



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

October 3, 2005

Limited Internal Control and Compliance Review Management Report

Robert Ryan, Executive Director
Mississippi Office of Capital Post-Conviction Counsel
510 George Street, Suite 403
Jackson, Mississippi 39202

Dear Mr. Ryan:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Office of Capital Post-Conviction Counsel for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Office of Capital Post-Conviction Counsel

1. Strengthen controls over the petty cash bank account;
2. Strengthen controls over procurement card purchases;
3. Strengthen controls over travel expenditures;
4. Reconcile the quarterly Collateral Sufficiency Analysis reports to agency records;
5. Ensure purchases are made in compliance with state laws;
6. Comply with state travel laws and regulations; and
7. Document the receipt of goods and services.


Please review the recommendations and submit a plan to implement them by October 26, 2005. 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 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 Office of Capital Post-Conviction Counsel to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Office of Capital Post-Conviction Counsel throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Office of Capital Post-Conviction Counsel for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Amy Buller, CPA, and Johnnie Davenport.

The fieldwork for review procedures and tests was completed on April 12, 2005. These 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 other matters involving the internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls over the Petty Cash Bank Account Should Be Strengthened

Finding:

Testwork performed on the petty cash bank account at the Mississippi Office of Capital Post-Conviction Counsel revealed one individual was responsible for maintaining unused checks and preparing and signing checks on the bank account. Further, there was no evidence of a supervisory review being performed on checks written, nor were monthly bank reconciliations being performed. Good internal controls require that a monthly reconciliation be performed between the bank statement and accounting records by a person independent of the check writing process and that checks written receive a supervisory review. Failure to maintain adequate controls over the petty cash bank account could increase the possibility of errors or fraud occurring and not being promptly detected.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel strengthen internal controls over the petty cash bank account to ensure a monthly reconciliation is performed between the bank statement and accounting records by a person independent of the check writing process. We further recommend all checks written receive a supervisory review.

Controls over Procurement Card Purchases Should Be Strengthened

Finding:

During testwork on procurement card statements at the Mississippi Office of Capital Post-Conviction Counsel, we reviewed 14 individual purchases and noted the following:

- Thirteen instances totaling \$2,763 in which the purchaser did not sign the charge slip/receipt; and

- There was no documentation of the performance of the review of purchases on the monthly statement to ensure clerical accuracy, propriety of expenditures, and that state contract items were purchased only from the state contract vendor, unless the purchase price was less than the state contract price.

Good internal controls require the purchaser sign and submit charge slips to document the person making the procurement card purchases and that reviews performed be adequately documented. Failure to maintain adequate internal controls could allow unauthorized purchases to occur, or unnecessary costs to be incurred without being detected promptly.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel strengthen internal controls over procurement card purchases by requiring the purchaser to submit signed and dated charge slips. We further recommend a review of the procurement card statements be performed and documented as evidenced by the initials of the reviewer and the date.

Controls over Travel Expenditures Should Be Strengthened

Finding:

Testwork performed on eight travel expenditures at the Mississippi Office of Capital Post-Conviction Counsel revealed the following:

- Three instances in which travel vouchers and supporting documentation totaling \$1,822 could not be located by agency personnel; and
- Agency personnel did not document verification of clerical accuracy of travel vouchers.

Good internal controls require the agency maintain travel vouchers and supporting documentation on file for verification purposes. Good internal controls also require a review be performed to ensure clerical accuracy prior to submitting the travel vouchers to the Department of Finance and Administration. Failure to maintain supporting documentation and to perform a review of travel vouchers to ensure clerical accuracy could allow errors to occur and not be detected promptly.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel strengthen internal controls over travel expenditures by ensuring supporting documentation is maintained on file at the agency for verification purposes. We further recommend a review be performed to ensure clerical accuracy prior to submitting the travel vouchers to the Department of Finance and Administration.

