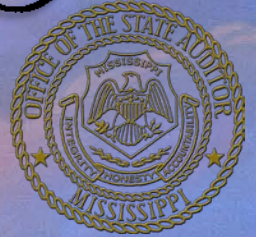


State of **MISSISSIPPI**



2018 Single Audit Report

SHAD WHITE,
State Auditor



©*New Capitol - Jackson, MS* artwork is provided courtesy of Mark Millet

State of Mississippi

Single Audit Report

for the Fiscal Year Ended June 30, 2018

MISSISSIPPI



SHAD WHITE

State Auditor

Office of the State Auditor

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

June 28, 2019

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

I am pleased to submit the *Single Audit Report* of the State of Mississippi for the fiscal year ended June 30, 2018. Our audit was conducted in accordance with the requirements of the Single Audit Act Amendments of 1996, the provisions of the Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (contained in Title 2 of the U.S. Code of Federal Regulations Part 200)*, and the State of Mississippi's audit requirements.

The Single Audit process requires the coordination and cooperation of many state government entities. We are particularly grateful for the efforts of the Mississippi Department of Finance and Administration in compiling data.

While I am pleased to report that, for the thirty-first consecutive year, DFA was awarded the Government Finance Officers Association of the United States and Canada's Certificate of Achievement for Excellence in Financial Reporting, it is important to note that this award is bestowed on DFA for its adherence to standards when compiling the report, and does not consider the actual financial condition of the state.

Additionally, it is important to note that my office issued an unmodified opinion on those financials, but that in order to do so, multiple significant adjustments to the financial reports submitted by state agencies were required. I would encourage you to review the audit findings issued by my office and other independent CPA firms. These audit findings are a vital part of our report as they acknowledge weaknesses existing in our state agencies that should be addressed by management and those charged with governance.

Mississippi's *Comprehensive Annual Financial Report* for fiscal year 2018 and our report thereon, dated April 12, 2019, has been issued under separate cover and is available electronically at <http://www.dfa.state.ms.us/> or by writing to the address below:

Mississippi Department of Finance and Administration
Attention: Bureau of Financial Reporting
P. O. Box 267
Jackson, MS 39205

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a large, loopy circular flourish.

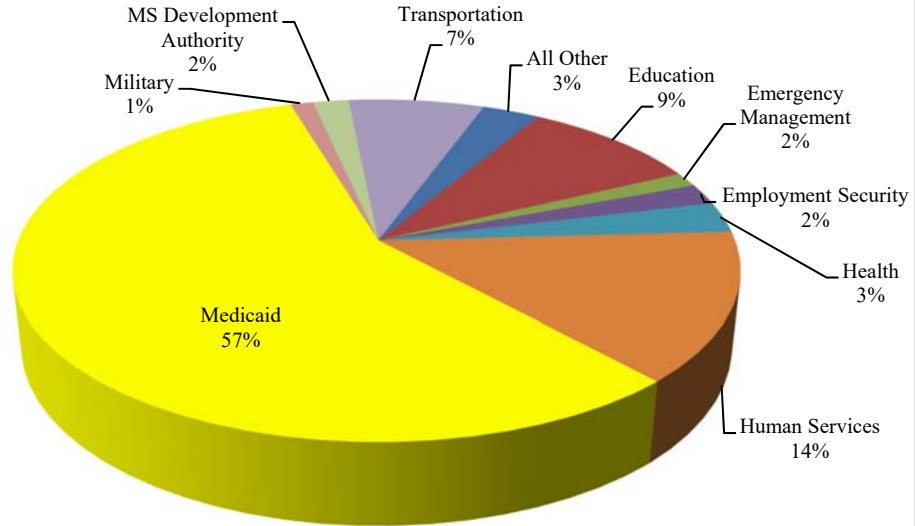
SHAD WHITE
State Auditor

(Page Left Blank Intentionally)

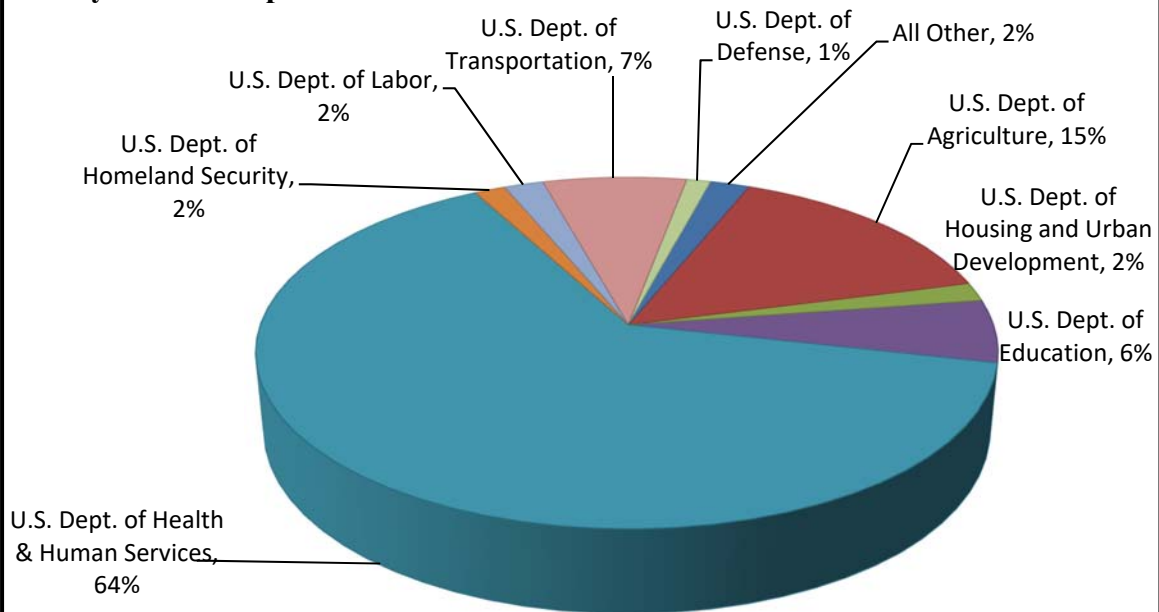
STATE OF MISSISSIPPI

Fiscal Year 2018

**Expenditures of Federal Awards
by State Grantee Agency**



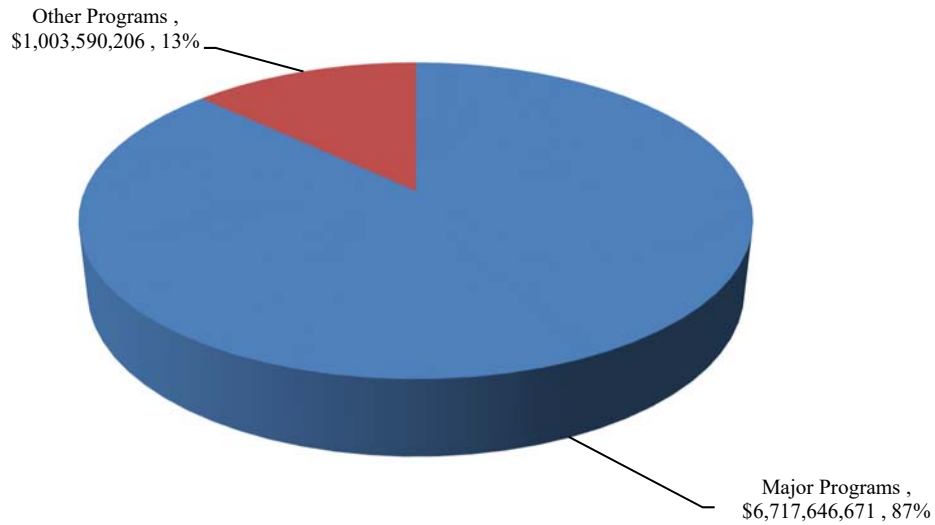
**Expenditures of Federal Awards
by Federal Department**



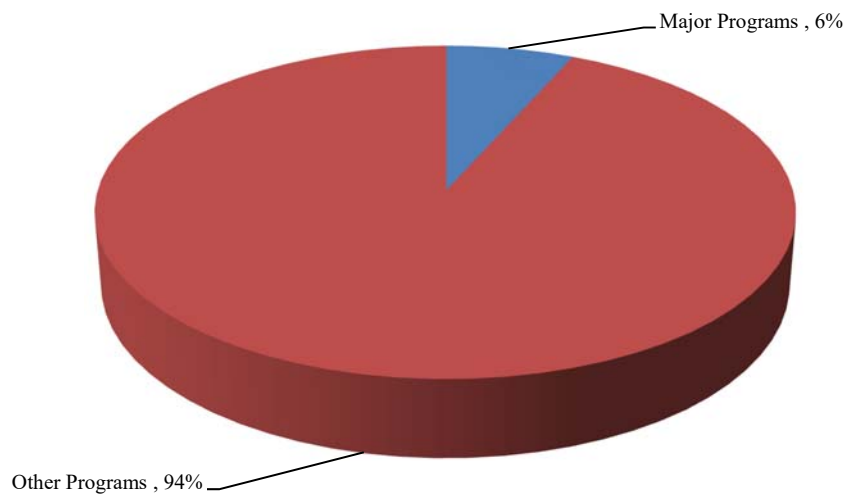
STATE OF MISSISSIPPI

Fiscal Year 2018

Percentage of Major Program Assistance
Total Expenditures of Federal Awards \$7,721,236,877



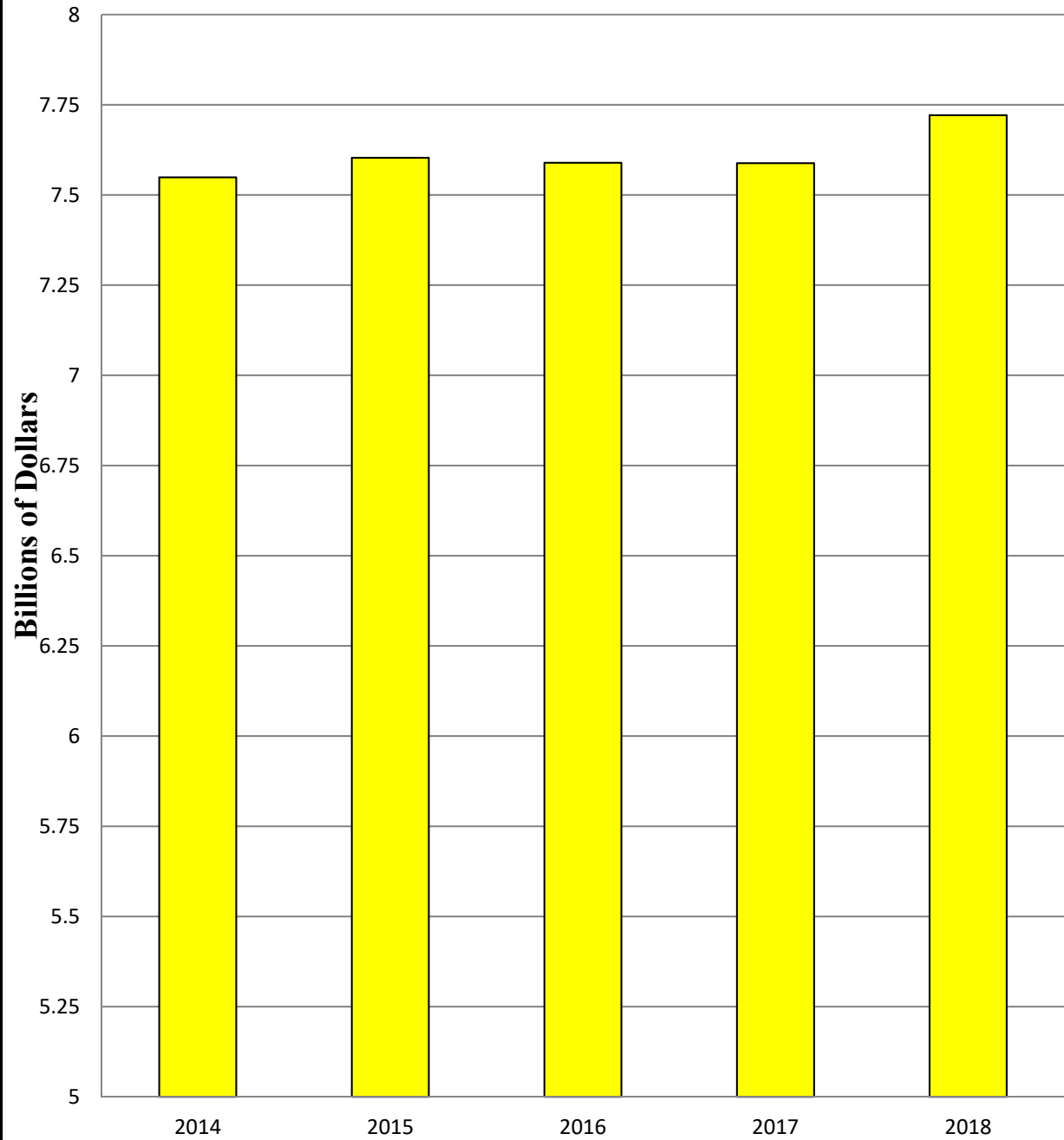
Percentage of Major Program Assistance
300 Programs



STATE OF MISSISSIPPI

Total Federal Financial Assistance

Last Five Fiscal
Years



(This page left blank intentionally.)

STATE OF MISSISSIPPI

SINGLE AUDIT REPORT

For the Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
I. AUDIT REPORTING:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.	5
Schedule of Expenditures of Federal Awards by Federal Department.....	13
Schedule of Expenditures of Federal Awards by State Grantee Agency.....	25
Notes to the Schedule of Expenditures of Federal Awards.....	37
Schedule of Findings and Questioned Costs:	
Part 1 - Summary of Auditor's Results	45
Part 2 - Financial Statement Findings	49
Part 3 - Federal Award Findings and Questioned Costs.....	123
II. SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS:	
Instructions to Management.....	171
Index Listed by Finding Number	173

STATE OF MISSISSIPPI
Table of Contents (concluded)

	<u>Page</u>
Index Listed by State Grantee Agency	175
Summary Schedules of Prior Federal Audit Findings (Categorized by State Grantee Agency)	177
III. MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS:	
Instructions to Management	193
Management Responses and Corrective Action Plans (Categorized by State Grantee Agency)	195
IV. INDICES:	
Index of Financial Statement Findings and Responses	
Financial Statement Findings and Recommendations	287
Management Responses and Corrective Action Plans	289
Index of Federal Award Findings and Questioned Costs	
Listed by Federal Department	291
Index of Federal Award Findings and Questioned Costs	
Listed by State Grantee Agency	293
Index of Federal Award Findings and Questioned Costs	
Listed by Finding Number	295
Index of Management Responses to Federal Award Findings and Corrective Action Plans	
Listed by State Grantee Agency	297
V. ACKNOWLEDGMENTS	299

I. AUDIT REPORTING



(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

We have audited, in accordance with the 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 financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi (the State), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the State's basic financial statements, and have issued our report thereon dated April 12, 2019. Our report includes a reference to other auditors who audited the financial statements of the following, as described in our report on the State of Mississippi's financial statements:

- Government-wide Financial Statements
 - Governmental Activities
 - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Department of Public Safety, and the Mississippi Department of Education which, in the aggregate, represent 2% and 9%, respectively, of the assets and revenues of the governmental activities;
- Business-type Activities
 - AbilityWorks, Inc. within the Department of Rehabilitation Services, the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, the Department of Finance and Administration State Life and Health Plan, and the Unemployment Compensation Fund which, in the aggregate, represent 98% and 99%, respectively, of the assets and revenues of the business-type activities;

- Component Units
 - the Universities and the nonmajor component units.
 - Fund Financial Statements
 - Governmental Funds
 - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Department of Public Safety, and the Mississippi Department of Education which, in the aggregate, represent 20% and 9%, respectively, of the assets and revenues of the General Fund;
 - Proprietary Funds
 - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Department of Finance and Administration State Life and Health Plan, and the Unemployment Compensation Fund which are considered major enterprise funds;
 - Aggregate Remaining Funds
 - Nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services and the Veterans' Home Purchase Board;
 - the Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;
- all of which represent 100% and 99%, respectively, of the assets and revenues of the aggregate remaining funds.

Except for the major component unit Universities, this report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. This report does not include the results of the other auditor's testing of internal control over financial reporting and compliance and other matters for the major component unit Universities that are reported on separately by those auditors.

The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were not audited in accordance with *Government Auditing Standards*, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these funds or entities.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we and other auditors considered the State of Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Mississippi's internal control.

Our and the other auditors' consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings", we and other auditors identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as items 2018-002, 2018-004, 2018-005, 2018-006, 2018-007, 2018-008, 2018-016, 2018-021, 2018-022, 2018-023, 2018-024, 2018-025, 2018-030, 2018-036, 2018-037, 2018-038, 2018-039, 2018-040, 2018-041, and 2018-044 to be material weaknesses.

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. We consider the deficiencies described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as items 2018-003, 2018-009, 2018-011, 2018-012, 2018-013, 2018-014, 2018-015, 2018-017, 2018-018, 2018-019, 2018-020, 2018-026, 2018-027, 2018-028, 2018-029, 2018-032, 2018-033, 2018-034, 2018-035, 2018-042, and 2018-043 to be significant deficiencies.

We and the other auditors also noted certain matters involving the internal control over financial reporting, which we have reported to management of the applicable state agencies and institutions of the State of Mississippi in separate communications.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Mississippi's financial statements are free from material misstatement, we and other auditors performed tests of its 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying "Schedule of Findings and Questioned Costs: Part 2 – Financial Statement Findings" as items 2018-031.

We and the other auditors also noted certain matters which we have reported to management of the State of Mississippi in separate communications.

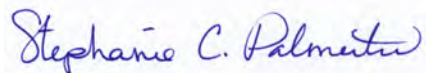
Management's Response to Finding

Management's response to the findings identified in our audit is described in the accompanying "Management's Response and Corrective Action Plan" section. Management's response was not subjected to

the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the State of Mississippi's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Stephanie C. Palmertree, CPA, CGMA
Director, Financial and Compliance
Audit Division

Jackson, Mississippi
April 12, 2019



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

The Governor, Members of the Legislature
and Citizens of the State of Mississippi

Report on Compliance for Each Major Federal Program

We and other auditors have audited the State of Mississippi's (the State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2018. We did not audit the Child and Adult Care Food Program, the Child Nutrition Cluster, the Unemployment Insurance Program, the National Guard Military Operations and Maintenance Projects, the Community Development Block Grant, and the Fish and Wildlife Cluster. Those programs were audited by other auditors whose reports have been furnished to us. This report includes our consideration of the results of the other auditors' testing of compliance and internal control over compliance that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The State of Mississippi's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our and the other auditors' responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above.

The State of Mississippi's basic financial statements include the operations of the State's public universities, as a major component unit within the discretely presented component units, which received \$1,010,559,161 in federal awards which is not included in the State's schedule during the year ending June 30, 2018. Our audit, described below, did not include the operations of the public universities because the universities component unit engaged other auditors to perform an audit in accordance with the provisions of Uniform Guidance.

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

Except as discussed in the following paragraph, we and other auditors conducted our audits 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we and other auditors 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 State of Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal program. However, our audit, and the audits of other auditors, do not provide a legal determination of the State of Mississippi's compliance.

The scope of this audit did not include testing transactions and records from the major federal programs of the public universities of Mississippi. The audit of those federal programs was conducted in accordance with the provisions of Uniform Guidance, and a separate report was issued.

Basis for Qualified Opinion on the Highway Planning and Construction Cluster, TANF Cluster, SNAP Cluster, CCDF Cluster , SSBG Program, LIHEAP Program, Hazard Mitigation Program, Medicaid Cluster, State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid, Block Grants for Prevention and Treatment of Substance Abuse Program, and the Military Construction, National Guard Program

As described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 – Federal Award Findings and Questioned Costs," the State of Mississippi did not comply with requirements regarding the following:

Finding #	CFDA #	Program/Cluster Name	Compliance Requirement
2018-010	20.205 20.219	Highway Planning and Construction Recreational Trails Program	Subrecipient Monitoring
2018-045	93.558	Temporary Assistance for Needy Families State Programs	Eligibility
2018-046	10.551 10.561 93.558 93.667 93.575 93.596 93.568	Supplemental Nutrition Assistance Program State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Temporary Assistance for Needy Families State Programs Social Services Block Grant Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund Low Income Home Energy Assistance Program	Subrecipient Monitoring
2018-047	93.558 93.667 93.575 93.596	Temporary Assistance for Needy Families State Programs Social Services Block Grant Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Subrecipient Monitoring

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

	93.568	Low Income Home Energy Assistance Program	
2018-052	93.575 93.596	Child Care and Development Block Grant Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Special Tests – Provider Health and Safety Standards
2018-054	97.039	Hazard Mitigation Grant Program	Cash Management
2018-055	97.039	Hazard Mitigation Grant Program	Subrecipient Monitoring
2018-059	93.775 93.777 93.778 93.796	State Medicaid Fraud Control Units State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare Medical Assistance Program State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	Special Tests- Provider Health and Safety Standards
2018-060	93.775 93.777 93.778	State Medicaid Fraud Control Units State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare Medical Assistance Program	Special Tests- ADP Risk Analysis and System Security Review
2018-061	93.959	Block Grants for Prevention and Treatment of Substance Abuse	Special Tests – Independent Peer Review
2018-062	12.400	Military Construction, National Guard	Reporting
2018-063	12.400	Military Construction, National Guard	Cash Management

Compliance with such requirements is necessary, in our opinion, and the opinion of other auditors, for the State of Mississippi to comply with the requirements applicable to those programs.

Qualified Opinion on the Highway Planning and Construction Cluster, TANF Cluster, SNAP Cluster, CCDF Cluster , SSBG Program, LIHEAP Program, Hazard Mitigation Program, Medicaid Cluster, State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid, Block Grants for Prevention and Treatment of Substance Abuse Program, and the Military Construction, National Guard Program

In our opinion, based on our audit and the reports of other auditors, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State of Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Highway Planning and Construction Cluster, TANF Cluster, SNAP Cluster, CCDF Cluster , SSBG Program, LIHEAP Program, Hazard Mitigation Program, Medicaid Cluster, State Survey Certification of Health Care Providers and Suppliers **(Title XIX) Medicaid**, Block Grants for Prevention and Treatment of Substance Abuse Program, and the Military Construction, National Guard Program for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the reports of other auditors, the State of Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2018. We did not test the transactions and records of the major federal programs administered by the state's public universities for compliance with any requirements referred to above to determine the effects of such noncompliance, if any.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Uniform Guidance and which are described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs" as items 2018-001, 2018-048, 2018-049, 2018-051, 2018-053, 2018-056. Our opinion on each major federal program is not modified with respect to these matters.

The responses by state agencies to the noncompliance findings identified in our audit, and the audits of other auditors, are described in the accompanying "Section III – Management Responses and Corrective Action Plans." Management's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

We also noted other immaterial instances of noncompliance which have been reported to management of the State of Mississippi in separate communications.

Report on Internal Control Over Compliance

The management of the State of Mississippi 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 and other auditors considered the State of Mississippi's internal control over compliance

In planning and performing our audit of compliance, we considered the State's 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 control over compliance in accordance with 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 the State of Mississippi's internal control over compliance. We excluded the federal programs of the State's public universities, as discussed in the fifth paragraph of this report.

Our and the other auditors' 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 and the other auditors 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 a 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 and the other auditors consider the deficiencies in internal control over compliance described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 - Federal Award Findings and Questioned Costs" as items 2018-010, 2018-045, 2018-046, 2018-047, 2018-052, 2018-054, 2018-055, 2018-057, 2018-059, 2018-060, 2018-061, 2018-062 and 2018-063 to be material weaknesses.

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

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 described in the accompanying "Schedule of Findings and Questioned Costs: Part 3 – Federal Award Findings and Questioned Costs" as items 2018-001, 2018-048, 2018-049, 2018-050, 2018-051, 2018-053, 2018-056, and 2018-058 to be significant deficiencies.

The responses by state agencies to the internal control over compliance findings identified in our audit, and the audits of other auditors, are described in the accompanying "Section III – Management Responses and Corrective Action Plans." Management's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

We also noted other matters involving internal control over compliance and its operation, which have been reported to management of the State of Mississippi in separate communications.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is matter of public record and its distribution is not limited.

Report on Schedule of Expenditures of Federal Awards Required by OMB Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Mississippi's basic financial statements. We issued our report thereon dated April 12, 2019 which contained unmodified opinions on those financial statements. We did not audit the financial statements of:

- Government-wide Financial Statements

- Governmental Activities

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Department of Public Safety, and the Mississippi Department of Education which, in the aggregate, represent 2% and 9%, respectively, of the assets and revenues of the governmental activities;

- Business-type Activities

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

- AbilityWorks, Inc. within the Department of Rehabilitation Services, the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board, the Department of Finance and Administration State Life and Health Plan, and the Unemployment Compensation Fund which, in the aggregate, represent 98% and 99%, respectively, of the assets and revenues of the business-type activities;
 - Component Units
 - the Universities and the nonmajor component units.
 - Fund Financial Statements
 - Governmental Funds
 - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Marine Resources, Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Military Department, the Mississippi Development Authority, the Department of Public Safety, and the Mississippi Department of Education which, in the aggregate, represent 20% and 9%, respectively, of the assets and revenues of the General Fund;
 - Proprietary Funds
 - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Department of Finance and Administration State Life and Health Plan, and the Unemployment Compensation Fund which are considered major enterprise funds;
 - Aggregate Remaining Funds
 - Nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services and the Veterans' Home Purchase Board;
 - the Pension Trust Funds;
 - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;
- all of which represent 100% and 99%, respectively, of the assets and revenues of the aggregate remaining funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based on the reports of the other auditors.

Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by Uniform Guidance

The State of Mississippi has excluded federal programs administered by public universities from the accompanying schedules of expenditures of federal awards, as more fully described in Note 2 to the schedules. The State's public universities were audited in accordance with statutory requirements and the provisions of Uniform Guidance, and a separate report was issued.

Our audit and the audits of the other auditors were conducted for the purpose of forming our opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards by Federal Department is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Although not required by Uniform Guidance, the Schedule of Expenditures of Federal Awards by State Grantee Agency is presented for purposes of additional analysis. The information in the schedule of expenditures of federal awards has been subjected to the auditing procedures applied by us and other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based upon our audit and the audit reports of the other auditors, except for the effects of the omission described in the preceding paragraph, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Stephanie C. Palmertree, CPA, CGMA
Director, Financial and Compliance
Audit Division



Jackson, Mississippi
June 28, 2019

(This page left blank intentionally.)

Schedule of Expenditures of Federal Awards by Federal Department



(This page left blank intentionally.)

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department /Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
U.S. DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	Agriculture and Commerce / Animal Health \$ 8,000	\$ 907,483
10.069	Soil and Water Conservation	Agriculture and Commerce / Soil and Water Conservation Commission	N/A 10,347
10.163	Market Protection and Promotion	Agriculture and Commerce	N/A 39,600
10.170	Specialty Crop Block Grant Program – Farm Bill	Agriculture and Commerce	218,438 264,447
10.171	National Organic Certification Cost Share Program	Agriculture and Commerce	N/A 750
10.331	Food Insecurity Nutrition Incentive Grants Program	Agriculture and Commerce	N/A 3,528
10.475	Meat	Agriculture and Commerce and Poultry Inspection	N/A 1,680,662
10.535	USDA SNAP Integrity Education	Human Services	N/A 40,652
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Health	2,743,662 72,159,923
10.558	Child and Adult Care Food Program	Education	49,879,878 49,915,114
10.560	State Administrative Expenses for Child Nutrition	Education	N/A 3,733,437
10.578	WIC Grants To States (WGS)	Health	72,369 285,419
10.579	Child Nutrition Discretionary Grants Limited Availability	Education	600,634 600,634
10.582	Fresh Fruit and Vegetable Program	Education	1,898,320 1,898,320
10.596	Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	Human Services	N/A 1,586,756
10.664	Cooperative Forestry Assistance	Forestry Commission	N/A 1,845,971
10.680	Forest Health Protection	Agriculture and Commerce	N/A 14,978
10.902	Soil and Water Conservation	Agriculture and Commerce / Soil and Water Conservation Commission	806,728 1,666,238
10.904	Soil and Water Conservation	Agriculture and Commerce/ Soil and Water Conservation Commission	N/A 220,747
10.912	Soil and Water Conservation	Agriculture and Commerce/ Soil and Water Conservation Commission	N/A 7,839
10.913	Soil and Water Conservation	Agriculture and Commerce/ Soil and Water Conservation Commission	N/A 33,898
10.916	NRCS Watershed Rehabilitation Program	Agriculture and Commerce / Soil and Water Conservation Commission	N/A 58,315
10.932	Regional Conservation Partnership Program	Agriculture and Commerce / Soil and Water Conservation Commission	N/A 16,400
10.950	Agricultural Statistics Reports	Agriculture and Commerce	N/A 37,500
SUBTOTAL			137,028,958
SNAP Cluster			
10.551	Supplemental Nutrition Assistance Program (SNAP)	Human Services	N/A 701,738,297
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Human Services	4,447,402 26,866,299
Total SNAP Cluster			728,604,596
Child Nutrition Cluster			
10.553	School Breakfast Program (SBP)	Education	64,377,574 64,377,574
10.555 @	National School Lunch Program (NSLP)	Education	172,026,360 192,994,346
10.556	Special Milk Program for Children (SMP)	Education	3,891 3,891
10.559	Summer Food Service Program for Children (SFSPC)	Education	6,985,369 6,985,369
Total Child Nutrition Cluster			264,361,180
Food Distribution Cluster			
10.565	Commodity Supplemental Food Program	Health	822,792 956,793

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department /Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
10.568	Emergency Food Assistance Program (Administrative Costs)	Human Services	1,252,574
10.569 @	Emergency Food Assistance Program (Food Commodities)	Human Services	N/A
Total Food Distribution Cluster			8,290,944
10.665	Forest Service Schools and Roads Cluster Schools and Roads - Grants to States	Treasury	N/A
Total Forest Service Schools and Roads Cluster			5,334,256
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 1,143,619,934
U.S. DEPARTMENT OF COMMERCE			
11.407	Inter jurisdictional Fisheries Act of 1986	Marine Resources	N/A
11.419	Coastal Zone Management Administration Awards	Marine Resources	N/A
11.420	Coastal Zone Management Estuarine Research Reserves	Marine Resources	N/A
11.434	Cooperative Fishery Statistics	Marine Resources	N/A
11.454	Unallied Management Projects	Marine Resources	N/A
11.472	Creation of Mobile Single Set Production System for the Eastern Oyster	Marine Resources	N/A
11.557	ARRA – Recovery Act – Mississippi Education, Safety and Health Network	Governor's Office	5,723,865
TOTAL U.S. DEPARTMENT OF COMMERCE			\$ 12,647,498
U.S. DEPARTMENT OF DEFENSE			
12.002	Procurement Technical Assistance For Business Firms Flood Control Projects (Passed-through from the U.S. Army Corps of Engineers). Identifying numbers assigned by the pass through entity – DACW01-3-91-0543, DACW38-91-H-0007, DACW01-3-92-0411, DACW38-3-09-176, DACW01-3-91-0500, DACW01-3-96-0023, DACW38-3-12-9, and DACW01-3-92-0410.	MS Development Authority	150,667
12.106	State Memorandum of Agreement Program for the Reimbursement of Technical Services	Wildlife, Fisheries and Parks	N/A
12.113	Military Construction, National Guard	Environmental Quality	N/A
12.400	National Guard Military Operations and Maintenance (O&M) Projects	Military Department	N/A
12.401	National Guard ChalleNGe Program	Military Department	N/A
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 94,383,914
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.241	Housing Opportunities for Persons with AIDS Program	Health	N/A
SUBTOTAL			312,507
CDBG – State-Administered CDBG Cluster			
14.228	Community Development Block Grants / State's Program	MS Development Authority	100,741,087
Total CDBG – State-Administered CDBG Cluster			132,753,067
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 133,065,574
U.S. DEPARTMENT OF THE INTERIOR			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	Environmental Quality	N/A

