



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

September 16, 2016

Limited Internal Control and Compliance Review Management Report

Chief Justice William L. Waller, Jr
Supreme Court of Mississippi
P.O. Box 117
Jackson, Mississippi 39205-0117

Dear Chief Justice Waller:

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

1. Strengthen controls over payments made in Mississippi Accountability System for Government Information and Collaboration(MAGIC) Accounting System; and
2. Strengthen controls over cash receipts.

Please review the recommendations and submit a plan to implement them by September 30, 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.

Supreme Court of Mississippi

September 16, 2016

Page 2

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

Sincerely,

A handwritten signature in blue ink that reads "Stephanie Palmertree". The signature is written in a cursive style with a large, stylized initial "S".

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

The Office of the State Auditor has completed its limited internal control and compliance review of the Supreme Court of Mississippi for the year ended June 30, 2015. The Office of the State Auditor's staff members participating in this engagement included Donna Parmegiani, CPA, Selena Davis, CPA, Elaina Jo Smith, Virginia Anderson and Kari Horn.

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 matters involving the internal control over financial reporting that require the attention of management. These matters are noted under the heading **OTHER CONTROL DEFICIENCIES**. 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. There were no instances noted of noncompliance with state law.

OTHER CONTROL DEFICIENCIES

Controls Should be Strengthened over Payments Made in Mississippi Accountability System for Government Information and Collaboration (MAGIC) Accounting System

Finding

During our review of the Supreme Court of Mississippi's subsidies, loans, and grants expenditures, we noted one transaction lacked proper segregation of duties over the review and approval process. The employee who prepared the transaction also approved and recorded the transaction in the Mississippi Accountability System for Government Information and Collaboration (MAGIC), the statewide accounting system.

Good internal controls dictate there must be segregation of duties among the accounting processes. Lack of proper segregation of duties in the accounting processes could result in errors, misstatements, and/or fraud.

Recommendation

We recommend the Supreme Court of Mississippi strengthen internal controls in the accounting functions to ensure proper segregation of duties for the payment review and approval process.

Controls Should be Strengthened over Cash Receipts

Finding

During our review of controls over cash and checks at the Supreme Court of Mississippi, we noted that the same individual who opens the mail also records receipts in the receipt log, records receipts in agency records and prepares the receipts for deposit.

Good internal controls require segregating the duties of receiving cash/checks from the recording of cash/checks transactions. It also requires segregating the duties of preparing or making bank

deposits from recording duties. This will prevent any undetected errors and also prevent any single individual from having the ability to perpetrate and conceal fraud. Failure to adequately separate duties over cash receipts could potentially lead to misstatement of cash balances due to error or fraud.

Recommendation

We recommend the Supreme Court of Mississippi strengthen controls over cash receipts to ensure proper segregation of duties.

End of Report



SUPREME COURT OF MISSISSIPPI

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WILLIAM L. (BILL) WALLER, JR.
CHIEF JUSTICE

COMPLIANCE REVIEW FINDINGS

September 27, 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 have received and reviewed the findings reported to the Supreme Court as a result of the compliance review for the Fiscal Year 2015. Below is our response to these findings:

OTHER CONTROL DEFICIENCIES:

Controls should be strengthened over payments made in Mississippi Accountability System for Government Information and Collaboration (MAGIC) Accounting System

The auditors noted one transaction in which one employee prepared and approved the transaction in MAGIC. The finding states that good internal controls dictate there must be segregation of duties among the accounting processes.

We concur with this finding. The transaction was one of the first of these transfers to be made after the implementation of MAGIC and was an isolated incident. Subsequent payments to the counties have been input by the assistant finance director, with final approval by the finance director. The finance office will continue to make efforts to avoid these separation-of-duties issues in the future.

Stacey E. Pickering, State Auditor
September 27, 2016
Page Two

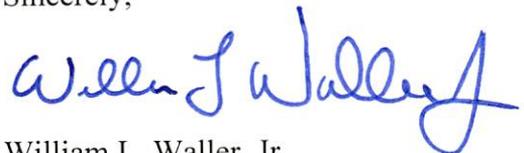
Controls should be strengthened over cash receipts

The auditors noted that the same individual who opens the mail also records the checks in the receipt log, records the receipt in the agency records and prepares the receipt for deposit.

We concur that the same individual currently performs these tasks. The finance office has created controls to help mitigate this lack of segregation. The checks in question consist of payments by users of the MS Electronic Courts (MEC) program and payments from counties for their portion of the trial judge support staff payroll. Once the checks are recorded to the daily mail log, they are given to a different employee to be posted into subsidiary ledgers maintained outside of MAGIC. The revenues posted into these systems are reconciled to the revenues posted into MAGIC on a monthly basis.

The finance office is also working with MEC to implement procedures to allow selected staff members of MEC to receive the checks and post the payments into the subsidiary ledger. The checks along with a report from this ledger will be submitted to the finance office on a daily basis to be deposited.

Sincerely,

A handwritten signature in blue ink that reads "William L. Waller, Jr." The signature is written in a cursive, flowing style.

William L. Waller, Jr.
Chief Justice