement with the State agency. Federal Regulations for the National School Breakfast Program, 7 CFR Part 220.7 (e) states that each school food authority approved to participate in the program shall enter into a written agreement with the State agency that may be amended as necessary. Part 245.6 (c) (1) states eligibility for free or reduced price meals, as determined through an approved application or by direct certification must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. Lastly, the Mississippi Department of Education (MDE) Policies and Procedures Manual for Child Nutrition, Section 3, page 2 states, "The annual Application, Agreement and Free/Reduced Meal Policy related to receipt of Federal Funds for the National School Lunch Program, School Breakfast Program and Food Distribution Program shall have final approval by MDE prior to the service of any meals under the Child Nutrition program."

Federal Regulations for the Child and Adult Care Food Program (CACFP), 7 CFR Part 226.11 (a) require that payments be made only to institutions operating under an agreement with the State agency for the

meal types specified in the agreement served at approved child care centers, at-risk afterschool care centers, adult day care centers, emergency shelters, and outside-school-hours care centers. The MDE Policies and Procedures Manual for Child Nutrition, Section 9, page 3 states “The Mississippi Department of Education administers CACFP and approves sponsoring organizations and independent centers to operate the program on the local level.”

To provide services under Child Nutrition programs, SFA’s and institutions submit applications electronically to MDE through the computer system named OCEAN. Additional supporting documentation (tax exempt status, food permits, etc.) must be mailed to MDE. Once MDE receives notice of the application pending in OCEAN, agency employees review the application along with the supporting documentation. Once all necessary information is received, the agency approves the contract in OCEAN. Reimbursement claims are then submitted monthly by the SFA’s and institutions through OCEAN. The claim should process against the approved contract, through computer edits, to ensure the claim is valid prior to approval for payment.

In performing testwork at the Mississippi Department of Education related to 194 applications for the National School Lunch Program (NSLP) we noted the following:

- One provider did not have an application approval in OCEAN, but received reimbursement for services. There was evidence of a manual review and approval of the application on file with the agency; however, the approval was not input to OCEAN.
- Three providers that have current approved applications on file with the agency were reflected as being expired in OCEAN.

In performing testwork related to 422 applications for the CACFP program, we noted the following:

- Three institutions did not have an approved application in OCEAN, but received reimbursement for services. For two of those institutions, there was evidence of a manual review and approval of the application on file with the agency. For the remaining institution there was no evidence of an approval of the application; however, the agency was obtaining the information needed to finalize approval of the application based on the instructions from the federal grantor.
- Three institutions that have current approved applications were reflected as being expired in OCEAN.

The OCEAN system allowing payments to be processed for entities for which there is no application approval in the system, or allowing payments for entities with expired applications, could result in unauthorized or erroneous payments being made.

Recommendation:

We recommend that the Mississippi Department of Education strengthen controls over payments made to Child Nutrition and Child and Adult Care Food Program subrecipients from the OCEAN system to ensure payments are only made to entities with an approved active application in the OCEAN system.

OTHER CONTROL DEFICIENCY

13-13

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

Finding:

During our audit of the Mississippi Department of Education for fiscal year 2013, we reviewed employee approval levels in the Statewide Automated Accounting System (SAAS) for all four quarters. In the first quarter, we noted five employees had the ability to enter and apply all levels of approval for disbursements (DISB security code). In quarters two through four, we noted four employees had the ability to enter and apply all levels of approval for disbursements. In all four quarters two employees had the ability to enter and apply all levels of approval for revenues (REV security code). In all four quarters, we noted three employees who had entry and all levels of approval of various journal voucher security codes (ex: J2JG, JV, J2, etc.)

Good internal controls require segregation of duties so that one employee does not have the ability to initiate, authorize and record a transaction. Failure to ensure adequate segregation of duties could allow unauthorized or erroneous transactions to be recoded in SAAS and not be detected promptly.

Recommendation:

We recommend the Mississippi Department of Education 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.

End of Report



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

March 7, 2014

Single Audit Management Report

Carey M. Wright, Ed.D.
State Superintendent of Education
Mississippi Department of Education
P.O. Box 771
Jackson, MS 39205

Dear Dr. Wright:

Enclosed for your review are the single audit findings and other audit findings for the Mississippi Department of Education for Fiscal Year 2013. In these findings, the Auditor's Office recommends the Mississippi Department of Education:

Single Audit Findings:

1. Strengthen controls over employee time certifications;
2. Strengthen controls over the procurement process related to state administrative expenses for child nutrition;
3. Strengthen controls over payments made to Child Nutrition and Child and Adult Care Food program subrecipients;
4. Strengthen controls over monitoring for OMB Circular A-133 audits for Child Nutrition subrecipients;

Other Audit Findings:

5. Strengthen controls over the special education state level maintenance of effort requirement;
6. Strengthen controls over on-site subrecipient monitoring for the Summer Food Service Program; and
7. Strengthen controls over Federal Funding Accountability and Transparency (FFATA) reporting.

Please review the recommendations and submit a plan to implement them by March 21, 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

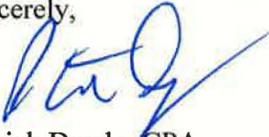
Mississippi Department of Education

March 7, 2014

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I hope you find our recommendations enable the Mississippi Department of Education to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Education throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,



Patrick Dendy, CPA
Director, Department of Audit

Enclosures

SINGLE AUDIT FINDINGS

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the State's major federal programs administered by the Mississippi Department of Education for the year ended June 30, 2013. The Office of the State Auditor's staff members participating in this engagement included Amy Buller, CPA, Sallie Dier, CPA, Donna Parmegiani, CPA, Stacey Allman, CPA, Lee Alford, Camden Baird, CPA, Elaina Jo Smith, Elevia Tate, Natalie Wolf, CPA, David Ashley, CISA, Mike Ferguson, CISA, and La Donna Johnson, CISA.

Our procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. 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.

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Department of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi Department of Education for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mississippi Department of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. However, our audit does not provide a legal determination of the Mississippi Department of Education's compliance.

Results of Compliance Audit Procedures

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are identified in this letter as items 2013-002, 2013-003, 2013-004, and 2013-005. In addition, we noted other instances of noncompliance that we have reported on the attached document, "Other Audit Findings."

Internal Control over Compliance

Management of the Mississippi Department of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mississippi Department of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not

express an opinion on the effectiveness of Mississippi Department of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance identified in this letter as items 2013-004 and 2013-005 to be significant deficiencies.

In addition, we noted other deficiencies in internal control over compliance that require the attention of management that we have reported on the attached document "Other Audit Findings."

**CFDA/Finding
Number**

Findings and Recommendations

**ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/ COST PRINCIPLES**

***Immaterial Noncompliance
Control Deficiency***

10.560

State Administrative Expenses for Child Nutrition

Federal Award Number and Year: 5MS300907; 2012, 2013

Questioned Costs: \$50,884

2013-002

Controls Should Be Strengthened over Employee Time Certifications

Finding:

The Office of Management and Budget (OMB) Circular A-87, Attachment B "Compensation for Personal Services", section 8 (h)(3) requires costs incurred related to salaries and wages for employees who are expected to work solely on a single Federal award or cost objective, to be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications should be prepared at least semiannually and should be

signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

During testwork related to the State Administrative Expenses for Child Nutrition program at the Mississippi Department of Education, we tested ten items related to payroll. One sample item was composed of 37 employees, and 35 of these employees were required to have employee certifications. Two employees of the 35 did not have employee certifications for the time period of January, 2013 through June, 2013.

Failure to complete semi-annual employee certifications could result in unallowable salary expenses to be paid with funds from the state administrative expense program for child nutrition when the employee did not spend time working on related child nutrition programs.

Recommendation:

We recommend the Department of Education strengthen controls over the State Administrative Expenses for Child Nutrition program to ensure employee time certifications are completed at least semiannually for employees whose wages are claimed under the program.