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

			Federal	
CFDA		Amount Passed to	Expenditures/	
Number	State Agency/Federal Department /Program Name	Subrecipients	Distributions/	
			Issuances	
15.252	Abandoned Mine Land Reclamation (AMLR) Program	Environmental Quality	N/A	61,825
15.426	Coastal Impact Assistance Program (CIAP)	Marine Resources	N/A	97,344
15.608	Fish and Wildlife Management Assistance	Wildlife, Fisheries and Parks	N/A	65,563
15.615	Cooperative Endangered Species Conservation Fund	Wildlife, Fisheries and Parks	34,885	101,644
15.616	Agriculture Wool Apparel Manufacturers Trust Fund	Marine Resources	N/A	41,124
15.622	Sportfishing and Boating Safety Act	Marine Resources	N/A	135,002
15.630	Coastal Program	Marine Resources	N/A	1,364
15.634	State Wildlife Grants	Wildlife, Fisheries and Parks	N/A	310,876
		Wildlife, Fisheries and Parks		
15.657	Endangered Species Conservation – Recovery	Implementation Funds	N/A	29,383
15.668	Coastal Impact Assistance Program	Marine Resources	N/A	519,880
	U.S. Geological Survey – Research and Data			
15.808	Collection	Environmental Quality	N/A	64,724
15.810	National Cooperative Geologic Mapping Program	Environmental Quality	N/A	51,054
15.904	Historic Preservation Fund Grants-In-Aid	Archives and History	73,808	757,457
	Outdoor Recreation – Acquisition, Development and			
15.916	Planning	Wildlife, Fisheries and Parks	799,548	799,548
15.928	Civil War Battlefield Land Acquisition Grants	Archives and History	N/A	405,853
15.939	National Heritage Area Federal Financial Assistance	Marine Resources	N/A	416,019
15.981	Water Use and Data Research	Environmental Quality	N/A	28,082
SUBTOTAL				4,043,862
Fish and Wildlife Cluster				
		Marine Resources / Wildlife,		
15.605	Sport Fish Restoration Program	Fisheries and Parks	387,420	3,773,708
15.611	Wildlife Restoration and Basic Hunter Education	Wildlife, Fisheries and Parks	295,815	25,537,431
Total Fish and Wildlife Cluster				29,311,139
TOTAL U.S. DEPARTMENT OF THE INTERIOR			\$	33,355,001
U.S. DEPARTMENT OF JUSTICE				
16.017	Sexual Assault Services Formula Program	Public Safety	193,116	305,360
16.523	Juvenile Accountability Block Grants	Public Safety	13,500	30,259
	Juvenile Justice and Delinquency Prevention –			
16.540	Allocation to States	Public Safety	28,783	194,632
16.543	Missing Children's Assistance	Attorney General	N/A	321,675
	National Criminal History Improvement Program			
16.554	(NCHIP)	Public Safety	N/A	369,875
	National Institute of Justice Research, Evaluation, and			
16.560	Development Project Grants	Public Safety	N/A	222,309
16.575	Crime Victim Assistance	Public Safety	13,141,600	15,330,826
16.576	Crime Victim Compensation	Attorney General	N/A	448,711
16.582	Crime Victim Assistant/ Discretionary Grants	Health	8,358	8,358
16.588	Violence Against Women Formula Grants	Public Safety	1,020,822	1,222,524
	Grants to Encourage Arrest Policies and Enforcement			
16.590	of Protection Orders Program	Attorney General	N/A	110,161
	Residential Substance Abuse Treatment for State			
16.593	Prisoners	Public Safety	22,656	75,472
16.605	SF Coordination FY15	Marine Resources	N/A	467
	Edward Byrne Memorial Justice Assistance Grant			
16.738	Program	Public Safety	57,286	1,216,661
16.741	DNA Backlog Reduction Program	Public Safety	N/A	413,268
	Paul Coverdell Forensic Sciences Improvement Grant			
16.742	Program	Public Safety	10,420	672,756
16.750	2016 Adam Walsh/ Sorna Implementation 615A	Public Safety	N/A	20,568
16.754	Harold Rogers Prescription Drug Monitoring Program	Board of Pharmacy	N/A	161,841
16.812	Second Chance Act Reentry Initiative	Human Services	81,848	154,797
	John R. Justice Prosecutors and Defenders Incentive			
16.816	Act	Attorney General	N/A	35,257
16.922	Equitable Sharing Program	Public Safety	N/A	357,152
16.UN1	DEA Task Force	Public Safety	N/A	72,110
16.UN5	U.S. Marshall Service	Public Safety	N/A	8,087

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department /Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ 21,753,126
U.S. DEPARTMENT OF LABOR			
17.002	Labor Force Statistics	Employment Security	N/A 715,889
17.005	Compensation and Working Conditions	Health	N/A 119
17.225 #	Unemployment Insurance	Employment Security	N/A 115,682,025
17.235	Senior Community Service Employment Program	Employment Security	702,894 754,295
17.245	Trade Adjustment Assistance	Employment Security	N/A 442,903
	WIA/WIOA Pilots, Demonstrations, and Research		
17.261	Projects	Employment Security	223,944 782,411
17.268	Alien Labor Cert	Employment Security	N/A 26,523
17.271	Work Opportunity Tax Credit Program (WOTC)	Employment Security	N/A 93,393
17.273	Temporary Labor Certification for Foreign Workers	Employment Security	N/A 101,589
	Workforce Investment Act (WIA) National Emergency		
17.277	Grants	Employment Security	N/A 26,502
	WIA/WIOA Dislocated Worker National Reserve		
17.281	Technical Assistance and Training	Employment Security	N/A 14,062
17.285	Apprenticeship USA Grants	Employment Security	368,603 433,296
17.600	Mine Health and Safety Grants	Environmental Quality	N/A 37,516
SUBTOTAL			119,110,523
Employment Service Cluster			
	Employment Service / Wagner-Peyser Funded		
17.207	Activities	Employment Security	N/A 4,169,701
17.801	Disabled Veterans' Outreach Program (DVOP)	Employment Security	N/A 1,229,809
	Local Veterans' Employment Representative (LVER)		
17.804	Program	Employment Security	N/A 171,071
Total Employment Service Cluster			5,570,581
WIA Cluster			
17.258	WIA Adult Program	Employment Security	7,602,934 8,905,918
17.259	WIA Youth Activities	Employment Security	7,888,409 8,917,286
17.278	WIA Dislocated Worker Formula Grants	Employment Security	9,131,771 10,630,887
Total WIA Cluster			28,454,091
TOTAL U.S. DEPARTMENT OF LABOR			\$ 153,135,195
U.S. DEPARTMENT OF TRANSPORTATION			
20.200	Highway Research and Development Program	Transportation	N/A 43,455
20.218	National Motor Carrier Safety	Public Safety	N/A 3,772,819
	Commercial Driver's License Program Improvement		
20.232	Grant	Public Safety	N/A 722,819
20.237	Fed Aviation Adm-FAA	Transportation	N/A 1,309,713
	Fuel Tax Evasion-Intergovernmental Enforcement		
20.240	Effort	Transportation	N/A 4,477
20.314	Railroad Development	Transportation	N/A 176,950
20.509	Formula Grants for Rural Areas	Transportation	14,626,980 17,997,537
20.607	Alcohol Open Container Requirements	Public Safety	N/A 10,420
20.614	Alcohol Open Container Requirements Public Safety	Public Safety	N/A 86,182
20.700	Pipeline Safety Program Base Grant	Public Service Commission	N/A 379,390
	Interagency Hazardous Materials Public Sector		
20.703	Training and Planning Grants	Emergency Management	N/A 44,947
20.720	Damage Prevention	Public Service Commission	N/A 72,500
20.721	811 One Call	Public Service Commission	N/A 27,043
20.933	National Infrastructure Investments	Transportation	3,651,022 7,507,111
SUBTOTAL			32,155,363
Highway Planning and Construction Cluster			
20.205	Highway Planning and Construction	Transportation	39,496,176 519,731,750

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department /Program Name</u>		<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
20.219	Recreational Trails Program	Wildlife, Fisheries and Parks/Transportation	582,942	672,967
Total Highway Planning and Construction Cluster				520,404,717
Transit Services Programs Cluster				
20.513	Enhanced Mobility for Seniors and Individuals with Disabilities	Transportation	2,034,004	2,034,004
20.516	Job Access and Reverse Commute Program	Transportation	222,706	222,706
Total Transit Services Programs Cluster				2,256,710
Federal Transit Cluster				
20.526	Bus and Bus Facilities Formula Program	Transportation	382,510	966,391
Total Federal Transit Cluster				966,391
Highway Safety Cluster				
20.600	State and Community Highway Safety	Public Safety	1,495,657	5,166,493
Total Highway Safety Cluster				5,166,493
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				\$ 560,949,674
U.S. DEPARTMENT OF THE TREASURY				
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast	Environment Quality	2,922,134	6,334,016
TOTAL U.S. DEPARTMENT OF THE TREASURY				\$ 6,334,016
APPALACHIAN REGIONAL COMMISSION				
23.002	Appalachian Area Development	MS Development Authority	7,971,592	9,736,436
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	MS Development Authority/Health	815,000	1,041,727
TOTAL APPALACHIAN REGIONAL COMMISSION				\$ 10,778,163
GENERAL SERVICES ADMINISTRATION				
39.003 @	Donation of Federal Surplus Personal Property	Finance and Administration	N/A	559,454
TOTAL GENERAL SERVICES ADMINISTRATION				\$ 559,454
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				
45.025	Promotion of the Arts - Partnership Agreements	Arts Commission	740,100	771,031
45.168	National Digital Newspaper Program	Archives and History	N/A	101,572
45.301	Museums for America	Archives and History	N/A	7,092
45.310	Grants to States	Library Commission	439,604	1,528,841
TOTAL NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES				\$ 2,408,536
SMALL BUSINESS ADMINISTRATION				
59.061	State Trade and Export Promotion Pilot Grant Program	MS Development Authority	N/A	500,598
TOTAL SMALL BUSINESS ADMINISTRATION				\$ 500,598
U.S. DEPARTMENT OF VETERANS AFFAIRS				
64.124	All-Volunteer Force Educational Assistance	Veterans Affairs Board	N/A	129,105
64.203	Veterans Cemetery Grants Program	Veterans Affairs Board	N/A	77,567

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department /Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
TOTAL U.S. DEPARTMENT OF VETERANS AFFAIRS			\$ 206,672
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
66.032	State Indoor Radon Grants	Health	18,624
	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities		
66.034	Relating to the Clean Air Act	Environmental Quality	328,813
66.040	State Clean Diesel Grant Program	Environmental Quality	405,370
66.204	Multipurpose Grants to States and Tribes	Health	22,675
	Water Pollution Control State, Interstate, and Tribal Program Support	Environmental Quality	309,473
66.432	State Public Water System Supervision	Health	1,052,618
66.433	State Underground Water Source Protection	Oil and Gas Board	76,500
66.454	Water Quality Management Planning	Environmental Quality	105,481
66.460	Nonpoint Source Implementation Grants	Environmental Quality	2,294,833
	Beach Monitoring and Notification Program		
66.472	Implementation Grants	Environmental Quality	249,056
		Agriculture and Commerce/	
66.605	Performance Partnership Grants	Environmental Quality	7,300,505
	Survey's, Studies, Investigations and Special Purpose Grants		
66.606	Toxic Substances Compliance Monitoring Cooperative Agreements	Environmental Quality	98,892
66.701	TSCA Title IV State Lead Grants Certification of Lead- Based Paint Professionals	Environmental Quality	84,138
66.707	Pollution Prevention Grants Program	Environmental Quality	380,970
66.708	Superfund State, Political Subdivision, and Indian Tribe	Environmental Quality	85,979
66.802	Site-Specific Cooperative Agreements	Environmental Quality	159,030
	Underground Storage Tank Prevention, Detection and Compliance Program	Environmental Quality	368,537
66.804	Leaking Underground Storage Tank Trust Fund		
66.805	Corrective Action Program	Environmental Quality	944,228
	Superfund State and Indian Tribe Core Program		
66.809	Cooperative Agreements	Environmental Quality	33,727
<u>SUBTOTAL</u>			14,319,449
<u>Clean Water State Revolving Fund Cluster</u>			
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Quality	357,122
<u>Total Clean Water State Revolving Fund Cluster</u>			357,122
<u>Drinking Water State Revolving Fund Cluster</u>			
66.468	Capitalization Grants for Drinking Water State Revolving Funds	Health	12,483,809
<u>Total Drinking Water State Revolving Fund Cluster</u>			12,483,809
TOTAL ENVIRONMENTAL PROTECTION AGENCY			\$ 27,160,380
<u>U.S. DEPARTMENT OF ENERGY</u>			
81.041	State Energy Program	MS Development Authority	472,449
81.042	Weatherization Assistance for Low-Income Persons	Human Services	1,524,029
81.119	State Energy Program Special Projects	MS Development Authority	2,212
81.136	DOE Salmon Testing Site	Health	(275,139)
81.UN1	Petroleum Violation Escrow – Stripper Well	Treasury/MS Development	283,811
TOTAL U.S. DEPARTMENT OF ENERGY			\$ 2,007,362
<u>U.S. DEPARTMENT OF EDUCATION</u>			
84.002	Adult Education – Basic Grants to States	Board for Community and Junior Colleges	7,257,240

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA</u> <u>Number</u>	<u>State Agency/Federal Department /Program Name</u>		<u>Amount Passed to</u> <u>Subrecipients</u>	<u>Federal</u> <u>Expenditures/</u> <u>Distributions/</u> <u>Issuances</u>
84.010	Title I Grants to Local Educational Agencies	Education	177,108,829	206,141,728
84.011	Migrant Education – State Grant Program	Education	651,521	651,521
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	Education	419,358	422,938
84.048	Career and Technical Education – Basic Grants to States	Education	11,934,496	14,177,782
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	Rehabilitation Services	N/A	36,031,764
84.144	Migrant Education – Coordination Program	Education	N/A	46,925
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	Rehabilitation Services	N/A	300,869
84.181	Special Education – Grants for Infants and Families Supported Employment Services for Individuals with the Most Significant Disabilities	Health	581,047	3,347,142
84.187	Education for Homeless Children and Youth	Rehabilitation Services	N/A	63,820
84.196	Twenty-First Century Community Learning Centers	Education	540,663	540,663
84.287		Education	5,419,728	6,620,463
84.305	Education Research, Development and Dissemination	Education	N/A	400,519
84.323	Special Education – State Personnel Development Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	Education	926,155	934,263
84.330	Rural Education	Education	N/A	13,770
84.358	English Language Acquisition State Grants	Education	3,129,904	3,129,904
84.365	Mathematics and Science Partnerships	Education	1,187,764	1,187,764
84.366	Improving Teacher Quality State Grants	Education	191,184	1,709,948
84.367	Grants for State Assessments and Related Activities	Education	28,897,685	29,700,341
84.369	Statewide Data Systems	Education	N/A	1,426,605
84.372	Title IV-SSAE State Activities	Education	N/A	1,737,587
84.424		Education	N/A	1,432,359
SUBTOTAL				317,275,915
Special Education Cluster (IDEA)				
84.027	Special Education – Grants to States (IDEA, Part B)	Education	108,164,839	124,027,515
84.173	Special Education – Preschool Grants (IDEA, Preschool)	Education	3,045,685	3,045,685
Total Special Education Cluster (IDEA)				127,073,200
School Improvement Grants Cluster				
84.377	School Improvement Grants	Education	3,772,855	3,772,855
Total School Improvement Grants Cluster				3,772,855
TOTAL U.S. DEPARTMENT OF EDUCATION				\$ 448,121,970
GULF COAST ECOSYSTEM RESTORATION COUNCIL				
87.051	Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program	Environmental Quality	N/A	867,754
TOTAL GULF COAST ECOSYSTEM RESTORATION COUNCIL				\$ 867,754
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
93.041	Special Programs for the Aging – Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	Human Services	50,619	50,619
93.042	Special Programs for the Aging – Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	Human Services	107,441	107,441
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	Human Services	184,863	184,863
93.052	National Family Caregiver Support, Title III, Part E	Human Services	1,318,467	1,469,584
93.070	Environmental Public Health and Emergency Response	Health	193,534	426,209

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA</u> <u>Number</u>	<u>State Agency/Federal Department /Program Name</u>		<u>Amount Passed to</u> <u>Subrecipients</u>	<u>Federal</u> <u>Expenditures/</u> <u>Distributions/</u> <u>Issuances</u>
93.071	Medicare Enrollment Assistance Program	Human Services	78,816	427,660
93.072	Lifespan Respite Care Program	Human Services	N/A	13,772
93.073	Birth Defects and Developmental Disabilities – Prevention and Surveillance	Health	N/A	120,763
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Health	1,293,671	8,495,563
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	Education	N/A	62,304
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	Health	86,205	473,363
93.103	Food and Drug Administration – Research	Health	N/A	499,456
93.104	CXPD	Mental Health	1,004,995	1,157,461
93.110	Maternal and Child Health Federal Consolidated Programs	Health	N/A	256,192
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	Health	N/A	1,127,954
93.127	Emergency Medical Services for Children	Health	N/A	66,885
93.130	Cooperative Agreements to States / Territories for the Coordination and Development of Primary Care Offices	Health	13,819	164,940
93.136	Injury Prevention and Control Research and State and Community Based Programs	Health	245,180	414,390
93.137	Impact of Preschool Obesity Prevention Curriculum Enhanced with Positive Behavioral Support	Health	70,258	305,024
93.150	Projects for Assistance in Transition from Homelessness (PATH)	Mental Health	288,000	293,981
93.184	Surveillance for Health Promotion for Sickle Cell Disease	Health	N/A	7,767
93.217	Family Planning – Services	Health	N/A	4,920,061
93.235	Affordable Care Act (ACA) Abstinence Education Program	Human Services	1,140,268	1,398,690
93.236	Grants to States to Support Oral Health Workforce Activities	Health	35,000	711,194
93.241	State Rural Hospital Flexibility Program	Health	223,051	223,051
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	Mental Health	2,132,399	2,651,509
93.251	Universal Newborn Hearing Screening	Health	37,084	191,698
93.262	Occupational Safety and Health Program	Health	N/A	129,388
93.268 @	Immunization Cooperative Agreements	Health	19,010	44,319,488
93.270	Adult Viral Hepatitis Prevention and Control Centers for Disease Control and Prevention -	Health	38,720	144,772
93.283	Investigations and Technical Assistance State Partnership Grant Program to Improve Minority	Health	N/A	(474,169)
93.296	Health	Health	90,777	132,235
93.301	Small Rural Hospital Improvement Grant Program	Health	260,966	260,966
93.305	National State Based Tobacco Control Programs	Health	170,835	793,257
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	Health	N/A	96,454
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health	17,181	986,296
93.324	State Health Insurance Assistance Program	Human Services	499,945	558,684
93.336	Behavioral Risk Factor Surveillance System	Health	N/A	61,238
93.369	ACL Independent Living State Grants	Rehabilitation Services	N/A	242,261
93.464	ACL Assistive Technology	Rehabilitation Services	N/A	381,418
93.500	Pregnancy Assistance Fund Program	Health	16,500	400,257
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	Human Services	N/A	2,848,146
93.519	Affordable Care Act (ACA) – Consumer Assistance Program Grants	Insurance	N/A	64,231

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department /Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – Financed in Part by Prevention and		
93.521	Public Health Funds	177,456	709,888
93.539	Coordinated Chronic Disease Prevention and Health	N/A	9,145
93.544	Promoting Safe and Stable Families	N/A	193,017
93.556	Child Support Enforcement	2,362,103	3,327,776
93.563	Refugee and Entrant Assistance – State Administered Programs	N/A	22,555,860
93.566	Human Services	1,699,478	1,774,473
93.568	Low-Income Home Energy Assistance	37,531,637	39,857,768
93.569	Community Services Block Grants	11,076,853	11,576,378
93.586	State Court Improvement Program	N/A	502,963
93.590	Community-Based Child Abuse Prevention Grants	N/A	209,469
93.597	Grants to States for Access and Visitation Programs	45,501	92,457
	Chafee Education and Training Vouchers Program (ETV)		
93.599	Human Services	N/A	432,862
93.600	Head Start	N/A	175,000
93.603	Adoption Incentive Payments	N/A	97,447
	Developmental Disabilities Basic Support and		
93.630	Advocacy Grants	515,223	835,337
93.643	Children's Justice Grants to States	21,707	21,707
	Stephanie Tubbs Jones Child Welfare Services Program		
93.645	Human Services	N/A	5,956,848
93.658	Foster Care – Title IV-E	N/A	28,511,362
93.659	Adoption Assistance	N/A	12,688,455
93.667	Social Services Block Grant	10,856,877	25,870,283
93.669	Child Abuse and Neglect State Grants	N/A	58,517
	Family Violence Prevention and Services / Domestic Violence Shelter and Supportive Services		
93.671	Health	887,382	887,382
93.674	Chafee Foster Care Independence Program	892,536	1,242,836
	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – Financed in Part by the Prevention and Public Health Fund (PPHF)		
93.733	Health	35,233	407,433
	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)		
93.734	Health	N/A	262,170
	State Public Health Approaches for Ensuring Quitline Capacity – Funded in Part by Prevention and Public Health Funds (PPHF)		
93.735	Health	163,273	297,237
	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention And Public Health Fund		
93.745	Health	N/A	242,854
	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds		
93.752	Health	24,240	63,925
	Child Lead Poisoning Prevention Surveillance Financed in part by Prevention and Public Health (PPHF) Program		
93.753	Health	N/A	141,682
	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)		
93.757	Health	312,740	2,291,041
	Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		
93.758	Health	102,858	2,214,502
93.767	Children's Health Insurance Program	N/A	243,332,335
93.788	Opioid STR	2,357,203	2,855,026

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT FOR THE YEAR ENDED JUNE 30, 2018

			Federal	
CFDA			Amount Passed to	Expenditures/
Number	State Agency/Federal Department /Program Name		Subrecipients	Distributions/
				Issuances
93.791	Money Follows the Person Rebalancing Demonstration	Medicaid	N/A	3,207,789
93.796	LIC and Cert 16-18	Medicaid	N/A	3,437,067
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Health	235,483	402,384
93.816	Preventing Heart Attacks and Strokes in High Need Areas	Health	817,749	3,053,402
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	Health	N/A	(513)
93.881	The Health Insurance Enforcement and Consumer Protections Grant Program	Insurance	N/A	216,588
93.898	Cancer Prevention	Health	22,035	2,196,660
93.913	Grants to States for Operation of Offices of Rural Health	Health	40,000	160,447
93.917	HIV Care Formula Grants	Health	631,915	19,878,387
93.940	HIV Prevention Activities – Health Department Based	Health	585,690	3,486,159
93.944	Immunodeficiency Virus Syndrome (AIDS) Surveillance	Health	80,018	765,253
93.945	Assistance Programs for Chronic Disease Prevention and Control	Health	N/A	(16,613)
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	Health	11,062	161,970
93.958	Block Grants for Community Mental Health Services	Mental Health	4,018,701	4,018,701
93.959	Block Grants for Prevention and Treatment of Substance Abuse	Mental Health	12,187,798	12,187,798
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants	Health	120,736	1,955,158
93.988	Behavioral Risk Factor Surveillance System	Health	N/A	13,056
93.991	Preventive Health and Health Services Block Grant	Health	N/A	217,206
93.994	Maternal and Child Health Services Block Grant to the States	Health	676,685	10,098,500
SUBTOTAL				552,302,150
Aging Cluster				
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	Human Services	4,659,441	4,659,441
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services	Human Services	4,351,548	5,282,572
93.053	Nutrition Services Incentive Program	Human Services	1,416,476	1,558,376
Total Aging Cluster				11,500,389
TANF Cluster				
93.558	Temporary Assistance for Needy Families (TANF) State Programs	Human Services	54,712,363	114,168,253
Total TANF Cluster				114,168,253
CCDF Cluster				
93.575	Child Care and Development Block Grant	Human Services	7,525,877	45,643,405
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Human Services	1,775,605	17,138,304
Total CCDF Cluster				62,781,709
Medicaid Cluster				
93.775	State Medicaid Fraud Control Units	Attorney General	N/A	2,642,348
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	Health / Medicaid	N/A	2,469,711
93.778	Medical Assistance Program	Medicaid	N/A	4,173,947,560
Total Medicaid Cluster				4,179,059,619
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$	4,919,812,120

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department /Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/ Distributions/ Issuances</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
94.016	Senior Companion Program Human Services	N/A	213,297
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			\$ 213,297
<u>EXECUTIVE OFFICE OF THE PRESIDENT</u>			
95.001	High Intensity Drug Trafficking Areas Program Public Safety	N/A	1,739,944
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT			\$ 1,739,944
<u>SOCIAL SECURITY ADMINISTRATION</u>			
96.008	Social Security – Work Incentives Planning and Assistance Program Rehabilitation Services	N/A	267,429
SUBTOTAL			267,429
<u>Disability Insurance / SSI Cluster</u>			
96.001	Social Security – Disability Insurance (DI) Rehabilitation Services	N/A	25,792,008
Total Disability Insurance / SSI Cluster			25,792,008
TOTAL SOCIAL SECURITY ADMINISTRATION			\$ 26,059,437
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
97.001	Mississippi Interoperable Communications Grant Public Safety	94,661	2,591,292
97.012	Boating Safety Financial Assistance Wildlife, Fisheries and Parks	N/A	1,706,451
97.023	Community Assistance Program State Support Services Element (CAP-SSSE) Emergency Management	N/A	5,708,330
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters) Emergency Management	46,321,843	81,479,296
97.039	Hazard Mitigation Grant Emergency Management	9,055,573	18,536,849
97.041	National Dam Safety Program Environmental Quality	N/A	393,236
97.042	Emergency Management Performance Grants Emergency Management	N/A	(5,243)
97.043	State Fire Training Systems Grants Insurance	N/A	12,661
97.044	Assistance to Firefighter Grant Insurance	N/A	382,500
97.045	Cooperating Technical Partners Environmental Quality	N/A	1,296,814
97.056	FY16 Port Security Grant Public Safety	N/A	180,556
97.067	Homeland Security Grant Program Public Safety	580,558	3,889,466
97.082	Earthquake Consortium Emergency Management	N/A	(226)
97.089	Driver's License Security Grant Program Public Safety	590,768	5,375,223
97.120	FY 2018 First Hands Insurance	N/A	10,053
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ 121,557,258
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,721,236,877

EXPLANATION OF FOOTNOTE REFERENCE:

Program Number with UN denotes unknown CFDA numbers.

Programs which expended funds under the American Recovery and Reinvestment Act of 2009 are identified using "ARRA" in the program name.

The total expenditures for CFDA No. 17.225 include state expenditures of \$73,437,369 and federal expenditures of \$42,244,656.

@ Denotes federal programs with noncash benefits.

(This page left blank intentionally.)

Schedule of Expenditures of Federal Awards by State Grantee Agency



(This page left blank intentionally.)

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
Agriculture and Commerce			
U.S. DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	N/A	\$ 190,117
10.163	Market Protection and Promotion	N/A	39,600
10.170	Specialty Crop Block Grant Program – Farm Bill	218,438	264,447
10.171	National Organic Certification Cost Share Program	N/A	750
10.331	Food Insecurity Nutrition Incentive Grants Program	N/A	3,528
	Cooperative Agreements with States for Intrastate Meat and Poultry		
10.475	Inspection	N/A	1,680,662
10.680	Forest Health Protection	N/A	14,978
10.902	Soil and Water Conservation	N/A	26,094
10.950	Agricultural Statistics Reports	N/A	37,500
	Total U.S. DEPARTMENT OF AGRICULTURE		2,257,676
ENVIRONMENTAL PROTECTION AGENCY			
66.605	Performance Partnership Grants	N/A	451,853
	TOTAL Agriculture and Commerce		\$ 2,709,529
Animal Health			
U.S. DEPARTMENT OF AGRICULTURE			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	8,000	717,366
DEPARTMENT OF HOMELAND SECURITY			
97.067	Homeland Security	N/A	1,078
	TOTAL Animal Health		\$ 718,444
Archives and History			
U.S. DEPARTMENT OF THE INTERIOR			
15.904	Historic Preservation Fund Grants-In-Aid	73,808	757,457
15.928	Civil War Battlefield Land Acquisition Grants	N/A	405,853
	Total U.S. DEPARTMENT OF THE INTERIOR		1,163,310
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.149	Promotion of the Humanities – Division of Preservation and Access		
45.168	National Digital Newspaper Program	N/A	101,572
45.301	Museums for America	N/A	7,092
	Total NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES		108,664
	TOTAL Archives and History		\$ 1,271,974
Arts Commission			
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.025	Promotion of the Arts - Partnership Agreements	740,100	771,031
	TOTAL Arts Commission		\$ 771,031
Attorney General			
U.S. DEPARTMENT OF JUSTICE			
16.543	Missing Children's Assistance	N/A	321,675
16.576	Crime Victim Compensation	N/A	448,711
	Grants to Encourage Arrest Policies and Enforcement of Protection Orders		
16.590	Program	N/A	110,161
16.816	John R. Justice Prosecutors and Defenders Incentive Act	N/A	35,257
	Total U.S. DEPARTMENT OF JUSTICE		915,804

(continued)

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.775	State Medicaid Fraud Control Units	N/A	2,642,348
TOTAL Attorney General			\$ 3,558,152
Board for Community and Junior Colleges			
U.S. DEPARTMENT OF EDUCATION			
84.002	Adult Education – Basic Grants to States	2,397,723	7,257,240
TOTAL Board for Community and Junior Colleges			\$ 7,257,240
Education			
U.S. DEPARTMENT OF AGRICULTURE			
10.553	School Breakfast Program (SBP)	64,377,574	64,377,574
10.555 @	National School Lunch Program (NSLP)	172,026,360	192,994,346
10.556	Special Milk Program for Children (SMP)	3,891	3,891
10.558	Child and Adult Care Food Program	49,879,878	49,915,114
10.559	Summer Food Service Program for Children (SFSPC)	6,985,369	6,985,369
10.560	State Administrative Expenses for Child Nutrition	N/A	3,733,437
10.579	Child Nutrition Discretionary Grants Limited Availability	600,634	600,634
10.582	Fresh Fruit and Vegetable Program	1,898,320	1,898,320
Total U.S. DEPARTMENT OF AGRICULTURE			320,508,685
APPALACHIAN REGIONAL COMMISSION			
23.011	Career Team ARC Grant - CTE	810,000	910,000
U.S. DEPARTMENT OF EDUCATION			
84.010	Title I Grants to Local Educational Agencies	177,108,829	206,141,728
84.011	Migrant Education – State Grant Program	651,521	651,521
	Title I State Agency Program for Neglected and Delinquent Children and Youth		
84.013		419,358	422,938
84.027	Special Education – Grants to States (IDEA, Part B)	108,164,839	124,027,515
84.048	Career and Technical Education – Basic Grants to States	11,934,496	14,177,782
84.144	Migrant Education – Coordination Program	N/A	46,925
84.173	Special Education – Preschool Grants (IDEA, Preschool)	3,045,685	3,045,685
84.196	Education for Homeless Children and Youth	540,663	540,663
84.287	Twenty-First Century Community Learning Centers	5,419,728	6,620,463
84.305	Education Research, Development and Dissemination	N/A	400,519
84.323	Special Education – State Personnel Development	926,155	934,263
	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement		
84.330	Placement	N/A	13,770
84.358	Rural Education	3,129,904	3,129,904
84.365	English Language Acquisition State Grants	1,187,764	1,187,764
84.366	Mathematics and Science Partnerships	191,184	1,709,948
84.367	Improving Teacher Quality State Grants	28,897,685	29,700,341
84.369	Grants for State Assessments and Related Activities	N/A	1,426,605
84.372	Statewide Data Systems	N/A	1,737,587
84.377	School Improvement Grants	3,772,855	3,772,855
84.424	Title IV - SSAE State Activities	N/A	1,432,359
Total U.S. DEPARTMENT OF EDUCATION			401,121,135
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	N/A	62,304
TOTAL Education			\$ 722,602,124

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
Emergency Management			
U.S. DEPARTMENT OF TRANSPORTATION			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	N/A	44,947
DEPARTMENT OF HOMELAND SECURITY			
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	N/A	5,708,330
97.036	Disaster Grants – Public Assistance(Presidentially Declared Disasters)	46,321,843	81,327,195
97.039	Hazard Mitigation Grant	9,055,573	18,536,849
97.042	Emergency Management Performance Grants	N/A	(5,243)
97.082	Earthquake Consortium	N/A	(226)
Total DEPARTMENT OF HOMELAND SECURITY			105,566,905
TOTAL Emergency Management			\$ 105,611,852
Employment Security			
U.S. DEPARTMENT OF LABOR			
17.002	Labor Force Statistics	N/A	715,889
17.207	Employment Service / Wagner-Peyser Funded Activities	N/A	4,169,701
17.225 #	Unemployment Insurance	N/A	115,682,025
17.235	Senior Community Service Employment Program	702,894	754,295
17.245	Trade Adjustment Assistance	N/A	442,903
17.258	WIA Adult Program	7,602,934	8,905,918
17.259	WIA Youth Activities	7,888,409	8,917,286
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	223,944	782,411
17.268	Alien Labor Cert	N/A	26,523
17.271	Work Opportunity Tax Credit Program (WOTC)	N/A	93,393
17.273	Temporary Labor Certification for Foreign Workers	N/A	101,589
17.277	Workforce Investment Act (WIA) National Emergency Grants	N/A	26,502
17.278	WIA Dislocated Worker Formula Grants	9,131,771	10,630,887
	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	N/A	14,062
17.285	Apprenticeship USA Grants	368,603	433,296
17.801	Disabled Veterans' Outreach Program (DVOP)	N/A	1,229,809
17.804	Local Veterans' Employment Representative (LVER) Program	N/A	171,071
Total U.S. DEPARTMENT OF LABOR			153,097,560
TOTAL Employment Security			\$ 153,097,560
Environmental Quality			
U.S. DEPARTMENT OF DEFENSE			
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	N/A	156,982
U.S. DEPARTMENT OF THE INTERIOR			
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	N/A	157,120
15.252	Abandoned Mine Land Reclamation (AMLR) Program	N/A	61,825
15.608	Fish and Wildlife Management Assistance	N/A	65,563
15.808	U.S. Geological Survey – Research and Data Collection	N/A	64,724
15.810	National Cooperative Geologic Mapping Program	N/A	51,054
15.981	Water Use and Data Research	N/A	28,082
Total U.S. DEPARTMENT OF THE INTERIOR			428,368
U.S. DEPARTMENT OF LABOR			
17.600	Mine Health and Safety Grants	N/A	37,516

