



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

August 3, 2016

Limited Internal Control and Compliance Review Management Report

Commissioner Cindy Hyde-Smith
Mississippi Department of Agriculture & Commerce
P.O. Box 1609
Jackson, Mississippi 39215

Dear Commissioner Hyde-Smith:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Department of Agriculture & Commerce for the Fiscal Year 2015. In these findings, the Auditor's Office recommends the Mississippi Department of Agriculture & Commerce:

1. Strengthen controls over bank accounts and cash receipts;
2. Strengthen controls over bank account documentation; and
3. Ensure proper documentation over the receipt of goods is maintained.

Please review the recommendations and submit a plan to implement them by August 19, 2016. 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 Department of Agriculture & Commerce to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the

officials and employees of the Mississippi Department of Agriculture & Commerce throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

Handwritten signature of Stephanie C. Palmertree in blue ink.

Stephanie C. Palmertree, CPA, CGMA
Director, Financial and Compliance Division
Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Department of Agriculture & Commerce for the year ended June 30, 2015. The Office of the State Auditor's staff members participating in this engagement included Donna Parmegiani, CPA, Jeremy Miller, CPA, Selena Davis, CPA, Lee Alford, Elaina Jo Smith, Lisa Meade, Brianna Blair, Katherine Landrum, CPA, Carrie Middleton and Rick Kinnard.

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 certain control deficiencies involving internal controls and instances of noncompliance that require the attention of management. These matters are listed under the heading **OTHER CONTROL DEFICIENCIES** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

OTHER CONTROL DEFICIENCIES

Controls Over Bank Accounts and Cash Receipts Should be Strengthened

Finding:

During our review of internal controls over bank accounts at the Mississippi Department of Agriculture, we noted issues related to segregation of duties in four of the agency's nine bank accounts. There were three bank accounts where the same individual who recorded receipts in the receipts log also maintains agency records. In two of these accounts the same individual also verified the receipts log, accounting records, and deposits agree. Additionally, the same individual in two of these accounts could also prepare the deposit, has the ability to sign checks, reconciles agency records to bank statements, and also has custody of unused checks. We also noted one bank account where the same individual who maintains agency records also prepares the bank deposit and has the ability to take it to the bank.

Good internal controls require adequate separation of duties between authorization, custody and recording capabilities to prevent any single individual from having the ability to perpetrate and conceal errors or fraud. Failure to adequately separate duties over bank accounts could potentially lead to misstatement of cash balances and agency revenue due to error or fraud.

Recommendation:

We recommend the Department of Agriculture and Commerce strengthen controls over bank accounts and cash receipts to ensure proper segregation of duties.

Controls Over Bank Account Documentation Should be Strengthened

Finding:

During our review of all nine bank accounts at the Mississippi Department of Agriculture and Commerce, we noted throughout the year there were five checks written either to cash or agency personnel from the Agriculture Museum Enterprise Account. There was no documentation to support these transactions. We also noted the agency does not keep a separate record of the ending monthly check book balance other than writing it on the bank reconciliation. Without proper documentation in the check register there are no sufficient records to agree the reconciliation balance to. The practice of writing checks to cash or internal personnel without documentation of use, can lead to fraud and misuse of funds. Also, the lack of sufficient bank reconciliation support can lead to errors and misstatement of account balances.

Good internal controls require sufficient documentation to support the reason for writing checks to cash or internal personnel. Writing checks made out to cash or to internal personnel in order to obtain cash provides a deficiency in internal control. This deficiency allows the ability for cash to not be used for its intended purpose. Additionally, good accounting practice includes the maintenance and evidence of sufficient accounting documentation. Bank reconciliations, in particular, are vital to ensuring that the correct amount of cash is stated in the account and that the account matches the checkbook balance. When reconciliations are performed documentation to reference bank and book balance should be available to validate the reconciliation.

