



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
STATE AUDITOR

September 23, 2008

Limited Internal Control and Compliance Review Management Report

H. T. Holmes, Director
Mississippi Department of Archives and History
P. O. Box 571
Jackson, Mississippi 39205-05711

Dear Mr. Holmes:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Department of Archives and History for the Fiscal Year 2007. In these findings, the Auditor's Office recommends the Mississippi Department of Archives and History:

1. Reconcile collateral sufficiency analysis reports to agency records;
2. Obtain adequate surety bond coverage;
3. Strengthen controls over employee leave;
4. Deposit funds to bank accounts promptly and transfer funds to the state treasury timely;
5. Report property additions timely;
6. Comply with state purchasing laws; and
7. Ensure bank accounts are properly authorized.

Please review the recommendations and submit a plan to implement them by October 17, 2008. The enclosed findings contain more information about our recommendations.

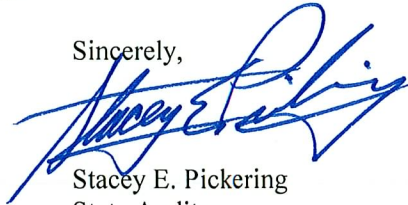
During future engagements, we may review the findings in this management report to ensure procedures have been initiated to address these findings.

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.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Stacey E. Pickering", with a stylized flourish at the end.

Stacey E. Pickering
State Auditor

Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Department of Archives and History for the year ended June 30, 2007. The Office of the State Auditor's staff members participating in this engagement included Vicki Alvey, Marilyn Purvis, Christopher Rand, Jeremy Ashley, Josh Shoemaker, and Lisa Worthy.

Our 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 instances of noncompliance that require the attention of management. These matters are noted under the headings **OTHER CONTROL DEFICIENCIES** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS**. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

OTHER CONTROL DEFICIENCIES

Collateral Sufficiency Analysis Reports Should Be Reconciled to Agency Records

Finding:

The State Treasury monitors the collateral level for banks holding state deposits. Quarterly, the State Treasury sends each agency a Collateral Sufficiency Analysis report that discloses actual and average daily account balances in total and by account type. The agencies also receive a cover letter with this report that instructs the agency to report any discrepancies in account balances to the State Treasury. Testwork at the Mississippi Department of Archives and History revealed that agency personnel did not reconcile the Collateral Sufficiency Analysis reports to bank records on file at the agency.

Good internal controls dictate the agency prepare quarterly reconciliations of the Collateral Sufficiency Analysis report to bank records to ensure account balances on the report are accurate. Failure to reconcile the Collateral Sufficiency Analysis report to bank accounts and report discrepancies to the State Treasury could result in deposits not being properly collateralized.

Recommendation:

We recommend the Mississippi Department of Archives and History prepare quarterly reconciliations of the Collateral Sufficiency Analysis reports to bank records to ensure account balances on the report are accurate. We further recommend the agency promptly notify the State Treasury of any discrepancies noted.

Agency Should Obtain Adequate Surety Bond Coverage

Finding:

During fiscal year 2007, the Mississippi Department of Archives and History did not have adequate surety bond coverage. Review of supporting documentation revealed the agency's blanket bond coverage expired May 2006. This coverage included the executive director and all employees. The agency had not obtained new coverage as of the date of audit fieldwork.

Good internal controls require administrative and accounting personnel, especially those with access to cash and those involved in the authorizing or processing of transactions or custody of records or assets be covered by a surety bond. Without this coverage, the state may suffer unrecoverable losses due to any errors or fraud that might occur.

Recommendation:

We recommend the Mississippi Department of Archives and History strengthen controls over transactions and records by obtaining adequate surety bond coverage for all employees with significant financial responsibilities.

Controls over Employee Leave Should Be Strengthened

Finding:

During our review of the Mississippi Department of Archives and History, we reviewed personal and major medical leave records for fiscal year 2007 to ensure leave was recorded correctly, and was in accordance with applicable state laws. Testwork was also performed to ensure employees were accruing compensatory time in accordance with the agency policies. Based on the testwork completed, we noted the following problems.

- One instance in which the compensatory leave recorded in the Statewide Payroll and Human Resources Automated System (SPHARS) did not agree with the leave balance spreadsheet maintained by the agency.
- One instance in which the leave balance in SPAHRS and the agency spreadsheet did not agree to the supporting documentation (request for leave forms).

Good internal controls require that leave be maintained and recorded properly. Failure to accurately record leave could result in accumulated leave balances being misstated in SPHARS.

Recommendation:

We recommend the Mississippi Department of Archives and History strengthen controls over the recording of employee leave. The agency should ensure monthly leave reports are adequately reviewed by supervisory personnel for accuracy. We further recommend the agency make the necessary adjustments to the employee's leave balances to correct the misstatements noted during testwork.

