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**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD**

Management Letter
June 30, 2007

**The Board of Directors
State of Mississippi
Veterans' Home Purchase Board:**

In planning and performing our audit of the financial statements of the State of Mississippi Veterans' Home Purchase Board ("VHPB"), as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered VHPB's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VHPB's internal control. Accordingly, we do not express an opinion on the effectiveness of VHPB's internal control.

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. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects VHPB's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of VHPB's financial statements that is more than inconsequential will not be prevented or detected by VHPB's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by VHPB's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our finding and recommendation regarding this matter. This letter does not affect our report dated September 4, 2007, on the financial statements of VHPB.

We will review the status of this comment during our next audit engagement. We have already discussed this finding and recommendation with various VHPB personnel, and we will be pleased to discuss it in further detail at your convenience.

***The Board of Directors
State of Mississippi
Veterans' Home Purchase Board
Page two***

To ensure that continuing attention is given to internal control matters, the Board of Directors should regularly review prior years' management letters to ascertain if there are matters that need additional corrective action.

We wish to thank all employees for their support and assistance during our audit. This report is intended solely for the information and use of the board, management, and others within the agency and the State of Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Jackson, Mississippi
September 4, 2007

**STATE OF MISSISSIPPI
VETERANS' HOME PURCHASE BOARD
Independent Auditors' Findings And Recommendations
With Respect To Internal Control
For The Year Ended June 30, 2007**

The following finding and recommendation includes conditions noted during the course of our audit for the year ended June 30, 2007.

MONEY MARKET ACCOUNT

Finding:

During our audit, we noted that VHPB maintains a money market account to deposit loan payments from customers. The sole disbursements from this account are the transfer of these funds to the State Treasury Department. It was noted that the disbursements from this account require only one signature.

Recommendation:

In order to improve safeguards over cash, we recommend that VHPB establish policies and procedures that require dual signatures on accounts maintained with financial institutions.