Collateral Sufficiency Analysis Reports Should Be Reconciled to Agency Records

Finding:

Bank account testwork at the Mississippi Office of Capital Post-Conviction Counsel revealed the agency was not reconciling the State Treasury's Collateral Sufficiency Analysis quarterly reports to agency bank records. Agency personnel stated they had not received the reports. The State Treasury monitors the collateral level for every bank holding state deposits. Quarterly, the State Treasury sends each agency a Collateral Sufficiency Analysis report which discloses actual and average daily account balances in total and by account type based on information provided by the banks. Also, the agencies receive a cover letter instructing the agency to report any discrepancies in account balances on the report to the State Treasury. Good internal controls dictate the agency prepare quarterly reconciliations to the Collateral Sufficiency Analysis reports to ensure account balances on the reports are accurate. Failure to reconcile the quarterly Collateral Sufficiency Analysis reports to agency records could cause the account to be improperly collateralized.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel perform and document a reconciliation of the quarterly Collateral Sufficiency Analysis reports as evidenced by the signature and date of the reviewer. Any differences noted should be investigated and reported to the State Treasury. We further recommend the agency contact the State Treasury in the event the report is not received.

NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

Purchases Should Be Made in Compliance with State Laws

Finding:

Testwork on 25 expenditures at the Mississippi Office of Capital Post-Conviction Counsel revealed two instances in which the purchase orders were prepared after the invoices were received. Section 7-7-23, Miss. Code Ann. (1972), requires that purchases of equipment, supplies, materials or services may be made only by written purchase orders duly signed by the official authorized to do so. It further requires the agency forward a copy of each purchase order to the Department of Finance and Administration on the same day the purchase order is issued. Failure to follow the state regulation could impede the agency's and the Department of Finance and Administration's ability to maintain budgetary control over expenditures.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel comply with state purchasing laws by ensuring purchase orders are prepared and approved prior to goods and services being ordered.

Agency Should Comply with State Travel Laws and Regulations

Finding:

Testwork performed on eight travel expenditures at the Mississippi Office of Capital Post-Conviction Counsel revealed the following:

- Four instances in which the amount reimbursed for meals exceeded the amount allowed by a total of \$43;
- Four instances in which meals were reported on the travel voucher as taxable, but should have been reported as non-taxable;
- Two instances in which the hotel bill did not indicate payment by the employee;
- One instance in which the hotel bill did not indicate if the room rate was a government rate or if the rate was for single or double occupancy; and
- One instance in which the cost savings was not documented for travel by personal vehicle instead of air travel.

Section 25-1-81, Miss. Code Ann. (1972), requires all expenses for lodging to be supported by receipted bills showing the payment by the officer or employee. Section 25-3-41, Miss. Code Ann. (1972), establishes guidelines for travel reimbursement for state officers and employees and provides that the Department of Finance and Administration (DFA) will set rules and regulations regarding such travel. Section 111 of the travel handbook published by DFA requires that officers and employees of the state shall be reimbursed the actual cost of meals incident to official travel, not to exceed the daily maximums for the specific location of assignment. It also establishes the requirements for taxable and nontaxable meals. Section 110 requires the employee to claim reimbursement for the single room rate only, and that the single room rate should be written on the face of the receipt and signed by the cashier. It also requires government rates be requested by the traveler and the rate confirmed at the time of reservation. Section 106 requires that travel by automobile should not exceed the cost of the lowest airfare and requires a comparison of these costs be made. Failure to follow state travel laws and regulations could result in excessive travel costs being incurred by the agency.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel strengthen internal controls over the review and approval of travel vouchers to ensure expenses are reimbursed in accordance with state travel laws and regulations set forth by the Department of Finance and Administration.

Receipt of Goods and Services Should Be Documented

Finding:

Testwork performed on 25 expenditures at the Mississippi Office of Capital Post-Conviction Counsel revealed 11 instances in which the receipt of goods and/or services was not documented by the agency. Section 31-7-305, Miss. Code Ann. (1972), requires a record to be kept of the dates of receipt, inspection, and approval of goods and/or services. Failure to document the date of receipt of goods and/or services could allow the agency to pay for goods and services not yet received.

Recommendation:

We recommend the Mississippi Office of Capital Post-Conviction Counsel ensure compliance with state law by requiring agency personnel receiving goods and/or services sign and date all invoices or other documentation as verification of receipt prior to the disbursement of funds.

End of Report