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
U.S. DEPARTMENT OF THE TREASURY			
21.015	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast	2,922,134	6,169,965
ENVIRONMENTAL PROTECTION AGENCY			
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	N/A	328,813
66.040	State Clean Diesel Grant Program	267,972	405,370
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	N/A	309,473
66.454	Water Quality Management Planning	N/A	105,481
66.458	Capitalization Grants for Clean Water State Revolving Funds	N/A	357,122
66.460	Nonpoint Source Implementation Grants	943,856	2,294,833
66.472	Beach Monitoring and Notification Program Implementation Grants	N/A	249,056
66.605	Performance Partnership Grants	N/A	6,848,652
66.606	Surveys, Studies, Investigations and Special Purpose Grants	N/A	98,892
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	N/A	84,138
	TSCA Title IV State Lead Grants Certification of Lead-Based Paint		
66.707	Professionals	N/A	380,970
66.708	Pollution Prevention Grants Program	N/A	85,979
	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		
66.802		N/A	159,030
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	N/A	368,537
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	N/A	944,228
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	N/A	33,727
Total ENVIRONMENTAL PROTECTION AGENCY			13,054,301
GULF COAST ECOSYSTEM RESTORATION COUNCIL			
87.051	Gulf Coast Ecosystem Restoration Council Comprehensive Plan Component Program	N/A	867,754
Total GULF COAST ECOSYSTEM RESORATION COUNCIL			867,754
DEPARTMENT OF HOMELAND SECURITY			
97.041	National Dam Safety Program	N/A	393,236
97.045	Cooperating Technical Partners	N/A	1,296,814
Total DEPARTMENT OF HOMELAND SECURITY			1,690,050
TOTAL Environmental Quality			\$ 22,404,936
Finance and Administration			
GENERAL SERVICES ADMINISTRATION			
39.003 @	Donation of Federal Surplus Personal Property	N/A	559,454
TOTAL Finance and Administration			\$ 559,454
Forestry Commission			
U.S. DEPARTMENT OF AGRICULTURE			
10.664	Cooperative Forestry Assistance	N/A	1,845,971
TOTAL Forestry Commission			\$ 1,845,971
Governor's Office			
U.S. DEPARTMENT OF COMMERCE			
11.557	ARRA – Recovery Act – Mississippi Education, Safety and Health Network	5,723,865	9,599,060
Total U.S. DEPARTMENT OF COMMERCE			9,599,060

(continued)

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.600	Head Start	N/A	175,000
TOTAL Governor's Office			\$ 9,774,060
Health			
U.S. DEPARTMENT OF AGRICULTURE			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	2,743,662	72,159,923
10.565	Commodity Supplemental Food Program	822,792	956,793
10.578	WIC Grants to States (WGS)	72,369	285,419
Total U.S. DEPARTMENT OF AGRICULTURE			73,402,135
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.241	Housing Opportunities for Persons with AIDS Program	N/A	312,507
DEPARTMENT OF JUSTICE			
16.017	FY 2016 SAS Formula Project	161,866	274,110
16.575	Crime Victim Assistance	13,141,600	15,330,826
16.582	Crime Victim Assistance/Discretionary Grants	8,358	8,358
16.588	Violence Against Women Formula Grants	1,020,822	1,451,710
16.754	Harold Rogers Prescription Monitoring	N/A	37,589
Total DEPARTMENT OF JUSTICE			17,102,593
U.S. DEPARTMENT OF LABOR			
17.005	Compensation and Working Conditions	N/A	119
ENVIRONMENTAL PROTECTION AGENCY			
66.032	State Indoor Radon Grants	N/A	18,624
66.204	Multipurpose Grants to States and Tribes	N/A	22,675
66.432	State Public Water System Supervision	N/A	1,052,618
66.468	Capitalization Grants for Drinking Water State Revolving Funds	N/A	12,483,809
Total ENVIRONMENTAL PROTECTION AGENCY			13,577,726
U.S. DEPARTMENT OF ENERGY			
81.136	DOE Salmon Testing Site	N/A	(275,139)
U.S. DEPARTMENT OF EDUCATION			
84.181	Special Education – Grants for Infants and Families	581,047	3,347,142
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.070	Environmental Public Health and Emergency Response Surveillance, Intervention, and Referral to Services Activities for Infants with Microphaly or Other Adverse Outcomes linked with The Zika Virus Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness(PHEP) Aligned Cooperative Agreements	193,534	426,209
93.073	Affordable Care Act (ACA) Personal Responsibility Education Program	N/A	120,763
93.074	Food and Drug Administration – Research	1,293,671	8,495,563
93.092	Maternal and Child Health Federal Consolidated Programs	86,205	473,363
93.103	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	N/A	499,456
93.110	Emergency Medical Services for Children	N/A	256,192
93.116	Cooperative Agreements to States / Territories for the Coordination and Development of Primary Care Offices	N/A	1,127,954
93.127	Injury Prevention and Control Research and State and Community Based Programs	N/A	66,885
93.130	Impact of Preschool Obesity Prevention Curriculum Enhanced with Positive Behavioral Supports	13,819	164,940
93.136	Surveillance for Health Promotion for Sickle Cell Disease	245,180	414,390
93.137	Family Planning – Services	70,258	305,024
93.184	Grants to States to Support Oral Health Workforce Activities	N/A	7,767
93.217		N/A	4,920,061
93.236		35,000	711,194

(continued)

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA</u>		<u>Amount Passed to</u>	<u>Federal</u>
<u>Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Subrecipients</u>	<u>Expenditures/Distributions</u>
			<u>/Issuances</u>
93.241	State Rural Hospital Flexibility Program	223,051	223,051
93.251	Universal Newborn Hearing Screening	37,084	191,698
93.262	Occupational Safety and Health Program	N/A	129,388
93.268 @	Immunization Cooperative Agreements	19,010	44,319,488
93.270	Adult Viral Hepatitis Prevention and Control	38,720	144,772
	Centers for Disease Control and Prevention –Investigations and Technical Assistance	N/A	(474,169)
93.283	State Partnership Grant Program to Improve Minority Health	90,777	132,235
93.301	Small Rural Hospital Improvement Grant Program	260,966	260,966
93.305	National State Based Tobacco Control Programs	170,835	793,257
	Early Hearing Detection and Intervention Information System (EHDI-IS)		
93.314	Surveillance Program	N/A	96,454
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	17,181	986,296
93.336	Behavioral Risk Factor Surveillance System	N/A	61,238
93.500	Pregnancy Assistance Fund Program	16,500	400,257
	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP)		
93.521	Cooperative Agreements; PPHF	177,456	709,888
	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - Financed in Part by Prevention and Public Health Funds	N/A	9,145
93.539	Coordinated Preventive Health Project Enhanced	N/A	193,017
93.548	Family Violence Prevention and Services / Domestic Violence Shelter and Supportive Services	887,382	887,382
	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure And Performance – Financed in Part by the Prevention and Public Health Fund (PPHF)	35,233	407,433
93.733	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	N/A	262,170
93.734	State Public Health Approaches for Ensuring Quitline Capacity – Collection of Random Sample Telephone Interview Data for the Behavioral Risk Factor	163,273	297,237
93.745	Cancer Prevention and Control Programs for State	N/A	242,854
93.752	Child Lead Poisoning Prevention Surveillance Financed in Part by Prevention and Public Health Program (PPHF)	24,240	63,925
93.753	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease And Stroke (PPHF)	N/A	141,682
93.757	Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	312,740	2,291,041
93.758	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	102,858	2,214,502
93.777	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	N/A	2,469,711
93.815	Mississippi Delta Health Collaborative	235,483	402,384
93.816	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	817,749	3,053,402
93.817	Cancer Prevention	N/A	(513)
93.898	Grants to States for Operation of Offices of Rural Health	22,035	2,196,660
93.913	HIV Care Formula Grants	40,000	160,447
93.917	HIV Prevention Activities – Health Department Based	631,915	19,878,387
93.940	Human Immunodeficiency Virus (HIV) / Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	585,690	3,486,159
93.944	Assistance Programs for Chronic Disease Prevention and Control	80,018	765,253
93.945	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	N/A	(16,613)
93.946	Preventive Health Services – Sexually Transmitted Diseases Control	11,062	161,970
93.977	Grants	120,736	1,955,158
93.988	Behavioral Risk Factor Surveillance System	N/A	13,056
93.991	Preventive Health and Health Services Block Grant	N/A	217,206

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
93.994	Maternal and Child Health Services Block Grant to the States	676,685	10,098,500
	Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		117,816,135
	TOTAL Health		225,283,218
Human Services			
U.S. DEPARTMENT OF AGRICULTURE			
10.535	USDA SNAP Integrity Education	N/A	40,652
10.551	Supplemental Nutrition Assistance Program (SNAP)	N/A	701,738,297
	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		
10.561	Emergency Food Assistance Program (Administrative Costs)	4,447,402	26,866,299
10.568	Emergency Food Assistance Program (Food Commodities)	1,252,574	1,289,270
10.569 @	Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	N/A	6,044,881
10.596		N/A	1,586,756
	Total U.S. DEPARTMENT OF AGRICULTURE		737,566,155
U.S. DEPARTMENT OF JUSTICE			
16.812	Second Chance Act Reentry Initiative	N/A	39,801
U.S. DEPARTMENT OF ENERGY			
81.042	Weatherization Assistance for Low-Income Persons	1,284,866	1,524,029
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	50,619	50,619
93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long-Term Care Ombudsman Services for Older Individuals	107,441	107,441
93.043	Special Programs for the Aging – Title III, Part D – Disease Prevention and Health Promotion Services	184,863	184,863
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	4,659,441	4,659,441
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services	4,351,548	5,282,572
93.052	National Family Caregiver Support, Title III, Part E	1,318,467	1,469,584
93.053	Nutrition Services Incentive Program	1,416,476	1,558,376
93.071	Medicare Enrollment Assistance Program	78,816	427,660
93.072	Lifecare Respite Care Program	N/A	13,772
93.235	Affordable Care Act (ACA) Abstinence Education Program	1,140,268	1,398,690
93.324	State Health Insurance Assistance Program	499,945	558,684
	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	N/A	2,848,146
93.505	Promoting Safe and Stable Families	2,362,103	3,327,776
93.556	Temporary Assistance for Needy Families (TANF) State Programs	54,712,363	114,168,253
93.558	Child Support Enforcement	N/A	22,555,860
93.563	Refugee and Entrant Assistance – State Administered Programs	1,699,478	1,774,473
93.566	Low-Income Home Energy Assistance	37,531,637	39,857,768
93.568	Community Services Block Grants	11,076,853	11,576,378
93.575	Child Care and Development Block Grant	7,525,877	45,643,405
93.590	Community-Based Child Abuse Prevention Grants	N/A	209,469
	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	1,775,605	17,138,304
93.596	Grants to States for Access and Visitation Programs	45,501	92,457
93.597	Chafee Education and Training Vouchers Program (ETV)	N/A	432,862
93.599	Adoption Incentive Payments	N/A	97,447
93.603	Children's Justice Grants to States	21,707	21,707
93.643	Stephanie Tubbs Jones Child Welfare Services Program	N/A	5,956,848
93.645	Foster Care – Title IV-E	N/A	28,511,362
93.658	Adoption Assistance	N/A	12,688,455
93.659	Social Services Block Grant	10,856,877	25,870,283
93.667	Child Abuse and Neglect State Grants	N/A	58,517

(continued)

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY

FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
93.674	Chafee Foster Care Independence Program	892,536	1,242,836
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			349,784,308
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
94.016	Senior Companion Program		213,297
TOTAL Human Services			\$ 1,089,127,590
Insurance			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.519	Affordable Care Act (ACA) – Consumer Assistance Program Grants	N/A	64,231
93.881	The Health Insurance Enforcement and Consumer Protections Grant Program	N/A	216,588
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			280,819
DEPARTMENT OF HOMELAND SECURITY			
97.043	State Fire Training Systems Grants	N/A	12,661
97.044	Assistance to Firefighters Grant	N/A	382,500
97.120	FY 2018 First Hands	N/A	10,053
Total U.S. DEPARTMENT OF HOMELAND SECURITY			405,214
TOTAL Insurance			\$ 686,033
Library Commission			
NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			
45.310	Grants to States	439,604	1,528,841
TOTAL Library Commission			\$ 1,528,841
Marine Resources			
U.S. DEPARTMENT OF COMMERCE			
11.407	Interjurisdictional Fisheries Act of 1986	N/A	105,725
11.419	Coastal Zone Management Administration Awards	N/A	942,032
11.420	Coastal Zone Management Estuarine Research Reserves	N/A	741,463
11.434	Cooperative Fishery Statistics	N/A	74,889
11.454	Unallied Management Projects	N/A	1,153,441
11.472	Creation of a Mobile Single Set Production System for the Easter Oyster	N/A	30,888
Total U.S. DEPARTMENT OF COMMERCE			3,048,438
U.S. DEPARTMENT OF THE INTERIOR			
15.426	Coastal Impact Assistance Program (CIAP)	N/A	97,344
15.605	Sport Fish Restoration Program	238,890	914,314
15.616	Agriculture Wool Apparel Manufacturers Trust Fund	N/A	41,124
15.622	Sportfishing and Boating Safety Act	N/A	135,002
15.630	Coastal Program	N/A	1,364
15.668	Coastal Impact Assistance Program	N/A	519,880
15.939	National Heritage Area Federal Financial Assistance	N/A	416,019
Total U.S. DEPARTMENT OF THE INTERIOR			2,125,047
U.S. DEPARTMENT OF JUSTICE			
16.605	SF Coordination FY15	N/A	467
DEPARMENT OF TREASURY			
21.015	Off-Bottom Oyster Aquaculture	N/A	164,051
DEPARTMENT OF HOMELAND SECURITY			
97.067	MS Homeland Security Grant	N/A	44,224
TOTAL Marine Resources			\$ 5,382,227

(continued)

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
Medicaid			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.767	Children's Health Insurance Program	N/A	243,332,335
93.778	Medical Assistance Program	N/A	4,173,947,560
93.791	Money Follows the Person Rebalancing Demonstration	N/A	3,207,789
93.796	LIC & CERT	N/A	3,437,067
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			4,423,924,751
TOTAL Medicaid			\$ 4,423,924,751
Mental Health			
DEPARTMENT OF JUSTICE			
16.812	Second Chance Act Reentry Initiative	81,848	114,996
Total U.S. DEPARTMENT OF JUSTICE			114,996
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.104	CXPD	1,004,995	1,157,461
93.150	Projects for Assistance in Transition from Homelessness (PATH)	288,000	293,981
	Substance Abuse and Mental Health Services – Projects of Regional and		
93.243	National Significance	2,132,399	2,651,509
93.630	Developmental Disabilities Basic Support and Advocacy Grants	515,223	835,337
93.788	Opioid STR	2,357,203	2,855,026
93.958	Block Grants for Community Mental Health Services	4,018,701	4,018,701
93.959	Block Grants for Prevention and Treatment of Substance Abuse	12,187,798	12,187,798
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			23,999,813
TOTAL Mental Health			\$ 24,114,809
Military Department			
U.S. DEPARTMENT OF DEFENSE			
12.400	Military Construction, National Guard	N/A	21,120,909
12.401	National Guard Military Operations and Maintenance (O&M) Projects	N/A	67,031,954
12.404	National Guard Challenge Program	N/A	4,006,410
Total U.S. DEPARTMENT OF DEFENSE			92,159,273
TOTAL Military Department			\$ 92,159,273
MS Development Authority			
U.S. DEPARTMENT OF DEFENSE			
12.002	Procurement Technical Assistance For Business Firms	150,667	380,812
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
14.228	Community Development Block Grants / State's Program	100,741,087	132,753,067
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			132,753,067
APPALACHIAN REGIONAL COMMISSION			
23.002	Appalachian Area Development	7,971,592	9,736,436
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects	5,000	131,727
Total APPALACHIAN REGIONAL COMMISSION			9,868,163
SMALL BUSINESS ADMINISTRATION			
59.061	State Trade and Export Promotion Pilot Grant Program	N/A	500,598
U.S. DEPARTMENT OF ENERGY			
81.041	State Energy Program	N/A	472,449

(continued)

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
81.119	State Energy Program Special Projects	N/A	2,212
81.UN1	Petroleum Violation Escrow—Stripper Well	N/A	283,811
	Total U.S. DEPARTMENT OF ENERGY		758,472
	TOTAL MS Development Authority		\$ 144,261,112
Oil and Gas Board			
	ENVIRONMENTAL PROTECTION AGENCY		
66.433	State Underground Water Source Protection	N/A	76,500
	TOTAL Oil and Gas Board		\$ 76,500
Board of Pharmacy			
	U.S. DEPARTMENT OF JUSTICE		
16.754	Harold Rogers Prescription Monitoring	N/A	124,252
	TOTAL Board of Pharmacy		\$ 124,252
Public Safety			
	U.S. DEPARTMENT OF JUSTICE		
16.017	Sexual Assault Services Formula Program	31,250	31,250
16.523	Juvenile Accountability Block Grants	13,500	30,259
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	28,783	194,632
16.554	National Criminal History Improvement Program (NCHIP)	N/A	369,875
	National Institute of Justice Research, Evaluation, and Development Project		
16.560	Grants	N/A	222,309
16.588	Violence Against Women Formula Grants	N/A	(229,186)
16.593	Residential Substance Abuse Treatment for State Prisoners	22,656	75,472
16.738	Edward Byrne Memorial Justice Assistance Grant Program	57,286	1,216,661
16.741	DNA Backlog Reduction Program	N/A	413,268
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	10,420	672,756
16.750	2016 Adam Walsh/Sorna Implementation 615A	N/A	20,568
16.922	Equitable Sharing Program	N/A	357,152
16.UN1	DEA Task Force	N/A	72,110
16.UN5	U.S. Marshall Service	N/A	8,087
	Total U.S. DEPARTMENT OF JUSTICE		3,455,213
	U.S. DEPARTMENT OF TRANSPORTATION		
20.218	National Motor Carrier Safety	N/A	3,772,819
20.232	Commercial Driver's License Program Improvement Grant	N/A	722,819
20.600	State and Community Highway Safety	1,495,657	5,166,493
20.607	Alcohol Open Container Requirements	N/A	10,420
	National Highway Traffic Safety Administration Discretionary Safety Grants		
20.614	and Cooperative Agreements	N/A	86,182
	Total U.S. DEPARTMENT OF TRANSPORTATION		9,758,733
	EXECUTIVE OFFICE OF THE PRESIDENT		
95.001	High Intensity Drug Trafficking Areas Program	N/A	1,739,944
	DEPARTMENT OF HOMELAND SECURITY		
97.001	Mississippi Interoperable Communications Grant	94,661	2,591,292
97.056	FY16 Port Security Grant	N/A	180,556
97.067	Homeland Security Grant Program	580,558	3,844,164
97.089	Driver's License Security Grant Program	590,768	5,375,223
	Total DEPARTMENT OF HOMELAND SECURITY		11,991,235
	TOTAL Public Safety		\$ 26,945,125

(continued)

See accompanying Notes to the Schedules of Expenditures of Federal Awards 34

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
Public Service Commission			
U.S. DEPARTMENT OF TRANSPORTATION			
20.700	Pipeline Safety Program Base Grant	N/A	379,390
20.720	Damage Prevention	N/A	72,500
20.721	811 One Call	N/A	27,043
TOTAL Public Service Commission			\$ 478,933
Rehabilitation Services			
U.S. DEPARTMENT OF EDUCATION			
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	N/A	36,031,764
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	N/A	300,869
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	N/A	63,820
Total U.S. DEPARTMENT OF EDUCATION			36,396,453
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.369	ACL Independent Living State Grants	N/A	242,261
93.464	ACL Assistive Technology	N/A	381,418
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			623,679
SOCIAL SECURITY ADMINISTRATION			
96.001	Social Security – Disability Insurance (DI)	N/A	25,792,008
96.008	Social Security – Work Incentives Planning and Assistance Program	N/A	267,429
Total SOCIAL SECURITY ADMINISTRATION			26,059,437
TOTAL Rehabilitation Services			\$ 63,079,569
Soil and Water Conservation Commission			
U.S. DEPARTMENT OF AGRICULTURE			
10.069	CRP Plan Development	N/A	10,347
10.902	Soil and Water Conservation	806,728	1,640,144
10.904	Rocky Carter Bayou	N/A	220,747
10.912	Ecological Site Description/GLCI 113	N/A	7,839
10.913	WQ Liaison	N/A	33,898
10.916	NRCS Watershed Rehabilitation Program	N/A	58,315
10.932	Regional Conservation Partnership Program	N/A	16,400
TOTAL Soil and Water Conservation Commission			\$ 1,987,690
Supreme Court			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
93.586	State Court Improvement Program	N/A	502,963
TOTAL Supreme Court			\$ 502,963
Transportation			
U.S. DEPARTMENT OF TRANSPORTATION			
20.200	Highway Research and Development Program	N/A	43,455
20.205	Highway Planning and Construction	39,496,176	519,731,750
20.219	Recreational Trails Program	N/A	7,489
20.237	C/VISION Grant	N/A	1,309,713
20.314	Railroad Development	N/A	176,950
20.240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	N/A	4,477
20.509	Formula Grants for Rural Areas	14,626,980	17,997,537
20.513	Enhanced Mobility for Seniors and Individuals with Disabilities	2,034,004	2,034,004

(continued)

STATE OF MISSISSIPPI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY STATE GRANTEE AGENCY FOR THE YEAR ENDED JUNE 30, 2018

<u>CFDA Number</u>	<u>State Agency/Federal Department/Program Name</u>	<u>Amount Passed to Subrecipients</u>	<u>Federal Expenditures/Distributions /Issuances</u>
20.516	Job Access and Reverse Commute Program	222,706	222,706
20.526	Bus and Bus Facilities Formula Program	382,510	966,391
20.933	National Infrastructure Investments	3,651,022	7,507,111
Total U.S. DEPARTMENT OF TRANSPORTATION			550,001,583
TOTAL Transportation			\$ 550,001,583
Treasury			
U.S. DEPARTMENT OF AGRICULTURE			
10.665	Schools and Roads – Grants to States	N/A	5,334,256
TOTAL Treasury			\$ 5,334,256
Veterans Affairs Board			
U.S. DEPARTMENT OF VETERANS AFFAIRS			
64.124	All-Volunteer Force Educational Assistance	N/A	129,105
64.203	Veteran's Cemetery Grants Program	N/A	77,567
TOTAL Veterans Affairs Board			\$ 206,672
Wildlife, Fisheries and Parks			
U.S. DEPARTMENT OF DEFENSE			
12.106	Flood Control Projects (Passed-through from the U.S. Army Corps of Engineers). Identifying numbers assigned DACW38-91-H-0007, DACW01-3-92-0411, DACW38-3-09-176, DACW01-3-91-0500, DACW01-3-96-0023, DACW38-3-12-9, and DACW01-3-92-0410.	N/A	1,686,847
U.S. DEPARTMENT OF THE INTERIOR			
15.605	Sport Fish Restoration Program	148,530	2,859,394
15.611	Wildlife Restoration and Basic Hunter Education	295,815	25,537,431
15.615	Cooperative Endangered Species Conservation Fund	34,885	101,644
15.634	State Wildlife Grants	N/A	310,876
15.657	Endangered Species Conservation – Recovery Implementation Funds	N/A	29,383
15.916	Outdoor Recreation – Acquisition, Development and Planning	799,548	799,548
Total U.S. DEPARTMENT OF THE INTERIOR			29,638,276
U.S. DEPARTMENT OF TRANSPORTATION			
20.219	Recreational Trails Program	582,942	665,478
DEPARTMENT OF HOMELAND SECURITY			
97.012	Boating Safety Financial Assistance	N/A	1,706,451
97.036	FEMA-1604-DR (KAWP)	N/A	152,101
Total U.S. DEPARTMENT OF HOMELAND SECURITY			1,858,552
TOTAL Wildlife, Fisheries and Parks			\$ 33,849,153
TOTAL EXPENDITURES OF FEDERAL AWARDS:			\$ 7,721,236,877

EXPLANATION OF FOOTNOTE REFERENCE:

Program Number with UN denotes unknown CFDA numbers.

Programs which expended funds under the American Recovery and Reinvestment Act of 2009 are identified using "ARRA" in the program name

The total expenditures for CFDA No. 17.225 include state expenditures of \$73,437,369 and federal expenditures of \$42,244,656.

@ Denotes federal programs with noncash benefits.

Notes to the Schedules of Expenditures of Federal Awards



(This page left blank intentionally.)

STATE OF MISSISSIPPI

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: PURPOSE OF THE SCHEDULES

Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (contained in Title 2 of the U.S. Code of Federal Regulations Part 200), requires a schedule of expenditures of federal awards showing total federal awards expended for each individual federal program as identified in the *Catalog of Federal Domestic Assistance* (CFDA). To comply with this requirement, the Department of Finance and Administration required each state agency to prepare and submit a schedule of expenditures of federal awards. Information contained in these schedules was combined by the Department of Finance and Administration to form the accompanying schedules of expenditures of federal awards. Federal programs which have not been assigned a CFDA number have been identified. Because the Schedule presents only a selected portion of the operations of the State, it is not intended to and does not present the Financial Position, Changes in Net Position or Cash Flows of the State.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

- A. Basis of Presentation - The information in the accompanying schedules of expenditures of federal awards is presented in accordance with OMB Title 2 of the U.S. Code of Federal Regulations Part 200 (Uniform Guidance). The Schedule of Expenditures of Federal Awards by Federal Department presents a summary of federal awards expended by federal department and CFDA number. The Schedule of Expenditures of Federal Awards by State Grantee Agency presents federal awards expended by recipient agencies of the State of Mississippi.
- Federal Financial Assistance - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, direct appropriations or other assistance. Accordingly, nonmonetary federal assistance, including food commodities, immunizations and surplus property, is included in federal financial assistance and, therefore, is reported on the schedules of expenditures of federal awards. Federal financial assistance does not include direct federal cash assistance to individuals or procurement contracts used to buy goods or services from vendors.
 - Major Programs - The Single Audit Act Amendments of 1996 and Uniform Guidance establish a risk-based approach to determine which federal programs are major based on certain expenditure thresholds and risk criteria. According to the state's Single Audit Report for the fiscal year ended June 30, 2018, federal expenditures, distributions or issuances totaled \$7,721,236,877. This established the threshold for Type A programs as those with federal expenditures, distributions or issuances which exceeded \$23,163,711. For the fiscal year 2018 audit, there were initially twenty five programs with expenditures exceeding the Type A threshold. One additional program was designated Type A due to expenditures before audited procedures had been performed. After audit, it was determined that the agency had incorrectly accrued expenditures. Once these expenditures were adjusted, the program fell below the Type A Threshold. Therefore, final assessment after audit yielded only twenty-four Type A programs. Of these twenty four programs, eight Type A programs were identified as low risk. Risk assessments of Type B programs were performed until the appropriate number of high risk Type B programs were identified. Additionally, one Type B was audited due to Type A classification before adjustment. Therefore for fiscal year 2018, twenty federal

STATE OF MISSISSIPPI

Notes to Schedules of Expenditures of Federal Awards (continued)

award programs, comprising sixteen high risk Type A programs and four high risk Type B programs, were audited as major programs for the State of Mississippi.

Catalog of Federal Domestic Assistance - The *Catalog of Federal Domestic Assistance* (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA number) which is reflected in the accompanying schedules. The first two digits of the CFDA number designate the federal agency and the last three digits designate the federal assistance program within the federal agency.

For programs that have not been assigned a CFDA number, the number shown in the Schedule is the federal agency's 2 digit prefix followed by "UN" and digits to identify one or more Federal award lines which form the program.

- *Cluster of Programs* – A grouping of closely related programs with different CFDA numbers that share common compliance requirements is considered a cluster of programs. The accompanying Schedules have been designed to present federal financial assistance information by clusters.
 - *Amount Provided to Subrecipients* – The amount of federal assistance that the State provided to subrecipients under each federal program is presented in a separate column in the accompanying Schedules according to requirements in Uniform Guidance. A subrecipient is defined by Uniform Guidance as a non-federal entity that receives a subaward from a pass-through entity to carry out part of a federal program.
 - *Indirect Cost Rate* – As detailed in Uniform Guidance, State Agencies may elect to charge a de minimis cost rate of 10% of modified total direct costs which may be used indefinitely if said Agencies have not previously negotiated a separate indirect cost rate with the federal entity. Except for those agencies listed in Appendix A, all other State agencies covered in this report have elected to use the 10% de minimis rate.
- B. Reporting Entity - The accompanying schedules include all federal programs administered by the State of Mississippi, except for the programs accounted for by the major component unit, Universities, within the component units section of the financial statements, for the year ended June 30, 2018. Expenditures of federal awards provided to the state's public universities and related entities were audited by other auditors in accordance with statutory requirements and the provisions of Office of Management and Budget (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (contained in Title 2 of the U.S. Code of Federal Regulations Part 200); and a separate report issued December 21, 2018.
- C. Basis of Accounting - Federal programs included in the accompanying schedules are accounted for in the state's governmental and proprietary funds. Governmental funds are accounted for by using the current financial resources measurement focus and the modified accrual basis of accounting and proprietary funds by using the economic resources measurement focus and the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Negative amounts reflected in the accompanying Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Amounts reflected as distributions in the accompanying schedules for donated federal surplus property are based on an estimated average fair market value of 23.3 percent of the original acquisition cost as assigned by the federal government. The amounts reflected in the financial statements of the State of Mississippi for the fiscal year ended June 30, 2018, for distributed surplus property are valued at the handling and shipping costs, which more closely approximate fair market value at the date of the transfer of the surplus property to the State of Mississippi.

STATE OF MISSISSIPPI

Notes to Schedules of Expenditures of Federal Awards (continued)

The value of food commodity distributions within the National School Lunch Program on the accompanying schedules was calculated using the U.S. Department of Agriculture, Food and Nutrition Service commodity price list in effect at the date of distribution.

The state issues food stamp benefits in electronic form, and benefits are recognized as expenditures when recipients use the benefits.

- D. Expenditures and Expenses - Certain transactions relating to expenditures of federal awards may appear in records of more than one state grantee agency. To avoid duplication and the overstatement of the aggregate level of federal awards expended by the State of Mississippi, the following policies have been adopted:
1. When monies are received by one state grantee agency and redistributed (expended) to another state grantee agency (i.e., a pass-through of funds by the primary recipient state grantee agency to a subrecipient state grantee agency), the federal financial assistance will be reflected in the primary receiving/expending state grantee agency's accounts.
 2. Purchases of services between state grantee agencies using federal monies will be recorded as *expenditures* or *expenses* on the purchasing agency's records and as *revenues* for services rendered on the providing agency's records. Therefore, the expenditure of federal awards is attributed to the purchasing agency, which is the primary receiving/expending state grantee agency.

NOTE 3: OTHER

- A. All federal expenditures/distributions/issuances included in the accompanying schedules represent assistance received directly from the federal government, unless otherwise noted. Federal financial assistance received indirectly from the federal government (i.e., passed-through from entities outside of the State of Mississippi) is noted parenthetically.
- B. The accompanying schedules of expenditures of federal awards include distributions of donated surplus personal property (CFDA 39.003) of \$559,454. These distributions were valued based on an estimated average fair market value of 23.3 percent of the original acquisition cost assigned by the federal government. These distributions were reported in the financial statements of the State of Mississippi for the year ended June 30, 2018, as charges for sales and services of \$481,069. The amount was based upon handling and shipping costs at the date of transfer to the state.
- C. Expenditures reflected in the CFDA 14.228 - Community Development Block Grants/State's program include disbursements made for grants and new loans totaling \$2,397,138. Program income generated by the program in previous years was used to make these grants and new loan payments. In subsequent years, the program income generated from the repayment of loans will be deposited into a revolving loan fund to be redistributed to the local governments under CFDA 14.228 for program activities. At June 30, 2018, the outstanding loan balance for the program totaled \$3,822,506.
- D. The Unemployment Insurance program (CFDA 17.225) is administered through a unique federal-state partnership that was founded upon federal law, but implemented through state law. For the purposes of presenting the expenditures of this program in the accompanying schedules of expenditures of federal awards, both state and federal funds have been considered federal awards expended as denoted with an # to the right of the CFDA number. The breakdown of the state and federal portions of the total program expenditures is as follows:

State Portion	\$73,437,369
Federal Portion	<u>42,244,656</u>
Total	<u>\$115,682,025</u>

STATE OF MISSISSIPPI

Notes to Schedules of Expenditures of Federal Awards (continued)

- E. Expenditures reflected in CFDA 66.458 - Capitalization Grants for Clean Water State Revolving Funds - include loans to local governments for developing or constructing water treatment facilities. The funding source for these loans includes federal grant funds and state funds. In subsequent years, local governments will be required to repay these funds to the Mississippi Department of Environmental Quality. When received, these funds will be redistributed to local governments through new loans for additional water treatment facility projects. The outstanding loan balance for the year ended June 30, 2018, was \$421,054,053. Total disbursements for new loans for the year ended June 30, 2018, totaled \$40,953,496. Administrative costs associated with the program for the year ended June 30, 2018, totaled \$1,179,316.
- F. Expenditures reflected in CFDA 66.468 - Capitalization Grants for Drinking Water State Revolving Funds - include loans to counties, municipalities and other tax exempt water systems organizations for construction of new water systems, the expansion or repair of existing water systems, and/or the consolidation of new or existing water systems. The funding source for these loans includes federal grant funds and state funds. In subsequent years, the entities will be required to repay these funds to the Mississippi Department of Health. When received, these funds will be used to make new loans for the program activities. The outstanding loan balance for the year ended June 30, 2018, was \$162,453,907. Total disbursements for new loans made during fiscal year 2018 totaled \$14,520,000. Administrative costs associated with the program for the year ended June 30, 2018, totaled \$948,707.
- G. State Aid Road Construction is a division of the Mississippi Department of Transportation (MDOT). Federal financial assistance in the amount of \$63,761,756 related to State Aid Road Construction is included on the schedules of expenditures of federal awards under Transportation Department program 20.205 - Highway Planning and Construction.
- H. Noncash Assistance.

