



JAMES G. CHASTAIN, DIRECTOR

MISSISSIPPI STATE HOSPITAL

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April 23, 2014

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

Dear Mr. Pickering:

As per your letter dated April 2, 2014, our response and plan of correction to the Limited Internal Control and Compliance Review Findings for Fiscal Year 2013 are outlined below.

I would like to thank you and the staff of your office for the professional manner in which the review was conducted. The information you provided will help strengthen the internal controls of the hospital.

RESPONSE TO FINDINGS AND RECOMMENDATIONS

OTHER CONTROL DEFICIENCIES

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

Recommendation:

We recommend the Mississippi State Hospital 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. Also, we recommend that the Mississippi State Hospital ensure that employee access to SAAS is deleted immediately upon termination.

Response:

We concur with these findings and recommendations. Due to supervisory staffing changes in Accounts Payable, security levels were added for several Mississippi State Hospital (MSH) manager level employees. This was imperative for us to continue processing SAAS documents until the new supervisor was fully trained. SAAS access was deleted for two terminated employees one week after their termination. A security maintenance form was submitted to

A FACILITY OF THE MISSISSIPPI DEPARTMENT OF MENTAL HEALTH

ACCREDITED BY THE JOINT COMMISSION ON ACCREDITATION OF HEALTHCARE ORGANIZATIONS

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MMRS to have the third terminated employee's SAAS access deleted. Security maintenance forms have been submitted to MMRS to prevent employees from both entering and applying final approvals of transactions.

Controls Should Be Strengthened over Contractual Service Expenditures

Recommendation:

We recommend the Mississippi State Hospital strengthen controls over contractual service expenditures by ensuring payment vouchers, invoices, and contracts are reviewed for accuracy and agreement prior to payment of expenditures. We further recommend written contract to be obtained for rentals of equipment.

1: One instance was noted in which the approved contract rate differed from the rate on the invoice, purchase requisition, purchase order and payment voucher. The contract rate was \$165 a month, and the invoice, purchase requisition, purchase order, and payment voucher listed a rate of \$166.95 a month.

Response:

We concur with this instance. MSH was billed the correct amount according to the contract; however, the payment voucher in question was coded incorrectly.

2: One invoice totaling \$732 was noted in which medical equipment rental was not supported by a signed agreement.

Response:

We believe that a signed agreement did exist, in the form of a purchase order. However, we concur with the implication that a formal written agreement with specific terms is preferable. This particular rental of medical equipment was fulfilling a short-term need for MSH; therefore, a formal written agreement was not executed. In the future, we will look at executing such formal written agreements.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Paid Educational Leave Policies Should Be in Accordance with State Law

Recommendation:

We recommend the Mississippi State Hospital review current paid educational leave policies to ensure program participants are employees of the agency prior to submission of applications as required by state law.

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Response:

We concur with this finding and recommendation. MSH will revise and improve current educational leave practices in order to be compliant with state law.

Transfer of Receipts to the State Treasury Should Be Performed in Accordance with State Law

Recommendation:

We recommend the Mississippi State Hospital establish procedures to ensure receipts are transferred to the state treasury in compliance with state law.

Response:

We concur with this finding and recommendation. We were in the process of recruiting an accounting position to fulfill these duties. Due to additional workload by staff, timely cash receipt transfers were not made to the state treasury. A staff accountant was hired in May 2013 and after being properly trained, has since been very diligent to ensure daily cash receipts are transferred in a timely manner.

Interest Should Be Transferred in Accordance with State Law

Recommendation:

We recommend the Mississippi State Hospital transfer interest earned for fiscal year ending June 30, 2013 through the present time, into the State General Fund.

Response:

We concur with this finding and recommendation. Total interest accrued for this account in FY13 was \$26.65. MSH has submitted the interest from this account to Fund 2999. We will continue to submit interest following completion of the reconciliation.

Controls Should Be Strengthened over Contractual Expenditures

Recommendation:

We recommend the Mississippi State Hospital strengthen its controls over the procurement of and payment for contractual services to assure that properly executed purchase orders/contracts are obtained in advance of obtaining good/services, that payment vouchers are submitted within the required time frame and for the correct amounts in accordance with State laws.

1: Two instances were noted in which a purchase order date was subsequent to the date goods and services were provided. In one instance, the purchase order was dated August 15, 2012, and services were provided from July 1, 2012 through August 31, 2012. In the second instance, the purchase order was dated November 13, 2012, and services were rendered from September 1, 2012 through September 30, 2012.

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Response:

We concur with the first instance; however, we do not concur with the second instance. The first invoice was received prior to the purchase order date. Due to staff turnover, we were delayed in establishing this purchase order. Once fully staffed, we anticipate this issue to be resolved. The second invoice was incorrectly coded (and approved by DFA) to 61920 and should have been coded to 61020, which does not require a purchase order.

2: Two instances were noted in which the payment voucher was dated more than 30 days after receipt of service and invoice. In one instance, the service was completed on May 2, 2013, the invoice was dated April 30, 2013, and the payment voucher was dated June 7, 2013. In the second instance, the service was completed and approved for payment on December 5, 2012, the invoice was dated November 14, 2012, and the payment voucher was dated February 14, 2013.

Response:

We concur with both of these instances. These invoices were delayed in both processing and forwarding to BFC within the 30 days of receipt. Due to staff turnover, the submission of the payment was delayed. Once fully staffed, we anticipate this issue to be resolved.

3: We noted one instance in which sales tax was paid on the combined cost of labor, products and parts. Sales tax paid amounted to \$6.72, and the total invoice amount was \$102.72.

Response:

We concur with this instance. Sales tax was included in the payment. It has been returned by the vendor and processed by Cash Receipt via SAAS.

If you have any additional questions or concerns, please contact Alicia Harris, Director of Fiscal Services, at 601-351-8274.

Sincerely,



JAMES G. CHASTAIN, FACHE
Director