



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

June 23, 2016

**Limited Internal Control and Compliance Review Management Report**

Delbert Hosemann, Secretary of State  
Mississippi Secretary of State  
125 S. Congress Street  
Jackson, Mississippi 39201

Dear Secretary Hosemann:

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

1. Ensure cash receipts are transferred to the state treasury in a timely manner;
2. Ensure purchase orders are authorized prior to receiving goods and services; and
3. Ensure procurement card purchases are properly reviewed.

Please review the recommendations and submit a plan to implement them by July 18, 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.

Mississippi Secretary of State

June 23, 2016

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

Sincerely,

A handwritten signature in black ink that reads "Stephanie Palmertree". The signature is written in a cursive, flowing style.

Stephanie Palmertree, CPA, CGMA  
Director, Financial and Compliance Audit  
Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Secretary of State for the year ended June 30, 2015. The Office of the State Auditor's staff members participating in this engagement included Donna Parmegiani, CPA, Kevin Cribbs, Justin Reulet, David Hodges, Dana McMorris, and John T. Newell.

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 instances of noncompliance that require the attention of management. These matters are noted under the headings **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

#### **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**

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

###### *Finding*

During our review of 20 cash receipts at the Mississippi Secretary of State, we noted the following problems:

- One instance in which funds were not transferred into the agency's clearing account timely. The transfer into the clearing account was five days late.

Good internal controls dictate cash receipts be deposited into the agency's clearing account promptly to reduce the likelihood of loss or theft. In addition, Section 7-9-21, Miss. Code Ann. (1972), requires agencies to deposit funds with the State Treasury by the end of the next business day following the date the funds are collected.

###### *Recommendation*

We recommend the Mississippi Secretary of State ensure cash receipts are deposited into the agency's clearing account promptly upon receipt and transfers to the State Treasury are made timely in compliance with state law.

##### Agency should ensure purchase orders are authorized prior to receiving goods and services

###### *Finding*

During our review of 20 contracts at the Mississippi Secretary of State, we noted the following issues:

- Six instances in which purchase orders were dated subsequent to the date goods and services were received.

Section 7-7-23 of the Mississippi Code of 1972 states that Purchases of equipment, supplies, materials or services of whatever kind or nature for any department, officer, institution or other agency of the state, the cost of which is to be paid from funds in the State Treasury on State Fiscal Officer disbursement warrants, may be made only by written purchase orders duly signed by the official authorized so to do, on forms prescribed by the State Fiscal Officer. Purchases of such equipment, supplies, materials, or services, as

specified herein, made without the issuance of such purchase orders shall not be deemed to be obligations of the state unless the State Fiscal Officer, by general rule or special order, permits certain purchases to be made without same. It shall be the duty of the proper official in each department or agency to forward the copy of each purchase order to the State Fiscal Officer on the same day the said order is issued.

*Recommendation*

We recommend the Mississippi Secretary of State ensure compliance with state purchasing laws. Purchase orders should be issued and approved prior to the receipt of goods and services.

Agency should review procurement card purchase receipts

*Finding*

During our review of 15 procurement card purchases at the Mississippi Secretary of State, we noted the following problems:

- One instance in which a procurement card purchase to Office Depot on 08/21/2014 in the amount of \$172.78 on procurement card number ending in 3050 was levied sales tax in the amount of \$12.80.

Good internal controls dictate prompt review of procurement card receipts to ensure sales tax is not applied to purchases. In addition, Section 27-65-105, Miss. Code Ann. (1972), requires that state purchases, except those exempted, not be levied sales tax.

*Recommendation*

We recommend the Mississippi Secretary of State ensure compliance with state purchasing laws. Procurement card purchases should be reviewed to ensure that sales taxes are not levied each time a purchase is made.

**End of Report**



Attachment B

DELBERT HOSEMANN  
*Secretary of State*

COMPLIANCE REVIEW FINDINGS

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

September 21, 2016

Dear Mr. Pickering:

Below you will find the recent Compliance Review Audit Findings for the Office of the Secretary of State and the Corrective Actions Plans for each. The Audit was conducted in our office during the month of May, 2016.

AUDIT FINDINGS:

Cash Receipts should be transferred to the State Treasury in a timely manner

Response:

Our Finance Division is required to take mandatory two-weeks off, consecutively each fiscal year. During this time period (March 23, 2015 – March 31, 2015) one of our staff members was out on their two-week (leave) and the Finance Division was short-staffed.

Corrective Action Plan:

- A. The Office of the Secretary of State's Finance Division will cross-train to make sure enough staff members are able to meet this requirement.

Agency should ensure purchase orders are authorized prior to receiving goods and services

Response:

On multiple days in 2014 and one (1) day in 2015 we issued purchase orders that were dated subsequent to the date the goods and services were received. For items such as these, (services) we do not issue a purchase order until we receive the invoice due to the fact that most of these charge us by the hour and we have no way to know from one invoice to the next how much will

be billed. If we enter the entire amount (per the contract) that FY we will have too much encumbered. We have spoken with a couple of our counterparts at other agencies to see how they make it work for them and they handle these items the same way we do. If we are purchasing commodities or equipment, we issue the purchase order prior to ordering.

Corrective Action Plan:

- A. Discussed this finding with the Director of Procurement.
- B. Reviewing MAGIC Documentation for guidance.
- C. As of July 1, 2016, we have begun entering contractual items (purchase orders) in six month increments. Our goal for this FY (2017) is to have all purchase orders (services) entered in six month increments.

Agency should review procurement card receipts

Response:

On August 21, 2014 the Office of the Secretary of State paid \$12.80 for sales tax to Office Depot. We are aware the State of MS is tax exempt. The cardholder informed me they did request Office Depot to reimburse the sales tax but failed to follow up.

Corrective Action Plan:

- A. I have counseled the Finance and Procurement Staff on the importance of following up with outstanding issues/items not resolved.
- B. Instruction was given in the event of something of this nature happening again, to document in Microsoft Outlook and to use the "Follow Up (red flag)" feature to alert to resolve.

As we discussed at the Exit Conference in our office in June, 2016, it was a pleasure to assist your office in this audit and look forward to any recommendations to help us continue to be a great Agency.

Should you have any questions or need any further information, please do not hesitate to contact Lisa Moore or me.

Regards,



Doug E. Davis  
Chief of Staff

DD/lbm