



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

March 16, 2012

Single Audit Management Report

Mary Currier, MD, MPH, State Health Officer
Mississippi State Department of Health
P. O. Box 1700
Jackson, Mississippi 39215

Dear Dr. Currier:

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

Single Audit Findings

1. Implement controls over the identification and reporting of program income;
2. Strengthen controls over the timely identification of new federal reporting requirements;
3. Strengthen controls over the review and approval of federal identifying information in subaward agreements;
4. Strengthen controls over time study procedures; and

Other Audit Finding

5. Strengthen controls over the oversight of vaccinating providers.

Please review the recommendations and submit a plan to implement them by March 23, 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.

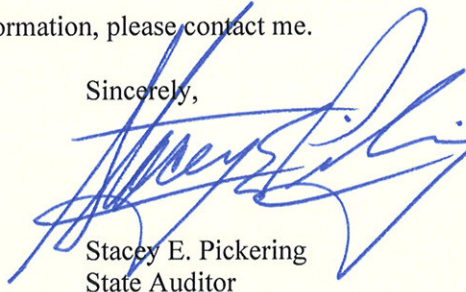
This report is intended solely for the information and use of management, individuals charged with governance, Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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I hope you find our recommendations enable the Mississippi State Department of Health to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi State Department of Health 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 word "Sincerely,".

Stacey E. Pickering
State Auditor

Enclosures

SINGLE AUDIT FINDINGS

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 State Department of Health 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 Jane Dussouy, CPA, Leigh Taylor, CPA, Jeanne Julious, Kayla McKnight, Lee Alford, Stacey Allman, CPA, Katherine Edwards, Wade Cosby, Kevin Cribbs, and Emily McHan.

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 State Department of Health 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 State Department of Health's internal control over compliance with requirements that could have a direct and material effect on a major federal program.

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.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance identified in this letter as items 11-02, 11-03, 11-04 and 11-05 to be significant deficiencies.

In addition, we noted another deficiency in internal control over compliance that requires the attention of management that we have reported on the attached document "Other Audit Finding."

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 instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are identified in this letter as items 11-02 and 11-03.

CFDA/Finding Number

Finding and Recommendation

PROGRAM INCOME REPORTING

Significant Deficiency Immaterial Noncompliance

93.268

Immunization

Federal Award Number and Year: 5H23IP422524-08, 2010
5H23IP422524-08, 2011

11-02

Controls over the Identification and Reporting of Program Income Should Be Implemented

Finding:

The *United States Code* (42 USC 1396s(c)(2)(C)) states grantees providing direct immunization services may generate program income from fees or donations. The *Office of Management and Budget Circular A-133 Compliance Supplement* states the *Financial Status Report* (SF-269) and the *Federal Financial Report* (SF-425/SF-425A) are required reports for the Immunization program. These reports require program income to be reported. Audit procedures performed revealed the Mississippi State Department of Health (MSDH) has policies related to charging for vaccines administered to patients in the various Health Department Clinics, but we also noted that MSDH did not report program income received on the SF-269 or SF-425/SF-425A reports for the Immunization program. In addition, the accounting records did not provide an adequate audit trail to identify program income received. The failure to properly identify and record program income could result in the agency being in noncompliance with program income and federal reporting requirements.

Recommendation:

We recommend the Mississippi State Department of Health implement controls to identify and record program income received. We further recommend the agency to ensure program income is properly reported on the SF-269 or SF-425/SF-425A reports for each federal program administered by the agency.

REPORTING

Significant Deficiency *Immaterial Noncompliance*

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Federal Award Number and Year: SMS700704, 2011

11-03 Controls over the Timely Identification of New Federal Reporting Requirements Should Be Strengthened

Finding:

The *Code of Federal Regulations* (2 CFR part 170) sets forth the reporting requirements of the Transparency Act that relate to subawards under grants. 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 that 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 such subaward transactions by the end of the month following the month in which the subaward or obligation of \$25,000 or greater was made. The Mississippi State Department of Health (MSDH) did not perform the required Federal Funding Accountability and Transparency Act (Transparency Act) reporting for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program in fiscal year 2011, which was the first year that subaward reporting under the Transparency Act was required for MSDH's WIC program. Failure to perform the required Transparency Act reporting for the WIC program resulted in MSDH being noncompliant with federal reporting requirements for 2 out of 13, or 15%, of its health care subawardees for fiscal year 2011 that had obligating actions of \$25,000 or more. The total amount of each obligating action that was \$25,000 or more that was unreported during fiscal year 2011 was \$1,190,088.

Recommendation:

We recommend the Mississippi State Department of Health (MSDH) strengthen controls to identify on a timely basis any new federal reporting requirements applicable to its federal programs. We further recommend that MSDH timely review and submit the applicable information in compliance with reporting requirements under the Transparency Act.

SUBRECIPIENT MONITORING

Significant Deficiency

93.069 Public Health Emergency Preparedness (PHEP)

Federal Award Number and Year: 3U90TP416986-10W1, 2011

11-04 Controls over the Review and Approval of Federal Identifying Information in Subaward Agreements Should Be Strengthened

Finding:

The *Office of Management and Budget Circular A-133 Compliance Supplement* states that pass-through entities are responsible for identifying to the subrecipient the Federal award information at the time of the subaward, including CFDA title and number. Of the twelve subaward agreements selected for testwork, the Mississippi State Department of Health (MSDH) issued one subaward agreement in the amount of \$250,000 under its Public Health Emergency Preparedness (PHEP) program that contained the incorrect federal Code of Federal Domestic Assistance (CFDA) number. As a result of MSDH including an incorrect CFDA number on one of its subaward agreements, the subawardee may not have identified its expenditures related to the PHEP program under the correct CFDA number on its respective Schedule of Expenditures of Federal Awards for fiscal year 2011.

