



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

March 15, 2005

Limited Internal Control and Compliance Review Management Report of the Medical Battalion of the Mississippi State Guard Medical Reserve Corps Federal Grant Program

Major General Harold A. Cross, Adjutant General
Mississippi Military Department
P. O. Box 5027
Jackson, Mississippi 39296-5057

Dear General Cross:

Enclosed for your review are the limited internal control and compliance review findings for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program of the Mississippi Military Department for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Military Department:

1. Strengthen controls over property;
2. Complete travel reimbursement claim forms as required by State rules and regulations;
3. Draw federal funds in accordance with applicable federal rules and regulations;
4. Utilize purchased equipment in accordance with the approved program budget; and
5. Properly document the receipt of goods.

Please review the recommendations and submit a plan to implement them by April 5, 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, 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.

Mississippi Military Department
March 15, 2005
Page 2

I hope you find our recommendations enable the Mississippi Military Department to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Military Department 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 Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program of the Mississippi Military Department for the federal fiscal year 2004. The Office of the State Auditor's staff members participating in this engagement included Karlanne Coates, CPA, Marilyn Purvis, and Lucreta Walker.

The fieldwork for review procedures and tests was completed on February 16, 2005. These procedures and tests cannot and do not provide absolute assurance that all federal and state 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.

In performing our review, we noted 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 WEAKNESS IN INTERNAL CONTROLS** and **INSTANCES OF NONCOMPLIANCE WITH STATE AND FEDERAL LAWS AND REGULATIONS**.

BACKGROUND INFORMATION

The Mississippi Military Department requested the Office of the State Auditor review the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program for the award made for the federal fiscal year 2004. A limited internal control and compliance review was performed on all expenditures and federal draws against the federal fiscal year 2004 grant.

The Medical Battalion of the Mississippi State Guard is a volunteer group of healthcare professionals and support personnel established by the Mississippi State Guard in April 2003. The primary mission of the Medical Battalion is to provide a quickly mobilized medical response team in a natural or deliberately caused emergency or public health need. The secondary mission of the Medical Battalion is to provide care for responders to emergencies.

The Medical Battalion is a division of the Mississippi State Guard. Paragraph 2 of the National Guard Regulation 10-4 states, "...State Guards...are State organizations under the exclusive jurisdiction of the respective governor, organized, employed, and funded according to State laws." Section 33-5-51, Miss. Code Ann. (1972), states "The Mississippi State Guard shall be governed by the same laws and regulations so far as applicable, and shall be entitled to the same privileges, immunities and allowances, as may be now or hereafter provided for the Mississippi National Guard."

Without the prior knowledge of the Mississippi Military Department, a grant application seeking the award of federal funds from the Department of Health and Human Services was prepared and submitted by a volunteer of the Mississippi State Guard, and a federal grant in the amount \$49,440 was awarded to the Medical Battalion of the Mississippi State Guard for federal fiscal year 2004. However, the Medical Battalion did not have the mechanisms in place to receive the grant award funds (i.e. bank account, employer identification number, Dunn's number, etc.) and subsequently contacted the Mississippi Military Department to assist in the process of receiving the federal funds. Once the Mississippi Military Department became involved with this grant award, procedures were followed to have the award of funds transferred from the Medical Battalion to the Mississippi Military Department so that the expenditure and receipt of funds could be accomplished.

IMMATERIAL WEAKNESS IN INTERNAL CONTROLS

Internal Controls over Property Should Be Strengthened

Finding:

Testwork performed on property at the Mississippi Military Department for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed the following:

- One instance in which the purchased equipment was not properly recorded into the agency's property records;
- Six instances in which property was not properly tagged; and,
- One instance in which property was maintained at a private residence.

Expenditure testwork revealed one instance totaling \$5,375 out of five payment vouchers tested in which purchased equipment was not properly recorded in the agency's property records. This instance included one Dell desktop computer and two Dell laptop computers which were purchased on October 13, 2004. However, they were not added to the agency's property records until February 9, 2005.

Auditor's observation and discussion with a State Guard member revealed property items including one laptop computer, two utility trailers, one defibrillator, and two laser printers, totaling \$13,419, which were not properly tagged identifying them as being assets of the state.

Discussion with the State Guard member revealed one instance in which property was maintained at a private residence. Utility trailers (two trailers totaling \$8,778) were hand receipted out to a State Guard member who indicated the trailers were stored at another State Guard member's personal residence/property.

Good internal controls require purchased property be added to the agency's property records within a timely manner and be properly tagged identifying it as state property. Good internal controls also require that purchased property be maintained at a guard facility site or a facility approved by the state. The failure to maintain adequate internal controls over property could result in the misappropriation of state funds, theft of state property, and incorrect agency property records reported to the State Property Office.

Recommendation:

We recommend the Mississippi Military Department strengthen internal controls over property for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program to ensure purchased property is properly accounted for in the agency's property records and properly tagged for identification. The trailers purchased for use during emergency response needs should be removed from the State Guard member's personal residence/property and maintained at a designated military guard facility site for security purposes.

INSTANCES OF NONCOMPLIANCE WITH STATE AND FEDERAL LAWS AND REGULATIONS

Travel Reimbursement Claims Should Be Made in Accordance with State Travel Policy Rules and Regulations

Finding:

Testwork on travel expenditures of the Mississippi Military Department for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed the standard Department of Finance and Administration Office of Purchase and Travel reimbursement claim forms were not used for documenting travel reimbursement claims totaling \$6,607. Two events, the 2004 National Disaster Medical System Conference in Dallas, Texas, and the 2004 Lifesaver Exercise in Gulfport, Mississippi, were attended by State Guard volunteers.

The standard travel reimbursement claim form was not completed by the individuals who attended these events. A listing was prepared for each individual attending the events indicating the mileage claimed, amounts paid for hotel accommodations and meals, and the restaurants dined. These listings indicating the travel expenses incurred were not certified by each individual as being true expenses. Supporting documentation was not provided for all of the travel expenses claimed. Only hotel receipts totaling \$2,760 were provided indicating the amounts paid for hotel accommodations. One individual who functioned as the "Trip Administrator" was reimbursed for all of the participants' travel expenses. He then was responsible for disbursing these funds to the other individuals who attended the events.

Section 105 of the *State Travel Policy Rules and Regulations* of the Department of Finance and Administration Office of Purchasing and Travel states that travel expense vouchers should be completed and signed by the individual claiming reimbursement of travel expenses. Failure to properly complete a travel expense voucher for reimbursement of travel claims could result in an overpayment of actual travel costs or reimbursement to incorrect individuals.

Recommendation:

We recommend the Mississippi Military Department comply with *State Travel Policy Rules and Regulations* and ensure travel expense vouchers for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program are properly completed and submitted by each individual claiming reimbursement of travel expenses.

Federal Draws Should Be Made in Accordance with DHHS Payment Management System's Rules and Regulations

Finding:

Our review of the federal draws made by the Mississippi Military Department for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed one instance in which a draw in the amount of \$39,440 was made on September 27, 2004. At this time, only \$557 of expenditures had been incurred. Subsequent expenditures were incurred and payment vouchers in the amount of \$24,091 were issued after October 13, 2004, which resulted in a remaining cash balance of \$14,792.

The 2004 Notice of Grant Award issued by the Department of Health and Human Services stated that payments under this award would be made available through the DHHS Payment Management System. Chapter 2, Section 201 of the DHHS Manual for Recipients Financed under the Payment Management System states that recipients are expected to make cash draws based on "Checks Issued." Therefore, cash draws made should arrive at the time in which checks are released for payment to vendors. Failure to comply with the grantor's rules and regulations could result in termination of the grant or assessment of other penalties to the grantee.

Recommendation:

We recommend the Mississippi Military Department comply with the Department of Health and Human Services Payment Management System's Rules and Regulations and ensure federal funds are drawn after expenditures are incurred and payment is set to be made to vendors for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program.

Equipment Purchased with Grant Funds Should Be Utilized in Accordance with the Approved Program Budget

Finding:

Testwork on equipment purchased at the Mississippi Military Department for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed instances in which equipment purchased with grant funds was not utilized in accordance with the approved program budget. The approved program budget indicated eight radios with batteries would be purchased with grant funds and were to be used by the Medical Reserve Corps. Review of the agency's property records revealed eight radios purchased in the amount of \$3,848 were not being utilized by the Medical Reserve Corps.

The grant program director of the Medical Reserve Corps indicated specifications for the type of radios requested were given to Mississippi Military Department management. However, Mississippi Military Department management indicated that the particular type of radios requested could not be purchased and subsequently ordered another type of radio. The grant program director of the Medical Reserve Corps indicated the radios purchased with the grant funds would not adequately meet the needs of the Medical Reserve Corps and refused to accept the radios. Therefore, the radios are currently in the possession of the Mississippi Military Department and are not being utilized by the Medical Reserve Corps.

The approved budget for the 2004 grant included funds for the purchase of eight field radios which were to promote communication during emergency response efforts. Failure to comply with the approved grant budget could result in loss of the grant or assessment of penalties.

Recommendation:

We recommend the Mississippi Military Department follow the approved 2004 budget for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program and ensure goods purchased are utilized in the manner outlined in the budget. If the radios will not be utilized in accordance with the grant award, the program should be reimbursed for the cost of the radios charged to the grant.

Receipt of Goods Should Be Properly Documented

Finding:

Testwork performed at the Mississippi Military Department on five payment vouchers for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program revealed two instances in which the receipt of goods totaling \$5,890 was not adequately documented by the agency.

Section 31-7-305, Miss. Code Ann. (1972), states that all public bodies of the state shall keep a record of the date of receipt of the invoice, dates of receipt, inspection and approval of the goods or services, date of issuing the check or date of filing the requisition for payment, and date of mailing or otherwise delivering the warrant or check in payment thereof. Failure to comply with applicable state law could result in payment of goods or services not yet received.

Recommendation:

We recommend the Mississippi Military Department comply with state law by ensuring that agency personnel receiving goods or services for the Medical Battalion of the Mississippi State Guard Medical Reserve Corps federal grant program sign and date all invoices or other documentation as verification of receipt prior to the disbursement of funds.