STATE OF MISSISSIPPI
DEPARTMENT OF EDUCATION
Henry L. Johnson
State Superintendent of Education

FINANCIAL AUDIT FINDINGS

March 15, 2004

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

In accordance with your February 25, 2004, correspondence, the Department of Education is providing the following responses and corrective action plans for the financial audit findings for the fiscal year ended June 30, 2003:

AUDIT FINDING:

A Disaster Recovery Plan Should Be Developed

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education, Office of Management Information Systems, will begin immediately to develop and implement a disaster recovery plan. Our approach will include identifying the critical services that would need to be carried out at an alternative site in the event of a disaster at the Department's headquarters. We will identify where the alternative site of operations will be located and the equipment to be housed there. We will also identify MIS personnel that will be responsible for bringing systems on line at the alternative

site, as well as, the personnel from throughout the agency that will be mobilized to assist in the process of reestablishing critical services. A listing of vendors and contractors that would need to be contacted in the event of a disaster will also be drafted for inclusion in our plan. Once procedures are developed, testing will be conducted to ensure effectiveness and personnel readiness.

B. Name of the contact person responsible for corrective action:

Derrick Lindsay, Director
Office of Management Information Systems

C. Anticipated completion date for corrective action:

June 30, 2004

Settings over the Resource Access Control Facility (RACF) Should Be Reviewed to Maximize Control Capabilities

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

To ensure that access controls over RACF are maximized, the Mississippi Department of Education, Office of Management Information Systems, will submit a request to ITS to set the expiration of user passwords to a fixed time interval. For accounts in which passwords need to remain the same, a request that includes documentation of the special circumstances will be completed.

The Office of Management Information Systems will also identify and disable dormant user accounts. Active accounts having a user name of "vacant" will be assigned a proper user name.

B. Name of the contact person responsible for corrective action:

Derrick Lindsay, Director
Office of Management Information Systems

C. Anticipated completion date for corrective action:

May 1, 2004

Written Policies for Security of the Data Processing Facility Should Be Developed

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Office of Management Information Systems will immediately begin drafting written policies to address security over the agency's data processing facility. Once the policies are finalized, they will be placed in the agency's computer policy document.

B. Name of the contact person responsible for corrective action:

Derrick Lindsay, Director
Office of Management Information Systems

C. Anticipated completion date for corrective action:

May 1, 2004

Controls over Network Security Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

To strengthen security over the agency's Novell network, the Office of Management Information Systems will ensure a password is required for all user accounts. In addition, a policy will be instituted to require a change in passwords every ninety days for all user accounts.

B. Name of the contact person responsible for corrective action:

Derrick Lindsay, Director
Office of Management Information Systems

C. Anticipated completion date for corrective action:

April 1, 2004

Employee Termination Procedures Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Office of Management Information Systems (MIS) will immediately identify and delete all Novell user accounts of terminated employees. We will also strengthen procedures to ensure accounts of terminated employees are properly disabled in the future.

Currently, the Office of Human Resources forwards documentation to MIS which identifies when an employee is terminating. The receipt of this information initiates the disabling of employee accounts in the system. To ensure our identification of terminated employees is complete and accurate, MIS will obtain monthly from the payroll department a listing indicating all employees that terminated in the preceding month. This report will be compared back to information already received to ensure procedures have been initiated to disable accounts on all terminated employees.

MIS is also in the process of developing procedures to ensure the Information Technology resources of terminated employees are reallocated properly. Upon notification of employee termination from the Office of Human Resources, MIS will forward to the employee's supervisor a form that requests information on the handling and redistribution of the employee's computer files and other resources.

B. Name of the contact person responsible for corrective action:

Derrick Lindsay, Director
Office of Management Information Systems

C. Anticipated completion date for corrective action:

May 1, 2004

Should you have additional questions, do not hesitate to contact me.

Sincerely,

Henry L. Johnson

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State Superintendent of Education

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SINGLE AUDIT FINDINGS

March 15, 2004

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

In accordance with your February 25, 2004, correspondence, the Department of Education is providing the following responses and corrective action plans for the single audit findings for the fiscal year ended June 30, 2003:

AUDIT FINDING:

84.027 Special Education - Grants to States
84.173 Special Education - Preschool Grants

Matching, Level of Effort, Earmarking

03-14 Controls over the Earmarking Requirement Should Be Strengthened

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education, Office of Special Education, has strengthened controls over the earmarking requirement by generating centrally located files for documentation related to allocations to Local Education Agencies (LEAs). Also, a requirement that electronic files be stored on an established central storage space accessible to staff involved with LEA allocations has been implemented.

Documentation related to FY '03 Special Education – Part B allocations to LEAs has been recovered. The Office of Special Education will continue its efforts to locate documentation related to FY '03 Special Education – Preschool allocations to LEAs. If the documentation is not recovered, it will be recreated for historical and audit purposes.

B. Name of the contact person responsible for corrective action:

Paulette White, Director
Bureau of Program Management and Support Services
Office of Special Education

C. Anticipated completion date for corrective action:

Filing requirements for allocation documentation were implemented in February, 2004. All documentation related to FY '03 allocations to LEAs not yet recovered will be recreated by May 31, 2004.

84.298 Innovative Education Program Strategies – Title V

Matching, Level of Effort, Earmarking

03-15 Allocations to Local Education Agencies Should Be Properly Calculated

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

To ensure the accuracy of Title V allocations to Local Education Agencies (LEAs) the Mississippi Department of Education, Office of Innovative Support, will properly maintain supporting documentation of private school enrollment data, improve the segregation of duties related to the calculation of LEA allocations, and strengthen supervisory review procedures over the allocation process.

The Office of Innovative Support will continue its established data collection procedures to ensure that private school enrollment data is obtained from all LEAs participating in the Title V Program. To ensure the data collected is properly maintained, supporting documentation will be placed in the main school

district file and a copy will be placed in the site contact file. Program staff will be responsible for proper filing of documentation. The program director will ensure that all necessary and required data is obtained and maintained.

Entry of data into the spreadsheet used to calculate Title V allocations will be completed by designated program staff. All data entry will then be subjected to a thorough review by a program supervisor. The program director will ensure all necessary and required procedures are performed. Supervisory reviews will be documented.

In regards to problems noted with the measurement and ranking of student population sparsity, the Office of Innovative Support is in the process of revising the methodology for calculating high cost allocations to include an appropriate measure for which data is more readily available.

The Office of Innovative Support will recalculate the 2002 Title V grant allocations using corrected data inputs to determine the effects of errors made on a district-by-district basis. Based on the results and pending guidance from the U.S. Department of Education, a determination will be made on whether subsequent Title V allocations should be adjusted to compensate for the incorrectly calculated 2002 grant allocations.

B. Name of the contact person responsible for corrective action:

Nikisha Ware, Director
Office of Innovative Support

C. Anticipated completion date for corrective action:

July 1, 2004

84.027 Special Education - Grants to States
84.173 Special Education - Preschool Grants

Matching, Level of Effort, Earmarking

03-16 <u>Controls Should Be Strengthened to Ensure Compliance with Earmarking Requirements</u>

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

Currently there are procedures in place in the Office of Special Education to monitor program budgets and these procedures will be strengthened immediately. The program director will verify that earmarking allotments have been input correctly into the accounting system at the beginning of the grant period. On a periodic basis a comparison will be made between these budgeted allotments and actual expenditures-to-date to ensure maximum spending limits are not exceeded and that minimum expenditure levels are reached. To evidence this process the program director will initial the budget printouts and other supporting documentation reviewed.

In addition, the Office of Special Education will review the expenditures of the 2000 Special Education – Part B grant to determine if adjustments are needed and can be made. For the 2002 Special Education – Preschool grant, the earmarking allotment budgeted in the accounting system for administration will be corrected immediately.