The State of Mississippi participated in several federal programs in which noncash benefits were provided through the state to eligible program participants. These noncash benefits programs are identified on the schedules of expenditures of federal awards with an @ to the right of the CFDA number. A listing of these programs follows:

CFDA Number	Program Name
10.555	National School Lunch Program (NSLP)
10.569	Emergency Food Assistance Program (Food Commodities)
39.003	Donation of Federal Surplus Personal Property
93.268	Immunization

- *CFDA 10.555 — National School Lunch Program received \$192,994,346 including cash assistance and noncash assistance. Cash assistance totaled \$172,027,557 and noncash assistance totaled \$20,966,789.*
- *CFDA 93.268 — Immunization Grants received \$44,319,488 including cash assistance and noncash assistance. Cash assistance totaled \$2,682,221 and noncash assistance totaled \$41,637,267.*

- I. The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has

STATE OF MISSISSIPPI**Notes to Schedules of Expenditures of Federal Awards (continued)**

computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

J. Contingencies.

The State of Mississippi has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the State.

The Office of the Governor – Division of Medicaid has been notified by the Centers for Medicare and Medicaid Services (CMS) of a potential claim relative to potential overpayments by CMS under Medical Assistance Program grants that may have been made between 1981 and 2009 to a number of states, including Mississippi. CMS is working with the Division of Medicaid, as well as various other states, to resolve the discrepancies. The amount questioned by CMS approximates \$28 million for the Division of Medicaid.

Additionally, the Division of Medicaid has also been notified by the Office of the Inspector General (OIG) of a potential claim relative to unallowable school-based Medicaid administrative costs for federal fiscal years 2010 through 2012. The amount determined by the OIG to be unallowable was \$21,200,000.

K. The State of Mississippi's major federal programs for the year ended June 30, 2018, were based on federal expenditures/distributions/issuances and risk assessments as defined in Note 2:A. Those programs are as follows:

CFDA Number	Program Name
	Supplemental Nutrition Assistance Program Cluster
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
10.558	Child and Adult Care Food Program
	Child Nutrition Cluster
10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.556	Special Milk Program for Children (SMP)
10.559	Summer Food Service Program for Children (SFSPC)
12.400	National Guard Military Construction Projects
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.228	Community Development Block Grants/ State's Program (CDBG)
	Fish and Wildlife Cluster
15.605	Sport Fish Restoration

STATE OF MISSISSIPPI**Notes to Schedules of Expenditures of Federal Awards (continued)**

15.611	Wildlife Restoration and Basic Hunter Education
17.225	Unemployment Insurance
	Highway Planning and Construction Cluster
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
93.268	Immunization Cooperative Agreements
	TANF Cluster
93.558	Temporary Assistance for Needy Families (TANF) State Programs
93.563*	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
	CCDF Cluster
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
	Medicaid Cluster
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.959*	Substance Abuse Prevention and Treatment Block Grant (SABG)
96.001	Social Security Disability Insurance
97.039*	Hazard Mitigation Grant

*Denotes a Type B Program

Appendix “A”

The following state agencies have negotiated an indirect cost rate and have not opted to use the de minimis rate of 10% as allowed in Uniform Guidance:

Board of Animal Health
Department of Education
Department of Agriculture and Commerce
Department of Employment Security
Department of Finance and Administration
Department of Health
Department of Human Services
Department of Marine Resources
Department of Mental Health
Department of Transportation
Department of Rehabilitation Services
Department of Wildlife Fisheries and Parks
Division of Medicaid
Mississippi Attorney General
Mississippi Development Authority
Mississippi Military Department

(This page left blank intentionally.)

Schedule of Findings and Questioned Costs

Part 1 – Summary of Auditor's Results



(This page left blank intentionally.)

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

PART 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X yes no
- Significant deficiencies identified? X yes none reported

Noncompliance material to financial
statements noted?

 X yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? X yes no
- Significant deficiencies identified? X yes none reported

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs except for Highway Planning and Construction Cluster (CFDA 20.205/20.219); TANF Cluster (93.558); SNAP Cluster (10.551/10.561); SSBG Program (CFDA 93.667); CCDF Cluster (CFDA 93.575/93.596); LIHEAP Program (93.568); Hazard Mitigation Grant Program (CFDA 97.039); Medicaid Cluster (93.775/93.777/93.778); State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid (CFDA 93.796); Block Grant for Prevention and Treatment of Substance Abuse (CFDA 93.959); and Military Construction, National Guard (CFDA 12.400) which were qualified; and except for the state's public universities for which a separate report was issued.

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

 X yes

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 1 - Summary of Auditor's Results (continued)

CFDA

Number **Major Program Identification**

SNAP Cluster

- | | |
|--------|--|
| 10.551 | Supplemental Nutrition Assistance Program |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |
| 10.558 | Child and Adult Care Food Program |

Child Nutrition Cluster

- | | |
|--------|--|
| 10.553 | School Breakfast Program (SBP) |
| 10.555 | National School Lunch Program (NSLP) |
| 10.556 | Special Milk Program for Children (SMP) |
| 10.559 | Summer Food Service Program for Children (SFSPC) |

- | | |
|--------|---|
| 12.400 | National Guard Military Construction Projects |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects |
| 14.228 | Community Development Block Grants/ State's Program (CDBG) |

Fish and Wildlife Cluster

- | | |
|--------|---|
| 15.605 | Sport Fish Restoration |
| 15.611 | Wildlife Restoration and Basic Hunter Education |

- | | |
|--------|------------------------|
| 17.225 | Unemployment Insurance |
|--------|------------------------|

Highway Planning and Construction Cluster

- | | |
|--------|-----------------------------------|
| 20.205 | Highway Planning and Construction |
| 20.219 | Recreational Trails Program |

- | | |
|--------|-------------------------------------|
| 93.268 | Immunization Cooperative Agreements |
|--------|-------------------------------------|

TANF Cluster

- | | |
|---------|---|
| 93.558 | Temporary Assistance for Needy Families (TANF) State Programs |
| 93.563* | Child Support Enforcement |
| 93.568 | Low-Income Home Energy Assistance |

STATE OF MISSISSIPPI
Schedule of Findings and Questioned Costs
Part 1 - Summary of Auditor's Results (concluded)

	<u>CCDF Cluster</u>
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
	<u>Medicaid Cluster</u>
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
93.959*	Substance Abuse Prevention and Treatment Block Grant (SABG)
96.001	Social Security Disability Insurance
97.039*	Hazard Mitigation Grant

*Denotes a Type B Program

Dollar threshold used to distinguish between
Type A and Type B programs:

\$23,163,711

Auditee qualified as low-risk auditee?

 yes X no

(This page left blank intentionally.)

Schedule of Findings and Questioned Costs

Part 2 – Financial Findings



(This page left blank intentionally.)

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

PART 2 – FINANCIAL STATEMENT FINDINGS

Introduction

This part of the Schedule of Findings and Questioned Costs presents audit findings classified as material weaknesses, significant deficiencies and material noncompliance that are related to the financial statements and are required to be reported in accordance with *Government Auditing Standards*.

Findings are arranged in order by state agency. Each finding has one of the following designations:

- **Material Weakness** – A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the state’s financial statements will not be prevented, or detected and corrected on a timely basis.
- **Significant Deficiency** – 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.
- **Material Noncompliance** – Matters coming to the auditor’s attention relating to the state’s compliance with certain provision of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts.

(This page left blank intentionally.)

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

PART 2 – FINANCIAL STATEMENT FINDINGS

<u>Finding Number</u>	<u>Finding and Recommendation</u>
<u>DEPARTMENT OF CORRECTIONS</u>	
MATERIAL WEAKNESS	
2018-004	<u>The Department of Corrections (MDOC) Should Strengthen Controls Over the GAAP Package Reporting Process.</u>
Repeat Finding	No.
Criteria	Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.
Condition	Calculation and other errors were identified in the underlying and supporting worksheets used in MDOC's GAAP Package Reporting process. Additionally, the recordkeeping and organizational system of the underlying calculations and worksheets used in the GAAP Package Reporting process is disorganized and not conducive to easy supervisory review and approval.
Cause	The previously designed accounting policies and procedures of MDOC didn't provide for a sufficiently detailed level of supervisory challenge, review, and approval of the underlying and supporting worksheets and calculations used in GAAP Package Reporting. Additionally, the recordkeeping and organizational system of the underlying and supporting calculations and worksheets is not conducive for easy supervisory review and approval.
Effect	Audit adjustments were required to correct material misstatements identified in MDOC's Schedule.
Recommendation	We recommend the Department of Corrections (MDOC) implement a more detailed process for the review and approval of GAAP Package Reporting. As a part of this process, the individual underlying and supporting worksheets and calculations should be subject to independent challenge, review, and approval at a sufficiently detailed level whereas calculation and other errors are prevented and detected in a timely manner. Additionally, we recommend MDOC implement a more formalized organizational system for the underlying calculations and worksheets that includes cross-references to support, detailed support for MDOC's Agency GAAP Adjustments, and reconciliations sufficient to support the balances reported.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Views of Responsible

Officials

Management at the Department of Corrections concurs with the finding. See additional comments in the Corrective Action Plan on page 195 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF FINANCE AND ADMINISTRATION

MATERIAL WEAKNESSES

<u>Finding Number</u>	<u>Finding and Recommendation</u>
2018-007	<p><u>The Department of Finance and Administration (DFA) Office of Mississippi Management and Reporting System (MMRS) Should Ensure Agencies Review User Access, at Least Quarterly, to Determine that Appropriate Security Access has been Granted Based on Job Responsibilities and Should Strengthen Controls Over the Segregation of Duties in Statewide Payroll and Human Resource System (SPAHRs).</u></p>
Repeat Finding	No.
Criteria	<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) specifies that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.</p> <p>Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. At a minimum, the following functions are considered incompatible for proper segregation of duties:</p> <ul style="list-style-type: none"> • Custody • Authorization or approval • Recording or reporting <p>When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within SPAHRs to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.</p> <p>Additionally, COSO specifies that proper monitoring must be present in order to ensure compliance with internal control objectives. Monitoring activities include requiring routine reviews of internal control policies to guarantee adherence to policies and procedures.</p> <p><i>Section 7-7-3 of the Mississippi Code of 1972, Annotated</i> states, in part, that the Department of Finance and Administration shall require each state agency to maintain a system of continuous internal audit covering the activities of the agency.</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Furthermore, DFA is responsible for prescribing rules and regulations for statewide accounting and accounting systems.

The State of Mississippi's Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO and that those controls should be assessed by the agency on a regular basis.

Condition	<p>During testwork performed for fiscal year 2018, including an assessment of the internal controls of the Statewide Payroll and Human Resource System (SPAHRS), we noted the following:</p> <ul style="list-style-type: none">• MMRS did not require agencies to perform regular reviews of user access for agency personnel.• MMRS personnel granted access to SPAHRS for new hires without complete agency provided enrollment packets authorizing access.• User access for the human resource/recording function and the payroll/authorization function were not properly segregated for employees of DFA.
Cause	<p>There are inadequate controls surrounding SPAHRS user access, monitoring, and segregation of duties.</p>
Effect	<p>Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of misappropriation of assets, inappropriate changes to data or files and both unintentional and intentional unauthorized activity which can result in misstatement of financial position. Additionally, with the augmented risk of misstatements of financial position, the need for timely and accurate reviews and appropriate control monitoring increases significantly.</p>
Recommendation	<p>We recommend the Office of Mississippi Management and Reporting System (MMRS) implement a policy to require agencies to submit a certification, at least quarterly, that the agency has reviewed user access and that access has been granted appropriately based on job function. Additionally, we recommend MMRS not process applications for access unless proper authorization has been assured and strengthen overall controls over the segregation of duties for those authorized to use SPAHRS.</p>
Views of Responsible Officials	<p>Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 199 of this audit report.</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

2018-008 Department of Finance and Administration (DFA) Should Strengthen Controls Over the Change Logs of the Statewide Payroll and Human Resource System (SPAHRs).

Repeat Finding No.

Criteria Good internal controls dictate that all transactions and other significant events be clearly documented and readily available for examination. This audit trail, or security audit log, documentation should include evidence on how transactions are initiated, processed, recorded, and summarized. Proper audit trail documentation also includes evidence of transactions that may have been voided, deleted, or changed after approval and initiation. A “change log” should also be maintained that summarizes any changes, especially those in the production environment. Periodic reconciliations between the change log and a list of approved changes should be performed to ensure all changes have been approved and authorized.

Condition During testwork performed for fiscal year 2018, including an assessment of the internal controls of the Statewide Payroll and Human Resource System (SPAHRs), we noted the following:

- Security logging was not enabled in the Natural Security log settings.
- Reconciliations between approved changes and changes occurring in the change log are not being performed.

Cause There are inadequate controls surrounding SPAHRs security logging.

Effect Failure to adequately log transactional changes and to periodically review logs for appropriateness could result in untimely modification of data, security configuration changes, or fictitious transactions.

Recommendation We recommend that the Department of Finance and Administration enable the Natural Security logging functionality and strengthen controls over the periodic review of such logs.

Views of Responsible Officials Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 200 of this audit report.

2018-016 The Department of Finance and Administration (DFA) Should Strengthen Controls Over the Accounting Period Close Process.

Repeat Finding No.

Criteria *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S.*

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Government Accountability Office Standards for Internal Control in the Federal Government (Green Book) specify that satisfactory control activities should exist to ensure an effective internal control system exists. Part of ensuring effective control activities is to develop controls and processes over technology. These controls should ensure proper execution of transactions. This includes ensuring transactions are properly recorded in the correct period and that controls exist to ensure transactions cannot be posted to a period that has been closed.

The State of Mississippi's Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO and the Green Book, which includes having proper control activities.

Condition

The Department of Finance and Administration (DFA) is responsible for ensuring proper controls are in place surrounding the accounting functions and operations of the statewide accounting system – Mississippi Accountability System for Government Information and Collaboration (MAGIC). Monthly, DFA performs an accounting period close in MAGIC to ensure all transactions are recorded in the proper accounting and budget period. Once the period is closed in the system, no entries or transactions can be recorded in that period.

The monthly accounting close process is essential at the end of the fiscal year during the GAAP packet preparation period to ensure transactions are recognized in the correct accounting year. After the twelve months of the fiscal year have been closed, agencies prepare their journal entries to record additional entries for the State's Comprehensive Annual Financial Report (CAFR) preparation. This process is recorded in the thirteenth accounting period. Additional entries are recorded for CAFR presentation by DFA in the thirteenth through sixteenth accounting periods.

During our testwork of the financial close and reporting process, we noted the thirteenth accounting period was re-opened and then not closed. During this time, accounting entries were mistakenly booked in the wrong period causing changes to already established end of the year account balances. Moreover, DFA did not realize the entries were booked in the wrong accounting period until auditors brought it to their attention.

Additionally, DFA did not have adequate documentation of responsibilities for the closing of the thirteenth through sixteenth periods through written policies and periodic reviews of the entries made.

Cause

DFA did not have adequate controls, policies, or review surrounding the close of accounting periods.

Effect

Failure to ensure transactions are recorded in the proper period could result in misstated financial statements. Lack of controls around the financial closing process increases the risk for materially misstated financial statements and misappropriation of assets.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Recommendation We recommend the Department of Finance and Administration strengthen controls and document their policies regarding the process and responsibility for closing accounting periods thirteen through sixteen. These policies should allow management to effectively monitor the closing process. Management should review the process in a timely manner to ensure transactions are being properly executed.

Views of Responsible Officials Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 201 of this audit report.

2018-021 The Department of Finance and Administration (DFA) Should Strengthen the Process for Compiling the Comprehensive Annual Financial Statements and the Schedule of Expenditures of Federal Awards

Repeat Finding Yes; 2015-030, 2016-010, and 2017-001; Material Weakness Findings

Criteria *Section 27-104-4, Mississippi Code Annotated (1972)* requires each state agency to prepare annual financial statements at such times as determined by the State Fiscal Officer. The State Fiscal Officer is required to combine the financial statements into a comprehensive annual financial report (CAFR) and provide it to the State Auditor for post auditing. The law further requires the CAFR be published within six months after the June 30 close of the fiscal year. In addition, the Government Finance Officers Association (GFOA) requires CAFRs to be submitted within six months of the government's fiscal year end.

In addition, the Single Audit Act requires the State to issue the Single Audit Report within nine months of fiscal year end, and no extensions are granted. The independent auditor's report on internal control over financial reporting and the Schedule of Expenditures of Federal Awards (SEFA) are both required to be included in the Single Audit Report and both are an integral part of the financial audit of the State. The failure to timely complete the CAFR could also hinder the timely submission of the Single Audit Report which could result in the suspension of federal discretionary drawdowns.

Condition The Department of Finance and Administration (DFA) was unable to provide the Office of the State Auditor with the necessary financial information to perform the audit of the CAFR within six months of the close of the 2018 fiscal year. Further, reporting issues at various individual state agencies as well as DFA's current financial reporting process has hindered the ability of DFA to prepare a complete CAFR timely. The process is overly dependent on the post-audit program being a part of the internal control over financial reporting even though good internal controls state that the post-audit function should not be an internal control mechanism for any operational activity related to financial reporting. After

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

financial packets were received from state agencies and reviewed by DFA, errors were noted by auditors that required adjusting journal entries to correct.

Other issues that required the financial information to be delayed included:

- Significant errors in the recording of interagency receivables and payables (see finding 2018-023 for more detailed information);
- Significant delay in receiving information regarding Other Post Employment Benefit Information from DFA Insurance;
- Lack of cohesive and updated financial accounting procedures statewide (See finding 2018-022); and
- Inaccuracies in financial reports produced by agencies.

It should be noted that the Department of Finance and Administration – Office of Financial Reporting (DFA-OFR) obtained an extension for the CAFR from GFOA this year.

Cause Over reliance on the accounting knowledge and expertise of the centralized accounting functions at DFA - OFR. See finding 2018-024 for additional information regarding this area.

Effect The failure of DFA-OFR to compile financial and federal award information accurately and in a timely manner resulted in the CAFR not being published in accordance with state law and hindered the efficiency of the audit of the State of Mississippi's financial statements. In addition, these delays could result in the state not being awarded a Certificate of Achievement for Excellence in Financial Reporting by GFOA. Receiving GFOA's certificate increases the likelihood that credit agencies or other stakeholders may consider the state's financial statements in a positive manner. The timeliness of the CAFR being published impacts its relevance to the various users of the CAFR.

Recommendation We recommend the Department of Finance and Administration implement procedures to ensure the timely compilation of financial and federal award information in order to help ensure the CAFR and Single Audit Report are both published in accordance with state and federal law.

Views of Responsible Officials Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 202 of this audit report.

2018-022 The Department of Finance and Administration (DFA) Should Have Written Policies and Procedures in Place Related to Accounting and Reporting Matters

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Repeat Finding	Yes; 2015-031, 2016-009 and 2017-002; Material Weakness Findings
Criteria	<p><i>Section 27-104-3 Mississippi Code Annotated (1972)</i> requires that the Department of Finance and Administration (DFA) prepare and issue a comprehensive reference manual or manuals of policies and procedures for each state agency and department to use, which may include chapters on various fiscal responsibilities, and maintaining financial records and preparing financial reports. DFA is also responsible for updating the manual(s) on a continuing basis.</p> <p>Historically, DFA provided agencies with the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual, which provided agencies with policies and procedures related to the accounting system, input documents, output documents, internal control procedures, and accounting and reporting matters.</p> <p>As of the end of fiscal year 2017, DFA has begun the process of rewriting sections of the MAAPP manual; however, it was not completed at the beginning of fiscal year 2018.</p>
Condition	<p>During our review of the internal control environment for fiscal year 2018, we noted that the MAAPP manual has not been fully updated since the implementation of the Mississippi Accountability System for Government Information and Collaboration (MAGIC) on July 1, 2014, and does not consider system and accounting procedures specific to the MAGIC environment.</p> <p>DFA stated that the MAAPP manual is a “living document” and is never fully completed; however, all information left over from the manual prior to MAGIC implementation had been revised as of December 2018 – six months after the beginning of fiscal year 2018.</p> <p>During the course of the audit, auditors frequently referred to the MAAPP manual to verify control procedures and written policies, only to find links commonly missing or out of date. Information provided to agencies regarding the financial close procedures referenced sections of the MAAPP manual that no longer existed and some sections saw drastic changes in the detail of information provided.</p>
Cause	As of the beginning of the fiscal year under audit, DFA had not updated the MAAPP manual to reflect new policies and procedures since the implementation of MAGIC.
Effect	Failure to have an adequate policy and procedure manual governing statewide accounting policies and procedures could result in misappropriation of assets and material misstatements in financial statements. Additionally, lack of easily understood and detailed policies could lead to the continued over reliance of statewide personnel on the knowledge and expertise of DFA Financial Reporting staff.
Recommendation	To minimize the risk of financial misstatements and system security compromise, we recommend the Department of Finance and Administration update the MAAPP

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

manual to ensure relevance of policies and procedures related to the accounting and internal control procedures in the statewide accounting system.

Views of Responsible Officials

Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 203 of this audit report.

2018-023

The Department of Finance and Administration (DFA) Should Strengthen the Process for Recording Interagency Transfers, Payables and Receivables.

Repeat Finding

Yes; 2016-011 and 2017-005; Material Weakness Findings

Criteria

Section 27-104-3 Mississippi Code Annotated (1972) requires that the Department of Finance and Administration (DFA) prepare and issue a comprehensive reference manual or manuals of policies and procedures for each state agency and department to use, which may include chapters on receipts, warrants and expenditures. DFA is also responsible for updating the manual(s) on a continuing basis.

Condition

During testing for fiscal year 2018, we noted inconsistencies in the way differing state agencies accounted for interagency payables, receivables and transfers. We also noted that, due to these inconsistencies, the Department of Finance and Administration (DFA) were required to make reclassification and adjusting journal entries of approximately \$450 million in order to ensure material misstatement of the financial reports did not occur.

Cause

Lack of governing policies regarding the recording of interagency payables, receivables, and transfers. Additionally, lack of overriding controls in the statewide accounting system.

Effect

The failure of DFA to require consistency in the accounting treatment of payables, receivables and transfers could lead to material misstatement of the Comprehensive Annual Financial Report.

Recommendation

We recommend the Department of Finance and Administration implement overarching policies and procedures regarding interagency transfers, payables and receivables and communicate these policies to state agencies.

Views of Responsible Officials

Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 203 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

2018-024 The State of Mississippi Should Require Chief Fiscal Officers of State Agencies to hold Minimum Accounting Qualifications and Attend Mandatory Training.

Repeat Finding Yes; 2016-012 and 2017-006; Material Weakness Findings

Criteria *Section 7-7-3 Mississippi Code Annotated (1972)* states that the State Fiscal Officer (as defined by *Section 21-104-6 Mississippi Code Annotated (1972)*) as the Executive Director of the Department of Finance and Administration (DFA) shall conduct training seminars on a regular basis to ensure that agencies have access to persons proficient in the correct use of the statewide accounting system.

Section 7-7-211 Mississippi Code Annotated (1972) authorizes the State Auditor to establish training courses and programs for the personnel of the various state and local governmental entities. These courses shall include, but are not limited to, topics on internal control, purchasing and property, governmental accounting and financial reporting, and internal auditing.

The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) specifies that a satisfactory control environment is only effective when there is a commitment to competence that demonstrates a commitment to retain competent employees. This principle of competency can be achieved through analysis of skills required for positions, training and development training.

Condition During testing for fiscal year 2018, we noted, through inquiry and observation, that the overall expertise level of accounting staff in various state agencies was not consistent, and that job requirements often did not specify applicants hold any specific accounting or governmental knowledge. We also noted that, although the Department of Finance and Administration (DFA) held GAAP conversion and accounting training courses to aid state agencies in compiling financial information, it was not a mandatory requirement and often agency personnel did not attend. Likewise, qualification and skill requirements were not consistently applied to Chief Financial Officers throughout the various state agencies.

The lack of overall understanding and application of proper accounting standards required the centralized accounting function of the state, DFA, to prepare significant adjusting and reclassification entries in order to prevent material misstatement. While the majority of entries would not have materially misstated accounts individually, in the aggregate, without adjustment, the financials would have been materially misstated.

Cause Lack of consistently applied agency qualifications for accounting personnel.

Effect The failure of the State to hire and retain competent staff could result in material misstatement of the financial statements.

Recommendation We recommend the Department of Finance and Administration implement mandatory training sessions for accounting personnel and Chief Fiscal Officers.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Additionally, we recommend the State of MS implement minimum qualifications for Chief Financial Officers.

Views of Responsible Officials

Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 204 of this audit report.

2018-030

The Department of Finance and Administration (DFA) Should Strengthen Controls Over the Certification of Mississippi Accountability System for Government Information and Collaboration (MAGIC) User Segregation of Duties.

Repeat Finding

Yes; 2015-029, 2016-008, and 2017-027; Material Weakness Findings

Criteria

The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. At a minimum, the following functions are considered incompatible for proper segregation of duties:

- Custody
- Authorization or approval
- Recording or reporting

When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

The Corrective Action Plans submitted in the fiscal year 2015, 2016 and 2017 audits of the Department of Finance and Administration (DFA) indicated that DFA personnel would require and certify that agencies had completed quarterly access reviews.

Condition

During testwork performed for the fiscal year 2018, we noted the following:

- DFA did not provide adequate MAGIC role definitions for the agencies to identify segregation of duty conflicts;

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)**

- DFA provided agencies with an incomplete listing of business roles, instead providing some user information as business privileges that contained multiple business roles that were not identified to the agency;
- DFA did not obtain quarterly security certifications for all agencies;
- DFA did not follow up with agencies requesting responses from certifications in a timely manner; and
- DFA's internal tracking document used to maintain and track quarterly certifications received by the agencies contained errors stating agencies had returned certifications when, in fact, they had not.

Cause There are inadequate controls surrounding MAGIC's user access, monitoring, and segregation of duties.

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of misappropriation of assets, inappropriate changes to data or files and both unintentional and intentional unauthorized activity which can result in misstatement of financial position. Additionally, with the augmented risk of misstatements of financial position, the need for timely and accurate reviews and appropriate control monitoring increases significantly. Further, such situations increase the need for additional documentation, outside monitoring, manual review, and external verification of MAGIC activities and transactions.

Recommendation We recommend that the Department of Finance and Administration (DFA) take the necessary steps to ensure user access is granted to all users under the "least privilege" principle and ensure that agencies are performing at least quarterly user access reviews of all user access (including contractors) to their business area. Agencies should certify to DFA that they have completed user access reviews at least quarterly. We additionally recommend that DFA develops a mechanism to ensure that agencies are complying with quarterly access review recommendations.

Views of Responsible Officials Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 205 of this audit report.

SIGNIFICANT DEFICIENCIES

<u>Finding Number</u>	<u>Finding and Recommendation</u>
------------------------------	--

2018-009	<u>The Department of Finance and Administration (DFA) Office of Mississippi Management and Reporting System (MMRS) Should Ensure Software Updates are Applied Timely and regularly, and Should Perform a Detailed Risk Assessment for the End of Life of Components of the Statewide Payroll and Human Resource System.</u>
----------	---

Repeat Finding	No.
-----------------------	-----

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Criteria	<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 control activities, such as business continuity and application security, exist and are effective.</p> <p>Business continuity controls require risk assessment of information technology to determine the life of application software and hardware, and to perform risk assessments of end of life software and its continued ability to function and meet current objectives, while planning for a critical failure.</p> <p>Additionally, programs and systems should be appropriately managed to prevent unauthorized modifications and errors, and to ensure accurate, complete, and valid processing of financial information continues.</p>
Condition	During testwork performed for fiscal year 2018, including an assessment of the internal controls of the Statewide Payroll and Human Resource System (SPAHRs), we noted that no formalized end-of-life plan has been developed for critical system software.
Cause	There has not been a risk assessment for end-of-life software performed for SPAHRs systems.
Effect	Failure to adequately plan for end-of-life software could lead to business interruption, and could lead to critical systems malfunctioning and processing financial information incorrectly.
Recommendation	We recommend that the Department of Finance and Administration and the Department of Information Technology prepare a risk assessment of the life cycle of the SPAHRs system and prepare a formal end-of-life plan.
Views of Responsible Officials	Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 206 of this audit report.

2018-020 The Department of Finance and Administration Should Strengthen Controls Over the Security Audit Log of Mississippi’s Accountability System for Government Information and Collaboration.

Repeat Finding Yes; 2015-027 and 2017-028; Material Weakness Findings

Criteria Mississippi’s Accountability System for Government Information and Collaboration (MAGIC) serves as the centralized statewide accounting system.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

State agencies utilize MAGIC on a daily basis as the State's general ledger necessary to prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

Good internal controls dictate that all transactions and other significant events be clearly documented and readily available for examination. This audit trail, or security audit log, documentation should include evidence on how transactions are initiated, processed, recorded, and summarized. Additionally, proper audit trail documentation also includes evidence of transactions that may have been voided, deleted, or changed after approval and initiation. These audit logs must be reviewed on a semi-regular basis to evaluate whether inappropriate transactions or access has occurred in the system.

Inherent in the MAGIC system is a security audit log. This log records the following:

- Successful and unsuccessful dialog logon attempts
- Successful and unsuccessful transaction starts
- Successful and unsuccessful report starts
- Changes to user master records

Subsequent to the release of the 2015 Comprehensive Annual Financial Report (CAFR), DFA turned on the audit logging functionality in the MAGIC system. However, the system logged every keystroke and the log file quickly became too burdensome to review or to maintain. DFA determined that the audit logging function was not serving the intended purpose and discontinued logging. Audit logging was turned back on during the fourth quarter of fiscal year 2018.

Condition

During testwork performed for the fiscal year 2018 audit, we noted the following exceptions:

- Security audit logging functionality was not enabled for the MAGIC system for three quarters of fiscal year 2018; thereby eliminating the ability to monitor transactional changes in the MAGIC system.
- There is no formal documented review of the log files that were generated when the system was enabled during the last quarter of the fiscal year.

Cause

DFA stated that prior instances of enabled log access generated too many log results that were not useful or beneficial. DFA further stated that reviews are being conducted of current log files; however, DFA could not provide evidence of said reviews.

Effect

Failure to adequately log transactional changes and to periodically review logs for appropriateness could result in untimely modification of data, security configuration changes, or fictitious transactions.

Recommendation

We recommend that the Department of Finance and Administration enable the exception security audit log functionality in Mississippi's Accountability System for Government Information and Collaboration system and strengthen controls

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

over the periodic review of such logs.

Views of Responsible Officials

Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 206 of this audit report.

2018-033

The Department of Finance and Administration (DFA) Should Strengthen Controls Regarding Updated Policies and Procedures Relating to Journal Entry Approvals.

Repeat Finding

Yes; 2016-017 and 2017-004; Significant Deficiency findings

Criteria

The Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when control activities such as providing adequate policies and procedures to personnel have been implemented. These controls should include accurate and updated controls over how transactions are initiated, authorized, recorded, processed and reported.

Condition

During testwork performed for the fiscal year 2018 audit, we noted inadequate documentation of the approval process for journal vouchers was provided. Documentation had not been updated since the implementation of the Mississippi Accountability System for Government Information and Collaboration (MAGIC) and still referenced controls and policies in use in the outdated statewide accounting system.

Cause

DFA has not updated their internal policies to reflect changes in the accounting system since the implementation of MAGIC.

Effect

Failure to update approved processes could lead to misappropriation of assets and material misstatements in financial statements.

Recommendation

We recommend that the Department of Finance and Administration revise and update policies and procedures, and that they be distributed to all applicable employees.

Views of Responsible Officials

Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 208 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

SIGNIFICANT DEFICIENCY AND IMMATERIAL NONCOMPLIANCE

2018-032 The Department of Finance and Administration (DFA) Should Strengthen Controls Over the Vendor Master File and Issuance of Payments to One Time Vendors to Ensure Compliance with Internal Revenue Service Regulations.

Repeat Finding Yes; 2015-032, 2016-016, and 2017-003; Significant Deficiency Findings

Criteria The Department of Finance and Administration (DFA) is responsible for final approval of certain types of warrants issued by the State of Mississippi. These warrants are initially approved at the Agency level and then routed to DFA for final approval. Before warrants can be approved for payment, vendor information must be entered into the State’s accounting system – Mississippi’s Accountability System for Government Information and Collaboration (MAGIC). Vendors are then assigned a unique numerical identifier so that payments can be documented and an audit trail can be reviewed.

Occasionally, warrants need to be issued on a singular basis to vendors. These “one time vendor” warrants are assigned a default vendor number and are not assigned a unique identifier. If, during the course of business, the same vendor requires additional warrants, agencies are required to request vendor information and enter the vendor into the MAGIC system, thereby assigning a unique identifier for future transactions.