PROCUREMENT AND SUSPENSION AND DEBARMENT

Immaterial Noncompliance Control Deficiency

10.560

State Administrative Expenses for Child Nutrition

Federal Award Number and Year: 5MS300907; 2011

Questioned Costs: \$30,950

2013-003

Controls Should Be Strengthened over the Procurement Process Related to the State Administrative Expenses for Child Nutrition Program

Finding:

The procurement section in part three of the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement provides the same procedures should be used for federal and non-federal purchases. The Mississippi Department of Education (MDE) Employee Procedures Manual, Section 17, provides that the Mississippi Department of Information and Technology Services (ITS) rules and regulations shall govern contracts for procurement of computer or information technology-related services. Additionally, the ITS Procurement Handbook states in Rule 205.4:009-025, the ITS CP-1 Acquisition Approval form is used to notify agencies and institutions that ITS has approved the agency or institution's request for the acquisition of

information technology equipment, software, or service or has approved the exemption of a procurement from ITS.

During our review of procurements at MDE, we tested 10 contracts related to the State Administrative Expenses for Child Nutrition program with parties who provided goods or services. We noted one instance in which the Office of Child Nutrition failed to request a current CP-1 form from ITS.

Failure to follow the ITS procurement rules results in a violation of the state purchasing laws and; therefore, the procurement section of the OMB Circular A-133 Compliance Supplement.

Recommendation:

We recommend the Mississippi Department of Education strengthen controls to ensure that contracts with payees are procured in accordance with applicable state law, policies, and procedures which is required to be compliant with the Office of Management and Budget Circular A-133.

**ACTIVITIES ALLOWED/UNALLOWED
ALLOWABLE COSTS/ COST PRINCIPLES**

Significant Deficiency

10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.558	Child and Adult Care Food Program
10.559	Summer Food Service Program for Children

Federal Award Number and Year: 5MS300326; 2012, 2013
5MS300340; 2012, 2013

2013-004

Controls Should Be Strengthened over Payments Made to Child Nutrition and Child and Adult Care Food Program Subrecipients

Finding:

Federal Regulations for the National School Lunch Program, 7 CFR Part 210.9(a), require School Food Authorities (SFA's) wishing to participate in the Program to submit a written application to the State agency for any school in which it desires to operate the Program. Applications shall provide the State agency with sufficient information to determine eligibility. Section 210.7(a) states that reimbursement payments to finance nonprofit school food service operations shall be made only to school food authorities operating under a written agreement with the State agency. Federal Regulations for the School Breakfast Program, 7 CFR Part 220.7 (e) states that each school food authority approved to participate in the program shall enter into a written agreement with the

State agency that may be amended as necessary. Part 245.6(c)(1) states eligibility for free or reduced price meals, as determined through an approved application or by direct certification must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. Lastly, the Mississippi Department of Education (MDE) Policies and Procedures Manual for Child Nutrition, Section 3, page 2 states, "The annual Application, Agreement and Free/Reduced Meal Policy related to receipt of Federal Funds for the National School Lunch Program, School Breakfast Program and Food Distribution Program shall have final approval by MDE prior to the service of any meals under the Child Nutrition program."

Federal Regulations for the Child and Adult Care Food Program (CACFP), 7 CFR Part 226.11 (a) require that payments be made only to institutions operating under an agreement with the State agency for the meal types specified in the agreement served at approved child care centers, at-risk afterschool care centers, adult day care centers, emergency shelters, and outside-school-hours care centers. The MDE Policies and Procedures Manual for Child Nutrition, Section 9, page 3 states "The Mississippi Department of Education administers the CACFP and approves sponsoring organizations and independent centers to operate the program on the local level."

To provide services under Child Nutrition programs, SFA's and institutions submit applications electronically to MDE through the computer system named OCEAN. Additional supporting documentation (tax exempt status, food permits, etc.) must be mailed to MDE. Once MDE receives notice of the application pending in OCEAN, agency employees review the application along with the supporting documentation. Once all necessary information is received, the agency approves the contract in OCEAN. Reimbursement claims are then submitted monthly by the SFA's and institutions through OCEAN. The claim should process against the approved contract, through computer edits, to ensure the claim is valid prior to approval for payment.

In performing testwork at the Mississippi Department of Education related to 194 applications for the National School Lunch Program (NSLP) we noted the following:

- One provider did not have an application approval in OCEAN, but received reimbursement for services. There was evidence of a manual review and approval of the application on file with the agency; however, the approval was not input to OCEAN.
- Three providers that have current approved applications on file with the agency were reflected as being expired in OCEAN.

