



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE**

July 14, 2021

Single Audit Management Report

Stacey E. Pickering, Executive Director
Mississippi Veterans Affairs
660 North Street
Jackson, MS 39271

Dear Mr. Pickering:

Enclosed for your review are the single audit findings for the Mississippi Veterans Affairs for Fiscal Year 2020. In these findings, the Auditor's Office recommends the Mississippi Veterans Affairs:

Single Audit Findings:

1. Strengthen Controls Over the Preparation, Recording, and Review of the Schedule of Expenditures of Federal Awards.

Please review the recommendations and submit a plan to implement them by July 21, 2021. 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

I hope you find our recommendations enable the Mississippi Veterans Affairs to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Veterans Affairs throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree".

Stephanie C. Palmertree, CPA, CGMA
Director, Financial and Compliance Audit Division
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 State's major federal programs administered by the Mississippi Veterans Affairs for the year ended June 30, 2020.

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, Mississippi Code Annotated* (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.

Report on Compliance for Each Major Federal Program

We have audited the Mississippi Veterans Affairs' compliance with the types of compliance requirements described in the *OMB Uniform Guidance Compliance Supplement* that could have a direct and material effect on the federal programs selected for audit that are administered by the Mississippi Veterans Affairs for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles and Audit Requirements* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mississippi Veterans Affairs' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. However, our audit does not provide a legal determination of the Mississippi Veterans Affairs' compliance.

Results of Compliance Audit Procedures

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Uniform Guidance and which are identified in this letter as item 2020-040.

Internal Control over Compliance

Management of the Mississippi Veterans Affairs is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mississippi Veterans Affairs' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mississippi Veterans Affairs' internal control over compliance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 item 2020-040 to be a material weakness.

Findings and Recommendations

REPORTING

Material Weakness

Material Noncompliance

2020-040	<u>Strengthen Controls Over the Preparation, Recording, and Review of the Schedule of Expenditures of Federal Awards.</u>
CFDA Number	64.015 Veterans State Nursing Home Care
Federal Award No.	N/A
Federal Agency	U.S. Department of Veterans Affairs
Questioned Costs	None
Criteria	<p><i>The Code of Federal Regulations (2 cfr §200.510(b))</i> states, in part “the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502.”</p> <p><i>Code of Federal Regulations (2 CFR §200.502(a))</i> states, in part, “the determination of when a federal award is expended must be based on when the activity related to the Federal award occurs.”</p> <p><i>The Internal Control – Integrated Framework</i>, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the <i>U.S. Government Accountability Office Standards for Internal Control in the Federal Government</i> (Green Book) specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and</p>

completeness of financial information reported. The Federal Grant Activity Schedule captures amounts that must be accurate and complete in order to ensure the accuracy of financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

The Mississippi Agency Accounting Policies and Procedures (MAAPP) manual Section 27.30.60 states, “The Federal Grant Activity schedule supports amounts reported on the GAAP packet for federal grant revenues, receivables, deferred revenues and expenditures. The schedule is also used for preparing the Single Audit Report required by the Single Audit Act, Office of Management and Budget Uniform Grant Guidance and the State’s audit requirements. The amounts on this schedule should be reconciled by the agency with amounts reported on federal financial reports.”

Condition

During the audit of Mississippi Veterans Affairs (MVA) for fiscal year ended June 30, 2020, auditors noted that MVA recorded federal monies in state assigned fund classification (the three funds) rather than the federal assigned fund classification (the five funds) in the statewide accounting system, the Mississippi Accountability System for Government Information and Collaboration (MAGIC). Due to this misclassification of funds, the Mississippi Department of Finance and Administration (DFA) was unaware the MVA was receiving federal monies, and did not include the agency on the Statewide Schedule of Federal Activity (SEFA), and did not require MVA to prepare a grant schedule during the financial close out period. The statewide SEFA is prepared using agency prepared grant schedule activity reports, and a system of internal controls exists to ensure all federal monies are included in the SEFA and that all agencies that have federal monies prepare grant schedules. By misclassifying the funds, MVA inadvertently circumvented the control system and DFA was not alerted to the need for the inclusion of the funds in the SEFA. During other collaboration between the agencies, MVA and DFA realized the error and alerted the auditor to the error and the need for a revised statewide SEFA. Due to the designation as a Major Program under Uniform Grant Guidance Subpart F, MVA required an audit for fiscal year 2020. During this audit, auditors found that no agency specific SEFA nor grant schedule had been prepared by MVA. MVA prepared and submitted grant information to the auditors that required material adjustment in order for the grant activity to accurately reflect MVA’s underlying accounting records. It should be noted that MVA’s underlying financial accounting records were materially correct; however, the SEFA and grant schedule did not accurately reflect those records.

Cause

Management at MVA is relatively new and continued recording money in the same funds it had historically been recorded in and did not realize the federal monies received required the agency to prepare a SEFA. Additionally, the misclassification of funds in the three fund did not alert DFA to the receipt of federal funds.

Effect

Failure to properly ensure the CFDA numbers and amounts are reported correctly in MAGIC and that the SEFA agrees with the underlying financial records could result inaccurate reporting to both the state and federal oversight organizations.

Recommendation	We recommend Mississippi Veterans Affairs strengthen controls over the preparation and review of the Schedule of Expenditures of Federal Awards to ensure all grant award information and amounts reported are accurate and correct, and that the information agrees with the underlying financial records.
Repeat Finding	No.
Statistically Valid	This sample is not considered statistically valid.

End of Report



SINGLE AUDIT FINDINGS

Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0956

7/20/21

Dear Mr. White:

I would like to thank you and your team for their diligent work in preparing MSVA's portion of the Fiscal Year 2020 single audit. Your team, managers, and directors consistently displayed the courtesy, professionalism, and attention to detail the Office of the State Auditor is known for across the state.

AUDIT FINDINGS

CFDA Number(s) and Program Name(s)

64.015 Veterans state Nursing Home Care

Type of Compliance Requirement

Material Weakness and Material Noncompliance

Audit Finding Heading

Strengthen Controls over the Preparation, Recording, and Review of the Schedule of Expenditures of Federal Awards

660 NORTH STREET, SUITE 200 • JACKSON, MS 39202 • PHONE: 601-576-4850 • FAX: 601-576-4870

STACEY E. PICKERING
Executive Director

JAMES H. GARNER
Chairman
Biloxi,
Fifth Congressional District

MENDAL G. KEMP
Vice-Chairman
Madison,
At Large

DEBORAH WALLEY COLEMAN
Madison,
At Large

MICHAEL J. McGREVEY
Decatur,
Third Congressional District

DAVID H. McELREATH
Oxford,
First Congressional District

JAMES (MAX) FENN, JR
Summit,
Fourth Congressional District

GEORGE E. IRVIN, SR.
Jackson,
Second Congressional District

Response:

MSVA concurs with the finding.

Corrective Action Plan:

With the assistance of the state legislature, MSVA will be hiring an internal auditor to ensure compliance with the preparation of MSVA's grant schedule. A timely and more accurately prepared grant schedule will lead to more accurate reporting on the SEFA. The failure of previous administrations to report data for the SEFA will not continue under the current administration.

Signed



Stacey E. Pickering
Executive Director-MSVA