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls to ensure that federal identifying information included in subaward agreements is reviewed for accuracy prior to issuing the subaward.

ALLOWABLE COSTS / COST PRINCIPLES

Significant Deficiency

93.069 Public Health Emergency Preparedness (PHEP)
93.889 National Bioterrorism Hospital Preparedness Program (HPP)

Federal Award Number and Year: 3U90TP416986-10W1, 2011
5U3REP090275-02-00, 2011

11-05 Controls over Time Study Procedures Should Be Strengthened

Finding:

The *Code of Federal Regulations* (2 CFR 215.27) requires that allowable costs be determined in accordance with the Office of Management and Budget (OMB) Circular A-87 for grant programs administered by the U.S. Department of Health and Human Services. OMB Circular A-87 requires that salaries and wages of employees chargeable to more than one grant program or other cost objective are required to be supported by appropriate time distribution records. The method used should produce adequate and equitable distribution of time and effort.

The Mississippi State Department of Health has implemented a time study system for allocating salaries and fringe benefits to the various programs administered by the agency. The time study is based on time study reporting forms completed for one week of each month. The agency budgets personnel costs to the respective programs for the forthcoming year based on the majority of time a person spent on a single program in the prior year. Reconciliations are performed between current actual time and effort reports and the actual amounts charged for payroll for each program in order to determine the salaries charged to the federal program were reasonable and the program was not overcharged. Adjustments to payroll are made annually based upon the results of time study.

During our review of the agency's time study reconciliation for Bioterrorism programs for fiscal year 2011, including Public Health Emergency Preparedness (PHEP) and National Bioterrorism Hospital Preparedness Program (HPP), we noted the reconciliation between current actual time and effort reports and the amount charged for payroll revealed the amount of federal funds drawn and charged to Bioterrorism programs exceeded payroll documented per the time study system. An adjustment to correctly state the time and effort expended had not been made by the agency. According to agency personnel, the time study system results did not include time for employees who appropriately charge time to the Bioterrorism programs but had not completed time study forms. The agency provided a revised reconciliation and report from the time study system to reflect that Bioterrorism programs were not overcharged for fiscal year 2011 based upon the results of the revised analysis.

Failure of agency personnel to perform timely reviews and investigate apparent overcharges to the programs based on time study results only after questions were raised by the auditors, caused additional audit work to have to be performed and appears to be a weakness in supervisory controls.

Recommendation:

We recommend the Mississippi State Department of Health strengthen internal controls to ensure results of time study reconciliations are investigated timely to determine if adjustments are needed to correctly charge personnel expense to federal programs in order to produce an equitable distribution of time and effort. We further recommend supervisory review be documented on the reconciliations.

OTHER AUDIT FINDING

In planning and performing our audit of the federal awards received by the Mississippi State Department of Health for the year ended June 30, 2011, we considered internal control over compliance with the requirements that could have a direct and material effect on the major federal programs. Matters which require the attention of management were noted. These matters which do not have a material effect on the agency's ability to administer major federal programs in accordance with applicable laws, regulations, or provisions of contracts or grant agreements involve other control deficiencies. A deficiency in internal control 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.

CFDA/Finding Number	Finding and Recommendation
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SPECIAL TESTS AND PROVISIONS

Other Control Deficiency

93.268

Immunization Grants

Federal Award Number and Year: 5H23IP422524-08 (2010)
5H23IP422524-09 (2011)

Oth-01

Controls over the Oversight of Vaccinating Providers Should Be Strengthened

Finding:

The *United States Code* (42 USC 1396s) requires grantees (ie - Mississippi State Department of Health, or MSDH) to provide oversight of vaccinating providers to ensure that proper control and accountability is maintained for vaccine, vaccine is properly safeguarded, and VFC-eligibility screening is conducted. In addition, the *United States Code* (42 USC 300aa-25) requires the grantee to ensure that the required information has been recorded for vaccine recipients, including the following: 1) date of administration of the vaccine; 2) vaccine manufacturer and lot number of the vaccine; and 3) name and address and, if appropriate, the title of the health care provider administering the vaccine. As part of testwork over Special Tests and Provisions compliance requirements for the MSDH's Immunization Cluster program, we reviewed the agency's oversight of vaccinating providers. We noted two instances out of a sample of 53 site visit forms used by the agency to monitor vaccinating providers (total population of 503) where there was no indication of a review of the provider's vaccination records, and two instances where there was no documentation of any follow-up procedures being performed related to deficiencies identified on the forms. We also noted two instances out of a sample of 40 site visit forms where there was no documentation of an approved, active Provider Enrollment form on file for the period tested, or a Provider Profile form, as required by federal regulations.

In the instances identified above, monitors conducting provider reviews did not include responses to all of the sections within the automated site visit forms and did not maintain evidence of follow-up procedures. In addition, policies and procedures do not appear to be in place to require that annual provider re-enrollment forms and provider profiles be on file before approving vaccine orders. Lack of demonstrated oversight over providers could result in noncompliance over the control, accountability, and safeguarding of vaccine not being detected in a timely manner. In addition, lack of demonstrated oversight over providers could result in noncompliance over the recording of vaccine information in recipients' permanent medical records not being detected in a timely manner.

Recommendation:

We recommend the Mississippi State Department of Health strengthen controls to ensure that appropriate oversight of vaccinating providers is performed in accordance with federal requirements and properly documented.

End of Report