In performing testwork related to 422 applications for the CACFP program, we noted the following:

- Three institutions did not have an approved application in OCEAN,

but received reimbursement for services. For two of those institutions, there was evidence of a manual review and approval of the application on file with the agency. For the remaining institution there was no evidence of an approval of the application; however, the agency was obtaining the information needed to finalize approval of the application based on the instructions from the federal grantor.

- Three institutions that have current approved applications were reflected as being expired in OCEAN.

The OCEAN system allowing payments to be processed for entities for which there is no application approval in the system, or allowing payments for entities with expired applications, could result in unauthorized or erroneous payments being made.

Recommendation:

We recommend that the Mississippi Department of Education strengthen controls over payments made to Child Nutrition and Child and Adult Care Food Program subrecipients from the OCEAN system to ensure payments are only made to entities with an approved active application in the OCEAN system.

SUBRECIPIENT MONITORING

Significant Deficiency

10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program

Federal Award Number and Year: 5MS300326; 2010, 2011,
2012

2013-005

Controls Should Be Strengthened Over Monitoring for OMB Circular A-133 Audits for Child Nutrition Subrecipients

Finding:

The Office of Management and Budget (OMB) Circular A-133 states the pass-through entity is responsible for ensuring that subrecipients expending \$500,000 or more in Federal awards during their fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period.

While performing testwork at the Mississippi Department of Education regarding the Office of Child Nutrition's A-133 subrecipient audit monitoring, the following problems were noted:

- Three instances were noted in which subrecipients receiving over \$500,000 in federal funds were not listed on the 2011 Audit Resolution Log; therefore, the subrecipients did not submit an A-133 audit to the Child Nutrition office.
- The A-133 Audit Report produced from OCEAN, which was requested by and prepared for the auditors, differed from the A-133 Audit Report previously produced from OCEAN and maintained by Child Nutrition personnel.

Failure to properly monitor subrecipients could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.

Recommendation:

We recommend the Mississippi Department of Education Office of Child Nutrition strengthen controls over subrecipient monitoring to ensure that subrecipients expending \$500,000 or more in Federal awards during their fiscal year are appropriately monitored and an A-133 audit is obtained. We also recommend that the agency strengthen controls in OCEAN to ensure the system is able to consistently provide the same report to ensure the subrecipients and funds listed are accurate.

OTHER AUDIT FINDINGS

In planning and performing our audit of the federal awards received by the Mississippi Department of Education for the year ended June 30, 2013, we considered internal control over compliance with the requirements that could have a direct and material effect on the major federal programs. Matters which require the attention of management were noted. These matters which do not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involve immaterial instances of noncompliance and other control deficiencies.

REPORTING

Immaterial Noncompliance Control Deficiency

84.027
84.173

Special Education Grants to States
Special Education Preschool Grants

Federal Award Number and Year: H027A110108; 2011
H173A110113; 2011

Questioned Costs: Not applicable

Oth-06

Controls Should Be Strengthened over the Special Education State Level Maintenance of Effort Requirement

Finding:

The *Office of Management and Budget (OMB) Circular A-133* states that a State may not reduce the amount of state financial support for special education and related services for children with disabilities (or state financial support otherwise made available because of the excess costs of educating those children) below the amount of State financial support provided for the preceding fiscal year.

During our testwork on maintenance of effort at the Mississippi Department of Education Office of Special Education, it was noted the maintenance of effort requirement for the state level, as stated by *OMB Circular A-133*, had not been met. In 2010, the per capita amount of State financial support was \$4,426 and in 2011, the amount decreased to \$4,379.

Failure to meet state level maintenance of effort requirements results in non-compliance with federal regulations. The failure to meet the requirement could also result in the reduction of the amount of future funding of the special education program.

Recommendation:

We recommend the Mississippi Department of Education ensure that maintenance of effort is met at the state level to ensure compliance with federal requirements.

SUBRECIPIENT MONITORING

Immaterial Noncompliance

10.559

Summer Food Service Program

Federal Award Number and Year: 5MS300326; 2011, 2012

Questioned Costs: None

Oth-07

Controls Should Be Strengthened over On-Site Subrecipient Monitoring for the Summer Food Service Program

Finding:

The *Code of Federal Regulations* (7 CFR Section 225.7(d)(2)) requires the state agency to perform a compliance review for each sponsor participating in the Summer Food Service Program (SFSP) at least once during the first year of operation, and at least once every three years after the initial year of participation.

