



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

January 4, 2012

Financial Audit Management Report

Tom Burnham, Ed.D.
State Superintendent of Education
Mississippi Department of Education
P. O. Box 771
Jackson, Mississippi 39205

Dear Dr. Burnham:

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Education for the fiscal year ended June 30, 2011. These financial statements are consolidated into the State of Mississippi's Comprehensive Annual Financial Report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Office of the State Auditor's staff members participating in this engagement included Kimberly Majure, CPA, Kim McCrory, Lisa Worthy, Katherine Edwards, and Mandy Woodward.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. 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.

Internal Control over Financial Reporting

In planning and performing our audit of selected accounts included on the financial statements, we considered the Mississippi Department of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on these accounts, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Education are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, individuals charged with governance, 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. The Office of the State Auditor has also issued an Information Systems Management Report on the Mississippi Department of Education, dated August 1, 2011. That report should be read in conjunction with this report.

I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Education throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

End of Report



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

March 20, 2012

Single Audit Management Report

Tom Burnham, Ed.D, State Superintendent of Education
Mississippi Department of Education
P. O. Box 771
Jackson, Mississippi 39205

Dear Dr. Burnham:

Enclosed for your review are the single audit findings for the Mississippi Department of Education for the Fiscal Year 2011. In these findings, the Auditor's Office recommends the Mississippi Department of Education:

1. Strengthen internal controls over the data collection of required reporting elements; and
2. Strengthen controls over subrecipient monitoring.

Please review the recommendations and submit a plan to implement them by March 27, 2012. 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, individuals charged with governance, 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.

I hope you find our recommendations enable the Mississippi Department of Education to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Education throughout the audit.

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", is written over the typed name and title.

Stacey E. Pickering
State Auditor

Enclosures

In conjunction with our audit of federal assistance received by the State of Mississippi, the Office of the State Auditor has completed its audit of the major federal programs of the Mississippi Department of Education for the year ended June 30, 2011. This audit was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Office of the State Auditor's staff members participating in this engagement included Kimberly Majure, CPA, Amy Buller, CPA, Kim McCrory, Lisa Worthy, Katherine Edwards, and Mandy Woodward.

Our procedures and tests cannot and do not provide absolute assurance that all federal legal requirements have been met. 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.

Internal Control over Compliance

The management of the Mississippi Department of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Mississippi Department of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance identified in this letter as items 11-06 and 11-07 to be material weaknesses.

Compliance

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. We have audited each of the major federal programs for compliance with the types of compliance requirements described in OMB Circular A-133. Our audit fieldwork included examining, on a test basis, evidence about the department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is identified in this letter as item 11-06.

**CFDA/Finding
Number**

Finding and Recommendation

REPORTING

Material Weakness
Material Noncompliance

10.558

Child and Adult Care Food Program

Federal Award Number and Year: 11115MS326N1099 - 2011

11-06

Controls over the Data Collection of Required Federal Reporting Elements Should Be Strengthened

Finding:

The *Code of Federal Regulations* (2 CFR part 170) sets forth the reporting requirements of subawards under the Federal Funding and Accountability Transparency Act (Transparency Act). Direct recipients of grants with an effective date on or after October 1, 2010 who make first-tier subawards equal to or exceeding \$25,000 on or after the effective date are required to report each subaward obligating action equal to \$25,000 or more in Federal funds. Direct recipients are required to use the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) to report qualifying subaward transactions by the end of the month following the month in which the subaward or obligation of \$25,000 or greater was made. In order to report subaward obligating actions, the pass-through entity must provide a subawardee organization's nine digit Data Universal Numbering System (DUNS) number. The *Code of Federal Regulations* (2 CFR part 25) requires the pass-through entity to ensure a subawardee has provided a valid DUNS number as part of the application process prior to awarding any benefits.

