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FINANCIAL AUDIT FINDINGS

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

May 15, 2007

Dear Mr. Bryant:

We appreciate the professionalism and courtesy shown our staff by your audit staff during the financial audit. We received the Financial Audit Management Report and the following details our response to the Audit Finding:

AUDIT FINDING:

REPORTABLE CONDITION

GAAP Reporting Packages Should be Properly Prepared and Reviewed

Response: Although we agree with this recommendation we are attaching the listed weaknesses and our responses for your review. However, we are confident that our GAAP package is materially correct and does present fairly our financial position. We only desire making it better.

Corrective Action Plan:

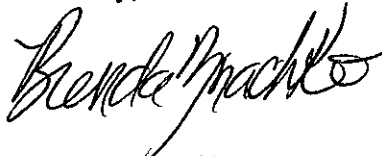
- A. We are in the process of finalizing a Standard Operating Procedure (SOP) regarding the preparation of GAAP packages. As a part of this SOP, we will compose a checklist that our preparers will follow once the package is complete. This checklist will address all of the weaknesses noted in your report. We have contracted with a local CPA firm for consulting purposes and part of their work will include reviewing and revising this SOP. We will complete the SOP and the checklist no later than the time we submit the GAAP package. This will afford us the opportunity for ensuring the SOP and the checklist accurately reflect the GAAP package preparation and review process.




- B. This CPA firm will also provide an additional level of review for accuracy with regard to the GAAP package and will serve as backup preparers in the event of a catastrophic occurrence.
- C. The Financial Management Director, Mark Valentine and his staff are responsible for this corrective action.

Again, we appreciate the professionalism displayed by your staff and should you have any questions or need additional information, contact our Financial Management Division at 359-7400.

Sincerely,



 Larry L. (Butch) Brown
Executive Director

Enclosures

Cc: Deputy Executive Director/CFO
Financial Management Director

FY 2006 Financial Audit Weaknesses and Responses

Weakness: No reconciliation was prepared between the disbursed costs report used in calculating expenditures reported as additions to the Capital Assets CIP account and the capital outlay expenditures recorded on the financial statements. As a result the agency did not detect a transposition error and CIP additions were understated by \$8,099,999.

MDOT Response: We will ensure that this and all reconciliations are done in the future. Our SOP development as well as additional reviews should alleviate any future occurrences of this nature.

Weakness: A comparison of CIP deletions to capital assets revealed that the buildings and land additions had not been recorded on the GAAP reporting package resulting in an audit adjustment of \$4,143,479.

MDOT Response: We understand that any deletions to CIP must have corresponding additions to asset accounts. We will ensure this is done properly in the future.

Weakness: One instance in which \$918,523 of CIP deletions were recorded twice on the GAAP reporting package.

MDOT Response: We recorded this at interim and recorded it at year end also. We will ensure this does not occur in the future by carefully reviewing the preceding interim package.

Weakness: The agency did not prepare a GAAP reporting package to record its long term obligations relating to the notes payable for the HELP projects. Additionally, the agency did not record the entries to book the proceeds for the notes payable and the related expenses incurred.

MDOT Response: In conversation with BFC, we agreed that they would make these entries for us. However, we acknowledge that all entries relating to the GAAP reporting package is an agency responsibility and in the future we will make all entries necessary, regardless.