During the performance of on-site monitoring testwork related to the Summer Food Service Program at the Mississippi Department of Education - Office of Child Nutrition, we encountered the following problems:

- Out of 134 sponsors, one instance was noted where a subrecipient participating in the SFSP in 2012 was not listed on the SFSP monitoring document for 2012. The subrecipient's first year to participate in SFSP was 2011, and had not been listed on the monitoring document for 2011.
- While reviewing 2011 documentation, two additional instances were noted where a subrecipient participating in the SFSP in 2011 was not listed on the SFSP monitoring document. All three subrecipients had not participated in SFSP previously, therefore monitoring should have been performed in 2011.

Recommendation:

We recommend the Mississippi Department of Education Office of Child Nutrition strengthen controls over on-site monitoring to ensure all Summer Food Service Program subrecipients receive on-site monitoring in the first year of participation, and every three years thereafter, in accordance with Federal Regulations.

REPORTING

Control Deficiency

84.010	Title I Grants to Local Educational Agencies
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program

Federal Award Number and Year: 5MS300326; 2012, 2013
S010A1200024; 2013
H027A120108; 2013
H173A120113; 2013

Oth-08

Controls Should be Strengthened Over Federal Funding Accountability and Transparency Act (FFATA) Reporting

Finding:

The *Code of Federal Regulations* (2 CFR part 170) sets forth the reporting requirements of subawards under the Federal Funding Accountability and Transparency Act (Transparency Act). Direct recipients of grants with an effective date on or after October 1, 2010, who make first-tier subawards equal to or exceeding \$25,000 on or after the effective date, are required to report each subaward obligating action equal to \$25,000 or more in Federal funds. Direct recipients are required to use the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) to report qualifying subaward transactions by the end of the month following the month in which the subaward or obligation of \$25,000 or greater was made.

The Mississippi Department of Education (MDE) received Title I, Special Education - Part B and Special Education - Preschool, and Child Nutrition prime awards from federal grantor agencies during fiscal year 2013 which required subaward reporting under the Transparency Act. During testwork performed for FFATA reporting, we noted the following problems:

- Title one subawards are processed in two payments. One payment is given to the school districts upon receipt of a preliminary application (approximately July), and the other payment is distributed upon receipt of the final application. For the Title I program, no amounts were reported to FSRS for the preliminary amounts that were awarded based on the preliminary application. The total subaward amounts were reported in October.
- For Title I, Special Education - Part B and Special Education-Preschool programs, out of 148 applications, 100 instances were

noted in which MDE did not use the date a subaward agreement was signed to report as key data element "Subaward Obligation/ Action Date."

- For Title I, Special Education - Part B and Special Education-Preschool programs, and Child Nutrition programs, out of 222 applications, 12 instances were noted in which no information for the subrecipient was reported in FSRS. The unreported subgrant amounts totaled \$2,242,991. The failure to report the information appeared to be due to an incorrect congressional district reported by the subrecipients in the process of updating their Dun and Bradstreet (DUNS) information. MDE did notify the subrecipients of this error, however, the information has not been corrected by the subrecipients nor was the information reported in FSRS.
- Two subrecipients received money in fiscal year 2013 under the 2012 Child Nutrition program. These subrecipients had previously met the \$25,000 threshold for reporting in fiscal year 2012; however, MDE did not amend the 2012 program filing for these entities to include the additional funds.
- For the 2013 Child Nutrition program, three instances were noted out of 74 subrecipients in which amounts reported in FSRS differed from amounts contained in the Statewide Automated Accounting System (SAAS). This resulted in an understatement of the amount reported in FSRS of \$44,330.

Failure to perform the required FFATA reporting for federal programs accurately and completely could result in the agency being in noncompliance with federal reporting requirements.

Recommendation:

We recommend the Mississippi Department of Education strengthen controls over Federal Funding Accountability and Transparency Act (FFATA) reporting by ensuring all subaward obligating actions over \$25,000 are reported timely and accurately in the Federal Funding Accountability and Transparency Subaward Reporting System.

End of Report