The Mississippi Department of Education (MDE) unsuccessfully attempted to report subaward obligating actions of \$25,000 or more which occurred under the Child and Adult Care Food Program (CACFP). Reporting attempts were unsuccessful because DUNS number data was not available to be entered into FSRS as an element of the Transparency Act report. DUNS numbers for subawardees of the CACFP were not obtained by MDE prior to award. As a result, MDE did not perform the required Transparency Act reporting for CACFP in fiscal year 2011, which was the first year subaward reporting under the Transparency Act was required. Failure to perform the required Transparency Act reporting for CACFP resulted in MDE being noncompliant with federal reporting requirements related to federal fiscal year 2011 funding passed-through to 20 out of 412, or 5 percent, of its child care subawardees during state fiscal year 2011 with obligating actions of \$25,000 or more. The total amount of unreported obligating actions greater than or equal to \$25,000 during state fiscal year 2011 was \$15,099,447.

Recommendation:

We recommend the Mississippi Department of Education (MDE) strengthen controls to ensure all required reporting elements are available prior to awarding benefits under the Child and Adult Care Food Program. We further recommend MDE timely review and submit the applicable reporting elements under the Transparency Act.

SUBRECIPIENT MONITORING

Material Weakness

84.010

Title I Grants to Local Educational Agencies

Federal Award Number and Year: S010A100024A - 2011

11-07

Controls over Subrecipient Monitoring Should Be Strengthened

Finding:

The *Office of Management and Budget Circular A-133* states the pass-through entity is responsible for monitoring subrecipients use of Federal awards through reporting, sites visits, or other means to provide reasonable assurance subrecipients administer Federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements.

We evaluated subrecipient monitoring for the Title I Grants to Local Educational Agencies program (Title I) at the Mississippi Department of Education (MDE) based on the MDE Office of Federal Programs (OFP) policies as published in the OFP Consolidated Federal Programs Monitoring Protocol (OFP Monitoring Protocol). The OFP Monitoring Protocol requires during-the-award monitoring to be conducted in three cycles over a three-year rotation. During the first cycle, local educational agencies (LEAs) perform a self-assessment and use a monitoring instrument to identify and correct any possible areas of noncompliance. During cycle two, OFP contacts the LEAs and provides technical assistance as needed prior to the formal monitoring performed during cycle three. During cycle three, LEAs receive a full on-site monitoring visit. As part of each monitoring visit, a monitoring instrument is completed to assess compliance with federal regulations for the Title I program. The monitoring staff provides a comprehensive monitoring report of findings to each LEA within 30 days of the formal visit. Each LEA has 30 days from receipt of the monitoring report to respond to findings and submit a corrective action plan. Within 10 days of receiving the LEA's response, OFP provides a written response to the LEA indicating one of the following three statuses: cleared, requesting additional information, or pending a follow-up visit.

In order to test the cycle three on-site monitoring of subrecipients, auditors selected 30 LEAs, or 20 percent of the 152 LEAs receiving Title I funds, and requested evidence of the most recent on-site monitoring visit. OFP could not produce documentation of the most recent cycle three on-site monitoring visit as follows:

- Four instances, or 13 percent, in which no evidence of a monitoring visit could be provided;
- Fifteen instances, or 50 percent, in which no signed monitoring report of findings / no findings could be located; and
- Fifteen instances, or 50 percent, in which no signed written response of status (cleared, requesting additional information, or pending follow-up visit) could be provided to evidence adequate follow-up on findings and corrective action.

Good internal controls require the pass-through entity to establish policies and procedures to ensure on-site monitoring reviews are completed, findings are communicated to subrecipients, and follow-up is conducted post-visit to ensure adequate correction of findings. Failure to properly monitor subrecipients could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.

Recommendation:

We recommend the Mississippi Department of Education Office of Federal Programs (OFP) strengthen controls to ensure that all local educational agency subrecipients receive on-site monitoring every three years as required by the OFP Federal Program monitoring protocol. Documentation of all visits, including the monitoring instrument, findings report, and follow-up correspondence should be maintained as an audit trail. We further recommend a supervisory review process be implemented to ensure proper performance of on-site monitoring visits and to verify completion of monitoring files.

End of Report