In order to comply with *The Code of Laws of the United States of America* (26 U.S.Code Section 6041) regulations on the issuance of payments of \$600 or more, DFA has written policies to prohibit the use of the “one time vendor” distinction for any person or business issued a warrant for over \$600 for services rendered. DFA has classified certain expense general ledger accounts as “1099 vendor accounts” and will not approve warrants to any “one time vendor” when these general ledger accounts are expensed.

Condition During testwork performed for the fiscal year 2018 audit, we noted the following exceptions:

- 8,750 instances in which the vendors classified as one time vendors were paid multiple warrants from the same state agency; therefore, vendor information was not appropriately requested or entered in the vendor master file.
- Vendor master file data was not reviewed to ensure accuracy and completeness.

Cause DFA does not have adequate controls over the review of vendor master data.

Effect Failure to periodically review vendor master data to ensure accurate and complete vendor information has been requested and entered can lead to an increased risk of creating fictitious, incorrect, or duplicate payments and a possible misstatement of financial position. Additionally, failure to review one time vendor payments could result in erroneous tax reporting.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Recommendation We recommend that the Department of Finance and Administration strengthen policies over the use of the one-time vendor code and conduct a regular review of the vendor master file to ensure complete and accurate vendor information has been entered.

Views of Responsible Officials Management at the Department of Finance and Administration concurs with the finding. See additional comments in the Corrective Action Plan on page 207 of this audit report.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)**

DEPARTMENT OF FINANCE AND ADMINISTRATION – OFFICE OF INSURANCE

MATERIAL WEAKNESSES

2018-005 The Department of Finance and Administration – Office of Insurance (DFA Insurance) Should Strengthen Controls Over Financial Reporting.

Repeat Finding No.

Criteria Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of the Plan.

Condition In the prior year, the Plan’s financial statements contained an error in transfers and cash and cash equivalents in the amount of \$20,000,000, which resulted in a misstatement of prior year’s financial statements.

Cause Initial recording and reconciling of interfund transfers and due to and from other funds accounts did not properly eliminate for the Plan. Subsequent to the completion of GAAP Package Reporting by the Plan, the Mississippi Department of Finance and Administration - Office of Financial Reporting made a journal entry in the reconciliation of these accounts that did not get reported correctly in the Plan’s external financial statements. Further, this entry was not properly communicated to the Plan’s management or to the external auditors for proper and timely inclusion in the external financial statements.

Effect A restatement of beginning net position was required to correct the financial statements of the Plan for the error.

Recommendation We recommend that the Department of Finance and Administration – Office of Insurance should implement a process, whereas the financial reporting process, including the reconciliation of interfund transfers and due to and due from other funds accounts, is subject to sufficient review and approval to prevent future errors.

Views of Responsible Officials Management at the Department of Finance and Administration – Office of Insurance concurs with the finding. See additional comments in the Corrective Action Plan on page 209 of this audit report.

2018-025 Department of Finance and Administration – Office of Insurance (DFA Insurance) Should Strengthen Controls Over Financial Reporting and the Implementation of New Governmental Accounting Standards.

Repeat Finding No.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Criteria

Internal control exists to provide reasonable assurance of the 1) effectiveness and efficiency of operations 2) the reliability of financial and performance reporting and 3) the compliance with applicable laws and regulations.

The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specifies that a system of satisfactory internal controls is only present when risk assessment is appropriately managed. The principles of a satisfactory risk assessment include the concepts of identifying risks, analyzing risks, and determining how risks should be managed.

Inherent in the external financial reporting objective of risk management includes complying with applicable accounting standards.

As a reportable agency in the State of Mississippi's governmental operations, DFA Insurance is required to report financial information in accordance with Governmental Accounting Standards issued by the Governmental Accounting Standards Board (GASB).

In addition, *The State of Mississippi's Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual* Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO and that those controls should be assessed by the agency on a regular basis.

Condition

During testwork performed for fiscal year 2018, we noted DFA Insurance did not implement *GASB Standards Number 74 – Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* and *Number 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* timely.

The failure of DFA Insurance to understand and implement the applicable standards timely led to a significant delay in issuing the Statewide Comprehensive Annual Financial Report, and served as one of the major contributing factors to the untimely filing of both the CAFR and the Statewide Single Audit.

Additionally, many other separately reporting governmental units, such as discretely presented component units of other local governments, school districts, etc. were forced to file financial information after legal and financial deadlines. This delay caused many entities to not be in compliance with regulations as defined by both the State of Mississippi and Uniform Grant Guidance as established by the *Code of Federal Regulations 2 cfr 200*.

Moreover, the late implementation of these standards caused unnecessary complications for Department of Finance and Administration-Office of Financial Reporting (DFA-OFR) and introduced the risk of additional errors occurring during a period of peak work.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Cause	There are inadequate controls surrounding the implementation of new accounting pronouncements.
Effect	Failure to properly implement new accounting standards could result in material misstatements in agency fund information and in the Mississippi Comprehensive Financial Audit Report.
Recommendation	We recommend the Department of Finance and Administration – Office of Insurance strengthen internal controls to ensure postemployment benefits are accounted for correctly and timely in the future, and that staff are appropriately analyzing new accounting pronouncements for applicability to fund reporting.

Views of Responsible Officials

Management at the Department of Finance and Administration – Office of Insurance does not concur with the finding. See additional comments in the Corrective Action Plan on page 210 of this audit report. See Response of the Auditor on page 73 and 213 of this report.

MATERIAL NONCOMPLIANCE WITH STATE LAW

2018-031 Department of Finance and Administration – Office of Insurance (DFA Insurance) Should Ensure Compliance with State Law with Regards to Availability of Accounting Records.

Repeat Finding No.

Criteria *Section 7-7-215 (2) of the Mississippi Code of 1972, Annotated* states, in part, “All audits conducted by the department (Office of the State Auditor) shall be in accordance with generally accepted auditing standards...In conducting audits pursuant to this article, the department shall have access to all records, documents, books, papers and other evidence relating to the financial transactions of any governmental entity subject to audit by the department.”

Section 7-7-211 (d) of the Mississippi Code of 1972, Annotated describes the duties and power of the Office of the State Auditor as “ to postaudit each year, and when deemed necessary, preaudit and investigate the financial affairs of the departments, institutions, boards, commissions, or other agencies of state government, as part of the publication of a comprehensive annual financial report for the State of Mississippi, or as deemed necessary by the State Auditor. In complying with the requirements of this paragraph, the department shall have the authority to conduct all necessary audit procedures on an interim and year end basis.”

Condition During testwork performed for fiscal year 2018, auditors from the Office of the State Auditor deemed it necessary, in accordance with accounting and auditing standards, to conduct audit procedures on the census data of the State and School Employees’ Life and Health Insurance Plan (the plan). Members of DFA

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Insurance staff refused to comply with audit requests, thereby creating a limitation on the scope of the audit. In accordance with auditing standards set forth by the American Institute of Certified Public Accountants, auditors performed adequate alternative audit procedures to verify the accuracy of the census data and audited information; however, refusal to provide requested records equated to a violation of state law.

Cause Members of DFA Insurance felt that providing information was a violation of the Health Insurance Portability and Accountability Act (HIPAA).

Effect Failure to provide requested information to auditors could result in a scope limitation and cause a modified opinion to the State of Mississippi's Comprehensive Financial Report (CAFR. A modified opinion could negatively impact the State of Mississippi's credit rating and have adverse effects on the State's ability to secure debt financing.

Recommendation We recommend that the Department of Finance and Administration – Office of Insurance ensure compliance with state law by providing auditors requested information.

Views of Responsible Officials Management at the Department of Finance and Administration – Office of Insurance does not concur with the finding. See additional comments in the Corrective Action Plan on page 211 of this audit report. See Response of the Auditor on page 74 and page 214 of this report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF FINANCE AND ADMINISTRATION – OFFICE OF INSURANCE

MATERIAL WEAKNESSES

Finding Number
2018-025

Finding and Recommendation

Department of Finance and Administration – Office of Insurance (DFA Insurance)
Should Strengthen Controls Over Financial Reporting and the Implementation of
New Governmental Accounting Standards.

Audit Response

GASB Statement 74 and GASB 75 were ratified June 2015. When Office of the State Auditor (OSA), Department of Finance and Administration (DFA) and Mississippi Department of Education (MDE) representatives met with representative from the Office of Insurance (DFA Insurance) in August 2017, DFA Insurance informed OSA that the State had no intention of forming a trust; therefore, GASB 74 would not be applicable and that they would speak to their actuary to determine if additional actuarial studies for local governments, component units, and other state agencies could be “bundled” with the State’s actuary study for cost savings. OSA informed DFA Insurance that each local government would be required to present the liability of their own staff if no trust were established and a proportionate share allocation would not be appropriate. OSA explained where in GASB 75 this requirement was established. After numerous discussions between DFA, OSA, MDE, and DFA Insurance, DFA Insurance decided to establish a trust so that a proportionate share allocation could be utilized. The trust was established in June 2018. However, an additional audit contract for the audit of the actuary report, in accordance with GASB 75 was not ratified until October 2018. The audit of the actuarial proportionate share allocation was not available until the end of November 2018; and the audit of the plan’s census data (in accordance with GASB 75 and Auditing Standards) was not available until April 2019. Information regarding the proportionate share of the OPEB liability for the State of Mississippi was not presented to OSA for audit until March 2019. Due to these delays in implementing the GASB standards, it was not possible to opine on the Comprehensive Audited Financial Report (CAFR) for the State of Mississippi until well after the deadline of December 31, 2018. OSA directly contributes this delay to DFA Insurance.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF FINANCE AND ADMINISTRATION – OFFICE OF INSURANCE

MATERIAL NONCOMPLIANCE

Finding Number

2018-031

Finding and Recommendation

Department of Finance and Administration – Office of Insurance (DFA Insurance)
Should Ensure Compliance with State Law with Regards to Availability of
Accounting Records.

Audit Response

As quoted in the Criteria of the Finding, *Section 7-7-215 (2) of the Mississippi Code of 1972, Annotated* states that the Office of the State Auditor (OSA) shall have access to all requested documents needed in order to complete an audit of any governmental entity under OSA audit. As auditors, OSA has access to confidential information from any and all state agencies under audit. Information was requested multiple times from personnel at the Department of Finance and Administration – Office of Insurance (DFA Insurance) and this information was withheld from OSA auditors. OSA staff went to great lengths to reassure DFA Insurance that allowing OSA to test census data was not only necessary, but required by auditing standards. OSA also assured DFA Insurance that providing the information would not result in a HIPPA violation. However, DFA Insurance continued to deny OSA the requested information.

OSA was able to obtain sufficient audit evidence that the census data provided to the actuary was complete and accurate; however, circuitous methods had to be used. DFA Insurance's refusal to provide the requested information is a direct violation of OSA's statutory authority.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF HEALTH

SIGNIFICANT DEFICIENCY

2018-019 The Department of Health Should Strengthen Controls over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.

Repeat Finding No.

Criteria *The Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

Additionally, *The Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual* section 30.60.00 dictates that MAGIC security roles should be assigned to an employee based on his/her job duties, and that security roles should be reviewed on a quarterly basis to ensure that duties are segregated.

Condition The Department of Health submitted certification to DFA quarterly during state fiscal year 2018 stating that it was in compliance with policies regarding MAGIC security. Upon review of the security roles assigned and the exceptions noted below, the agency did not have proper segregation of duties, did not have business roles assigned in accordance with DFA's MAGIC roles and descriptions, and improperly certified their agency had proper segregation of duties.

During our review of MAGIC security roles, we noted the following exceptions:

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

- One instance in which the Department of Health employees had access to roles specific to outside agencies; and
- Five instances in which there were role violations related to improper segregation of duties.

Cause The Agency did not properly review and monitor their MAGIC security roles assigned to employees.

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.

Recommendation We recommend the Department of Health strengthen controls over MAGIC security and ensure that roles are properly assigned, duties are segregated, and roles are reviewed in accordance with the MAAPP manual. When proper segregation of duties is not practical, compensating controls, such as increased review, should be implemented to ensure proper internal control activities have been met.

Views of Responsible Officials Management at the Department of Health partially concurs with the finding. See additional comments in the Corrective Action Plan on page 215 of this audit report. See Response of the Auditor on page 77 and page 217 of this report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF HEALTH

SIGNIFICANT DEFICIENCY

2018-019 The Department of Health Should Strengthen Controls over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.

Audit Response The Office of the State Auditor (OSA) agrees with the Department of Health that the Department of Finance and Administration allowed Health to assign the role; however, it is the Department of Health's responsibility to ensure that adequate segregation of duties is maintained at their own Agency or if not possible, that compensating controls have been implemented.

(This page left blank intentionally)

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

**DEPARTMENT OF HEALTH – DRINKING WATER SYSTEMS IMPROVEMENTS
REVOLVING LOAN FUND**

MATERIAL WEAKNESS

2018-006 The Department of Health – Drinking Water Systems Improvements Revolving Loan Fund Should Strengthen Controls Over the Reconciliation, Review, and Approval of Financial Statement Preparation.

Repeat Finding No.

Criteria Management is responsible for establishing and maintaining effective internal control over financial reporting, including the basic financial statements and related notes to the financial statements.

Condition Drinking Water Systems Improvements Revolving Loan Fund (Fund) relies on its outside auditors to assist in the preparation of external financial statements and the related notes. Under auditing standards generally accepted in the United States of America (GAAP), outside auditors cannot be considered part of the Fund's internal control structure for financial reporting.

Cause Due to the nature of the relationship between the Fund and the Mississippi Department of Health, responsibility for reconciliation, review, and approval of the financial statements has not been designated to a Fund employee.

In addition, there is no review and approval process for the daily posting of repayments in the Excel schedules used for tracking loans receivable and due from other governments. Also, no back-up exists for the same Excel schedules.

Effect The potential exists for material misstatements to occur in the daily processing or year-end financial statements due to errors or fraud and not be detected in a timely manner.

Recommendation We recommend management assign an employee knowledgeable about fund activities throughout the year to be responsible for overseeing preparation of the GAAP financial statements. The loan summary balance consists of over 250 loans, with the disbursements and repayments of those loans maintained in Excel schedules. Numerous errors were found related to loan forgiveness from several years ago. While adjustments to numerous individual loans in the Excel schedule were made, there had been an unreconciled difference in the schedule; therefore, no material error in the overall balance was identified.

Management maintains comprehensive information and numerous schedules for its annual Intended Use Plans. Much of the information for the notes to the financial statements is contained in the Intended Use Plan. We recommend an individual at the Fund be assigned to gather the information needed for the notes to the financial statements.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Views of Responsible

Officials

Management at the Department of Health - Drinking Water Systems Improvements Revolving Loan Fund concurs with the finding. See additional comments in the Corrective Action Plan on page 221 of this audit report.

STATE OF MISSISSIPPI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF HUMAN SERVICES

SIGNIFICANT DEFICIENCY

2018-034 The Department of Human Services (DHS) Should Strengthen Controls over MAGIC Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process

Repeat Finding No

Criteria The *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when control activities exist, such as proper segregation of duties. Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person.

Additionally, the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual section 30.60.00 requires security roles in the Mississippi Accountability System for Government Information and Collaboration (MAGIC) to be assigned to an employee based on his or her job duties, and that security roles be reviewed quarterly by agencies to ensure duties are properly segregated. The Department of Finance and Administration (DFA) issued the *MAGIC Roles and Definitions* policy document to inform agencies of roles that should be separated to reduce conflicts.

Condition The Mississippi Department of Human Services (MDHS) submitted certifications to the Department of Finance and Administration (DFA) quarterly during state fiscal year 2018 stating that it was in compliance with MAGIC security policies. Upon review of the security roles assigned, the agency had conflicts to assigned duties, as detailed below.

During our review of MAGIC security roles at MDHS during fiscal year 2018, we noted:

- Thirty-three security role conflicts between accounts payable and accounts receivable functions;
- One hundred-four instances of roles assigned to MDHS personnel that are not allowed for the agency;
- Three instances in which roles were assigned to MDHS personnel without the required oversight roles being assigned;
- Three instances in which roles were still assigned to employees after their employment ended with the agency; and,
- Lack of effective review of information that was certified by agency.

Cause The agency did not properly review and monitor MAGIC security roles assigned to employees.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Effect Failure to properly segregate duties and limit user access among agency personnel increases the risk of misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.

Recommendation We recommend the Department of Human Services strengthen controls over MAGIC security access and ensure that roles are properly assigned, duties are segregated, and separated employees have their access removed in a timely manner.

Views of Responsible Officials Management at the Department of Human Services concurs with the finding. See additional comments in the Corrective Action Plan on page 223 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF MARINE RESOURCES

MATERIAL WEAKNESS

2018-002 The Department of Marine Resources (DMR) Should Strengthen Controls Over the Preparation of the Federal Grants Schedule.

Repeat Finding No

Criteria Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all funds.

Condition In prior years, the federal grant schedule of the DMR Federal Clearing Fund contained an error in deferred revenue, whereas closed grant programs carried forward a deferred revenue balance resulting in a misstatement of prior years' financial statements. The error was identified and corrected by the Mississippi Department of Finance and Administration (DFA) and by DMR in the current year in accordance with instructions provided by DFA.

Cause The previously designed accounting policies and procedures promulgated by DFA and followed by DMR did not allow for the error in the grant schedule to be identified in a timely manner. Ultimately, the underlying expenditure reports used to create the federal grant schedule did not include the capital expenditures of the grants because capital expenditures were not assigned a specific grant identifying number within the accounting system. These errors originated in 2016 during the second year of implementation of the MAGIC – Mississippi's Accountability System for Government Information and Collaboration – system and the continued redevelopment of the year-end close and GAAP Package Reporting processes for DMR.

Effect A restatement of beginning fund balance and a current year audit adjustment were required to correct the recorded deferred revenue in the DMR Federal Clearing Fund.

Recommendation We recommend the Department of Marine Resources (DMR) implement a process, where the federal grant schedule is subject to sufficient review and approval to prevent future errors. Additionally, DMR should continue to work with DFA to ensure their processes and procedures are sufficient to prevent or detect errors in the federal grant schedule.

Views of Responsible Officials Management at the Department of Marine Resources concurs with the finding. See additional comments in the Corrective Action Plan on page 233 of this audit report.

(This page left blank intentionally)

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)**

DEPARTMENT OF MENTAL HEALTH

SIGNIFICANT DEFICIENCIES

2018-015 The Department of Mental Health (DMH) Should Strengthen Controls Over the Segregation of Duties and the Data Entry and Approval Process of Employee Time Records and Contract Worker Information in the Statewide Payroll and Human Resource System (SPAHRs).

Repeat Finding No.

Criteria *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Greenbook) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties and information processing controls, exist and are effective.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within SPAHRs to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

Good internal controls also require effective information processing controls for data entered and processed in SPAHRs to check the accuracy, completeness, and authorization of transactions.

The State of Mississippi's Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO, including having a proper control environment.

Condition During testwork performed for fiscal year 2018, including an assessment of the internal controls of the Statewide Payroll and Human Resource System (SPAHRs), we noted the following:

- Three users that had access to both the human resource/recording function (PHUSR02C) and the payroll/authorization function (PHUSR03); and,
- Five out of six contracts and completed new hire forms for contract workers did not have accurate pay rate information recorded within SPAHRs.

Cause There are inadequate controls surrounding SPAHRs' segregation of duties, as well as the data entry and approval process of contract worker information.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files and unauthorized activity which can result in misstatement of financial position. Inaccurate pay rate information for contract worker in SPAHRS greatly increases the risk of misappropriation of assets and can result in misstatement of financial position.

Recommendation We recommend the Department of Mental Health implement processes to review individuals who have been granted access to SPAHRS to ensure that access to the payroll function and the human resource function have been appropriately authorized and to implement compensating controls when proper segregation of duties is not practical; and processes to review the contract worker input data within SPAHRS after initial approval and when set-up is complete.

Views of Responsible Officials Management at the Department of Mental Health concurs with the finding. See additional comments in the Corrective Action Plan on page 235 of this audit report.

2018-018 The Department of Mental Health Should Strengthen Controls over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process

Repeat Finding No

Criteria *The Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Greenbook) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.

Segregation of duties is the sharing of responsibilities of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Additionally, *The Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual* section 30.60.00 dictates that MAGIC security roles should be assigned to an employee based on his/her job duties, and that security roles should be reviewed on a quarterly basis to ensure that duties are segregated.

Condition The Department of Mental Health submitted certification to DFA quarterly during state fiscal year 2018 stating that it was in compliance with policies regarding MAGIC security. Upon review of the security roles assigned and the exceptions noted below, the agency did not have proper segregation of duties, did not have business roles assigned in accordance with DFA's MAGIC roles and descriptions, and improperly certified their agency had proper segregation of duties.

During our review of MAGIC security roles, we noted the following exceptions:

- Six instances in which Mississippi Department of Mental Health employees had access to roles specific to outside agencies; and
- Seven instances in which there were role violations related to improper segregation of duties.

Cause The Agency did not properly review and monitor their MAGIC security roles assigned to employees.

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.

Recommendation We recommend the Department of Mental Health strengthen controls over MAGIC security and ensure that roles are properly assigned, duties are segregated, and roles are reviewed in accordance with the MAAPP manual. When proper segregation of duties is not practical, compensating controls, such as increased review, should be implemented to ensure proper internal control activities have been met.

Views of Responsible Officials Management at the Department of Mental Health concurs with the finding. See additional comments in the Corrective Action Plan on page 236 of this audit report.

(This page left blank intentionally)

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF MILITARY

MATERIAL WEAKNESS

2018-044	<u>The Department of Military Should Strengthen Controls Over the Recording of Payroll.</u>
Repeat Finding	No.
Criteria	Good internal controls require effective management to ensure that payroll transactions are recorded in each fund timely.
Condition	During the fiscal year 2018 audit, we noted that payroll expenses in the amount of \$2,054,543 were recorded in the incorrect fund.
Cause	Payroll systems used by the Mississippi Military Department will not split payroll expenses between funds. This results in some of the payroll expenses being paid from one fund, and a portion of these expenses must then be reclassified into another fund. An entry was made at year end to reclassify the payroll transactions and balances between funds. Management failed to make the entry prior to the Mississippi Department Finance and Administration's closing deadlines.
Effect	This resulted in \$2,054,543 of payroll expenses being incorrectly recorded in Fund 5370900000 and \$478,806 of payroll expenses not being reported in Fund 3370100000. In addition, payroll liabilities were over reported in Fund 5370900000 by \$203,990 and under reported in Fund 3370100000 by \$6,933.
Recommendation	We recommend management should institute a process to reclassify the payroll expenses and balances between funds on a more regular basis. This will ensure that management reports are more accurate throughout the fiscal year, establish familiar routines for dealing with end of year reclassification requirements, and lessen the materiality of any timeliness issues that may occur in the future if end of year deadlines are not met.
Views of Responsible Officials	Management at the Department of Military concurs with the finding. See additional comments in the Corrective Action Plan on page 241 of this audit report.

(This page left blank intentionally)

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)**

DEPARTMENT OF PUBLIC SAFETY

SIGNIFICANT DEFICIENCY

2018-014 The Department of Public Safety Should Strengthen Controls Over the Segregation of Duties and the Approval Process of Employee Time Records in the Statewide Payroll and Human Resource System (SPAHRs).

Repeat Finding No.

Criteria *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Greenbook) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within SPAHRs to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

The State of Mississippi's Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO, including having a proper control environment.

Condition During testwork performed for fiscal year 2018, including an assessment of the internal controls of the Statewide Payroll and Human Resource System (SPAHRs), we noted the following:

- Seven users that had access to both the human resource/recording function (PHUSR02C) and the payroll/authorization function (PHUSR03); and
- Three out of 20 employees whose time data was not approved.

Cause There are inadequate controls surrounding SPAHRs' segregation of duties, as well as the approval process for hourly employee time data.

Effect Failure to properly segregate duties and review and approve employee time worked greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in misstatement of financial position.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Recommendation We recommend the Department of Public Safety implement processes to review individuals who have been granted access to SPAHRS to ensure that access to the payroll function and the human resource function have been appropriately authorized and to implement compensating controls when proper segregation of duties is not practical; and processes to ensure all time data input into SPAHRS is approved before and after being entered in the system.

Views of Responsible Officials Management at the Department of Public Safety concurs with the finding. See additional comments in the Corrective Action Plan on page 253 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF REHABILITATION SERVICES

SIGNIFICANT DEFICIENCY

2018-003 The Department of Rehabilitation Services Should Strengthen Controls over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.

Repeat Finding No

Criteria *The Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), specifies that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. At a minimum, the following functions are considered incompatible for proper segregation of duties:

- Custody
- Authorization or approval
- Recording or reporting

When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

Additionally, The Mississippi Agency Accounting Policies and Procedures (MAAPP) manual section 30.60.00 dictates that MAGIC security roles should be assigned to an employee based on his/her job duties, and that security roles should be reviewed on a quarterly basis to ensure that duties are segregated.

Condition The Department of Rehabilitation Services submitted certification to DFA quarterly during state fiscal year 2018 stating that it was in compliance with policies regarding MAGIC security. Upon review of the security roles assigned and the exceptions noted below, the agency did not have proper segregation of duties, did not have business roles assigned in accordance with DFA's MAGIC roles and descriptions, and improperly certified their agency had proper segregation of duties.

During our review of MAGIC security roles, we noted the following exceptions:

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

- Thirty-nine (39) instances in which Mississippi Department of Rehabilitation Services employees had access to roles specific to outside agencies;
- Twenty-seven (27) instances in which there were role violations related to improper segregation of duties; and
- One (1) instance in which an employee resigned in March 2018 was not separated in MAGIC in a timely manner (as of the 4th quarter).

Cause The Agency did not properly review and monitor their MAGIC security roles assigned to employees

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.

Recommendation We recommend the Department of Rehabilitation Services strengthen controls over MAGIC security and ensure that roles are properly assigned, duties are segregated, and separated employees have their access removed in a timely manner.

Views of Responsible Officials Management at the Department of Rehabilitation Services concurs with the finding. See additional comments in the Corrective Action Plan on page 255 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF REVENUE

SIGNIFICANT DEFICIENCIES

2018-026 The Department of Revenue (DOR) Should Strengthen Controls over the Reconciliation of Alcohol Beverage Control (ABC) Taxes.

Repeat Finding Yes – 2017-012 in 2017; 2016-007 in 2016.

Criteria *The Mississippi Code Annotated (1972)* dictates the distribution of state tax collections. Good internal controls dictates an automated system should be reconciled to ensure files created by the system agree with agency records and the state general ledger system. Section 27-104-4, *Mississippi Code Annotated* (1972) requires each state agency to prepare financial statements (GAAP packets for the Department of Finance and Administration (DFA. DFA combines state agency GAAP Packets to produce the *Comprehensive Annual Financial Report* (CAFR.

Condition Since the implementation of ABC taxes into the Mississippi Automated Revenue System (MARS, DOR has not performed a routine reconciliation between diversions files created by MARS to DOR's transfer records and balances recorded in the Mississippi Accountability System for Government Information and Collaboration (MAGIC.

In addition, during our review of the Fund 3389500000 GAAP Packet, we noted the GAAP adjustment to accrue lapse period expenditures of \$20,450,798 was coded to the wrong cost category in MAGIC. After inquiry by auditor, the expenditure account was reclassified.

Cause The agency does not currently have a process in place to reconcile balances between agency records, MARS and MAGIC balances.

Effect Failure to reconcile files created by MARS to agency records and MAGIC could result in misstatements to the State's financial statements. In addition, failure to properly review all GAAP packet entries prior to submission to DFA could result in misstatements to the State's financial statements.

Recommendation We recommend the Department of Revenue strengthen controls over the diversion of Alcoholic Beverage Control tax collections. Reconciliations should be performed over diversion files created by the Mississippi Automated Revenue System and agency's transfer records for taxes and balances recorded in the Mississippi Accountability System for Government Information and Collaboration. In addition, the agency should strengthen controls over the review of GAAP packet adjustments to ensure that all entries have been reviewed for propriety before submission to DFA.

Views of Responsible Officials Management at the Department of Revenue concurs with the finding. See additional comments in the Corrective Action Plan on page 257 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

2018-027	<u>The Department of Revenue (DOR) Should Strengthen Controls over the Mississippi Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process</u>
Repeat Finding	No
Criteria	<p>The <i>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 control activities exist, such as proper segregation of duties. Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person.</p> <p>Additionally, the <i>Mississippi Agency Accounting Policies and Procedures</i> (MAAPP) manual section 30.60.00 requires security roles in the Mississippi Accountability System for Government Information and Collaboration (MAGIC) to be assigned to an employee based on his or her job duties, and that security roles be reviewed quarterly by agencies to ensure duties are properly segregated. The Department of Finance and Administration (DFA) issued the <i>MAGIC Roles and Definitions</i> policy document to inform agencies of roles that should be separated to reduce conflicts.</p>
Condition	<p>DOR submitted certifications to DFA quarterly during state fiscal year 2018 stating that it was in compliance with MAGIC security policies. Upon review of the security roles assigned, the agency had conflicts to assigned duties, as detailed below.</p> <p>During our review of MAGIC security roles at DOR during fiscal year 2018, we noted:</p> <ul style="list-style-type: none"> • Thirteen security role conflicts between accounts payable and accounts receivable functions; • Four roles assigned to DOR personnel that are not allowed for the agency; • Two roles that were improperly assigned by the agency in error; and, • Lack of effective review of information that was certified by agency.
Cause	The agency did not properly review and monitor MAGIC security roles assigned to employees.
Effect	Failure to properly segregate duties and limit user access among agency personnel increases the risk of misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.
Recommendation	We recommend the Department of Revenue strengthen controls over MAGIC security access and ensure that roles are properly assigned and duties are segregated.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Views of Responsible

Officials

Management at the Department of Revenue concurs with the finding. See additional comments in the Corrective Action Plan on page 258 of this audit report.

(This page left blank intentionally)

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DEPARTMENT OF TRANSPORTATION

SIGNIFICANT DEFICIENCIES

2018-013 The Department of Transportation (MDOT) Should Strengthen Controls Over the Segregation of Duties and the Data Entry and Approval Process of Employee Time Records and Contract Worker Information in the Statewide Payroll and Human Resource System (SPAHRs).

Repeat Finding No

Criteria *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Greenbook) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties and information processing controls, exist and are effective.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within SPAHRs to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

Good internal controls also require effective information processing controls for data entered and processed in SPAHRs to check the accuracy, completeness, and authorization of transactions.

The State of Mississippi's Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO, including having a proper control environment.

Condition During testwork performed for fiscal year 2018, including an assessment of the internal controls of SPAHRs, we noted the following:

- Eight users that had access to both the human resource/recording function (PHUSR02C) and the payroll/authorization function (PHUSR03);
- Six out of 25 contracts and completed new hire forms for contract workers did not have accurate pay rate information recorded within SPAHRs; and
- Insufficient records to substantiate that employee time cards are being approved by management.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Cause	There are inadequate controls surrounding SPAHRS' segregation of duties, as well as the data entry and approval process of employee time card and contract worker information.
Effect	Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in misstatement of financial position. Inaccurate pay rate information for contract worker and unapproved employee time entered into the SPAHRS greatly increases the risk of misappropriation of assets and can result in misstatement of financial position.
Recommendation	We recommend the Department of Transportation implement processes to review individuals who have been granted access to SPAHRS to ensure that access to the payroll function and the human resource function have been appropriately authorized and to implement compensating controls when proper segregation of duties is not practical; processes to review the contract worker input data within SPAHRS after initial approval and when set-up is complete; and processes to ensure employee time cards are maintained and that all time data input into SPAHRS is approved before and after being entered in the system.
Views of Responsible Officials	Management at the Department of Transportation partially concurs with the finding. See additional comments in the Corrective Action Plan on page 245 of this audit report. See Response of the Auditor on page 102 and page 248 of this report.

2018-017 The Department of Transportation (MDOT) Should Strengthen Controls over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.

Repeat Finding No.

Criteria *The Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Greenbook) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

Additionally, *The Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual* section 30.60.00 dictates that MAGIC security roles should be assigned to an employee based on his/her job duties, and that security roles should be reviewed on a quarterly basis to ensure that duties are segregated.

Condition MDOT submitted certification to DFA quarterly during state fiscal year 2018 stating that it was in compliance with policies regarding MAGIC security. Upon review of the security roles assigned and the exceptions noted below, the agency did not have proper segregation of duties, did not have business roles assigned in accordance with DFA's MAGIC roles and descriptions, and improperly certified their agency had proper segregation of duties.

During our review of MAGIC security roles, we noted the following exceptions:

- Three instances in which Mississippi Department of Transportation employees had access to roles specific to outside agencies; and
- Fifteen instances in which there were role violations related to improper segregation of duties.

Cause The Agency did not properly review and monitor their MAGIC security roles assigned to employees.

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in misstatement of financial position.

Recommendation We recommend the Department of Transportation strengthen controls over MAGIC security and ensure that roles are properly assigned, duties are segregated, and roles are reviewed in accordance with the MAAPP manual. When proper segregation of duties is not practical, we recommend the Department of Transportation implement compensating controls.

