



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

February 3, 2005

Single Audit Management Report

H.S. McMillan, Director
Mississippi Department of Rehabilitation Services
1281 Highway 51 North
Madison, Mississippi 39110

Dear Mr. McMillan:

Enclosed for your review are the single audit management report and other audit finding for the Mississippi Department of Rehabilitation Services for the for the Fiscal Year 2004. In this finding, the Auditor's Office recommends the Mississippi Department of Rehabilitation Services maintain adequate supporting documentation for federal reports for the Social Security – Disability Insurance Program.

Please review the recommendation and submit a plan to implement it by February 25, 2005. The enclosed finding contains more information about our recommendation.

During future engagements, we may review the finding in this management report to ensure procedures have been initiated to address this finding.

This report is intended solely for the information and use of management, Members of the Legislature and federal awarding agencies 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.

I hope you find our recommendation enables the Mississippi Department of Rehabilitation Services to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Rehabilitation Services throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Phil Bryant
State Auditor

Enclosures

SINGLE AUDIT FINDING

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of selected federal programs of the Mississippi Department of Rehabilitation Services for the year ended June 30, 2004. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis, Yulunda Wesley, Mike McCollough, Tangela Beddingfield, and Terry Laughlin, CPA.

The fieldwork for audit procedures and tests was completed on January 28, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. 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.

Internal Control over Compliance

The management of the Mississippi Department of Rehabilitation Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance that requires the attention of management that we have reported on the attached document "Other Audit Finding".

Compliance

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and such other procedures as we considered necessary. Based on audit procedures and tests performed, we are pleased to report that no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

OTHER AUDIT FINDING

In planning and performing our audit of the federal awards received by the Mississippi Department of Rehabilitation Services for the year ended June 30, 2004, we considered internal control over compliance with requirements that could have a direct and material effect on the major federal programs. A matter which requires the attention of management was noted. This matter which does not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involves an internal control weakness.

IMMATERIAL WEAKNESS

CFDA/Finding Number

Finding and Recommendation

REPORTING

Immaterial Weakness

96.004

Social Security – Disability Insurance

Federal Award Number and Year: 4-0404MSDI00, 2004

Oth-6

Adequate Supporting Documentation Should Be Maintained for Federal Reports

Finding:

Federal regulations (POMS DI 39506.800) require submission of the SSA-4514, *Time Report of Personnel Services* quarterly report, to the Social Security Administration for the Social Security – Disability Insurance Program. This report accounts for employee time charged to the program.

During our follow-up review of the prior year finding at the Mississippi Department of Rehabilitation Services – Office of Disability Determination Services, we noted there was no supporting documentation, such as a current time study, to support the number of cases reviewed per hour on average by contract physicians. This number is used to convert the number of cases reviewed to man-hours for contract physicians.

Good internal controls require supporting documentation be maintained for review of the quarterly reports. Without adequate supporting documentation, there is not a clear audit trail to ensure the accuracy of the quarterly reports. Agency personnel stated that a time study had been performed; however, a copy of the time study could not be located.

Recommendation:

We recommend the Mississippi Department of Rehabilitation Services – Office of Disability Determination Services ensure that adequate documentation, such as a current time study, is maintained to support the average number of cases reviewed per hour by the contract physicians used in the federal reports.

End of Report