



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

January 16, 2018

J. Marshall Riddick, Jr.
Chairman, Mississippi Auctioneer Commission
336 Shelby Street
Drew, MS 38737

Dear Mr. Riddick:

Enclosed in this letter is a copy of the Compliance audit conducted by the Office of the State Auditor. Due to the nature of the findings I have elected to send these reports to you, the Chairman of the Auctioneer Commission in lieu of the Executive Director as is normal practice.

After you have had an opportunity to review this report and the findings contained therein, I will be happy to meet with you and the Commission to discuss the report or answer any questions that you may have in regards to the findings. Please note I cannot discuss the status of any pending or open investigations. Any questions regarding those can be directed to the Director of Investigations at OSA, Jay Strait.

If you prefer to not meet regarding these findings that is at your discretion. Please note that we will still need a copy of the Corrective Action Plan signed and submitted to our office by February 1, 2018. I have enclosed a template for your response in with this letter. Please mail your response to the following:

Attn: Stephanie Palmertree
Office of the State Auditor
PO Box 956
Jackson, MS 39205

If you would like to schedule a meeting, please contact me at 601-576-2606.

Sincerely,

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

Stephanie C. Palmertree, CPA, CGMA

Enclosures



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

January 9, 2018

Limited Internal Control and Compliance Review Management Report

J. Marshall Riddick, Jr.
Chairman, Mississippi Auctioneer Commission
P.O. Box 5088
Jackson, MS 39296

Dear Mr. Riddick:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Auctioneer Commission (MAC) for Fiscal Years 2015, 2016, and 2017. In these findings, the Auditor's Office recommends the Commission:

1. Strengthen Board Oversight;
2. Strengthen Controls to Ensure Compliance with State Law over Travel;
3. Strengthen Controls to Ensure Compliance with State Law over Accrued Leave;
4. Strengthen Controls to Ensure Compliance with State Law over Procurement Card Purchases;
5. Strengthen Controls to Ensure Compliance with State Law over Bank Accounts and Cash Receipts; and
6. Ensure Board Meetings are Held and Recorded in Compliance with State Law.

Our initial review of the MAC extended only to fiscal year 2015; however, during our review we extended testing to additional years in order to gain a better understanding of the processes in place at MAC. Information contained in the report below will reference the appropriate fiscal years, as necessary.

Please review the recommendations and submit a plan to implement them February 1, 2018. 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

Mississippi Auctioneer Commission

January 9, 2018

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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 Auctioneer Commission to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie C. Palmertree". The signature is written in dark ink and is positioned below the word "Sincerely,".

STEPHANIE PALMERTREE, CPA, CGMA
Director, Financial and Compliance Audit
Office of the State Auditor

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Auctioneer Commission for the years ended June 30, 2015, 2016, and 2017.

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.

A *deficiency in internal control* 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We identified certain deficiencies that we consider to be *material weaknesses* in internal control and certain deficiencies that we consider to be *significant deficiencies* in internal control. These matters are noted under the headings **MATERIAL WEAKNESS** and **SIGNIFICANT DEFICIENCIES**.

In addition, while performing our review, we noted certain instances of noncompliance with State laws that require the attention of management. These matters are noted under the heading **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**.

MATERIAL WEAKNESSES

Finding 1: Board Oversight Should Be Strengthened.

Executive Summary: The Mississippi Auctioneer Commission was created and has the authority to make rules and regulations as are reasonable and necessary for the orderly regulation of the auctioneering profession. The Commission is tasked to set reasonable license fees; to make rules and regulations and to promote said regulations; to hire and retain staff as necessary to conduct business; and to hold investigations, hearings, etc. to provide disciplinary provisions in accordance with Sections 73-4-1 through 73-4-51 of *Mississippi Annotated Code (1972)*.

During our review, we noted a complete absence of Board oversight regarding the daily operations of MAC. The Director was neither appropriately monitored nor did the Commissioners take an active role in reviewing financial information, purchases, travel, etc.

Lack of appropriate oversight and appropriate "tone at the top" leadership can lead to fraud, waste, and abuse.

