



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

May 11, 2015

Limited Internal Control and Compliance Review Management Report

Charlie Morgan, State Forester
660 North Street, Suite 300
Jackson, Mississippi 39202

Dear Mr. Morgan:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Forestry Commission for the Fiscal Year 2014. In these findings, the Auditor's Office recommends the Mississippi Forestry Commission:

1. Ensure procurement card purchases are properly documented;
2. Ensure cash receipts are transferred to the state treasury in a timely manner; and
3. Ensure surety bonds are obtained in accordance with state law.

Please review the recommendations and submit a plan to implement them by May 28, 2015. 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.

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I hope you find our recommendations enable the Mississippi Forestry Commission to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Forestry Commission throughout the review. 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 horizontal line.

Patrick Dendy, CPA
Director, Department of Audit
Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Forestry Commission for the year ended June 30, 2014. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Johnnie Davenport, Katherine Landrum, CPA, Jeremy Miller, CPA and Kristi Webb.

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.

In performing our review, we noted a certain matter involving the internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **OTHER CONTROL DEFICIENCY** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. A control deficiency 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.

OTHER CONTROL DEFICIENCY

Procurement Card Purchases Should Be Properly Documented

Finding

During review of the Mississippi Forestry Commission procurement card usage, we noted one out of 20 items tested was not properly documented. The transaction was for a \$60 monthly direct billing for internet service charged to the credit card account of an agency employee in a county office. Agency personnel were not able to provide documentation the internet service was established or maintained for business purposes. As a result of extended testwork, a total of \$300 in expenditures related to this internet service was not adequately supported with documentation during fiscal year 2014. It should be noted this internet service was only purchased for five months in the fiscal year, and then was discontinued.

The Department of Finance and Administration "*State Procurement Card Guidelines*" require that the cardholder "obtain an itemized receipt/invoice for each purchase." Agency personnel should maintain this supporting documentation for audit purposes, as the *Guidelines* state that "all State of Mississippi Procurement Cards will be audited."

Recommendation

We recommend the Mississippi Forestry Commission maintain supporting documentation for every charge made to employee credit cards, as outlined in the Mississippi Department of Finance and Administration *State Procurement Card Guidelines*.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Cash Receipts Should Be Transferred to the State Treasury in a Timely Manner

Finding

During cash receipts testwork at the Mississippi Forestry Commission, it was revealed that no daily cash receipt report or log was prepared for forest acreage tax checks received from the counties. In addition, no other documentation was maintained to indicate when county checks were received. As a result of this, we could not determine whether funds were being deposited to the state treasury in a timely manner.

In addition, our testwork revealed two instances out of four federal receipts tested in which federal grant funds were not transferred from a clearing account to the state treasury in a timely manner. One receipt was transferred to the state treasury after 19 business days from deposit and the other was transferred three business days from deposit.

Section 7-9-21, Miss. Code Ann. (1972), requires agencies to deposit funds into the state treasury by the end of the next business day following the date of collection. At the request of any state agency, the State Fiscal Officer, with the advice and consent of the State Treasurer, may provide for other than daily deposits of accounts by that state agency. Failure to make timely transfers to the state treasury may result in the loss of investment earnings and the failure to maintain a log of all cash receipts increases the risk of theft and/or misplacements of funds while held at the agency level.

Recommendation

We recommend the Mississippi Forestry Commission ensure receipts are transferred to the state treasury in a timely manner and that support be maintained on file at the agency to document the dates checks are received.

Agency Should Comply with State Surety Bond Laws

Finding

Section 25-1-13, Miss Code Ann. (1972) states the state forester shall give bond in the amount of five thousand dollars (\$5,000) with surety by one or more guaranty or surety companies authorized to do business in the state. In addition, Section 49-19-1, Miss. Code Ann. (1972) requires that each member of the commission shall enter into bond in the amount of thirty thousand dollars (\$30,000) to be approved by the Secretary of State prior to assuming the duties of office.

During surety bond testwork at the Mississippi Forestry Commission, we noted seven instances in which documentation of payments made for bond premiums of the 12 commissioners and State Forester was not maintained. We also noted eight instances in which the agency did not maintain proper bond policies, renewals, and supporting documentation indicating the state forester and commissioners obtained the required bond coverage for the fiscal year being reviewed. In five instances, documentation was available; however, it was not properly signed. Failure to maintain valid documentation of bond policies, renewals, and payments made for premiums could result in the agency not having adequate bond coverage for persons that are required to be bonded.

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Recommendation

We recommend the Mississippi Forestry Commission ensure compliance with state surety bond laws by ensuring that all required bonds are properly updated annually. This includes maintaining properly signed documentation for bond policies, renewals, and payments made for premiums.

End of Report