



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

July 8, 2016

Limited Internal Control and Compliance Review Management Report

James A. Watson, D.V.M
Mississippi Board of Animal Health
P.O. Box 3889
Jackson, Mississippi 39207

Dear Dr. Watson:

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

1. Strengthen controls over payments and documentation process for contractual service expenditures;
2. Strengthen controls over the employee insurance process;
3. Implement segregation of duties over disbursements; and
4. Transfer funds to the State Treasury timely.

Please review the recommendations and submit a plan to implement them by July 22, 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.

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

Sincerely,

A handwritten signature in cursive script that reads "Stephanie C. Palmertree".

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 Board of Animal Health for the year ended June 30, 2015. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Selena Davis, CPA, Cheryl Johnston, CPA and Carrie Middleton.

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 DEFICIENCIES** and **INSTANCE 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 DEFICIENCIES

Controls Should Be Strengthened Over Payments and Documentation for Contractual Service Expenditures

Finding

During our review of 10 contractual service expenditures at the Mississippi Board of Animal Health, we noted the following problems:

- Seven instances in which vendor invoice included a past-due balance, late fee/finance charge, and/or the payment was not initiated within the required 30 days of receipt of invoice for payment tested;
- Nine instances in which the invoice was not certified as to correctness/satisfactory receipt of goods or services;
- Five instances in which the invoice was not date-stamped evidencing date of receipt; and
- One instance in which required CP-1 approval was not obtained from the Mississippi Department of Information Technology Services (ITS) for the purchase of sole-source IT services.

Section 31-7-303, Miss. Code Ann. (1972), requires public bodies to file a requisition for payment of an invoice no later than thirty days after receipt of the invoice and receipt, inspection and approval of the goods or services, except in the case of a bona fide dispute. Section 31-7-305, Miss. Code Ann. (1972), requires public bodies to keep a record of the date of receipt of the invoice, and dates of receipt, inspection and approval of the goods or services. Rule 207.2 of the ITS procurement manual addresses sole source purchases of information technology equipment and services.

Recommendation

We recommend the Mississippi Board of Animal Health strengthen internal controls to ensure proper documentation is maintained as to satisfactory receipt of goods and services and the date of receipt of vendor invoices as required by state law. Controls should also be strengthened over payment processes to ensure vendor invoices are paid timely and within 30 days of receipt of invoice and satisfactory receipt of goods and services, as required by state purchasing laws. We further recommend that required CP-1 approvals be obtained for information technology contracts from ITS when required.

Controls Should be Strengthened over the Employee Insurance process

Finding

During our review of 3 employee's benefits at the Mississippi Board of Animal Health, we noted the following:

- One instance in which the employee's type of coverage selected on the Health Insurance Authorization Form did not agree to the Mississippi Board of Animal Health Insurance Billing.
- One instance in which life insurance coverage per the SPAHRS Payroll report does not agree to the insurance billing for the month of May.

Good internal control dictates that state agencies retain adequate and proper documentation to support transactions made at the agency.

Recommendation

We recommend the Mississippi Board of Animal Health review the health insurance authorization forms and life insurance coverage per SPAHRS for each employee and compare these to the insurance billings to ensure the accuracy of the billings.

Segregation of Duties should be Implemented for Disbursements

Finding

During our review of Mississippi Board of Animal Health's expenditures, including procurement card transactions, we noted the agency does not have segregation of duties. The same person who initiates the transaction also records and approves the transaction.

Good internal control dictates that there must be segregation of duties among accounting functions. One person should enter or prepare the transaction and another person should review and approve the transaction.

Recommendation

We recommend that Mississippi Board of Animal Health segregate duties over the disbursements function by requiring one employee to prepare and enter the transaction while another employee reviews and approves the transaction in MAGIC, the new statewide accounting system. In addition, an independent review should be performed and documented for procurement card transactions.

INSTANCE OF NONCOMPLIANCE WITH STATE LAW

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

Finding

During our review of five cash receipts at the Mississippi Board of Animal Health, we noted funds were not deposited to the State Treasury in a timely manner. The average length of time from the receipts being collected to being deposited to the state treasury was approximately 30 days.

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. It increases the risk of theft and/or misplacements of funds while held at the agency level.

Recommendation

We recommend the Mississippi Board of Animal Health ensure cash receipts are deposited into State Treasury timely and in compliance with state law.



Mississippi Board of Animal Health

James A. Watson, D.V.M.
State Veterinarian

08/26/2016

Mr. Stacey E. Pickering
State Auditor
P.O. Box 956
Jackson, MS 39205

Dear Mr. Pickering:

Enclosed is the implementation plan to Limited Internal Control and Compliance Review Findings for the Mississippi Board of Animal Health for Fiscal Year 2015 conducted by your office. While some of the findings are easily corrected with procedural changes, segregation of duties are not as easily accomplished to the small size of my staff. There is myself, our Director of Accounting, a receptionist, and an Administrative Assistant. There are simply not enough people within the agency to properly segregate the necessary duties to comply with some of your recommendations. Please let me know if you do not find our plan satisfactory, or wish to make suggestions on improving our response plan.

Sincerely,

A handwritten signature in blue ink that reads "Dr. James A. Watson". The signature is written in a cursive style.

Dr. Jim Watson, DVM
State Veterinarian

Strengthen controls over payment and documentation process for contractual service expenditures.

We concur with the findings of the State Auditor's Office.

All invoices since the audit are date stamped and verified that we received the service by the person that opens the mail, Alicia McCraw, before being given to Accounting, Chris Smith. The instances with past due balances were due to the implementation of the MAGIC system and getting vendors set up in the system this is for the most part has been solved. We were not sure if we would ever meet the threshold amount required for the CP1 and are evaluating this program now to see if we will use it in the future, if so Chris Smith we will complete the CP1 process.

Strengthen controls over the employee insurance process.

We concur with the findings of the State Auditor's Office.

Chris Smith is currently reconciling monthly the billing from Blue Cross to the amount held out in payroll deductions for insurance transactions. Because of the size of our agency and very little change made by participants, this is an easy fix.

Implement segregation of duties over disbursements

We concur with the findings of the State Auditor's Office.

Currently Dr. Jim Watson approves all disbursements except on the rare occasion when he is out of country and has limited web access. The payment vouchers are entered by Chris Smith.

Transfer funds to the State Treasury timely

We concur with the finding of the State Auditor's Office.

Currently small cash receipts under \$1000.00 are made weekly, if by rare chance we receive large amounts they are done within 2 business days. All of the cash receipts are completed by Chris Smith after Beth Mudd logs them into a spreadsheet. Alicia McCraw gets them in the mail.