Recommendation: We recommend the Commissioners of the Mississippi Auctioneer Commission provide more effective and appropriate oversight of the Director of the Mississippi Auctioneer Commission. We recommend the implementation of new controls, policies, and procedures where necessary. We wish to place emphasis on the importance of appropriate “tone at the top” leadership.

Detailed Analysis: The Mississippi Auctioneer Commission is comprised of five Commission members (The Commissioners) from across the state. The Commissioners employ one full-time staff member as an Executive Director (the Director), and contract with other individuals to perform accounting and administrative functions for MAC.

During our review of MAC, we noted that the Director operates with complete autonomy and is not overseen by the Commissioners. During conversations with the Commissioners, audit staff inquired what role the Commissioners played in the oversight of management. The Commissioners replied that they had no active role or oversight of management. The testwork performed at the Commission confirmed this lack of oversight due to the large number of exceptions and instances of noncompliance discovered. Additional areas of noncompliance are detailed in the body of this report but are provided, in summary, below:

- 1) Travel was not properly approved or documented;
- 2) Commission meetings were not held in accordance with state law;
- 3) Personal leave was not taken or documented in accordance with state law;
- 4) Procurement card purchases were questionable and not approved; and
- 5) Procurement cards were used inappropriately for reoccurring services.

These actions and findings noted in this report indicate a lack of appropriate oversight and “tone at the top” leadership when considered in the aggregate.

The Commissioners of the Mississippi Auctioneer Commission should implement processes to better regulate and oversee the Director and employees of the Mississippi Auctioneer Commission.

MATERIAL WEAKNESSES AND NON COMPLIANCE WITH STATE LAW

Finding 2: The Mississippi Auctioneer Commission (MAC) Should Strengthen Internal Controls Over Travel to Ensure Compliance with State Law.

Executive Summary: Employees from the MAC have not properly documented justifications for travel, travel reimbursements, mileage, etc. Travel appears excessive and appears to coincide with personal travel by employees. The Auditor’s Office could not verify that any travel reimbursed by the Director was justified or needed for business purposes. Travel was not approved by the Members of the Commission and seemed excessive (over 10% of total expenditures).

Recommendation: We recommend the Mississippi Auctioneer Commission (MAC) implement controls over travel and travel reimbursements. We also recommend that the Commissioners at

MAC review all travel reimbursements for the Director and review all appropriate evidence of justification of travel.

Further, we recommend that the Investigations Division at the Office of the State Auditor review any and all travel payments to ensure that all payments were made in accordance with State Law and that all travel was for business purposes.

Detailed Analysis:

Criteria:

Mississippi Annotated Code (1972) § 25-3-41 establishes guidelines for travel reimbursements of officers and employees of the State of Mississippi, and of any department, institution, board or commission thereof. It also establishes that the Mississippi Department of Finance and Administration (DFA) shall promulgate rules and regulations regarding State Travel Policy.

The State Travel Policy Rules and Regulations available on DFA's website is a travel manual that serves as a quick reference for the provisions and rules of Section 25-3-41 and other relevant statutes, as well as rules promulgated by DFA in accordance with State Law.

Rules established by the State Travel Policy Rules and Regulations (effective for fiscal year 2015) set out the following requirements:

- 1) Department Directors will be responsible for ensuring compliance with § 25-3-41 by providing adequate internal controls over employee travel;
- 2) Travel Vouchers include a signature that verifies that all reimbursed expenses are actual expenses and that they are valid business expenses;
- 3) Travel in a privately owned vehicle must only include mileage between points of travel made from the most direct, practical route;
- 4) Business travel and personal travel may be combined when all of the following conditions are met:
 - a. The primary purpose of the trip is official state business;
 - b. The employee uses his approved leave for the personal part of the trip; and
 - c. The state agency incurs no expenses beyond what it would have incurred had there been no personal travel in the trip.
- 5) The State does not reimburse private vehicle mileage for optional travel.
- 6) The individual agency requesting reimbursements has the responsibility to maintain all documentation for audit purposes supporting rates reimbursed.

Section 9.1 C of the Mississippi State Personnel Board Policy and Procedures Manual states that falsification of travel vouchers is considered a "Group Three Offense" that may result in a written reprimand, suspension without pay for up to thirty working days, demotion, or dismissal.