Views of Responsible Officials Management at the Department of Transportation concurs with the finding. See additional comments in the Corrective Action Plan on page 246 of this audit report.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)**

DEPARTMENT OF TRANSPORTATION

SIGNIFICANT DEFICIENCIES

2018-013 The Department of Transportation (MDOT) Should Strengthen Controls Over the Segregation of Duties and the Data Entry and Approval Process of Employee Time Records and Contract Worker Information in the Statewide Payroll and Human Resource System (SPAHRs).

Audit Response All information provided timely by the Department of Transportation (MDOT) was considered when performing audit testwork.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

DIVISION OF MEDICAID

SIGNIFICANT DEFICIENCY

2018-012 The Division of Medicaid Should Strengthen Controls over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process

Repeat Finding No

Criteria *The Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), specifies that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective. Proper segregation of duties is essential to minimizing the risk of fictitious transactions and misstated financial position.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within MAGIC to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

Additionally, The *Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual* section 30.60.00 dictates that MAGIC security roles should be assigned to an employee based on his/her job duties, and that security roles should be reviewed on a quarterly basis to ensure that duties are segregated.

Condition The Division of Medicaid submitted certification to The Department of Finance and Administration (DFA) quarterly during state fiscal year 2018 stating that it was in compliance with policies regarding MAGIC security. Upon review of the security roles assigned and the exceptions noted below, the agency did not have proper segregation of duties, did not have business roles assigned in accordance with DFA's MAGIC roles and descriptions, and improperly certified their agency had proper segregation of duties.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

During our review of MAGIC security roles, we noted the following exceptions:

- Eighteen instances in which the Division of Medicaid employees had access to roles specific to outside agencies; and
- Seventeen instances in which there were role violations related to improper segregation of duties.

Cause The Agency did not properly review and monitor their MAGIC security roles assigned to employees.

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.

Recommendation We recommend the Division of Medicaid strengthen controls over MAGIC security and ensure that roles are properly assigned, duties are segregated, and roles are reviewed in accordance with the MAAPP manual. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met.

Views of Responsible Officials Management at the Division of Medicaid concurs with the finding. See additional comments in the Corrective Action Plan on page 259 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

SIGNIFICANT DEFICIENCY

2018-029 Mississippi Emergency Management Agency (MEMA) Should Strengthen Controls over Mississippi Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process

Repeat Finding No

Criteria The *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Green Book) specify that a satisfactory control environment is only effective when control activities exist, such as proper segregation of duties. Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person.

Additionally, the *Mississippi Agency Accounting Policies and Procedures* (MAAPP) manual section 30.60.00 requires security roles in the Mississippi Accountability System for Government Information and Collaboration (MAGIC) to be assigned to an employee based on his or her job duties, and that security roles be reviewed quarterly by agencies to ensure duties are properly segregated. The Department of Finance and Administration (DFA) issued the *MAGIC Roles and Definitions* policy document to inform agencies of roles that should be separated to reduce conflicts.

Condition MEMA submitted certifications to DFA quarterly during state fiscal year 2018 stating that it was in compliance with MAGIC security policies. Upon review of the security roles assigned, the agency had conflicts to assigned duties, as detailed below.

During our review of MAGIC security roles at MEMA during fiscal year 2018, we noted:

- Eight security role conflicts between accounts payable and accounts receivable functions;
- Two instances of roles assigned to MEMA personnel that are not allowed for the agency;
- Two instances in which roles were assigned to MEMA personnel without the required oversight roles being assigned;
- Two instances in which roles were still assigned to employees after their employment ended with the agency; and,
- Lack of effective review of information that was certified by agency.

Cause The agency did not properly review and monitor MAGIC security roles assigned to employees.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Effect	Failure to properly segregate duties and limit user access among agency personnel increases the risk of misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in material misstatements of financial statements.
Recommendation	We recommend the Mississippi Emergency Management Agency strengthen controls over MAGIC security access and ensure that roles are properly assigned, duties are segregated, and separated employees have their access removed in a timely manner.
Views of Responsible Officials	Management at the Mississippi Emergency Management Agency concurs with the finding. See additional comments in the Corrective Action Plan on page 265 of this audit report.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)**

MISSISSIPPI PRISON INDUSTRIES CORPORATION

MATERIAL WEAKNESSES

2018-036 Mississippi Prison Industries Corporation (MPIC) Should Strengthen Controls over Segregation of Duties.

Repeat Finding No

Criteria A financial reporting system requires appropriate segregation of duties to ensure that all relevant information is processed in a timely manner and appropriately assimilated into the financial reporting process.

Condition Due to the limited number of accounting personnel working for MPIC, certain critical accounting duties have been combined and assigned to employees based on availability. During the year ended June 30, 2017, the majority of the accounting duties were performed by one individual. Subsequent to June 30, 2017, additional accounting personnel were hired which improved the issue. However, Auditor noted that the Controller prepares and pays payroll with no documented review. Journal entries prepared by the Controller had no evidence of review either. Auditor also noted that the accounts receivable clerk handles both billings and collections and manages the customer master file. Similarly, the accounts payable clerk handles both disbursements and manages the supplier master file.

Cause Limited number of accounting personnel working for MPIC.

Effect Inadequate segregation of duties prevents MPIC from safeguarding its assets. To the extent possible, duties should be segregated to serve as a check and balance to maintain the best control system possible.

Recommendation We recommend Mississippi Prison Industries Corporation strengthen controls over the segregation of accounting duties.

Views of Responsible Officials Management at Mississippi Prison Industries Corporation concurs with the finding. See additional comments in the Corrective Action Plan on page 271 of this audit report.

2018-037 Mississippi Prison Industries Corporation (MPIC) Should Strengthen Controls over Maintenance of Source Documents and the Audit Trail.

Repeat Finding No

Criteria A financial reporting system requires an appropriate review function to ensure that all relevant information is processed correctly and appropriately assimilated into the financial reporting process.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Condition	<p>Certain deficiencies in internal control result from a lack of maintenance of source documents. During testwork for the fiscal year 2018, we noted the following exceptions:</p> <ul style="list-style-type: none"> • Out of 23 journal entries selected, four were not supported by documentation and eleven had support that differed from the journal entry recorded. • Out of 60 travel disbursements tested, seven were not supported by a travel voucher and 41 were not supported by documented approval authorization. • Supporting documentation nor documented approval was provided for any instance of a new hire or pay raise occurring during the fiscal year.
Cause	<p>MPIC has a small staff and lacks entity level control structure that would be needed to ensure that review processes are completed and documented and that all source documents, including invoices and travel receipts, are properly filed and easily accessible.</p>
Effect	<p>Inadequate controls over review and maintenance of source documentation could result in inaccurate accounting information. We recommend policies be strengthened so that review functions and business purposes are documented and source documentation is better maintained.</p>
Recommendation	<p>We recommend Mississippi Prison Industries Corporation strengthen controls over the maintenance of source documents.</p>
Views of Responsible Officials	<p>Management at Mississippi Prison Industries Corporation concurs with the finding. See additional comments in the Corrective Action Plan on page 272 of this audit report.</p>

2018-038	<p><u>Mississippi Prison Industries Corporation (MPIC) Should Strengthen Controls over Inventory.</u></p>
Repeat Finding	<p>No</p>
Criteria	<p>Inventories held by MPIC are an important part of its overall financial reporting system and requires appropriate controls over pricing, existence, and obsolescence.</p>
Condition	<p>Certain deficiencies in internal control result from a lack of inventory control. During testwork for the fiscal year 2018, we noted the following exceptions:</p> <ul style="list-style-type: none"> • Print shop inventory is maintained on a spreadsheet (rather than in QuickBooks like the other segments of inventory on hand). • Pricing per unit for print shop items is not supported and difficult to verify.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

	<ul style="list-style-type: none"> • Manual adjustments to various components of inventory resulted in incorrect asset values for many items (quantity times price was inaccurate for most of these adjustments). • The process for month-end close of inventory is not adequately controlled – some inventory items were noted to be held in trucks and not recorded until the subsequent month and some count adjustments were not recorded in QuickBooks.
Cause	MPIC has a small staff and lacks entity level control structure that would be needed to ensure that inventory is accounted for accurately.
Effect	Inadequate controls over the inventory control process could result in material misstatements. We recommend policies be strengthened so that deficiencies noted above do not recur. MPIC should implement a consistent method in communicating inventory activity to the accounting department.
Recommendation	We recommend Mississippi Prison Industries Corporation strengthen controls over inventory.
Views of Responsible Officials	Management at Mississippi Prison Industries Corporation concurs with the finding. See additional comments in the Corrective Action Plan on page 272 of this audit report.

2018-039	<u>Mississippi Prison Industries Corporation (MPIC) Should Strengthen Controls over Fixed Assets.</u>
Repeat Finding	No
Criteria	Property held by MPIC are an important part of its overall financial reporting system and requires appropriate controls over existence and potential impairment.
Condition	<p>Certain deficiencies in internal control result from a lack of control over property. During testwork for the fiscal year 2018, we noted the following exceptions:</p> <ul style="list-style-type: none"> • Sewing machines purchased and received in April 2017 were not recorded until August 2017, when the invoice was actually paid. • Certain equipment was capitalized even though the amount purchased was below the capitalization threshold used by MPIC. • Three truck leases were entered into that should have been recorded as capital leases, with an asset and corresponding amount of debt recorded at lease inception. • Subsidiary ledger details of property capitalized and related depreciation contained numerous small errors.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)**

Cause	MPIC has a small staff and lacks entity level control structure that would be needed to ensure that property is accounted for accurately.
Effect	Inadequate controls over property could result in material misstatements. We recommend policies be strengthened to adequately safeguard MPIC's assets.
Recommendation	We recommend Mississippi Prison Industries Corporation strengthen controls over property.

Views of Responsible Officials

Management at Mississippi Prison Industries Corporation concurs with the finding. See additional comments in the Corrective Action Plan on page 272 of this audit report.

2018-040 Mississippi Prison Industries Corporation (MPIC) Should Strengthen Controls over Pension and Postemployment Benefit Liability Calculations.

Repeat Finding No

Criteria *Governmental Accounting Standards Board Statement No. 68 – Accounting And Financial Reporting for Pensions and Governmental Accounting Standards Board Statement No. 75- Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* require a governmental agency to calculate and recognize liabilities for their proportionate share of pension and postemployment benefit liabilities.

Pension and postemployment benefit liabilities and related deferred inflows and outflows held by MPIC are an important part of its overall financial reporting system and requires appropriate controls over existence and obsolescence.

Condition To a large extent, MPIC relies on its external auditors to calculate MPIC's allocation of pension and postemployment benefit liabilities. However, the external auditor cannot be considered part of an entity's system of control. Therefore, the adjustments calculated and proposed to MPIC by the external auditor represent deficiencies in internal control.

Cause MPIC has a small staff and lacks the experience needed to ensure that these calculations are accounted for accurately.

Effect Inadequate controls over pension and postemployment benefit liabilities could result in material misstatements

Recommendation We recommend Mississippi Prison Industries Corporation strengthen controls over the calculation of pension and postemployment benefit calculations.

Views of Responsible Officials

Management at Mississippi Prison Industries Corporation concurs with the

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

finding. See additional comments in the Corrective Action Plan on page 273 of this audit report.

2018-041	<u>Mississippi Prison Industries Corporation (MPIC) Should Strengthen Controls over Review and Close-Out Process for Financial Reporting.</u>
Repeat Finding	No
Criteria	A financial reporting system requires entity level controls to be constructed so reconciliations are prepared to support trial balance amounts, and appropriate review function be put in place to ensure that all relevant information is accumulated correctly for general ledger close-out and financial reporting.
Condition	To a large extent, MPIC relies on its external auditors as a buffer for corrections that are needed to the general ledger accounts. As part of the audit, in addition to other areas noted previously, adjustments to receivables, revenue, bad debts, prepaid expenses, accounts payable, and accrued leave were necessary to present MPIC's financial statements in conformity with generally accepted accounting principles. However, the external auditor cannot be considered part of an entity's system of control. Therefore, the adjustments calculated and proposed to MPIC by the external auditor represent deficiencies in internal control.
Cause	MPIC has a small staff and lacks entity level control structure that would be needed to ensure that comprehensive reconciliations are prepared, review processes are completed, and financial statements prepared in accordance with accounting principles generally accepted in the United States.
Effect	Inadequate controls over reconciliations, review, and the close-out process for financial reporting could result in material misstatements.
Recommendation	We recommend Mississippi Prison Industries Corporation strengthen controls over the review and close-out process for financial reporting.
Views of Responsible Officials	Management at Mississippi Prison Industries Corporation concurs with the finding. See additional comments in the Corrective Action Plan on page 273 of this audit report.

SIGNIFICANT DEFICIENCY

2018-042	<u>Mississippi Prison Industries Corporation (MPIC) Should Strengthen Controls over Information Technology General Controls (ITGC).</u>
Repeat Finding	No

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Criteria	Information reporting systems are a critical component of the overall financial reporting system. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a model for evaluating controls that has been adopted as the generally accepted framework for internal control and is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.
Condition	During the course of our audit, we noted certain deficiencies related to the information technology environment. MPIC's servers were not maintained in a secure environment. The server room was not locked and lacked the expected environmental controls such as a dedicated air conditioning unit, temperature monitoring, and backup generator, although an uninterruptible power supply (UPS) is used. Furthermore, we noted that tape backups were not taken offsite and were rather left unattended in the unlocked server room. MPIC should revise its practice to ensure proper safeguarding of its servers and data. Certain ITGC responsibilities are contracted out to a third party. Nevertheless, MPIC is still responsible for services provided by the third party and determining that its data is secure.
Cause	MPIC has a small staff and outsources key functions of its technology environment controls, with limited supervision.
Effect	Inadequate ITGC controls and policies could result in a loss of accounting information or interruption of the operations.
Recommendation	We recommend Mississippi Prison Industries Corporation (MPIC) enter into a written agreement with the third party provider. MPIC should define how the third party is to secure its data, in addition to identifying measurable metrics to evaluate the services delivered by the third party service provider. From a broader perspective, we noted MPIC did not have formally documented ITGC policies governing the security, availability, processing integrity, confidentiality, and privacy of data. We recommend MPIC develop and implement a comprehensive set of ITGC policies.
Views of Responsible Officials	Management at Mississippi Prison Industries Corporation concurs with the finding. See additional comments in the Corrective Action Plan on page 274 of this audit report.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)**

OFFICE OF STATE AID ROAD CONSTRUCTION

SIGNIFICANT DEFICIENCY

2018-035 The Office of State Aid Road Construction Should Strengthen Controls over the Segregation of Duties in the Statewide Payroll and Human Resource System (SPAHRs).

Repeat Finding No.

Criteria *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Greenbook) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within SPAHRs to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

The State of Mississippi's Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO, including having a proper control environment.

Condition During testwork performed for fiscal year 2018, including an assessment of the internal controls of the Statewide Payroll and Human Resource System (SPAHRs), we noted four users that had access to both the human resource/recording function (PHUSR02C) and the payroll/authorization function (PHUSR03).

Cause There are inadequate controls surrounding SPAHRs' segregation of duties.

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files and unauthorized activity which can result in misstatement of financial position.

Recommendation We recommend the Office of State Aid Road Construction implement processes to review individuals who have been granted access to SPAHRs to ensure that access to the payroll function and human resource function have been

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

appropriately authorized and segregated and to implement compensating controls when proper segregation of duties is not practical.

**Views of Responsible
Officials**

Management at Office of State Aid Road Construction concurs with the finding. See additional comments in the Corrective Action Plan on page 277 of this audit report.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)**

OFFICE OF THE STATE PERSONNEL BOARD

SIGNIFICANT DEFICIENCY

2018-011 Office of State Personnel Board Should Strengthen Controls over the Segregation of Duties in the Statewide Payroll and Human Resource System (SPAHRs).

Repeat Finding No.

Criteria *The Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the *U.S. Government Accountability Office Standards for Internal Control in the Federal Government* (Greenbook) specify that a satisfactory control environment is only effective when control activities, such as proper segregation of duties, exist and are effective.

Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person or department. When proper segregation of duties is not practical, compensating controls, such as increased review and reconciliation, should be implemented to ensure proper internal control activities have been met. Good internal controls require effective segregation of duties within SPAHRs to ensure critical business functions are performed by separate individuals to prevent incompatible duties which may allow users to perpetuate and conceal errors or fraud in the normal course of duty.

The State of Mississippi's Mississippi Agency Accounting Policies and Procedures (MAAPP) Manual Section 30 – Internal Control states that each state agency implement a system of internal control in accordance with the principles of COSO, including having a proper control environment.

Condition During testwork performed for fiscal year 2018, including an assessment of the internal controls of the Statewide Payroll and Human Resource System (SPAHRs), we noted the following:

- Two users that had access to both the human resource/recording function (PHUSR02C) and the payroll/authorization function (PHUSR03); and
- Two users with master access within SPAHRs without appropriate form approval completed by supervisor.

Cause There are inadequate controls surrounding SPAHRs' segregation of duties, as well as the approval process for user access.

Effect Failure to properly segregate duties and limit user access among agency personnel greatly increases the risk of fraud, misappropriation of assets, inappropriate changes to data or files, and unauthorized activity which can result in misstatement of financial position.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

Recommendation We recommend the State Personnel Board implement processes to review individuals who have been granted access to SPAHRS to ensure that access to the system have been appropriately authorized and segregated and to implement compensating controls when proper segregation of duties is not practical.

Views of Responsible Officials Management at Office of State Personnel Board partially concurs with the finding. See additional comments in the Corrective Action Plan on page 279 of this audit report. See Response of the Auditor on page 117 and page 282 of this report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

OFFICE OF THE STATE PERSONNEL BOARD

SIGNIFICANT DEFICIENCY

2018-011 Office of State Personnel Board Should Strengthen Controls over the Segregation of Duties in the Statewide Payroll and Human Resource System (SPAHRS).

Audit Response The Office of the State Auditor (OSA) does not dispute that the policy of the Office of the State Personnel Board is to ensure that access to SPAHRS is approved before access is granted; however, testwork noted that appropriate approval was not on file for two users. Therefore, the Office of the State Personnel Board should improve the retention of records, or strengthen controls to ensure that users are appropriately approved in the future.

(This page left blank intentionally)

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

OFFICE OF THE STATE TREASURER

SIGNIFICANT DEFICIENCY

2018-028	<u>Office of the State Treasurer (OST) Should Strengthen Controls over Arbitrage Calculations.</u>
Repeat Finding	Yes - 2017-019 in 2017; OTH 16-01 in 2016; OTH 15-02 in 2015; OTH 14-02 in 2014; OTH 13-05 in 2013
Criteria	Per Internal Revenue Service (IRS guidance on the instructions for form 8038-T (arbitrage rebates, issuers must pay arbitrage rebates in installments for computation dates that occur at least once every five years. Rebate payments are due within 60 days after each computation date. The final rebate payment for an issue is due within 60 days after the issue is discharged.
Condition	<p>During testwork performed over arbitrage calculations, we noted OST did not prepare calculations for five of nine bond issues within the timeframe specified by the Internal Revenue Service (IRS. The agency did send information to a third party in order to prepare arbitrage calculations for the bond issues; however, five calculations were received late ranging from 45 to 185 days. It should be noted that the calculations revealed no arbitrage payments were due to the IRS.</p> <p>In addition, we noted the agency owed an arbitrage rebate to the IRS for the Series 2009C General Obligation Note due by January of 2011. However, the agency did not request a final arbitrage calculation for 2009C until May of 2018 when the rebate was paid in fiscal year 2018. Therefore, the payment to the IRS included \$161,092 of accrued interest.</p>
Cause	Agency personnel did not request arbitrage calculations from the third party in a timely manner
Effect	Failure to ensure arbitrage calculations are prepared and rebates are paid within the timeframe specified by the Internal Revenue Service (IRS could result in penalties and/or loss of tax exempt status for the bond issue. The rebate paid during fiscal year 2018 included \$161,092 of accrued interest due to untimely preparation of the arbitrage calculation.
Recommendation	We recommend the Office of the State Treasurer strengthen controls to ensure all bonds are monitored for the timing of arbitrage calculations and rebate submissions, and that those calculations and rebate submissions occur timely, in accordance Internal Revenue Service regulations.
Views of Responsible Officials	Management at Office of State Treasurer concurs with the finding. See additional comments in the Corrective Action Plan on page 275 of this audit report.

(This page left blank intentionally)

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

VETERANS' HOME PURCHASE BOARD

SIGNIFICANT DEFICIENCY

2018-043	<u>Veterans' Home Purchase Board (VHPB) Should Strengthen Controls over the Escrow Subsidiary Ledger.</u>
Repeat Finding	No.
Criteria	With respect to the mortgage loans, VHPB is responsible for administering escrow accounts on behalf of each borrower to pay property taxes and homeowners insurance premiums. VHPB determines the borrower's monthly escrow deposits needed to maintain the account through an annual escrow analysis. The escrow subsidiary ledger balance should reconcile to the general ledger escrow activity.
Condition	There are numerous reconciling items related to the escrow subsidiary ledger reconciliation with the general ledger escrow activity. These reconciling items relate to numerous factors, including, amongst other things, (1) errors made in posting disbursements to the escrow subsidiary ledger, (2) errors made in requesting warrants which are posted to the general ledger, (3) disbursements are posted to the subsidiary ledger prior to requesting a warrant for payment or posting in the general ledger, (4) numerous cancelled warrants, and (5) numerous adjustments to the subsidiary ledger. It was further noted that there were late payments of taxes and insurance past the due dates and accounts for which an annual escrow analysis was not performed.
Cause	Lack of daily reconciliation of the escrow subsidiary ledger activity with the general ledger escrow activity and follow-up/correction of discrepancies. Lack of review to ensure annual escrow analysis are performed on all escrow accounts.
Effect	In addition to causing reconciling difficulties, these reconciling items result in inaccurate calculations of monthly borrower deposits needed to maintain the escrow account and misstated Annual Tax and Interest Statements. The lack of an annual escrow analysis lends to the escrow account being under or over funded. Late payments of taxes and insurance result in late fees/notices and may create more dire consequences.
Recommendation	We recommend Veterans' Home Purchase Board implement policies and procedures to ensure daily reconciliations are made of the escrow subsidiary ledger activity with the general ledger escrow activity. Documentation should be provided on days in which there was no activity for support. Such reconciliations should document the preparer and reviewer; and should be properly stored in an orderly fashion. Discrepancies should be immediately investigated and necessary corrections made timely. Schedules can be utilized to track property tax and homeowner insurance to ensure timely payment and to track annual escrow analysis to ensure inclusion of all accounts.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 2 – Financial Statement Findings (continued)

**Views of Responsible
Officials**

Management at Veterans' Home Purchase Board concurs with the finding. See additional comments in the Corrective Action Plan on page 283 of this audit report.

Schedule of Findings and Questioned Costs
Part 3 – Federal Award Findings and Questioned
Costs



(This page left blank intentionally.)

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Introduction

This part of the Schedule of Findings and Questioned Costs presents audit findings required to be reported by *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200, Section 5.16*

Findings are grouped by federal funding agency and then organized by state agency. Findings within the state agency are listed in order by type of compliance requirement as listed in Appendix XI to the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200*.

Each finding has one of the following designations:

- ❖ **Material Weakness** – *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.
- ❖ **Significant Deficiency** – *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.
- ❖ **Material Noncompliance** – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that in the auditor’s judgment have a direct and material effect on a major federal program.
- ❖ **Immaterial Noncompliance** – Conditions representing noncompliance with the provisions of laws, regulations, contracts, or grant agreements that do not have a direct and material effect on a major federal program.

(This page left blank intentionally.)

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF AGRICULTURE

Finding Number **Finding and Recommendation**

DEPARTMENT OF EDUCATION

SUBRECIPIENT MONITORING

Significant Deficiency

Immaterial Noncompliance

2018-001 Procedures over issuing subrecipient program review letter should be strengthened to ensure that the letters are issued within the 30-day program requirement.

CFDA Number 10.553, 10.555, 10.556, 10.559 – Child Nutrition Cluster

Federal Award CN16-1099 CNBLOCK17
CN17-1099 CNBLOCK18

Questioned Costs Undetermined

Repeat Finding No

Statistically Valid The sample is considered statistically valid

Criteria Control: 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements* (the Uniform Guidance) requires non-Federal entities to establish and maintain effective internal controls over Federal awards so that they provide reasonable assurance that the non-Federal entity is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards per 2 CFR section 200.303(a).

Compliance: The state will provide the school with a letter within 30 days of the exit conference. This letter will notify the school of their status.

Condition During our review of the Department's subrecipient monitoring activities, we noted that 5 administrative review letters were not sent to the subrecipient within the 30 days after the exit conference. The administrative letter formally notifies the subrecipient of the review results, identifies findings, and any required follow-up action on the part of the subrecipient. We noted that 5 out of 18 administrative review letters completed during May 2016 through May 2018 were issued (approximately) 15 – 60 days in excess of the 30- day requirement.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

USDA allows subrecipient monitoring to be performed (at least) every 3 years; therefore, subrecipient reviews completed within the last 3 years are subject to be audited in the year under audit.

Cause Due to change in personnel, the Department was temporary short staffed and did not issue the letters within the 30-day timeframe.

Effect The Department is not compliant with the grantor requirements. Subrecipients are not formally notified of noncompliance in a timely manner with timely follow-up or other remediation performed by the Department.

Recommendation The Department should review current procedures for issuing subrecipient administrative review letters to ensure that the staff complies with the 30-day requirement.

Views of Responsible Officials Management at the Mississippi Department of Education concurs with this finding. See additional comments in the Corrective Action Plan on page 197 of this audit report.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)**

DEPARTMENT OF HUMAN SERVICES

REPORTING

Significant Deficiency

2018-050 Controls Should be Strengthened Over the Submission of Required Federal Reports.

CFDA Number 10.551 - Supplemental Nutrition Assistance Program
10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Federal Award	16165MS415Q3903	2016	175MS415Q3903	2017
	16165MS415Q7503	2016	175MS415Q7503	2017
	175MS405S2514	2017	185MS405S2514	2018
	175MS405S2519	2017	185MS405S2519	2018
	175MS405S2520	2017	185MS405S2520	2018
	175MS405S8026	2017	185MS405S8026	2018
	175MS405S8036	2017	185MS405S8036	2018
	175MS405S8069	2017	185MS412Q7503	2018

Questioned Costs N/A

Repeat Finding No

Statistically Valid The sample is considered statistically valid.

Criteria *The Code of Federal Regulations (7 CFR Part 550.123)*, requires the “Federal Financial Report” (SF-425) due quarterly and semi-annually no later than 30 calendar days after the reporting period.

Good internal controls over reporting should include a timely and independent review of information reported.

Condition During testwork performed for the program specific reporting requirements of the SNAP program during fiscal year 2018, we noted one SNAP SF-425 report of the four reports reviewed could not be verified it was submitted timely or if the report was reviewed and approved by supervisory personnel. An audit trail was not maintained to document when the report was submitted or if it was approved prior to submission.

Cause Staff were either unaware of or did not follow policies and procedures related to federal reporting requirements.

Effect Failure to timely review and submit reports could result in reporting penalties and could impact funding determinations.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Recommendation We recommend MDHS strengthen the controls over the preparation, review and timely submission of required financial reports prior to submission to the Department of Agriculture.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 229 of this audit report.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2018-046 Controls Should Be Strengthened over On-Site Monitoring.

CFDA Number 10.551 - Supplemental Nutrition Assistance Program
10.561 - State Administrative Matching Grants for SNAP

Federal Award No. 175MS405S8026 2017
175MS405S8069 2017
185MS405S8026 2018

Questioned Costs N/A

Repeat Finding No

Statistically Valid The sample is considered statistically valid.

Criteria The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the U.S. Department of Agriculture require MDHS to administer grants in compliance with the *Code of Federal Regulations (2 CFR Part 200 – Uniform Guidance)*. The *Code of Federal Regulations (2 CFR Part 200.331)* designates MDHS, as a pass through entity, to properly identify subaward requirements to subrecipients, evaluate the risk of noncompliance for each subrecipient, and monitor the activities of subrecipients as necessary to ensure that subawards are used for authorized purposes, complies with the terms and conditions of the subawards and achieves performance goals.

We evaluated MDHS's compliance with subrecipient monitoring requirements based on written policies and procedures designed by MDHS's Division of Program Integrity – Office of Monitoring (OM) to satisfy during-the-award monitoring requirements. OM procedures require an on-site monitoring review of each subgrantee contract at least once during the subgrant period. A tracking mechanism is used to ensure all subgrantee contracts are properly identified and monitored. Monitoring tools/checklists are used during each on-site monitoring

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

review to provide guidance and to document a review was performed. The on-site monitoring workpapers are reviewed and approved by OM supervisory personnel prior to issuance of a written report, the Initial Report of Findings & Recommendations, which is used for communicating finding(s) and/or questioned costs to subgrantees. The written report should be issued within 30 working days from the date of the exit conference, which is normally held on the last day of the on-site review.

Condition

During testwork performed on subrecipient on-site monitoring for 4 out of 7 subgrant contracts during state fiscal year 2018, we noted the following exceptions:

- Two contracts, or 50 percent, in which subgrant contract files did not contain signed Monitoring Supervisor Review Checklists (MSRC), which is a required element of the on-site monitoring process.
- One contract, or 25 percent, in which auditor could not verify corrective actions were received timely due to lack of audit trail.
- Three contracts, or 75 percent, in which the IMR was not issued within 60 working days from the date of the exit conference, or auditor could not determine when it was issued due to lack of audit trail.
- One contract, or 25 percent, in which the IMR was not included in monitoring file; therefore, supervisory approval prior to issuance of the report to the subrecipient could not be verified.
- One contract, or 25 percent, in which the monitoring files did not contain the Programmatic Tool or Fiscal Monitoring Tool, which are required elements of the on-site monitoring process.
- One contract, or 25 percent, in which resolution of questions costs could not be determined due to lack of audit trail.
- One contract, or 25 percent, in which the auditor could not verify monitoring took place during the contract period due to lack of documentation in monitoring file.

In addition, OM did not evaluate the risk of noncompliance of its subrecipients in order to perform monitoring procedures based upon identified risks, as is a requirement of Uniform Guidance.

Cause

Staff were either unaware or did not follow identified policies and procedures for subrecipient monitoring requirements.

Effect

MDHS programmatic funding divisions rely upon OM monitoring procedures to verify compliance with program regulations and to identify potential problem

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

areas needing corrective action. Failure to properly monitor subrecipients in a timely manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.

Recommendation We recommend the Mississippi Department of Human Services' Division of Program Integrity – Office of Monitoring (OM) strengthen controls over subrecipient monitoring. OM should evaluate the risk of noncompliance of each subrecipient and perform monitoring procedures based upon identified risks. We also recommend the agency ensure subawards are monitored timely and that the "Report of Findings & Recommendations" prepared as a result of the on-site monitoring be issued in a timely manner to enable immediate corrective action procedures to be initiated. We further recommend that the agency maintain all supporting monitoring tools, reports, and correspondence in the monitoring file.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 226 of this audit report.

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF DEFENSE

Finding Number **Finding and Recommendation**

MILITARY DEPARTMENT

CASH MANAGEMENT

Material Weakness

Material Noncompliance

2018-063 Controls Should Be Strengthened to Ensure Compliance with Cash Management Requirements.

CFDA Number 12.400 – Military Construction, National Guard

Federal Award No. W9127Q-16-2-2002
W9127Q-16-2-2001
W9127Q-13-2-2001

Questioned Costs N/A

Repeat Finding No

Statistically Valid This sample is not considered statistically valid.

Criteria *National Guard Regulation (NGR) 5-1, Section 11-4(a)* states “The National Guard Bureau (NGB) Cooperative Agreement program operates on the basis that the grantee expends State government funds first and then submits request (vouchers) for reimbursement from NGB for allowable cooperative agreement costs.”

Condition During testwork performed for cash management requirements over the Military Construction, National Guard program for the fiscal year 2018, we reviewed 29 requests for reimbursement and noted the following:

- Nine instances in which requests for reimbursement were made prior to the expenditure payment; up to 17 days prior to expenditure payment, with an average of six working days prior to the expenditure payment.
 - Of the nine, three instances in which the Federal draw was received two working days prior to the expenditure payment

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Cause	Staff were either unaware or did not follow identified policies and procedures over cash management.
Effect	Failure to comply with cash management requirements could impact funding determinations and cause the State of Mississippi to incur interest costs related to the early draw of federal funds.
Recommendation	We recommend the Mississippi Military Department strengthen controls to ensure compliance with cash management requirements.
Views of Responsible Officials	Management at the Mississippi Military Department concurs with this finding. See additional comments in the Corrective Action Plan on page 243 of this audit report.

REPORTING

Material Weakness

Material Noncompliance

2018-062	<u>Controls Should Be Strengthened to Ensure Compliance with Federal Reporting Requirements.</u>
CFDA Number	12.400 – Military Construction, National Guard
Federal Award	W9127Q-16-2-2002 W9127Q-16-2-2001 W9127Q-13-2-2001
Questioned Costs	N/A
Repeat Finding	No
Statistically Valid	No
Criteria	<i>National Guard Regulation (NGR) 5-1, Section 11-4</i> states “To process reimbursement payments, the grantee shall provide an OMB Standard Form (SF) 270 (Request for advance or reimbursement) with supporting documentation to the Cooperative Agreement Program Manager.”
Condition	During testwork performed for the program specific reporting requirements of the Military Construction, National Guard program during fiscal year 2018, we noted OMB Standard Form (SF) 270 (Request for advance or reimbursement) was not prepared or submitted with reimbursement requests.
Cause	Staff were either unaware or did not follow policies and procedures related to federal reporting requirements.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Effect	Failure to submit reports could result in reporting penalties and could impact funding determinations.
Recommendation	We recommend the Mississippi Military Department implement controls over the preparation and submission of required federal reports.
Views of Responsible Officials	Management at the Mississippi Military Department concurs with this finding. See additional comments in the Corrective Action Plan on page 243 of this audit report.