B. Name of the contact person responsible for corrective action:

Paulette White, Director
Bureau of Program Management and Support Services
Office of Special Education

C. Anticipated completion date for corrective action:

April 30, 2004

Should you have additional questions, do not hesitate to contact me.

Sincerely,

Henry L. Johnson

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State Superintendent of Education

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OTHER AUDIT FINDINGS

March 15, 2004

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Bryant:

In accordance with your February 25, 2004, correspondence, the Department of Education is providing the following responses and corrective action plans for the other audit findings for the fiscal year ended June 30, 2003:

AUDIT FINDING:

Controls Should Be Implemented to Monitor the State's Fiscal Effort for the Maintenance of Effort Requirement

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education, Office of Vocational and Technical Education (OVTE), has established procedures to monitor fiscal effort for vocational and technical education. These procedures include identifying state vocational and technical education expenditure amounts for each program year through verifiable sources such as SAAS and Merlin. The expenditure levels are then compared to those of the previous program year to determine if the level of fiscal effort is being maintained. This comparison will be completed on a periodic basis (at least quarterly) throughout each program year. A comprehensive annual review will be completed at fiscal year-end.

Should fiscal effort fail to be maintained on an aggregate basis, OVTE will determine if it was maintained on a per-student basis. Data needed to determine compliance with the maintenance of effort requirement on a per-student basis is now available through the Mississippi Student Information System.

In any given year, if the state should fail to maintain effort, the U.S. Department of Education (USDE) will be contacted immediately. We will work with USDE to remedy any shortfalls in fiscal effort. All communications with USDE will be documented.

A file located in an easily accessible area in OVTE has been established to maintain documentation of procedures performed by program personnel.

B. Name of the contact person responsible for corrective action:

Mike Mulvihill, Director
Bureau of Compliance and Reporting
Office of Vocational and Technical Education

C. Anticipated completion date for corrective action:

Procedures were established in February, 2004. Implementation is under way.

Controls Should Be Strengthened over Subrecipient Applications and Payments

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

Procedures have been implemented in the Mississippi Department of Education, Office of Special Education, to ensure that entry of Educable Child payment data into the accounting system is reviewed by supervisory personnel. Payments are entered in the accounting system by the Program Coordinator. The entry of data is then reviewed by the Division Director before final submission of payments. The review of data entry for payments is evidenced in writing.

The Office of Special Education will strengthen controls to ensure that Educable Child subrecipient applications undergo adequate supervisory reviews. The initial review of applications will be completed by designated program staff. Program staff will forward the application to the Division Director, who will review the information as well. A final review and approval of the application will be completed by the Bureau Director. All reviews will be evidenced in writing.

B. Name of the contact person responsible for corrective action:

Paulette White, Director
Bureau of Program Management and Support Services
Office of Special Education

C. Anticipated completion date for corrective action:

Procedures related to the review of data entry have been implemented. Procedures related to the review of subrecipient applications will be implemented by May 1, 2004.

Adequate Descriptions of Proposed Costs Should Be Included in Subrecipient Applications

Response:

We concur with the finding and recommendation.

Corrective Action Plan:

A. Specific steps to be taken to correct the situation:

The Mississippi Department of Education, Office of Special Education, has developed a more detailed budget request form for proposed equipment purchases for inclusion in applications for Special Education funding. Applicants are required to give a description of each equipment item, the purpose of the equipment, the location where the equipment will be housed, unit cost, and quantity. The equipment descriptions must be completed in order for applications to be approved.

Review procedures for applications for Special Education (Part B and Preschool) funding have been strengthened to include a review by designated program staff, the Division Director, and the Bureau Director. All reviews are evidenced in writing.

B. Name of the contact person responsible for corrective action:

Paulette White, Director
Bureau of Program Management and Support Services
Office of Special Education

C. Anticipated completion date for corrective action:

The procedures noted in the corrective action plan have already been implemented and are in effect for the 2003-2004 program year.

Should you have additional questions, do not hesitate to contact me.

Sincerely,

Henry L. Johnson
State Superintendent of Education