Additionally, good internal controls dictate that adequate separation of duties exists over the areas of preparing travel reimbursement claims, approving reimbursement claims, and reviewing reimbursement claims.

Finding Detail:

During our testwork performed at MAC related to travel for fiscal years 2015, 2016, and 2017, we noted the following:

- The Director's travel has not been properly reviewed or approved. The Director "stamps" the travel approved with a signature stamp before submitting travel to DFA for reimbursement. When questioned by auditors, the Director stated that she called and spoke to the Chairman of the Commission and went over her travel and he verbally approved it and gave her permission to stamp his signature. When the auditors questioned the Chairman in response to these statements, he stated he had never approved or reviewed the Director's travel and was not aware she was using the stamp.
- The Director could supply no evidence of business purpose for the travel she had incurred over the three years tested other than to state that she visited auctions to determine if they were legal. When auditors questioned if there was any program or advertisement about these auctions that would indicate they actually occurred, the Director stated that they were often illegal auctions and she only heard about them via "word of mouth" and that they never had programs or flyers. When auditors further questioned if any of the auctioneers conducting unlicensed auctions were ever fined or penalized after she attended these auctions, the Director stated that they had not been. Auditors confirmed that no action against unlicensed auctioneers discovered by surprise inspection had been taken in the Commission minutes.

Auditors examined social media posts by the Director and confirmed that trips she received reimbursement for by the MAC often coincided with personal travels of the Director. On some occasions the locations of personal travel and alleged business travel conflicted. The following are four examples of these numerous conflicts:

- The Director advertised for personal business services in Folsom, LA the same day and time she claims she was conducting surprise auctions in Pontotoc, MS. The distance between the two locations is approximately 315 miles (5 hour drive).
 - The Director received reimbursement for "around town travel" on July 2, 2015. Self-published social media posts from July 2, 2015 indicate that she was conducting personal business in Tunica, MS on July 2, 2015.
 - On March 8, 2016, the Director advertised on social media for her personal business stating that she would be in Starkville from March 10-13th. The Director received reimbursement for "around town" travel on March 10th and claimed mileage for a surprise inspection of an auction on March 11th.
 - On May 22, 2016, the Director advertised on social media that she would be conducting personal business in Tunica, MS starting on May 26 and that she would be available throughout the Memorial Day weekend. The Director received reimbursement for travel to Philadelphia, MS on May 26th, around town travel for May 27th, and for an auction check in Edwards, MS on May 28th.
- In two out of fifteen sample items, the Director submitted incorrect information for reimbursement.
 - For travel reimbursement in February 2016, the Director received reimbursement for travel in a privately owned vehicle at \$.57 per mile. The rate in effect at that time of travel was \$.54 a mile. This resulted in an overpayment of \$57.75.

- For travel reimbursement in December 2016, the Director submitted a travel voucher with mileage totaling 1,972 miles. Recalculations estimated the maximum mileage to be 1,781 miles – a difference of 191 miles. This resulted in a possible overpayment of \$103.14.
- The Director’s mileage and travel reimbursements appear excessive when compared to the relative size and budget of the MAC. For the three-year period examined by auditors, the Director’s travel averaged 11% of the total amount of expenditures. It is important to note that this is not total travel – this amount of travel is only travel paid to the Director. Over a three-year period, the Director was paid more than \$38,000 in travel reimbursements.

Finding 3: The Mississippi Auctioneer Commission (MAC) Should Strengthen Internal Controls over Leave Policies to Ensure Compliance with State Law.

Executive Summary: The Director at the Mississippi Auctioneer Commission has not recorded leave – personal or sick – during the three years under audit. Additionally, MAC has no formal or written policies over personal, sick, and compensatory leave.

Recommendation: We recommend the Mississippi Auctioneer Commission (MAC) implement controls over personal, sick, and compensatory leave. Further, we recommend that the Investigations Division at the Office of the State Auditor and the Mississippi Public Employees Retirement System review the accrued leave balances to ensure that all leave has been recorded in accordance with state law. We also recommend that the Commissioners at MAC implement written policies regarding leave, and that the Commissioners review and approve leave of the Director.

Detailed Analysis:

Criteria:

Mississippi Annotated Code (1972) Sections 25-3-93(4) and 25-3-95 states (in part) “Employees are encouraged to use personal leave. Personal leave may be used for vacations and personal business and shall be used for illnesses of the employee requiring absences of one (1) day or less.”

Section 7.5.1 of the Mississippi State Personnel Board Policy and Procedures Manual states “Regular attendance is a basic condition of employment with the State of Mississippi and shall be considered among the essential elements for all permanent position classifications. All employees must report to and leave work at the time designated by their employer. Anticipated absence from work is to be arranged with the employee’s supervisor in advance, and unexpected absences are to be reported promptly to the employee’s supervisor prior to the beginning of the employee’s work period.”

Section 9.1 C of the Mississippi State Personnel Board Policy and Procedures Manual states that falsification of leave records is considered a “Group Three Offense” that may result in a written reprimand, suspension without pay for up to thirty working days, demotion or dismissal.

Additionally, good internal controls dictate that written policies over leave policies exist to prevent fraud, waste, and abuse.

Finding Detail:

During our review of vacation, sick, and compensatory leave for fiscal years 2015, 2016, and 2017, we noted that the Director had not reported or recorded any leave for the years under audit. When questioned by auditors, the Director stated that she always carries her cell phone (paid by MAC) and that she was available twenty-four hours a day and therefore saw no reason necessitating recording leave. Additionally, when questioned about MAC's leave policies, auditors determined that no official leave policies existed for MAC.

Auditors examined social media posts by the Director and confirmed the Director, on numerous occasions, advertised that she was available to perform services with her personal business on days she claimed she was in attendance and working for MAC. Examples include:

- On Thursday December 10, 2015 the Director advertised that she would be available to perform personal business services starting at noon. No leave was recorded.
- On Sunday December 27, 2015 the Director advertised that she would be available to perform personal business services "starting Tuesday after lunch" in Monroe, LA. No leave was recorded.
- On Monday June 27, 2016 the Director advertised that she would be available to perform personal business services starting on Thursday. No leave was recorded.

Failure to adequately record leave can indicate potential criminal activity and can result in overstated liability.

Finding 4: The Mississippi Auctioneer Commission (MAC) Should Strengthen Internal Controls over Procurement Card Purchases to Ensure Compliance with State Law.

Executive Summary: Upon reviewing 100% of the purchases made by the Mississippi Auctioneer Commission (MAC) for the periods under audit (FY 2015, 2016, and 2017), auditors discovered a multitude of purchases that appeared questionable and did not appear to have business purposes. Additionally, the numerous purchases for the same items (janitorial, hygiene products, office supplies) over the three-year period indicate high levels of waste, fraud and abuse by MAC personnel. Lastly, using the procurement card MAC has expensed and paid 100% of the Director's phone bill for every month during the audit period. It is important to note that the phone number paid by MAC is the same phone number the Director has listed as her primary contact for her personal business and regularly advertises it to customers.

Recommendation: We recommend the Mississippi Auctioneer Commission (MAC) implement controls over procurement card purchases. We also recommend that the Commissioners at MAC implement written policies regarding these purchases and that, at a minimum, the statements are reviewed and approved by a Commissioner of MAC.

Further, we recommend that the Investigations Division at the Office of the State Auditor review any and all procurement card purchases to ensure that all payments were made in accordance with State Law and that all purchases were for business purposes.

Detailed Analysis:

Criteria:

Mississippi Annotated Code (1972) Section 31-7-9(1b) states (in part) “The Office of Purchasing, Travel, and Fleet Management may adopt purchasing regulations governing the use of procurement cards to be used by state agencies.”

The State of Mississippi Procurement Manual 10.111.02 states, “the various state agencies may make purchases under the Small Purchase Procurement Card Program provided, however, that all such purchases shall be made in compliance with the minimum policies and procedures established by the Office of Purchasing, Travel, and Fleet Management.

The State of Mississippi Procurement Manual 10.111.03 states, “government entities may use the Procurement Card to make purchases which are bona fide needs of the entity.”

Additionally, good internal controls dictate that duties should be segregated in order to limit the same individual from purchasing, reconciling, and paying invoices.

Finding Detail:

During our review of procurement card purchases for the Mississippi Auctioneer Commission for fiscal years 2015, 2016, and 2017, we noted numerous discrepancies in the initial sample testwork we performed. Auditors expanded the testwork to include 100% of all procurement card purchases made for the three fiscal years under audit. The results are summarized below:

- \$728.96 of \$14,225.27 (approximately 5% of expenditures) appeared to be for personal reasons and did not have a business purpose.
 - \$291.26 of these purchases were for items purchased from the iTunes store. The Director’s personal email address was used for these purchases and she could not provide receipts justifying the purchases. When questioned she stated that the purchases were used to increase the office efficiency.
 - Over a three-year period, the Director purchased 13 high velocity oscillating fans. When questioned about these purchases, the Director stated that they were for the office due to its extreme heat in the summer. Auditors performed a walkthrough of the office space (less than 1,000 square feet) and none of the 13 fans were present.
 - Remaining expenditures were for items such as multiple Tervis Tumblers and multiple iPhone cables and speakers.
- \$4,438.78 of \$14,225.27 (approximately 31% of expenditures) were for the Director’s AT&T cell phone usage. The number on the AT&T statements is the same phone number used by the Director as her personal cell phone and her personal business phone. At a minimum, sound fiscal practices would require a pro-rata allocation of the bill for personal vs. business use of the phone.
- \$6,563.23 of the \$14,225.27 (approximately 46% of expenditures) were for both Office Depot and Wal-Mart purchases. When receipt details were examined, auditors determined that the Director purchased a disproportionate amount of janitorial and paper supplies for a 750 square foot office space. Some examples are detailed below:

- The Director purchased approximately \$1,530 of paper products (toilet paper, paper towels) which constitutes 11% of the procurement card purchases in total and 23% of the purchases from Office Depot and Walmart.
- In 2016, the Director purchased over 700 garbage bags for the single employee office.
- The Director, on more than one occasion, would purchase a large number of paper and cleaning products from Wal-Mart and then purchase the same items from Office Depot days later.

While these amounts may appear trivial when compared with the budget of MAC as a whole, they indicate that proper review and approval of purchases has not been conducted. Failure to appropriately monitor purchases can lead to waste, fraud, abuse, and potential criminal liability.

SIGNIFICANT DEFICIENCIES AND NON COMPLIANCE WITH STATE LAW

Finding 5: The Mississippi Auctioneer Commission (MAC) Should Strengthen Internal Controls Over Bank Accounts and Cash Receipts to Ensure Compliance with State Law.

Executive Summary: In order to ensure that State assets (i.e. cash) are effectively and efficiently managed, timely and adequate supervision and control of those assets must be implemented. Lack of controls can lead to misappropriated assets, fraud, waste, and abuse. MAC did not submit receipts and financial information to Treasury and DFA timely nor did MAC keep adequate records.

Recommendation: We recommend the Mississippi Auctioneer Commission (MAC) implement controls, policies, and procedures over cash to ensure compliance with laws over their bank accounts and assets. Stringent record keeping should be implemented to ensure that cash is not misappropriated or misplaced.

Additionally, account balances should be maintained as authorized by Department of Finance and Administration (DFA) and the Office of the State Treasurer (Treasury), and transfers to the State Treasury should be made timely in accordance with state law.

Lastly, we recommend MAC ensure that all filings to Treasury and DFA are made timely and accurately in accordance with state law.

Detailed Analysis:

Criteria:

Mississippi Annotated Code (1972) Section 7-9-21, requires agencies to transfer monies deposited in agency clearing bank accounts to the State Treasury within two days and requires public funds to be deposited into the state treasury by the end of the next business day following the day that funds are collected.

Mississippi Annotated Code (1972) Section 7-9-12, allows agencies to request authorization from the Department of Finance and Administration (DFA) and the Office of the State Treasurer (Treasury) to open a bank account to serve as a collection or clearing account. Each account established shall have a maximum balance to be fixed by the Treasury.