(This page left blank intentionally.)

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF TRANSPORTATION

Finding Number **Finding and Recommendation**

DEPARTMENT OF TRANSPORTATION

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2018-010 Controls Should Be Strengthened to Ensure Compliance with Subrecipient Monitoring Requirements.

CFDA Number 20.205 – Highway Planning and Construction; 20.219 Recreational Trail Program

Federal Award No. All Current Active Grants

Questioned Costs N/A

Repeat Finding No

Statistically Valid The sample is not considered statistically valid.

Criteria *Code of Federal Regulations (2 CFR §200.331(f))* states all pass-through entities (PTE's) must verify that every subrecipient is audited as required by Subpart F - Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements.

Code of Federal Regulations (2 CFR § 200.512(a)(1)) states the audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

Code of Federal Regulations (2 CFR § 200.512(a)(2)(b)) states the Federal Audit Clearinghouse (FAC) is the repository of record for Subpart F – Audit Requirements of this part reporting packages and the data collection form. All Federal agencies, pass-through entities and others interested in a reporting package and data collection form must obtain it by accessing the FAC.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

As required by the Mississippi Department of Transportation's (MDOT) Project Development Manual (PDM) for Local Public Agencies (LPA) Section 1.2, "... the MDOT must ensure that the LPA meets the audit requirements of Subpart F of the uniform guidance... The uniform guidance requires that if the LPA expends \$750,000 or more in federal funds during its fiscal year, the LPA must have a single audit performed in accordance with the uniform guidance.. If the LPA meets this requirement, a request for the submission of the audit report will be made by the MDOT. The due date of submission for the audit report to the MDOT is within the earlier of 30 days after receipt of the CPA's audit report or nine months after the end of the audit period (the LPA's fiscal year)."

Condition

MDOT is not verifying that every subrecipient that expends \$750,000 or more during the respective fiscal year in Federal awards is having a single or program specific audit in accordance with 2 CFR §200.331(f).

MDOT only monitors subrecipients that they have paid \$750,000 or more of CFDA 20.205 Federal awards during the respective fiscal year for compliance with 2 CFR § 200.501 Audit Requirements. By selecting a sample of subrecipients that did not receive over \$750,000 or more of CFDA 20.205 Federal awards from MDOT, we identified nine subrecipients as having expended over \$750,000 of Federal awards during our testing period that were not monitored for compliance with 2 CFR § 200.501, Audit Requirements, by MDOT. It is likely that there are more subrecipients having expended over \$750,000 of Federal awards that were not monitored for compliance with 2 CFR § 200.501, Audit Requirements.

We believe that the nine instances identified was sufficient to conclude that material noncompliance existed; therefore, we did not continue to perform procedures on the remaining subrecipients.

In addition, MDOT is not adequately monitoring their subrecipients for compliance with 2 CFR § 200.512(a) or their own internal Project Development Manual.

Of the 22 subrecipients monitored, we identified the following:

- Seven instances in which the subrecipient did not timely submit their reporting package to the FAC and/or MDOT within 30 calendar days after receipt of the auditor's report without consideration and/or communication of taking enforcement action;
- Ten instances in which MDOT accepted a subrecipient report as received prior to the acceptance by the FAC; and
- Three instances in which MDOT not only accepted a subrecipient report as received prior to the acceptance by the FAC, but also completed their review and removed the subrecipient from audit suspension prior to the subrecipient report being accepted by the FAC.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

The MDOT is not adequately using the FAC to monitor and obtain report submission information on their subrecipients. 2 CFR § 200.512(a)(2)(b) states that the FAC is the repository of record for Subpart F – Audit Requirements of this part reporting packages and the data collection form. All Federal agencies, pass-through entities and others interested in a reporting package and data collection form must obtain it by accessing the FAC.

Cause MDOT has a difference in interpretation of the federal guidelines and a lack of adequate internal controls over subrecipient report submission.

Effect Subrecipients could be in noncompliance with 2 CFR § 200.501, Audit requirements, and go undetected by MDOT. In addition, MDOT could lose federal funding for not properly monitoring their Subrecipients. Without proper monitoring of their federal reports, subrecipients may participate in unallowable activities that goes undetected by MDOT, the grantor.

Recommendation We recommend that the Mississippi Department of Transportation strengthen controls to ensure compliance with the Subrecipient Monitoring requirements.

Views of Responsible Officials Management at the Mississippi Department of Transportation concurs with this finding. See additional comments in the Corrective Action Plan on page 249 of this audit report.

SPECIAL TESTS AND PROVISIONS

Material Weakness

2018-057 Controls Should be Strengthened over the Quality Assurance Program.

CFDA Number 20.205 – Highway Planning and Construction; 20.219 Recreational Trail Program

Federal Award All Current Active Grants

Questioned Costs N/A

Repeat Finding No

Statistically Valid This sample is not considered statistically valid.

Criteria *The Code of Federal Regulations (23 CFR § 637.205(a) Quality assurance program)* requires each State Transportation Department (STD) shall develop a quality assurance program which will assure that the materials and workmanship incorporated into each Federal-aid highway construction project on the National Highway System (NHS) are in conformity with the requirements of the approved plans and specifications, including approved changes. The program must meet the

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

	criteria in § 637.207 and be approved by the Federal Highway Administration (FHWA).
Condition	<p>The Mississippi Department of Transportation (MDOT) is required to have an approved Quality Assurance (QA) program. MDOT has five Standard Operating Procedures (SOP) of which combined makes up their QA program.</p> <p>During our testing, we identified that one of the five SOP's, TMD-06-01-00-000, had an effective date of October 10, 2011, which is after the most recent Federal Highway Administration (FHWA) approval letter dated September 9, 2009. MDOT made changes to SOP TMD-06-01-00-000 to widen certain tolerances for test data comparisons and failed to obtain approval from the FHWA before implementing the changes to their QA program.</p>
Cause	MDOT personnel failed to have SOP TMD-06-01-00-000 changes approved by FHWA prior to implementation due to management oversight.
Effect	The QA program and any changes must be approved by FHWA prior to implementation to ensure that materials and workmanship incorporated into each Federal-aid highway construction project on the NHS are in conformity with the requirements of the FHWA. By revising the SOP, and implementing the changes without proper authorization, the revised sampling and testing methodology may not conform to the FHWA requirements.
Recommendation	We recommend the Mississippi Department of Transportation strengthen controls over their Quality Assurance program approval process.
Views of Responsible Officials	Management at the Mississippi Department of Transportation concurs with this finding. See additional comments in the Corrective Action Plan on page 251 of this audit report.

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Finding Number **Finding and Recommendation**

DEPARTMENT OF HEALTH

SPECIAL TESTS AND PROVISIONS

Material Weakness

Material Noncompliance

2018-059 Controls Should Be Strengthened to Ensure Compliance with Provider Health and Safety Standards Requirements.

CFDA Number 93.777 – State Survey Certification of Health Care Providers and Suppliers (Title XVIII) Medicare

Federal Award	05-1705-MS-5000	2017
	05-1705-MS-5002	2017
	05-1805-MS-5000	2018
	05-1805-MS-5002	2018

Questioned Costs N/A

Repeat Finding No

Statistically Valid The sample is considered statistically valid.

Criteria *Code of Federal Regulations (42 CFR 488.308(a))* states, “The survey agency must conduct a standard survey of each Skilled Nursing Facility (SNF) and Nursing Facility (NF) not later than 15 months after the last day of the previous standard survey.”

Code of Federal Regulations (42 CFR 488.308(b)(1)) states, “The statewide average interval between standard surveys must be 12 months or less, computed in accordance with paragraph (d) of this section.”

Code of Federal Regulations (42 CFR 488.308(d)) states, “The statewide average interval is computed at the end of each Federal fiscal year by comparing the last day of the most recent standard survey for each participating facility to the last day of each facility's previous standard survey.”

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Condition	During our testing of the provider health and safety standard requirements, we noted 42 out of a total of 205 Long-Term Care (LTC) facilities did not have the mandatory health and safety survey performed within the required 15 months of the survey period. Additionally, the statewide average survey interval exceeded 12 months.
Cause	The Centers for Medicare and Medicaid Services (CMS) implemented a new LTC survey process as well as loss of qualified nursing home surveyors.
Effect	If surveys are not conducted timely, health and safety violations may go undetected.
Recommendation	We recommend the Mississippi State Department of Health strengthen controls to ensure surveys are conducted in a timely manner, in accordance with federal requirements.
Views of Responsible Officials	Management at the Mississippi State Department of Health concurs with this finding. See additional comments in the Corrective Action Plan on page 219 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

DEPARTMENT OF HUMAN SERVICES

ALLOWABLE COSTS/COST PRINCIPLES

Significant Deficiency

Immaterial Noncompliance

2018-049 Controls Should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the CCDF Cluster.

CFDA Number 93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Federal Award 1701MSCCDF 2017
1801MSCCDF 2018

Questioned Costs \$2,074

Repeat Finding No

Statistically Valid The sample is considered statistically valid.

Criteria The *Code of Federal Regulations* (45 CFR 98) regulates expenditures of funds under the Child Care and Development Block Grant (CCDF), including the identification of allowable costs for CCDF expended through the child care certificate program. The Mississippi Department of Human Services' Division of Early Childhood Care and Development (DECCD) has published the Mississippi Child Care Payment Program Policy Manual, based on the CCDF State Plan, which incorporates applicable federal regulations and establishes allowable costs for child care certificate payments under the CCDF program. Specifically, Section 103.02 of this manual addresses co-payment fees and Section 104.04 addresses child care certificate rates. Therefore, eligible school-aged children should be issued certificates that state both full-time and part-time rates eligibility so that the provider can record the proper attendance each day (full-time when school is not in session or part-time when school is in session).

Condition In performing allowable cost testwork related to certificate rates and co-pays during fiscal year 2018, we noted the following:

- Four instances out of 120 tested, or 3 percent, where full-time only certificates were issued for school-aged children (and no evidence was provided that full time attendance was required outside of regular school hours). This resulted in improper daily rates/ payments to providers for the time these children were in school and in overcharge of parental copays. These four instances resulted in known questioned costs of \$1,647 out of

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

total fiscal year school-aged certificate payments of \$16,350,097 and projected questioned costs of \$848,458.

- Three instances out of 120 tested, or 2.5 percent, in which the incorrect daily rate per age of child was used for the child, resulting in an overpayment to the provider. These three instances resulted in known questioned costs of \$150 out of total certificate payments of \$52,979,622 and projected questions cost of \$68,796.
- One instance out of 120 tested in which the provider had duplicate certificates for the same child, and thus recorded the child's attendance twice. The child had two certificates under their name allowing double recording and payments to the provider. This resulted in a questioned cost of \$137 out of total certificate payments of \$52,979,622 and projected questioned costs of \$62,897.
- One instance out of 120 tested wherein a child was marked as on vacation after the child's 2 week notice of no longer being at the facility, thus resulting in overpayment to the provider. This instance resulted in questioned cost of \$140 out of total certificate payments of \$52,979,622 and projected questioned costs of \$64,432.

Cause Staff were either unaware or did not follow identified policies and procedures over allowable cost requirements.

Effect Failure of DECCD to properly provide for the payment of part-time rates on the certificates for school-aged children and to properly maintain supporting documentation for benefits issued can result in improper payments to child care providers, questioned costs and the possible recoupment of funds by the federal granting agency.

Recommendation We recommend the Mississippi Department of Human Services' Division of Early Childhood Care and Development ensure compliance with the allowable costs requirements of the Child Care and Development Block Grant by strengthening control procedures to ensure child care certificate rates and co-pays are assigned and providers paid in accordance with the requirements set forth in the *Code of Federal Regulations* and the *Mississippi Child Care Payment Program Policy Manual*.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 229 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

ELIGIBILITY

Material Weakness

Material Noncompliance

2018-045 Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements.

CFDA Number 93.558 - Temporary Assistance for Needy Families

Federal Award G1502MSTANF 2015 G1601MSTANF 2016
G1701MSTANF 2017 G1801MSTANF 2018

Questioned Costs \$2,107

Repeat Finding Yes – 2017-036 in 2017; 2016-025 in 2016; 2015-001 in 2015; 2014-011 in 2014

Statistically Valid The sample is considered statistically valid.

Criteria The Mississippi Department of Human Services (MDHS) has published *Volume III, TANF Policy Manual*, which establishes criteria for eligibility under the Temporary Assistance for Needy Families (TANF) program.

Chapter 3, Non-Financial Criteria, requires a MDHS-EA-312, Personal Responsibility Contract, be signed by each adult in the TANF assistance unit at the time of application; all TANF children under the age of 18 must have proof of current immunizations according to the schedule recommended by the Mississippi Department of Health; and dependent children in the TANF budget aged 6 to 18 must attend school satisfactorily until high school graduation or completion of a GED.

Chapter 10, TANF Work Program Payment Process, states that for a person to receive TANF transitional services, the appropriate application for TANF transitional services must be received within 30 days after the TANF case closes due to earned income. This chapter also requires work attendance data be entered in the Jobs Automated Work System (JAWS) in order to qualify for TANF transitional service benefits.

Condition During testing of TANF benefits paid during fiscal year 2018, the auditor noted the following exceptions:

- Four out of 72 Basic TANF cases tested did not have a signed Personal Responsibility Contract on file (MDHS-EA- 312 form).
- Three out of 72 Basic TANF cases tested included a child that had no valid proof of immunization.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

- Two out of 72 Basic TANF cases tested included a child of school age that was not enrolled in school.
- Two out of 22 Transitional Work Transportation Assistance cases tested did not have a signed Transitional Work Assistance Application on file.
- Two out of 22 Transitional Work Transportation Assistance cases tested received benefits but did not have proper work attendance documentation in the JAWS system for hours worked to support benefits paid.

In performing testwork on TANF benefits paid to participants during fiscal year 2018, we noted the following questioned costs:

- Nine out of 72 Basic TANF cases tested, or 12.5 percent, resulted in \$1,207 of known questioned costs. Because of the lack of readily available access to all factors needed to determine the precise population, it is not practical to project known questioned costs.
- Four out of 22 Transitional Work Transportation Assistance cases tested, or 18 percent, resulted in \$900 of known questioned costs and \$387,614 of projected questioned costs.

Cause Staff were either unaware or did not follow identified policies and procedures for TANF eligibility determinations.

Effect Failure to maintain supporting documentation for eligibility determinations as well as not monitoring and reducing benefits to coincide with hours participated in TANF work component could result in questioned costs and recoupment of costs by the federal granting agency.

Recommendation We recommend the Mississippi Department of Human Services ensure compliance with TANF Eligibility determination and benefit requirements by strengthening control procedures to ensure all supporting documentation is reviewed and maintained and benefits are paid in accordance with the Volume III, TANF Policy Manual.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 225 of this audit report.

Significant Deficiency
Immaterial Noncompliance

2018-048 Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the CCDF Cluster.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

CFDA Number	93.575 - Child Care and Development Block Grant 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award	1701MSCCDF 2017 1801MSCCDF 2018
Questioned Costs	\$1,757
Repeat Finding	Yes – 2017-035 in 2017; 2016-025 in 2016; 2015-002 in 2015; 2014-010 in 2014.
Statistically Valid	The sample is considered statistically valid.
Criteria	<i>The Code of Federal Regulations (45 CFR Part 98.20)</i> sets forth the eligibility requirements for a child to receive child care services. The Code of Federal Regulations (45 CFR Part 98.50) further states how the Child Care and Development Block Grant (CCDF) funds should be expended for issuance of child care certificates. The Mississippi Department of Human Services' Division of Early Childhood Care and Development (DECCD) has published the Mississippi Child Care Payment Program Policy Manual, based on the CCDF State Plan, which incorporates applicable federal regulations and establishes eligibility criteria to receive child care certificate payments under the CCDF program. Specifically, Chapter 1 of this manual addresses family and child eligibility requirements, including the requirement that an eligible child be less than 13 years of age, or 18 if the eligible child has special needs.
Condition	<p>Based on eligibility testwork in regards to the CCDF program, we tested 120 child care certificate payments made during fiscal year 2018. We noted the following exceptions:</p> <ul style="list-style-type: none"> Seven instances, or 6 percent, in which the child's eligibility for the child care certificate could not be verified due to the child care certificate application and supporting documentation not being maintained by the Division of Early Childhood Care and Development. This resulted in known questions costs of \$1,659. <p>It was not feasible to project questioned costs associated with this exception due to insufficient information and the lack of child care applications and supporting documentation.</p> <ul style="list-style-type: none"> Ten instances, or 8 percent, in which there were improper copay amounts based on the prior level and number of children in the family with an active child care certificate. <p>This resulted in a known questioned cost of \$98 and a projected questioned cost of \$44,956.</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Cause	Staff were either unaware or did not follow identified policies and procedures for CCDF eligibility determinations.
Effect	Failure to ensure a child care certificate applications are complete and accurate could result improper payments to a child care provider representing questioned costs and the possible recoupment of funds by the federal granting agency.
Recommendation	We recommend the Mississippi Department of Human Services' Division of Early Child Care and Development ensure compliance with the eligibility costs requirements of the Child Care and Development Block Grant by strengthening control procedures to ensure child care certificate rates and copays are assigned in accordance with the requirements set forth in the Code of Federal Regulations and the Mississippi Child Care Payment Program Policy Manual.
Views of Responsible Officials	Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 228 of this audit report.

MATCHING, LEVEL OF EFFORT, EARMARKING

Significant Deficiency
Immaterial Noncompliance

2018-051	<u>Controls Should be Strengthened to Ensure Compliance with Earmarking and Minimum Targeted Funds Requirements.</u>
CFDA Number	93.575 Child Care and Development Block Grant 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award	G1501MSCCDF 2015
Questioned Costs	\$1,078,280
Repeat Finding	No
Statistically Valid	The sample is considered statistically valid.
Criteria	<i>The Code of Federal Regulations (45 CFR 98.61(f))</i> requires states to expend any funds from the Child Care and Development Block Grant (CCDF) set-aside for targeted activities pursuant to annual appropriations directed by the Administration for Children and Families (ACF). ACF publishes CCDF allocation tables that include minimum amounts required for three discretionary targeted activities: Child Care Quality Improvement, Infant and Toddler Quality Improvement, and Child Care Resource and Referral and School Aged Child

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

	Care Activities. The minimum amounts are determined by ACF based on various statistics and population data received by ACF from each state.
Condition	During testwork performed over earmarking requirements for the 2015 annual CCDF grant that closed during fiscal year 2018, we noted the following exceptions: <ul style="list-style-type: none"> • Infant and Toddler Targeted Funds expended were \$1,094,803, or \$518,848 less than the \$1,613,651 minimum allocated by ACF. • Quality Expansion Targeted Funds expended were \$2,365,002, or \$421,372 less than the \$2,786,374 minimum allocated by ACF. • School-Age/Resource and Referral Targeted Funds expended were \$118,969, or \$138,060 less than the \$257,029 minimum allocated by ACF.
Cause	Staff were either unaware or did not follow policies and procedures related to earmarking requirements for CCDF discretionary funds.
Effect	Failure to monitor earmarks for minimum compliance throughout the financial reporting period could result in questioned costs and recoupment of funds by the federal granting agency. Discretionary funds for the 2015 CCDF grant did not meet targeted earmarks directed by ACF for \$1,078,280.
Recommendation	We recommend the Mississippi Department of Human Services strengthen controls to ensure minimum targeted funds are obligated and expended to meet the Child Care and Development Block Grant (CCDF) earmarking requirements.
Views of Responsible Officials	Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 230 of this audit report.

Significant Deficiency
Immaterial Noncompliance

2018-053	<u>Controls Should Be Strengthened over 20 Percent Exemption and Five Year Time Limit.</u>
CFDA Number	93.558 Temporary Assistance for Needy Families State Programs
Federal Award	G1801MSTANF 2018
Questioned Costs	\$1,022
Repeat Finding	Yes – 2017-041 in 2017

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Statistically Valid The sample is considered statistically valid.

Criteria Per the *Code of Federal Regulations (45 CFR Part 264.1)*, states have the option to extend assistance paid for by the Federal Temporary Assistance for Needy Families (TANF) program beyond the five year limit for up to 20 percent of the average monthly number of families receiving assistance during the fiscal year or the immediately preceding fiscal year, which-ever the state elects. States are permitted to extend assistance to families only on the basis of hardship or if the family includes someone who has been battered.

The Mississippi Department of Human Services (MDHS) has published a *Volume III, TANF Policy Manual*, which establishes internal control procedures to be used in the administration of TANF benefits. Specifically, Chapter 3 of the Volume III, TANF Policy Manual includes procedures for ensuring compliance with applicable time limits and extension criteria. The “Statewide TANF 20 Percent Exemption Summary Report” (TA120B) identifies the number of cases over 60 months receiving benefits. The TA120B is distributed to county and regional offices monthly and should be used to monitor compliance with the 20 percent maximum earmark. Additionally, a “TANF High Counter Report” is generated monthly and details each case over 60 months receiving benefits. The “TANF High Counter Report” should be reviewed by county/regional personnel to ensure time limits are not exceeded for cases approaching the 60 month time limit unless a proper exemption is granted.

Condition During testwork related to the 20 percent maximum earmark, we reviewed both monthly reports and noted the following:

- No documented review exists of the “Statewide TANF 20 Percent Exemption Summary Report” (TA120C/TA120B Report).
- Of four cases examined, two cases received a benefit after the 60 month counter was exhausted and did not meet the criteria for an exemption per policy Volume III Chapter 3.

Cause Staff were either unaware or did not follow policies and procedures over earmarking requirements.

Effect Failure to monitor the “Statewide TANF 20 Percent Exemption Summary Report” could result in the State exceeding the percent of allowed exemptions for TANF assistance. However, our testwork did not reveal evidence of the 20 percent maximum earmark being exceeded at any point during fiscal year 2018.

Failure to sufficiently monitor the “TANF High Counter Report” and perform appropriate actions for recipients approaching or exhausting the five year time limit resulted in benefit payments of \$1,022 to ineligible participants during fiscal year 2018.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Recommendation We recommend the Mississippi Department of Human Services strengthen control procedures to include a documented review of the monthly “Statewide TANF 20 Percent Exemption Summary Report” and “TANF High Counter Report”. Further, we recommend the central office implement procedures to confirm county/regional personnel have performed the required reviews of their respective reports and take appropriate action to either terminate benefits or grant permissible exemptions for cases exhausting the five year limit for benefits.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 231 of this audit report.

REPORTING

Significant Deficiency

2018-050 Controls Should Be Strengthened over the Submission of Required Federal Reports.

CFDA Number 93.558 - Temporary Assistance for Needy Families State Programs
93.575 - Child Care and Development Block Grant
93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Federal Award	G1601MSCCDF 2016	G1701MSCCDF 2017
	G1601MSTANF 2016	G1801MSCCDF 2018
	G1701MSTANF 2017	G1801MSTANF 2018

Questioned Costs None

Repeat Finding Yes – 2017-039 in 2017; 2016-026 in 2016; and 2015-004 in 2015

Statistically Valid The sample is considered statistically valid.

Criteria *The Code of Federal Regulations (45 CFR Part 75.314)* grants the United States Department of Health and Human Services (HHS) authority to require financial reporting for effective monitoring of federal awards. The Federal Financial Report (FFR) is required to be completed and submitted in accordance with instructions provided by the Administration for Children and Families (ACF), a division of HHS, and must be submitted quarterly, semiannually or annually, based on instructions from the ACF. Those instructions require States to submit quarterly and semi-annual reports no later than 30 days after the end of each reporting period and annual reports no later than 90 days after the end of each reporting period or grant period end date.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

The Code of Federal Regulations (45 CFR Part 265.6) requires States to submit Temporary Assistance for Needy Families (TANF) program data and financial status reports electronically using the ACF On-Line Data Collection (OLDC) system. The ACR-196R reports must be received by ACF within 45 days after the end of quarter of the fiscal year.

The Code of Federal Regulations (45 CFR Part 98.70) requires a “Quarterly Financial Status Report” (ACF-696) for the Child Care and Development Fund (CCDF) program to be completed and submitted in accordance with instructions provided by the Administration for Children and Families. Those instructions require States to submit quarterly reports for each open fiscal year of grant funds until all funds are expended; therefore, States will likely submit separate forms for multiple grant award years simultaneously. These reports are due and must be submitted 30 days after the end of each quarter – January 31st, April 30th, July 31st and October 31st.

Good internal controls over reporting should include a timely and independent review of information reported.

Condition

During testwork performed for combined reporting requirements over the TANF and CCDF programs during fiscal year 2018, the auditor noted one quarterly FFR report of the four reports reviewed was not submitted within 30 days after the end of the reporting period. The report was submitted 14 days late.

During testwork performed for the program specific reporting requirements of the TANF program during fiscal year 2018, we noted two of the seven ACF-196R reports reviewed were each submitted 16 days late after the end of the 45 day reporting periods.

During the testwork performed for the program specific reporting requirements of the CCDF program during fiscal year 2018, we noted 2 ACF-696 reports of the eight reports reviewed were submitted more than 30 days after the end of the reporting period, from 6 to 9 days late.

Cause

Staff were either unaware or did not follow policies and procedures related to federal reporting requirements.

Effect

Failure to timely review and submit reports could result in reporting penalties and could impact funding determinations.

Recommendation

We recommend Mississippi Department of Human Services strengthen the controls over the preparation, review and timely submission of required performance and financial reports prior to submission to the Department of Health and Human Services.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Views of Responsible

Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 229 of this audit report.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2018-046 Controls Should Be Strengthened over On-Site Monitoring.

CFDA Number 93.558 Temporary Assistance for Needy Families State Programs
93.667 Social Services Block Grant
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.568 Low Income Home Energy Assistance Program

Federal Award G1701MSTANF 2017 G1601MSCCDF 2016
G1701MSCCDF 2017 G1701MSSOSR 2017
G16B1MSLIEA 2016 G17B1MSLIEA 2017

Questioned Costs None

Repeat Finding Yes – 2017-037 in 2017; 2016-027 in 2016; 2015-005 in 2015; 2014-017 in 2014

Statistically Valid The sample is considered statistically valid.

Criteria The terms and conditions of the grant agreements between the Mississippi Department of Human Services (MDHS) and the U.S. Department of Health and Human Services require MDHS to administer grants in compliance with the *Code of Federal Regulations* (2 CFR Part 200 – Uniform Guidance)(45 CFR Part 92 - Circular A-133). The *Code of Federal Regulations* (2 CFR Part 200.331) designates MDHS, as a pass through entity, to properly identify subaward requirements to subrecipients, evaluate the risk of noncompliance for each subrecipient, and monitor the activities of subrecipients as necessary to ensure that subawards are used for authorized purposes, complies with the terms and conditions of the subawards and achieves performance goals.

We evaluated MDHS's compliance with subrecipient monitoring requirements based on written policies and procedures designed by MDHS's Division of Program Integrity – Office of Monitoring (OM) to satisfy during-the-award monitoring requirements. OM procedures require an on-site monitoring review of each subgrantee contract at least once during the subgrant period. A tracking mechanism is used to ensure all subgrantee contracts are properly identified and monitored. Monitoring tools/checklists are used during each on-site monitoring

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

review to provide guidance and to document a review was performed. The on-site monitoring workpapers are reviewed and approved by OM supervisory personnel prior to issuance of a written report, the Initial Report of Findings & Recommendations, which is used for communicating finding(s) and/or questioned costs to subgrantees. The written report should be issued within 30 working days from the date of the exit conference, which is normally held on the last day of the on-site review.

Condition

During testwork performed on subrecipient on-site monitoring for 47 out of 85 subgrant contracts during state fiscal year 2018, we noted the following exceptions:

- Nine contracts, or 19 percent, in which subgrant contract files did not contain signed Monitoring Supervisor Review Checklists (MSRC), which is a required element of the on-site monitoring process.
- Ten contracts, or 21 percent, in which corrective actions were not received from the subrecipient within 15 working days from the date the report was issued, or auditor could not verify corrective actions were received timely due to lack of audit trail.
 - Corrective Actions were received between 17 and 53 days from the Initial Monitoring Report (IMR), with an average of 35 working days passing between the IMR and subgrantee's response.
 - One contract never received a Corrective Action response.
- Twenty-one contracts, or 45 percent, in which the IMR was not issued within 60 working days from the date of the exit conference, or auditor could not determine when it was issued due to lack of audit trail.
 - IMR's were issued between 61 and 217 days late, with an average of 102 working days after the exit conference took place.
- Six contracts, or 13 percent, in which the IMR was not included in monitoring file; therefore, supervisory approval prior to issuance of the report to the subrecipient could not be verified.
- Six contracts, or 13 percent, in which the monitoring files did not contain the Programmatic Tool or Fiscal Monitoring Tool, which are required elements of the on-site monitoring process.
- Six contracts, or 13 percent, in which resolution of questions costs could not be determined due to lack of audit trail.
- Six contracts, or 13 percent, in which the auditor could not verify monitoring took place during the contract period due to lack of documentation in monitoring file.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

	In addition, OM did not evaluate the risk of noncompliance of its subrecipients in order to perform monitoring procedures based upon identified risks, as is a requirement of Uniform Guidance.
Cause	Staff were either unaware or did not follow identified policies and procedures for monitoring requirement.
Effect	MDHS programmatic funding divisions rely upon OM monitoring procedures to verify compliance with program regulations and to identify potential problem areas needing corrective action. Failure to properly monitor subrecipients in a timely manner could allow noncompliance with federal regulations to occur and go undetected, potentially resulting in questioned costs.
Recommendation	We recommend the Mississippi Department of Human Services' Division of Program Integrity – Office of Monitoring (OM) strengthen controls over subrecipient monitoring. OM should evaluate the risk of noncompliance of each subrecipient and perform monitoring procedures based upon identified risks. We also recommend the agency ensure subawards are monitored timely and that the "Report of Findings & Recommendations" prepared as a result of the on-site monitoring be issued in a timely manner to enable immediate corrective action procedures to be initiated. We further recommend that the agency maintain all supporting monitoring tools, reports, and correspondence in the monitoring file.
Views of Responsible Officials	Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 226 of this audit report.

Material Weakness

Material Noncompliance

2018-047	<u>Controls Should Be Strengthened over Subrecipient Monitoring for OMB Uniform Guidance Audits.</u>	
CFDA Number	93.558 - Temporary Assistance for Needy Families State Programs 93.667 - Social Services Block Grant 93.575 - Child Care and Development Block Grant 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund 93.568 - Low Income Home Energy Assistance Program	
Federal Award	G1701MSTANF 2017 G1701MSCCDF 2017 G16B1MSLIEA 2016	G1601MSCCDF 2016 G1701MSSOSR 2017 G17B1MSLIEA 2017
Questioned Costs	None	

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Repeat Finding Yes – 2017-038 in 2017; 2016-028 in 2016; 2015-009 in 2015; 2014-016 in 2014

Statistically Valid The sample is considered statistically valid.

Criteria *The Office of Management and Budget (OMB) Uniform Guidance* states the pass-through entity is responsible for (1) ensuring that subrecipients expending \$750,000 or more in Federal awards during their fiscal year have met the audit requirements of OMB Uniform Guidance and that the required audits are completed within nine months of the end of the subrecipient’s audit period; (2) issuing a management decision on findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition During our audit of the Mississippi Department of Human Services (MDHS), we reviewed the Division of Program Integrity – Office of Monitoring (OM) audit files and Monitoring Tracking Document for MDHS Subgrantees for state fiscal year 2016. During our review, we noted the following weaknesses:

- Of 30 subgrantees tested, we noted 19 instances where the OMB Uniform Guidance audit report for the subgrantee was not received by Office of Monitoring within nine months of the subgrantee’s fiscal year end. In 10 instances where an audit was received, we noted that the OMB Uniform Guidance audit report was dated within the nine month period of the subgrantee’s fiscal year end; however, nine instances were noted in which the audit report was not dated within nine months of the fiscal year end. Office of Monitoring sent an initial letter and reminder letter to each subgrantee regarding their OMB Uniform Guidance requirements. Subgrantee audit reports were received on average 299 days after the nine month deadline. In addition, we noted 19 instances in which the agency did not send reminder letters to subrecipients in a timely manner. Reminder letters were mailed on January 30, 2018, or up to seven months after the subrecipients’ due dates to submit the audit reports to MDHS.
- Of three subgrantees tested on Attachment B of the Status Report, we noted three instances where the OMB Uniform Guidance audit reports/SAIF forms for the subgrantees were not received by Office of Monitoring within nine months for audit reports - or 90 days for SAIF forms - of the subgrantee’s fiscal year end. Office of Monitoring sent an initial letter, reminder letter, and demand letter to each subgrantee regarding their OMB Uniform Guidance audit report requirements, but no additional follow-up to obtain the audit report or SAIF form was made prior to the auditor’s request. Subgrantee audit reports and SAIF forms were received on average 631 days after the nine month for audit reports – or 90 day deadline for SAIF forms.
- We noted the SFY2016 Subgrant Monitoring Tracking System utilized by

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

the DHS Office of Monitoring to track the status of OMB Uniform Guidance audits for DHS subrecipients was prepared using obligated amounts from subawards rather than actual expenditure amounts. The requirement to meet audit requirements of the *Code of Federal Regulations* (2 CFR Part 200, subpart F) is based on expenditures of Federal awards, not obligations; therefore, subrecipients of DHS could have expended Federal awards in excess of amounts that require a single audit that may have not been included on DHS's tracking document. The agency was not able to provide an expenditure report to the auditors in order to ensure completeness of the SFY2016 Subgrant Monitoring Tracking System.

