



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

February 7, 2012

**Financial Audit Management Report**

Melinda McGrath, Executive Director  
Mississippi Department of Transportation  
P. O. Box 1850  
Jackson, Mississippi 39215

Dear Ms. McGrath:

Enclosed for your review is the financial audit finding for the Mississippi Department of Transportation for the Fiscal Year 2011. In this finding, the Auditor's Office recommends the Mississippi Department of Transportation ensure the GAAP reporting package and note disclosures are properly prepared and reviewed.

Please review the recommendation and submit a plan to implement it by March 1, 2012. The enclosed finding contains more information about our recommendation.

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

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 recommendation enables the Mississippi Department of Transportation to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department of Transportation throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

Stacey Pickering  
State Auditor

Enclosures

## **FINANCIAL AUDIT MANAGEMENT REPORT**

The Office of the State Auditor has completed its audit of selected accounts included on the financial statements of the Mississippi Department of Transportation for the 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 Karlanne Coates, CPA, Kristi Averett, Geeta Foreman, Andy Wright, CPA, Lee Alford, Ryan Ratliff, and Heather Ward

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 Transportation'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 a 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency identified is numbered as finding 2011-05.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether selected accounts included on the financial statements of the Mississippi Department of Transportation 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*.

**SIGNIFICANT DEFICIENCY**

**CFDA/Finding  
Number**

**Finding and Recommendation**

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2011-05

GAAP Reporting Package and Note Disclosures Should Be Properly Prepared and Reviewed

*Finding:*

During our review of the GAAP reporting package and note disclosures prepared by the Mississippi Department of Transportation, we noted the following weaknesses.

- We noted one instance in which \$164,631,040 was reported as Cash with Fiscal Agent, but was actually held in guaranteed investment contracts. An adjustment was proposed by the auditors and made by management to reclassify this amount from Cash with Fiscal Agent to Other Long-term Investments.
- The deposit collateralization portion of the note disclosure for deposits and investments was not properly prepared. Revisions were required to properly disclose custodial credit risk.

Generally accepted accounting principles require that agencies provide accounting and reporting information which will make it possible to present fairly the financial position and results of operation of the agency. Also, good internal controls require all financial data prepared receive adequate supervisory review to ensure any errors or omissions are detected promptly. Failure to ensure the accuracy of reporting information could result in misstatements in the financial statements and note disclosures.

*Finding:*

We recommend the Mississippi Department of Transportation strengthen its oversight of the financial reporting process by management. Adequate review procedures should be performed in order to ensure financial statements and note disclosures are properly prepared. We further recommend the review be documented by the initials and date of the reviewer.

**End of Report**



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

March 27, 2012

Single Audit Management Report

Melinda McGrath, Executive Director  
Mississippi Department of Transportation  
401 North West Street  
Jackson, Mississippi 39201

Dear Ms. McGrath:

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 Transportation 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 Karlanne Coates, CPA, Kristi Averett, Geeta Foreman, Andy Wright, CPA, Lee Alford, Ryan Ratcliff, and Heather Ward.

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

A deficiency in an entity's 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 the 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 described above.

#### Compliance

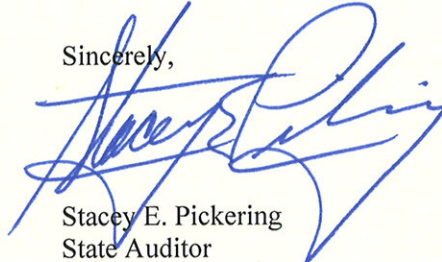
We have audited the compliance of the Mississippi Department of Transportation's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Mississippi Department of Transportation's management.

Our audit included examining, on a test basis, evidence about the Mississippi Department of Transportation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Based on audit procedures and test performed, no instances of noncompliance that are required to be reported by OMB Circular A-133 were noted.

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

Sincerely,



Stacey E. Pickering  
State Auditor