Mississippi Annotated Code (1972) Section 27-105-5(6)(b), requires a public depositor to notify the State Treasurer, no later than thirty days after the end of the fiscal year, of its bank accounts that it has with a qualified public depository, including the balance in the accounts as of the fiscal year end.

Mississippi Annotated Code (1972) Section 27.104.4, requires each state agency to prepare annual financial statements at such times as determined by the State Fiscal Officer.

Good internal controls require cash receipts to be deposited into the agency's bank account on the day of receipt to reduce the likelihood of loss or theft. Failure to deposit receipts daily could result in the loss of receipts and interest revenue by the state and increases the risk of theft and/or misplacement of funds and noncompliance with State law. Good internal controls also require documentation of cash received so that an adequate audit trail is in place.

Finding Detail:

During our review of internal controls over bank accounts and cash receipts at MAC, we noted the following problems:

- MAC does not maintain a Receipt Log documenting the details of when cash and checks are received.
- MAC made only three transfers to the Office of the State Treasurer during FY 2015 and 2016. Transfers should be made within two business days of receipt.
- MAC made only thirteen transfers to the Office of the State Treasurer during FY 2017. Transfers should be made within two business days of receipt.
- The bank clearing account routinely exceeded the maximum allowed balance of \$10,000.
 - In FY 2016, the clearing account maintained monthly averages between \$11,102 and \$153,498.
 - In FY 2016, the clearing account maintained monthly averages between \$14,424 and \$25,404.
 - In FY 2017, the clearing account maintained monthly averages between \$18,041 and \$42,001.
- The Public Depository Annual Report was filed 12 days late.
- No GAAP closing financial packets were filed with DFA for any year under audit. The GAAP closing packet should have recorded accrued revenue ranging from \$4,000 to \$9,000. This is a failure to appropriately account for revenue in the correct fiscal year.

Failure to deposit receipts daily and to keep adequate records of cash received could result in the loss of receipts and interest revenue by the state and increases the risk of theft and/or misplacement of funds and noncompliance with State law.

Additionally, failure to properly account for revenue in the correct fiscal year could result in a misstatement of MAC's financial statements and the State of Mississippi's Comprehensive Annual Financial Report.

INSTANCES OF NON COMPLIANCE WITH STATE LAW

Finding 6: Mississippi Auctioneer Commission Should Ensure Board Meetings are Held and Recorded in Compliance with State Law.

Executive Summary: During the review of Board Minutes for the fiscal years under audit, auditors noted that all Board Minutes from FY 2015 were not properly signed and approved by the Chairman of the Board. Additionally, auditors noted that the Annual Election of Officials was not conducted in January 2016 and 2017 in accordance with law.

Recommendation: We recommend the Mississippi Auctioneer Commission ensure that all Board Meetings are reviewed and approved by the Chairman of the Board and that meetings are held in accordance with State Law.

Detailed Analysis:

Mississippi Annotated Code (1972) Section 25-41-11, states, "Minutes shall be kept of all meetings of a public body, whether in open or executive session, showing the members present and absent; the date, time and place of the meeting; an accurate recording of any final actions taken at such meeting; and a record, by individual member, of any votes taken; and any other information that the public body requests be included or reflected in the minutes. The minutes shall be recorded within a reasonable time not to exceed thirty (30) days after recess or adjournment and shall be open to public inspection during regular business hours."

Mississippi Annotated Code (1972) Section 73-4-9, states, "The commission shall meet each January at a time and place established by the chairman to conduct an election of officers and such other business as may be appropriate."

End of Report



**Post Office Box 50, Morton, MS 39117
601-750-4909 601-732-6447 (fax)
info.msauktioneercommission@gmail.com**

March 5, 2018

Stephanie Palmertree, CPA, CGMA
Director, Financial and Compliance Audit
Office of the State Auditor
Post Office Box 956
Jackson, MS 39205

RE: Limited Internal Control and Compliance Review Findings

Dear Ms. Palmertree,

I apologize for the delay in responding to the letter of January 9, 2018 which established the audit findings and a deadline for response of February 1, 2018. This Commission did have Commission meetings on January 31; however, we did not have procedures in place to adequately respond by the deadline. Please accept this report on behalf of the Commission at this time.

Finding 1: Board Oversight Should be Strengthened
Response: The Commission has contracted with J-Bar and Associates, Inc., a management company to oversee the day to day operations of the Commission for the period February 1, 2018 through June 30, 2018. A third party contractor will to perform accounting functions on behalf of the Commission. Revenue and expenses will be prepared by Yvonne Laird, Executive Director, and sent to two Commissioners who will authorize payment of proper and allowable expenses as they come due and payable. A complete financial report will be provided the full Commission when the Board Agenda is released with ratification of all expenses previously authorized.

- Finding 2:** Strengthen Controls to Ensure Compliance with State Law over Travel
Response: No travel is paid within a fifty (50) mile radius. Should out-of-area travel be required, it shall be pre-approved (in writing) at the direction of the Commission and handled in accordance with Response 1 above. All travel will be conducted in the manner prescribed by Laura D. Jackson, Executive Director, Department of Finance and Administration utilizing the current travel authorization and transparency policy (trip optimizer report).
- Finding 3:** Strengthen Controls to Ensure Compliance with State Law over Accrued Leave.
Response: J-Bar and Associates, Inc. is an independent contractor. No leave shall be accrued during the period of this contract.
- Finding 4:** Strengthen Controls to Ensure Compliance with State Law over Procurement Card purchases.
Response: J-Bar and Associates, Inc. is not issued a state procurement card for purchases. All board-specific purposes not previously covered in the contract must receive approval as reflected in Response 1 above.
- Finding 5:** Strengthen Controls to Ensure Compliance with State Law over Bank Accounts and Cash Receipts
Response: Cash will no longer be an acceptable means of payment for fees. Check, money orders or cashier's checks will be properly receipted and deposited weekly. At the same time that all monies are deposited into the interest bearing account at Community Bank, a check will be written out of the Community Bank account to the State Treasury Fund 3820 and immediately mailed to a third party contractor for deposit. The bank clearing account shall not exceed \$10,000.
The GAAP closing packet consisting of the GAAP Trial Balance Checklist and supporting documents will be prepared by a third party contractor rather than the Executive Director. The GAAP compliance letters to DFA and the State Auditor's Office will be issued by the Executive Director to a third party contractor for enclosure. The Executive Director will also prepare the Mississippi Attorney General's letter regarding contingencies (pending or threatened litigation and/or unasserted claims and assessments) in connection with an examination of financial statements.
Segregation of duties will be implemented in order to limit the same individual from receiving, depositing receivables and paying expenses (invoices).
- Finding 6:** Ensure Board Meetings are Held and Recorded in Compliance with State Law
Response: Meetings will be held every other month and properly posted on the DFA/ Public Meeting Notice website. Gloria Green, Counsel for the Board, has

reviewed §25-41-5 Official Meetings of Public Bodies to be Public and Open; Provisions for Teleconference and Video Meetings; as well as all Resolutions set forth by the Occupational Licensing Review Commission which was established by the Mississippi Legislature during the 2017 Regular Legislative Session.

As indicated under §73-4-9, Mississippi Code Annotated (1972), the Commission met on March 5, 2018 and at that time conducted an election of officers.

Minutes shall be kept of all meetings of this Commission, whether in open or executive session, showing the members present and absent; the date, time and place of the meeting; an accurate recording of any final actions taken at each meeting and a record, by individual member of any votes taken and any other information that the public body requests be included or reflected in the minutes. The minutes shall be recorded seven days after recess or adjournment and shall be open to public inspection during regular business hours in compliance with §25-41-11, Mississippi Code Annotated (1972).

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "J. Marshall Riddick, Jr.", is written over the typed name.

Commissioner J. Marshall Riddick, Jr., LPA # 102
Chairman, 2nd Congressional District
for and on behalf of the Mississippi Auctioneer Commission

cc: Commissioner Gaston Barrett, LPA # 227 - 3rd Congressional District
Commissioner Jack Armstrong, III, LPA # 104 - 4th Congressional District
Commissioner Elbert "Bert" Singleton, LPA # 219 - Commissioner at Large
Commissioner James B. "Benny" Taylor, LPA # 176 - 1st Congressional District
Gloria Green, Special Assistant Attorney General - Counsel for the Commission