Cause Staff were either unaware or did not follow identified policies and procedures for subrecipient monitoring related to Uniform Guidance.

Effect 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 Human Services' Division of Program Integrity – Office of Monitoring (OM) strengthen controls over subrecipient monitoring for OMB Uniform Guidance audits to ensure recipients expending \$750,000 or more in Federal funds during their fiscal year are appropriately monitored and an OMB Uniform Guidance audit is obtained. We also recommend that the agency follow-up more frequently with the funding divisions to ensure corrective action was taken when a subgrantee's audit report contains findings. We further recommend that OM design a monitoring tool based on expenditures incurred by subrecipients to ensure all subrecipients are included on the tracking report and continue to follow-up to obtain an OMB Uniform Guidance audit or Subgrantee Audit Information Form after the demand letter is issued.

Views of Responsible Officials Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 227 of this audit report.

SPECIAL TESTS AND PROVISIONS

Material Weakness

Material Noncompliance

2018-052 Controls Should Be Strengthened over Compliance with Health and Safety Requirements of the Child Care and Development Fund (CCDF) Cluster.

CFDA Number 93.575 - Child Care and Development Block Grant

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

	93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Federal Award	G1701MSCCDF 2017 G1801MSCCDF 2018
Questioned Costs	\$53,870
Repeat Finding	Yes – 2017-042 in 2017
Statistically Valid	The sample is considered statistically valid.
Criteria	<p><i>The Code of Federal Regulations (45 CFR 98.41)</i> requires the Mississippi Department of Human Services (MDHS), as lead agency, to certify that procedures are designed, implemented, and enforced to protect the health and safety of children participating in the Child Care Development Fund (CCDF) in accordance with federal health and safety regulations.</p> <p>MDHS has prepared the State Plan for CCDF, as approved by the Administration for Children and Families, which establishes policies under the CCDF program. Per section 7.5.1 of the State Plan, the Division of Early Child Care and Development (DECCD) at MDHS will rely on the Mississippi State Department of Health (MDH) to ensure compliance with the health and safety requirements for licensed child care providers. Section 5.1.2 of the CCDF State Plan states the majority of child care providers who are exempt from licensure under Mississippi Law, but who are eligible for CCDF subsidies, are family child care home providers who provide care for five or fewer non-related children. The plan requires MDHS, as the lead agency, to monitor this type of unlicensed provider (license exempt) to ensure compliance with health and safety standards.</p> <p>MDHS published <i>the Child Care Payment Program (CCPP) Policy Manual</i> which provides details over CCDF policies and procedures. Section 9.7 outlines Monitoring Procedures, which states all providers participating in the certificate program shall have an inspection at least once annually. The section states child care monitoring agents from DECCD shall conduct annual inspections, both announced and unannounced, of CCPP approved registered family child care homes and in-home providers and license-exempt providers. If the monitoring visit results in a finding(s) or violation(s), the provider may receive a follow-up visit within three months to ensure compliance with the corrective action plan. The monitoring visits must include a review of compliance with federal health and safety regulations. DECCD designed a Monitoring Checklist for child care monitoring agents to complete, which covers areas related to health and safety federal regulations.</p> <p><i>The Child Care Payment Program (CCPP) Policy Manual, revised 10/16, Section 11.6</i> states that, at the end of a fraud investigation, DECCD shall communicate the results of the investigation to the responsible party. Communication may be electronic. The correspondence shall detail any sanctions</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

imposed at the discretion of the Director of DECCD. The correspondence as well as any record of substantiated fraud shall be recorded in the Child Care Payment System.

Condition

During testing of health and safety requirements for the CCDF license-exempt child care providers that received subsidies during fiscal year 2018, we noted the following exceptions:

- Eight out of 25 providers tested, or 32 percent, were not included on the listing of providers that were administered training and testing by MDHS in the last two years as required by the agency's health and safety training policy.
- Four of the 25 providers tested, or 16 percent, had no completed monitoring checklist on file.
- Seventeen of the 25 providers tested, or 68 percent, in which the completed monitoring checklist did not incorporate all required health and safety elements as outlined by the CCPP Policy Manual, which was compiled from federal regulations outlined in the *Code of Federal Regulations* (45 CFR 98.41).

Cause

Due to turnover of staff in DECCD, identified policies and procedures for complying with applicable health and safety requirements were not followed.

Effect

Failure of DECCD to properly ensure providers are complying with applicable health and safety requirements could result in noncompliance with federal regulations over health and safety to go undetected.

Recommendation

We recommend that DECCD strengthen controls related to the monitoring and enforcement of health and safety requirements for childcare providers participating in the child care certificate program as required by the federal regulations.

Views of Responsible Officials

Management at the Mississippi Department of Human Services concurs with this finding. See additional comments in the Corrective Action Plan on page 231 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

DIVISION OF MEDICAID

PERIOD OF PERFORMANCE

Significant Deficiency

2018-058 Controls Should Be Strengthen Over Period of Performance Requirements.

CFDA Number 93.778 – Medical Assistance Program (Medicaid; Title XIX)
93.777 - State Survey; 93.775 - State Medicaid Fraud Control Units

Federal Award 1705MS5MAP 2017 1805MS5ADM 2018
1805MS5MAP 2018 1705MSINCT 2017
1705MS5ADM 2017 1805MSINCT 2018

Questioned Costs None

Repeat Finding No

Statistically Valid This sample is not considered statistically valid.

Criteria *Code of Federal Regulations (2 CFR §200.331(f))* states, “A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.”

Condition Mississippi Division of Medicaid does not segregate Federal funding by quarter, as required in the grant award letters, so it is not possible to determine which quarter’s funding a Federal draw was taken from. Therefore, it could not be determined whether Federal awards were charged for costs incurred before or after the applicable period of performance.

Cause Mississippi Division of Medicaid does not segregate Federal funding by quarter.

Effect Federal awards could be charged for costs outside of the applicable period of performance.

Recommendation We recommend the Mississippi Division of Medicaid strengthen controls over period of performance requirements.

Views of Responsible Officials Management at the Mississippi Division of Medicaid concurs with this finding. See additional comments in the Corrective Action Plan on page 263 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

SPECIAL TESTS AND PROVISIONS

Material Weakness

Material Noncompliance

2018-059	<u>Controls Should Be Strengthened to Ensure Compliance with Provider Health and Safety Standards Requirements.</u>
CFDA Number	93.796 – State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid; 93.775 Medicaid Fraud Control Units; 93.777 - State Survey; 93.778 - Medical Assistance Program
Federal Award	1605MS5001-2016 1705MS5001-2017 1805MS5001 2018
Questioned Costs	None
Repeat Finding	No
Statistically Valid	The sample is considered statistically valid.
Criteria	<p><i>Code of Federal Regulations (42 CFR 488.308(a))</i> states, “The survey agency must conduct a standard survey of each Skilled Nursing Facility (SNF) and Nursing Facility (NF) not later than 15 months after the last day of the previous standard survey.”</p> <p><i>Code of Federal Regulations (42 CFR 488.308(b)(1))</i> states, “The statewide average interval between standard surveys must be 12 months or less, computed in accordance with paragraph (d) of this section.”</p> <p><i>Code of Federal Regulations (42 CFR 488.308(d))</i> states, “The statewide average interval is computed at the end of each Federal fiscal year by comparing the last day of the most recent standard survey for each participating facility to the last day of each facility's previous standard survey.”</p>
Condition	During our testing of the provider health and safety standard requirements, we noted 42 out of a total of 205 Long-Term Care (LTC) facilities did not have the mandatory health and safety survey performed within the required 15 months of the survey period. Additionally, the statewide average survey interval exceeded 12 months.
Cause	The Centers for Medicare and Medicaid Services (CMS) implemented a new LTC survey process as well as loss of qualified nursing home surveyors.
Effect	If surveys are not conducted timely, health and safety violations may go undetected.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Recommendation We recommend the Mississippi Division of Medicaid strengthen controls to ensure surveys are conducted in a timely manner, in accordance with federal requirements.

Views of Responsible Officials Management at the Mississippi Division of Medicaid concurs with this finding. See additional comments in the Corrective Action Plan on page 261 of this audit report.

Material Weakness

Material Noncompliance

2018-060 Controls Should Be Strengthened to Ensure Compliance with ADP Risk Analysis and System Security Review Requirements.

CFDA Number 93.778 – Medical Assistance Program (Medicaid; Title XIX)
 93.777 - State Survey; 93.775 - State Medicaid Fraud Control Units

Federal Award	1705MS0301	2017	1705MS5MAP	2017
	1705MS5021	2017	1805MS5MAP	2018
	1805MS5021	2018	1705MSIMPL	2017
	1605MS50001	2016	1805MSIMPL	2018
	1705MS50001	2017	1705MSINCT	2017
	1805MS50001	2018	1805MSINCT	2018
	1605MS5ADM	2016	1505MSBIPP	2015
	1705MS5ADM	2017	1805MS5ADM	2018

Questioned Costs None

Repeat Finding Yes – 2017-034 in 2017; and 2016-033 in 2016.

Statistically Valid This sample is not considered statistically valid.

Criteria *The Code of Federal Regulations (45 CFR 95.621)* requires that state agencies shall, “Establish and Maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies shall review the Automatic Data Processing (ADP) system security installations involved in the administration of Health and Human Services (HHS) programs on a biennial basis. At minimum, the reviews shall include an evaluation of the physical and data security, operating procedures, and personnel practices. The State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews.”

The Mississippi Division of Medicaid (MDOM)’s Risk Analysis Policy states, “In the case of ADP systems involved in the administration of Health and Human Services (HHS) programs, MDOM will follow the MARS-E 2.0 Risk

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

	Assessment (RA-3) Control which requires the Administering Entities (AEs) to conduct, document, annually review, and disseminate a Risk Assessment of the security and privacy of the systems, and review the Service Organization Control (SOC) reports annually or whenever provided by fiscal agent.”
Condition	The Mississippi Division of Medicaid (MDOM) is not in compliance with 45 CFR 95.621 and its own Risk Analysis Policy; each requires a Risk Analysis Report be produced every 2 years. MDOM provided no evidence of a biennial risk analysis of all ADP Systems involved in the administration of HHS programs. The agency did submit a risk analysis for Mod MEDS, a subsystem of Medicaid Management Information System (MMIS) in compliance with MARS-E v.2 Security and Privacy Controls framework, however a risk analysis was not performed on the MMIS.
Cause	Management believes that the SOC reports they receive are sufficient to meet the ADP Risk Analysis requirement, as well as the MMIS is in the process of being replaced.
Effect	Failure to properly establish and maintain a process for conducting periodic risk analyses could result in the compromise of the confidentiality, integrity and reliability of the data associated with HHS programs.
Recommendation	We recommend Mississippi Division of Medicaid strengthen internal controls to ensure compliance with the ADP risk analysis and system security review requirements.
Views of Responsible Officials	Management at the Mississippi Division of Medicaid concurs with this finding. See additional comments in the Corrective Action Plan on page 262 of this audit report.

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

DEPARTMENT OF MENTAL HEALTH

SPECIAL TESTS AND PROVISIONS

Material Weakness

Material Noncompliance

2018-061	<u>Controls Should Be Strengthened to Ensure Compliance with Independent Peer Review Requirements.</u>
CFDA Number	93.959 – Block Grants for Prevention and Treatment of Substance Abuse
Federal Award	2B08TI010030-16 2016 2B08TI010030-17 2017
Questioned Costs	None
Repeat Finding	No
Statistically Valid	This sample is not considered statistically valid.
Criteria	<i>Code of Federal Regulations (45 CFR section 96.136)</i> states, “The State shall for the fiscal year for which the grant is provided, provide for independent peer review to assess the quality, appropriateness, and efficacy of treatment services provided in the State to individuals under the program involved, and ensure that at least 5 percent of the entities providing services in the State under such program are reviewed.”
Condition	During our testwork, we identified that the Mississippi Department of Mental Health is not providing independent peer reviews for any of the entities providing services in the State.
Cause	The Mississippi Department of Mental Health stated they were unaware of the independent peer review requirement until a FY2016 review by the federal awarding agency. The Mississippi Department of Mental Health stated they have begun to implement a process to comply but it is not yet functional.
Effect	The purpose of independent peer review is to review the quality and appropriateness of treatment services. Failure to comply could result in inadequate treatment services to go undetected and could also result in loss of funding.
Recommendation	We recommend that the Mississippi Department of Mental Health strengthen controls to ensure compliance with independent peer review requirements.
Views of Responsible	

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

Officials	Management at the Mississippi Department of Mental Health concurs with this finding. See additional comments in the Corrective Action Plan on page 239 of this audit report.
------------------	--

(This page left blank intentionally.)

STATE OF MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

PART 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOMELAND SECURITY

Finding Number **Finding and Recommendation**

EMERGENCY MANAGEMENT

CASH MANAGEMENT

Material Weakness

Material Noncompliance

2018-054 Controls Should Be Strengthened to Ensure Compliance with Federal Revenue Draw Requirements.

CFDA Number 97.039 – Hazard Mitigation Grant Program

Federal Award DR-MS-1604
DR-MS-4175

Questioned Costs None

Repeat Finding No

Statistically Valid The sample is considered statistically valid.

Criteria *The Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) specifies that a satisfactory control environment is only effective when control activities exist, such as proper segregation of duties. Segregation of duties is the sharing of responsibilities within a key process and dispersing the critical functions of that process to more than one person. The Mississippi Emergency Management Agency's (MEMA) State Administrative Plans for the Hazard Mitigation Program state that Federal funds will be disbursed from the Federal Payment Management System (PMS) after approved by the MEMA Director/Governor's Authorized Representative.*

The Code of Federal Regulations (31 CFR 205.33) requires the State to minimize time between the drawdown of Federal funds and the disbursement for Federal program purposes. The timing and amount of funds transferred must be as close as administratively feasible to a State's actual cash outlay.

Section 22.40.10 of the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual lists the major provisions of the Cash Management Improvement Act (CMIA), including that State and Federal agencies must

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

minimize the time elapsing between the transfers of Federal funds to States. The MAAPP manual defines reimbursable funding as Federal funds requested based on actual amounts already paid by the State for Federal program purposes.

Condition	<p>During test work performed over 50 federal revenue draws for the Hazard Mitigation Grant Program (HMGP), auditor noted the following:</p> <ul style="list-style-type: none">• Four instances in which the draw from PMS was not approved by executive management at MEMA, as required by the agency’s policies and procedures.• One instance of an expenditure paid after the date of the Federal draw from PMS. The State must first expend monies prior to reimbursement for basic program expenditures of HMGP.• While reconciling the population of federal revenue for completeness, it was noted \$1,815,316 in administrative costs for Disaster Grant 1604 Katrina and \$140,872 in administrative costs for Disaster Grant 4175 Severe Storms, for a total of \$1,956,188, were not drawn down for reimbursement during fiscal year 2018 or accrued.
Cause	<p>Staff were either unaware or did not follow identified policies and procedures over cash management. The agency does not have adequate procedures in place to ensure administrative costs are reimbursed in a timely manner.</p>
Effect	<p>Lack of executive review and approval for reimbursements could allow for improper draws on federal funds. In addition, untimely payment of funds drawn on a reimbursement basis for a federally funded program may result in interest liability for the agency. Lastly, delayed requests of federal funds may result in a liability for the federal government and could be disallowed in the future due to draw limits.</p>
Recommendation	<p>We recommend the Mississippi Emergency Management Agency strengthen controls to ensure compliance with cash management requirements.</p>
Views of Responsible Officials	<p>Management at the Mississippi Emergency Management Agency concurs with this finding. See additional comments in the Corrective Action Plan on page 267 of this audit report.</p>

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

REPORTING

Significant Deficiency

Immaterial Noncompliance

2018-056 Controls Should be Strengthened to Ensure Compliance with Federal Reporting Requirements.

CFDA Number 97.039 – Hazard Mitigation Grant Program

Federal Award DR-MS-1604
DR-MS-4081
DR-MS-4175

Questioned Costs None

Repeat Finding No

Statistically Valid The sample is considered statistically valid.

Criteria Office of Management and Budget (OMB) guidelines for compliance with the Federal Financial Report (SF-425) require amounts reported on the SF-425 to agree with accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards (Grant Schedule).

Form SF-425 instructions require the recipient share of actual cash disbursements or outlays to be reported.

Good internal controls over reporting require accurate and complete information to be properly submitted to the federal awarding agency.

Condition During testwork performed for the program specific reporting requirements of the HMGP program submitted with the SF-425 during fiscal year 2018, auditor noted the following:

- Cumulative cash receipts, cash disbursements, and federal share of expenditures are overstated by \$2,006,228 on the 6/30/2018 SF-425 report for Hurricane Katrina Disaster Grant 1604 compared to the 6/30/2018 Fund 5372U00000 Grant Schedule.
- Amounts reported on the SF-425 as recipient share of expenditures were not adequately supported with actual cash disbursements. The agency calculated estimates to report for the non-federal share of recipient expenditures. Per auditor's inquiry with the federal awarding agency, actual receipt share should be reported on the SF-425.

**STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)**

Cause	Reconciliations are not properly performed between the programmatic division responsible for monitoring projects and accounting division responsible for accounting records and reporting requirements. In addition, local shares are not being monitored and checked against records, rather estimates are calculated.
Effect	Amounts reported on the Federal Financial Report SF-425 are inaccurate and do not adhere to Federal Emergency Management Agency (FEMA) grant requirements and federal regulations. Inaccurate and incomplete information could result in de-obligation of federal funds.
Recommendation	We recommend the Mississippi Emergency Management Agency strengthen controls over the preparation and submission of required federal reports to ensure information reported is accurate and complete.
Views of Responsible Officials	Management at the Mississippi Emergency Management Agency concurs with this finding. See additional comments in the Corrective Action Plan on page 269 of this audit report.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

2018-055	<u>Controls Should be Strengthened to Ensure Compliance over Subrecipient Monitoring of OMB Uniform Guidance Audits.</u>	
CFDA Number	97.039 – Hazard Mitigation Grant Program	
Federal Award	DR-MS-1604	DR-MS-1916
	DR-MS-1972	DR-MS-1983
	DR-MS-4081	DR-MS-4101
	DR-MS-4175	
Questioned Costs	None	
Repeat Finding	No	
Statistically Valid	The sample is considered statistically valid.	
Criteria	<i>The Office of Management and Budget (OMB) Uniform Guidance states the pass-through entity is responsible for (1) ensuring that subrecipients expending \$750,000 or more in Federal awards during their fiscal year have met the audit requirements of OMB Uniform Guidance and that the required audits are completed within nine months of the end of the subrecipient's audit period; (2)</i>	

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

issuing a management decision on findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition

During our audit of Mississippi Emergency Management Agency (MEMA), we reviewed the agency's audit files and audit tracking log for federal fiscal year 2016. During our review, we noted the following instances:

- Of the 19 subgrantees tested, we noted 14 instances where the OMB Uniform Guidance audit report for the subgrantee was not received by MEMA within nine months of the subgrantee's fiscal year end. In seven instances where an audit was received, we noted that the OMB Uniform Guidance audit report was dated within the nine month period of the subgrantee's fiscal year end; however, seven instances were noted in which the audit report was not dated within nine months of the fiscal year end. Subgrantee audit reports were received on average 99 days after the nine month deadline.
 - Of the 14 reports received late, 12 instances were noted in which MEMA sent initial reminder letters with inaccurate due dates of the OMB Uniform Guidance audits.
- Of the 19 subgrantees tested, two instances were noted where the financial audit report did not include an OMB Uniform Guidance audit report.
- Of the 19 subgrantees tested, one instance was noted in which a required OMB Uniform Guidance audit report was not submitted as of the date of our testwork.
- Of the 19 subgrantees tested, three instances were noted in which the Schedule of Federal Expenditures of Federal Awards (SEFA) in the audit report did not disclose federal expenditures received from MEMA. MEMA's management decision letter was not issued in a timely manner, and no corrected or revised audit report was submitted by subrecipient.
- Of the 19 subgrantees tested, six instances were noted in which large differences between amounts on MEMA's tracking document and the subrecipient's SEFA were not reconciled. Review of correspondence letters between MEMA and subrecipient did not provide justification for the material differences.

In addition, we noted the audit tracking log used in monitoring subrecipients for OMB Uniform Guidance audit requirements was incomplete. Based on inspection of MEMA's audit files, we noted 11 additional audit reports had been

STATE OF MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PART 3 – Federal Award Findings and Questioned Costs (continued)

received and filed that were not recorded on the audit tracking log. Upon review of reports, five of the audit reports included a Schedule of Expenditures of Federal Awards (SEFA) in which the sub-receipted had expended over \$750,000 of federal funds. No audit trail was available to denote that a review of the audit reports was performed by MEMA. Because the agency prepares the audit tracking log with subrecipients that received over \$750,000 from MEMA directly, subrecipients that received less than \$750,000 from MEMA but expended more than \$750,000 in total Federal awards were not tracked on the audit log.

MEMA distributes a brochure to all applicants for Federal funding which includes the Single Audit requirements. However, the brochure states a Single Audit is required if the subrecipient receives \$750,000 in Federal funds from MEMA rather than \$750,000 in total Federal funds from all awarding entities.

Cause Staff were either unaware or did not follow identified policies and procedures for subrecipient monitoring related to Uniform Guidance.

Effect 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 Emergency Management Agency strengthen controls over subrecipient monitoring for OMB Uniform Guidance audits to ensure recipients expending \$750,000 or more in Federal funds during their fiscal year are appropriately monitored and an OMB Uniform Guidance audit is obtained. In addition, we recommend internal policies and procedures be implemented over the audit tool used to monitor subrecipients to ensure completeness of subrecipients requiring Uniform Guidance audits.

Views of Responsible Officials Management at the Mississippi Emergency Management Agency concurs with this finding. See additional comments in the Corrective Action Plan on page 268 of this audit report.

II. SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS



(This page left blank intentionally.)

STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Instructions to Management

Each state grantee agency included in the prior year Single Audit Report for the State of Mississippi prepared a summary schedule of prior federal audit findings as required by *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200, Section 5.11*. In order to provide a systematic approach for reporting, agencies were asked to follow the format listed below.

For each prior year federal audit finding, the agency should include the following: (1) finding identification including finding number, finding heading, *Catalog of Federal Domestic Assistance* (CFDA) number and program name, (2) current status, and (3) planned corrective action, if required. These items are discussed below:

- (1) Each finding number, finding heading, CFDA number and program name should be listed in the same sequence as presented in the prior year Single Audit Report.
- (2) The current status should be identified with one of the following terms:
 - a. “Fully Corrected” - All corrective action has been taken.
 - b. “Partially Corrected” - Some, but not all, corrective action has been taken.
 - c. “Not Corrected” - Corrective action has not been taken.
 - d. “Not Valid” - Finding is no longer valid and does not warrant further action.
- (3) Corrective action should be noted for findings that are not identified as “Fully Corrected.”
 - a. When audit findings are “Partially Corrected” or “Not Corrected,” describe the planned corrective action as well as any partial corrective action taken.
 - b. When audit findings are “Not Valid,” describe the reasons the findings are no longer considered valid or do not warrant further action.

(This page left blank intentionally.)

STATE OF MISSISSIPPI

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

INDEX LISTED BY FINDING NUMBER

<u>FINDING NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>	<u>PAGE NUMBER</u>
2016-038 ⁱ	Education	178
2016-042 ⁱ	Education	178
2017-032 ⁱ	Education	179
2017-023	Rehabilitation Services	191
2017-024	Rehabilitation Services	191
2017-026	Health	181
2017-033	Medicaid	187
2017-034 ^h	Medicaid	187
2017-035 ^b	Human Services	183
2017-036 ^a	Human Services	183

*a The agency indicates the finding is fully corrected; finding 2018-045 was written to report current year problems noted.

*b The agency indicates the finding is fully corrected; finding 2018-048 was written to report current year problems noted.

*c The agency indicates the finding is fully corrected; finding 2018-053 was written to report current year problems noted.

*d The agency indicates the finding is fully corrected; finding 2018-050 was written to report current year problems noted.

*e The agency indicates the finding is partially corrected; finding 2018-046 was written to report current year problems noted.

*f The agency indicates the finding is fully corrected; finding 2018-047 was written to report current year problems noted.

*g The agency indicates the finding is fully corrected; finding 2018-052 was written to report current year problems noted.

*h The agency indicates the finding is fully corrected; finding 2018-060 was written to report current year problems noted.

*i The agency responded to findings that were not required to be reported in the current year report. Only the findings required to be disclosed by the Uniform Grant Guidance are included in the indices.

STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

INDEX LISTED BY FINDING NUMBER - Continued

<u>FINDING NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>	<u>PAGE NUMBER</u>
2017-037 ^c	Human Services	184
2017-038 ^f	Human Services	184
2017-039 ^d	Human Services	184
2017-040	Human Services	185
2017-041 ^c	Human Services	185
2017-042 ^g	Human Services	185

STATE OF MISSISSIPPI

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

INDEX LISTED BY STATE GRANTEE AGENCY

<u>FINDING NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>	<u>PAGE NUMBER</u>
2016-038	Education	178
2016-042	Education	178
2017-032	Education	179
2017-026	Health	181
2017-035	Human Services	183
2017-036	Human Services	183
2017-037	Human Services	184
2017-038	Human Services	184
2017-039	Human Services	184
2017-040	Human Services	185
2017-041	Human Services	185
2017-042	Human Services	185
2017-033	Medicaid	187
2017-034	Medicaid	187
2017-023	Rehabilitation Services	191
2017-024	Rehabilitation Services	191

(This page left blank intentionally.)



MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.
State Superintendent of Education

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS For the Year Ended June 30, 2018

2014-006 Controls should be strengthened in the Office of Child Nutrition over Federal Funding Accountability and Transparency Act (FFATA) Reporting to Ensure Compliance with Federal Reporting Requirements.

10.553 School Breakfast Program (SBP)
10.555 National School Lunch Program (NSLP)
10.556 Special Milk Program for Children (SMP)
10.558 Child and Adult Food Program
10.559 Summer Food Service Program For Children (SFSPC)

Current Status: Corrected

Planned Corrective Action Plan: *(complete if partial or uncorrected)*

2016-035 Management overrode internal controls and procedures and charged unallowed costs to the Title I program.

Current Status: Corrected

Planned Corrective Action Plan:

2016-036 The Office of Accounting internal controls and procedures over review and reconciling MDE's general ledger account did not detect materially misstated account balances.

Current Status: Corrected

Planned Corrective Action Plan:

2016-037 Procedures over accounting for grants should be strengthened in order to accurately present grant activity and the related grants receivable and unearned revenue account balances.

Current Status: Corrected

Planned Corrective Action Plan:

2016-038 Internal controls over posting federal program costs to the general ledger should be strengthened.

84.010 Title I

Current Status: Corrected

2016-042 **Planned Corrective Action Plan:** *(complete if partial or uncorrected)*
Internal controls over reporting should be strengthened to ensure that supporting documentation is maintained in accordance with federal and state retention policies.

84.287 21st Century Community Learning Centers

Current Status: Partial

Planned Corrective Action Plan: *(complete if partial or uncorrected)*

A. Specific steps to be taken to correct the situation.

The Office of Federal Programs (OFP) has begun maintaining electronic copies of all official documents. To achieve this process OFP staff members are required to save all official correspondence with subrecipients electronically. Written internal protocols for document retention will be developed in conjunction with the Office of Technology and Strategic Services.

B. Name of the contact person responsible for corrective action.

Quentin Ransburg, Director of Federal Programs

C. Anticipated completion date for corrective action.
January 31, 2019

2016-045 MDE was not adequately prepared for the financial audit which resulted in untimely delays in the issuance of the financial statements of funds 532010000 and 4423000000.

Current Status: Corrected

Planned Corrective Action Plan: *(complete if partial or uncorrected)*

2017-014 The Office of Accounting internal controls and procedures over review and reconciling MDE's general ledger account did not detect materially misstated account balances.

Current Status: Corrected

Planned Corrective Action Plan: *(complete if partial or uncorrected)*

2017-015 Procedures over accounting for grants should be strengthened in order to accurately present grant activity and the related grants receivable, due from federal government and unearned federal revenue account balances.

Current Status: Corrected

Planned Corrective Action Plan: *(complete if partial or uncorrected)*

2017-016 Procedures over documentation of employee's leave and reconciliation of the department's leave balance to the Statewide Payroll and Human Resource System (SPAHRs) needs to be strengthen.

Current Status: Corrected

Planned Corrective Action Plan: *(complete if partial or uncorrected)*

2017-017 Procedures over recording vendors disbursements in the correct period needs to be strengthen

Current Status: Corrected

Planned Corrective Action Plan: *(complete if partial or uncorrected)*

2017-032 Procedures over accounting for program expenditures should be strengthened in order to accurately determine the amount of federal awards expended during the audit period.

Current Status: Corrected

Planned Corrective Action Plan: *(complete if partial or uncorrected)*

Signature:  (Agency Head)

Title: State Superintendent of Education

Date: 9/25/18

(This page left blank intentionally.)



MISSISSIPPI STATE DEPARTMENT OF HEALTH

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

For the Year Ended June 30, 2018

2017-026 Controls Should be Strengthened to Ensure Compliance with Application Monitoring and Oversight of Time Study Policies and Procedures

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

93.074 Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements

PARTIALLY CORRECTED

In February 2018 the agency implemented a new patient information management system that replaced the outdated PIMS system. Because the relative value table data was compiled from information provided by the old PIMS system it became necessary to discontinue using the relative value tables to track time spent in patient/client care by RN's, Nurse Practitioners, and MD's. Instead the existing time study system will be used to record time spent by these providers. This will necessitate changes to agency policies and slight alterations to the time study forms. Time spent in patient care will be recorded in 15-minute increments using specific program codes in place of the general patient care code that was used to compile the relative value tables. This will eliminate the need for a standard time table and a relative value table. We are currently making necessary revision to agency policies and the time study form.

Signed: Tim Darnell
Tim Darnell, Director
Office of Field Services

Date: 3/25/19

Signed: Thomas E. Doaks II
Thomas E. Doaks II, MD, MPH
State Health Officer

Date: 3/25/19

(This page left blank intentionally.)



STATE OF MISSISSIPPI
Phil Bryant, Governor
DEPARTMENT OF HUMAN SERVICES
John Davis
Executive Director

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

December 4, 2018

Dear Mr. White:

Enclosed for your review is the agency's official response and correlating corrective action plans to the prior year audit for the year ending on June 30, 2017.

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended on June 30, 2017

2017-035 **Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the CCDF Cluster.**

CFDA Number: 93.575 - Child Care and Development Block Grant
 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund

MDHS Response: FULLY CORRECTED.

2017-036 **Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the TANF Program.**

CFDA Number 93.558 - Temporary Assistance for Needy Families State Programs

MDHS Response: FULLY CORRECTED.
Corrective Action Plan:

The Division of Economic Assistance ("EA") has re-emphasized to its' staff the importance of adherence to policy and procedures as set out in Volume III, TANF Policy Manual. This was completed by providing additional trainings of the material contained in said policy manual, as well as, training employees on the various places where the policy manual can be found. EA has decided to not implement a new processing system as described in the corrective action plan, however, EA has certified that controls have been strengthened to ensure compliance with eligibility and benefit payment requirements of the TANF Program.

2017-037**Controls Should Be Strengthened over On-Site Monitoring for the CCDF, LIHEAP, SSBG and TANF Programs.**

CFDA Number 93.558 Temporary Assistance for Needy Families State Programs
93.667 Social Services Block Grant
93.575 Child Care and Development Block Grant
93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.568 Low Income Home Energy Assistance Program

MDHS Response: PARTIALLY CORRECTED.
Corrective Action Plan:

A new Director has recently been appointed to the Monitoring section of Program Integrity ("PI"). Training has been conducted for all employees in the Monitoring section concerning the tracking system and the importance of timely uploading of all required documents in said system. Each employee is required to submit a weekly calendar to ensure all requisite documents from the onsite monitoring visit is uploaded within two (2) weeks following the visit. Monitors currently use Smartsheets, in which will continue to aide notifying personnel when a response or report is past due. The risk assessment that was to be created and conducted for each subrecipient has not been completed. The Monitoring section plans to have said done by June 30, 2019.

2017-038**Controls Should Be Strengthened over Subrecipient Monitoring for OMB Uniform Guidance/Circular A-133 Audits of the SNAP, CCDF, TANF, SSBG and LIHEAP Programs.**

CFDA Number 10.551 - Supplemental Nutrition Assistance Program
10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558 - Temporary Assistance for Needy Families State Programs
93.667 - Social Services Block Grant
93.575 - Child Care and Development Block Grant
93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.568 - Low Income Home Energy Assistance Program

MDHS Response: FULLY CORRECTED.
Corrective Action Plan:

2017-039**Controls Should Be Strengthened over the Submission of Required Federal Reports for the CCDF, TANF and SNAP Programs.**

CFDA Number 10.551 - