



State of Mississippi
OFFICE OF THE STATE AUDITOR
PHIL BRYANT
Auditor

July 29, 2005

Limited Internal Control and Compliance Review Management Report

Delia Owens, Executive Director
Mississippi Board of Nursing
1935 Lakeland Drive, Suite B
Jackson, Mississippi 39216-5014

Dear Ms. Owens:

Enclosed for your review are the limited internal control and compliance review findings for the Mississippi Board of Nursing for the Fiscal Year 2004. In these findings, the Auditor's Office recommends the Mississippi Board of Nursing:

1. Perform monthly reconciliations of the bank accounts;
2. Strengthen controls over procurement card purchases;
3. Develop a written policy for compensatory leave; and
4. Ensure payments to vendors comply with state law.

Please review the recommendations and submit a plan to implement them by August 19, 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.

I hope you find our recommendations enable the Mississippi Board of Nursing to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Board of Nursing throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in black ink, reading "Phil Bryant", is written over a circular embossed seal. The signature is fluid and cursive.

Phil Bryant
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Board of Nursing for the year ended June 30, 2004. The Office of the State Auditor's staff members participating in this engagement included Rob Robertson, Laura Griffin, Lisa Pendleton and Rebecca Wilson.

The fieldwork for review procedures and tests was completed on April 8, 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 matters involving the internal control over financial reporting and an instance of noncompliance that require the attention of management. These matters are noted under the headings **IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS** and **INSTANCE OF NONCOMPLIANCE WITH STATE LAWS**.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Monthly Reconciliation of Bank Accounts Should be Prepared

Finding:

During our review of the Mississippi Board of Nursing, we noted monthly reconciliations between the accounting records and bank statements were not being prepared. Good internal control procedures require the reconciliation of monthly bank statements with accounting records. Failure to prepare monthly reconciliations could result in errors or fraud occurring without being detected promptly.

Recommendation:

We recommend the Mississippi Board of Nursing ensure monthly bank reconciliations are prepared. Differences noted on these reconciliations should be investigated and resolved.

Controls Over Procurement Card Purchases Should be Enforced

Finding:

Section 10.113 of the state *Procurement Manual* states that state agencies may make purchases under the Small Purchase Procurement Card program established by the Office of Purchasing and Travel provided, however, that all such purchases be made in compliance with the minimum policies and procedures established by the Office of Purchasing and Travel. It further states that the Director of the Office of Purchasing and Travel has the authority to limit the ability of any agency to use the Small Purchase Procurement Card program if it is determined that the agency is not in compliance with the policies and procedures.

Under policies adopted by the Office of Purchasing and Travel, an agency is required to have operating procedures and designate personnel to manage the program, comply with state purchasing requirements and adopt their own individual expenditure limits and purchase restrictions. The agency is also required to designate approving officials who will be responsible for review and verification of cardholder statements. Upon receipt of the monthly statement, the agency liaison officer is required to reconcile the statements to receipts in order to verify that all purchases are bona fide expenditures of the agency. It is required that the agency maintain a file with the statements and all applicable receipts and disputed documents.

Testwork performed at the Mississippi Board of Nursing on purchases made under the Small Purchase Procurement Card program revealed the following:

- The agency has not adopted policies and procedures to ensure compliance with the program;
- The agency does not have an organized filing system which ensures that monthly statements and supporting receipts and documents are readily available for review;
- Because receipts for several items tested were not on file, it does not appear that all receipts and supporting documentation are submitted to the agency liaison officer for verification with the monthly statements;
- No evidence of review by the agency liaison officer was maintained to document reconciling the monthly statements to supporting receipts prior to authorizing the statement for payment;
- We noted charges totaling \$689 which represented 5 separate instances in which the procurement card was used to purchase food in restaurants. The state *Procurement Manual* specifically states that the small purchase procurement card may not be used for purchases at a restaurant.
- It appears that cardholders have not received adequate training in complying with the minimum requirements set forth in section 10 of the state *Procurement Manual*. We noted several instances in which the cardholder submitted receipts or invoices with no evidence of who made the purchase.

Failure to comply with minimum requirements of the state *Procurement Manual* governing the Small Purchase Procurement Card program could allow improper payments to be made by failing to ensure that all purchases are for bona fide agency expenditures and that purchases were made by authorized personnel. Also, failure to comply with the *Procurement Manual* could jeopardize the agency's participation in the Small Purchase Procurement Card program.

Recommendation:

We recommend that the Mississippi Board of Nursing adopt agency policies and procedures which will ensure the agency is in compliance with requirements governing the Small Purchase Procurement Card program. Employees of the agency should receive training to ensure compliance with the program. Receipts and supporting documentation should be used in reconciling the monthly statements prior to authorization for payment. All receipts, supporting documentation and monthly statements should be filed in a logical system which facilitates review for audit purposes.

A Written Policy for Compensatory Leave Should Be Developed

Finding:

Throughout fiscal year 2004, employees at the Mississippi Board of Nursing were permitted to earn and use compensatory leave. Inquiries with agency personnel revealed the agency had no formal policy in place over earning and using compensatory leave. We also noted that employee compensatory leave balances were not maintained to ensure proper leave balances were documented. Good internal controls dictate the agency develop, distribute and enforce a written policy over the earning and taking of compensatory leave and that compensatory leave balances are maintained. Failure to maintain a written policy and a system for tracking compensatory leave balances could result in errors or irregularities in employee time reports and agency leave records.

Recommendation:

We recommend the Mississippi Board of Nursing implement a formal compensatory leave policy which addresses both exempt and non-exempt employees and ensures compliance with the Fair Labor Standards Act. This policy should include, but not be limited to:

- Procedures for employees to inform their immediate supervisor regarding earning compensatory time, whether it be through prior approval or after the fact;
- A statement documenting the length of time an employee has to exhaust compensatory leave earned and informing employees any unused compensatory leave will be lost upon termination and will not be applied towards retirement; and
- A ceiling on the amount of compensatory leave which can be earned.

We further recommend that compensatory leave balances for employees of the agency be maintained and tracked to ensure that leave is properly recorded when used by an employee.

INSTANCE OF NONCOMPLIANCE WITH STATE LAWS

Payments to Vendors Should Be Made in Accordance with State Law

Finding:

Expenditure testwork on contractual services at the Mississippi Board of Nursing revealed two instances out of 20 tested in which payments were not made to vendors within 45 days after the receipt of the invoice. It was also noted during travel testwork that a vendor was not paid for three invoices billed to the agency until the following fiscal year. MS Code Section 31-7-303 requires payments to be made no later than 45 days after receipt of the invoice for goods and services. Failure to comply with state law could result in the agency incurring additional costs through interest penalties prescribed by Section 31-7-305, Miss. Code Ann. (1972).

Mississippi Board of Nursing
July 11, 2005
Page 5

Recommendation:

We recommend the Mississippi Board of Nursing comply with state law by ensuring payments to vendors are made within 45 days after receipt of the invoice for goods and services.

End of Report