Recommendation:

We recommend the Mississippi Department of Agriculture and Commerce ensure that all checks written to cash and agency personnel are sufficiently documented and tracked. In addition, we recommend the agency's check book balance be documented in the check book register consistently across all accounts in order to have reliable support for the bank reconciliations.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Ensure Proper Documentation Over the Receipt of Goods

Finding:

During our review of 20 transactions for Contractual Services at the Mississippi Department of Agriculture and Commerce, we noted ten instances in which there was no evidence or notation on an invoice denoting receipt, and five instances in which payments were not made within 30 days of invoice receipt. In addition, during our review of Capital Outlay expenditures we noted five instances, out of five items tested, where the invoice did not have evidence notating the date goods were received.

The Miss. Code Ann. (1972), Section 31-7-305 (1) states, "All public bodies of the state, including those which issue checks and those which file requisitions for payment with the State Fiscal Management Board, shall keep a record of the date of receipt of the invoice, dates of receipt, inspection and approval of the goods or services, date of issuing the check or date of filing the requisition for payment, as the case may be, and date of mailing or otherwise delivering the warrant or check in payment thereof." In

addition, 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.

Recommendation:

We recommend the Department of Agriculture and Commerce ensure all invoices have notation of receipt date. We also recommend the agency ensure all invoices are paid timely according to State law.

End of Report



STATE OF MISSISSIPPI
DEPARTMENT OF AGRICULTURE AND COMMERCE

CINDY HYDE-SMITH
COMMISSIONER

COMPLIANCE REVIEW FINDINGS

August 25, 2016

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

Dear Mr. Pickering:

We appreciate the efforts of your staff in its recent audit of the Mississippi Department of Agriculture and Commerce. In response to your findings for the Fiscal Year 2015, Limited Internal Control and Compliance Review Management Report, we have prepared a plan for addressing those findings as follows:

1. Strengthen Controls Over Bank Accounts And Cash Receipts

The Mississippi Department of Agriculture and Commerce (MDAC) agrees that controls over bank accounts and cash receipts should be strengthened through segregation of duties.

We recommend that the mail be opened by someone outside of the accounting office and the checks logged at that point before forwarding to department responsible. A copy of this log will then be sent to accounting to match to deposit for the day. Any discrepancies will be noted and investigated.

We recommend that bank reconciliations are done by someone outside of the routine process of each account.

We also recommend that the person taking the deposit to the bank is not involved with the process in any other way.

For the Fruit and Vegetable Revolving Fund, the recommendation would be to change this account to one that requires two signatures.

2. Strengthen Controls Over Bank Account Documentation

Major events at the Museum require cash on hand for change. The practice to pull money for these events was verbal during this time. We recommend that for future events an email from the director for petty cash will be obtained before writing the check and verification of when funds are returned will be documented and attached to the corresponding bank statement.

Also noted during the audit was the lack of documentation of the monthly checkbook balance for one of our nine bank accounts. In the future, the actual check book balance will be noted in the check register, before fees and other adjustments, in order to correspond with balance noted on the bank statement.

3. Ensure Proper Documentation Over the Receipt of Goods

In regard to the ten instances in which there was no evidence or notation on an invoice denoting receipt, these occurrences have already been addressed. We are now stamping all invoices when received including those received electronically.

Also, it was noted that there were five instances in which payments were not made within 30 days of invoice receipt. All five of these instances were interagency payments to ITS. After these invoices were reviewed for discrepancies and issues were resolved, the invoices were given to accounts payable. MDAC had some difficulties in MAGIC with paying interagency invoices during FY 2015. We recommend that invoices from ITS be paid upon receipt and post audit be done on the invoices for discrepancies.

Another finding noted was the absence of evidence of date of goods receipt for Capital Outlay Vehicles. MDAC was using the odometer disclosure statement and application for certificate of title as proof of receipt for vehicles. In the future, the department will sign/initial and date the bill of sale.

The persons responsible for implementing these corrective actions are Sara Davidson and Joette Pickle. We anticipate having all new processes completed by October 1, 2016.

Your recommendations and our actions should enable the Department to carry out its mission more effectively and efficiently. Thank you and your staff for your assistance.

Sincerely,



Cindy Hyde-Smith
Commissioner