INSTANCES OF NONCOMPLIANCE WITH STATE LAWS AND REGULATIONS

Funds Should Be Deposited Promptly and Transferred Timely to the State Treasury

Finding:

During our review of 40 cash receipts at the Mississippi Department of Archives and History, we noted the following problems.

- Ten instances in which funds were not deposited into the agency's clearing account timely. The range of time from receipt at the agency until deposit to the bank account was from approximately two to 15 business days.
- Sixteen instances in which funds were not transferred from the agency's clearing account to the state treasury timely. The range of time from deposit of receipts in the clearing account until transfer to the state treasury was from approximately two to 15 business days.

Good internal controls dictate cash receipts be deposited into the agency's clearing account promptly to reduce the likelihood of loss or theft. In addition, Section 7-9-21, Miss. Code Ann. (1972), requires agencies to deposit funds with the state treasury by the end of the next business day following the date the funds are collected. At the request of a state agency, the State Fiscal Officer, with the advice and consent of the State Treasurer, may by regulation provide for other than daily deposits by the agency. The untimely deposit and transfer of funds may result in the loss of investment earnings and increases the risk of theft and/or misplacement of funds while held at the agency.

Recommendation:

We recommend the Mississippi Department of Archives and History ensure cash receipts are deposited into the agency's clearing account promptly upon receipt and transfers to the State Treasury are made timely in compliance with state law.

Property Additions Should Be Reported Timely

Finding:

Testwork performed on the property inventory at the Mississippi Department of Archives and History revealed the following problems.

- Two mid-sized automobiles both valued at \$14,990 were not reported to the Property Audit Division of the Office of the State Auditor (State Property Office) timely. One of the automobiles was acquired March 17, 2007 and the other was acquired April 24, 2007, both of the automobiles were not reported until July 15, 2007.
- One compact pickup truck valued at \$13,776 was not reported to the State Property Office timely. The truck was acquired April 15, 2007 and was not reported until July 15, 2007.

Section 29-9-11, Miss. Code Ann. (1972), requires any additions and/or deletions to an agency's inventory for the prior month be reported to the State Property Office on or before the fifteenth day of the following month. Failure to properly record additions to inventory records in a timely manner could result in the misstatement of inventory and hinder the State Property Office in its oversight responsibility of identifying and protecting state inventory and property.

Recommendation:

We recommend the Mississippi Department of Archives and History comply with state law by ensuring additions to property are reported timely to the Property Audit Division of the Office of the State Auditor.

Purchases Should Be in Compliance with State Laws

Finding:

Testwork performed at the Mississippi Department of Archives and History on 25 expenditures revealed the following problems.

- One instance in which the payment made to the vendor was not timely. The agency failed to remit payment to the vendor within 45 days after the receipt of the invoice and receipt, inspection and approval of the goods or services.
- Two instances in which the receipt of goods was not documented by the agency.

Section 31-7-303, Miss. Code Ann. (1972), requires the requisition for payment of an invoice submitted to a public body and required by law to be filed with the State Fiscal Management Board shall be filed with the State Fiscal Management Board not later than thirty (30) days after receipt of the invoice and receipt, inspection and approval of the goods or services. It further requires the warrant, in payment of an invoice to be mailed or otherwise delivered by the public body not later than fifteen (15) days after filing of the requisition for payment. Failure to comply could result in the agency incurring additional costs through interest penalties prescribed by Section 31-7-305. Section 31-7-305, Miss. Code Ann. (1972), requires a record to be kept of the date of receipt of the invoice and dates of receipt, inspection and approval of the goods or services. Failure to comply with state law could result in payment of goods or services not yet received.

Recommendation:

We recommend the Mississippi Department of Archives and History comply with state law by ensuring payments are made to vendors within 45 days after receipt of the invoice and receipt, inspection and approval of the goods or services. We further recommend the agency comply with state law by requiring personnel receiving goods or services to sign and date all invoices or other documentation as verification of proper receipt of goods or services prior to the disbursement of funds.

Bank Accounts Should Be Properly Authorized

Finding:

Subsection 29.60.35 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual requires that the State Treasurer and the Department of Finance and Administration authorize all bank accounts maintained by a state agency. This subsection further requires the agency to obtain reauthorization for its bank accounts every two years from the State Treasurer and the Department of Finance and Administration. Our review of the bank accounts maintained by the Mississippi Department of Archives and History revealed the accounts had not received reauthorization within two years.

Failure to obtain reauthorization of bank accounts from the State Treasurer and the Department of Finance and Administration circumvents the oversight authority vested in these two departments of state government and could allow improprieties to occur without being detected in a timely manner.

Recommendation:

We recommend the Mississippi Department of Archives and History ensure all bank accounts are initially authorized and subsequently reauthorized every two years by the State Treasurer and the Department of Finance and Administration as required by Subsection 29.60.35 of the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual.