



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
GRAY SWOOPE
EXECUTIVE DIRECTOR

Financial Audit Findings

March 7, 2011

Honorable Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. Pickering:

This letter is in response to your letter of January 18, 2011 concerning the Financial Audit Findings for the Mississippi Development Authority (MDA) for the fiscal year ended June 30, 2010. Our response to the significant deficiency is as follows:

2010-01

GAAP Package Should Be Properly Prepared and Reviewed by Supervisory Personnel

Response:

Item one is a result of a change in the way the GAAP packets were prepared. It has been the practice of MDA staff to note on the bottom of the GAAP packets (form 27.30.40) that are submitted to DFA Bureau of Financial Reporting referencing the fact that the State Auditor's audit team books the MDA's lapse period adjustments. After several years of MDA following this procedure at the end of FY 09 DFA-BFR informed MDA this is not the SAO's responsibility to book MDA's lapse period adjustments and MDA needed to book their adjustments. MDA's Grants Unit made the adjustments on the FY 10 GAAP Packets and submitted them to DFA-BFR. The SAO identified the fact that MDA omitted the prior year Due-To and Due-From for the FY 09 lapse period and requested a change to the sub-grant schedule. MDA staff made the requested change but did not make the corresponding change to the Grant Schedule.

Corrective Action Plan:

The Grants Area will complete, in its entirety, work papers for the current period SLG Payments and Federal Cost (because of prior practices column "G" of SLG and column "C" of Federal Costs were not previously completed on these work papers). Also, an analysis of the Federal Revenue 44270 will be completed. The Analysis of Federal Revenue 44270 will reconcile the federal revenue account with the agency's general ledger, SAAS reports and the GAAP Trial Balance. The analysis will also reconcile the federal revenue account per the GAAP Trial Balance to the Federal Expenditures per the grant schedule. The work papers and the Federal Revenue Analysis will be reviewed and sign by the supervisor.

Response:

Item number two was a result of posting errors on the Federal Sub-Grant Activity Schedule were due from adjustments and refunds due to efforts of closing-out old grant years in Community Services.

Corrective Action Plan:

To correct this problem documentation of Request for Cash and Payment Voucher is required before a change is processed in SAAS and/or GMS. Also several old grant years have been closed which will reduce the number of adjustments.

We appreciate the professional manner in which the audit team conducted this audit. If you have any questions concerning this response, please contact Brian Daniel at (601) 359-2596.

Sincerely,



Kathy Gelston
Chief Financial Officer



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR
MISSISSIPPI DEVELOPMENT AUTHORITY
LELAND R. SPEED
EXECUTIVE DIRECTOR

April 18, 2011

SINGLE AUDIT FINDINGS

Mr. Stacey E. Pickering, State Auditor
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, Mississippi 39205-0956

Dear Mr. Pickering:

This letter is in response to your letter of April 12, 2011 concerning the Single Audit Findings for the Mississippi Development Authority (MDA) for the Fiscal Year 2010. We are pleased to respond to the two noted deficiencies. We are also pleased that you determined that these matters do not have a material effect on the agency's ability to administer major federal programs.

AUDIT FINDINGS:

CFDA Number(s) and Program Name(s)

14.228 Community Development Block Grant/State's Program

Type of Compliance Requirement

Subrecipient Monitoring

Audit Finding Heading

Controls over Monitoring Subrecipient Audit Requirements Should Be Strengthened

Mr. Stacey E. Pickering
April 18, 2011
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Response:

The Mississippi Development Authority concurs that in one instance out of 37, or 3 percent, that an audit report had not been received from the subrecipient. MDA concurs that in two instances out of 37, or 5 percent, that the subrecipient did not use the correct Catalog of Federal Domestic Assistance (CFDA) number to identify CDBG expenditures on their schedule of expenditures of federal awards. MDA further concurs that the agency did not have documented supervisory review procedures in place to ensure the audit tracking log was complete.

Corrective Action Plan:

(A) To assure that subrecipient audits are received in a timely manner MDA will submit two separate pieces of correspondence (written and/or electronic) to delinquent subrecipients. The first will be submitted to the subrecipients following the date of delinquency and the second will be submitted approximately six months following the first correspondence. Additionally, MDA has created an audit activity checklist for each subrecipient file. All grant recipients will be added to the audit log.

In addition to the two delinquent letters mentioned above, MDA also communicates the audit requirements through the following means: Five Year Plan; One Year Action Plan; annual public hearings; application workshops; implementation workshops and through the respective grant agreements. To assure compliance, MDA will not award additional federal funds to any grant recipient that is delinquent on the required audit.

(B) To assure that subrecipients identify the proper CFDA number (14.228) in their annual audits, MDA will correspond with the subrecipients and request them to reissue their annual audit with the correct CFDA number or have their audit preparer write MDA acknowledging the error and correcting the respective section as appropriate.

(C) To assure a second level review (not supervisory review) of the audit tracking log, MDA will require a member of the Compliance Bureau staff to review the audit log on a semi-annual basis to ensure agency audit compliance.

CFDA Number(s) and Program Name(s)

14.228

Community Development Block Grant/State's Program

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Mr. Stacey E. Pickering

April 18, 2011

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Response:

The Mississippi Development Authority concurs that in one instance, or 5 percent, that a "Monitoring Response Review Form" was not in the contract file. MDA concurs that in one instance, or 5 percent, that a "Monitoring Compliance Review Form" was not signed by appropriate supervisory personnel.

Corrective Action Plan:

To assure controls over subrecipient on-site monitoring, MDA will take greater care during the supervisory review process to ensure completeness of monitoring files.

We appreciate the professional manner in which the audit team conducted this single audit. We also appreciate your recommendations as we continue to improve efficiencies and effectiveness in delivering programs and services to the citizens of the State of Mississippi. If you have any questions, concerning the response, please contact Steve Hardin at (601) 359-2366.

Sincerely,



Leland Speed
Executive Director

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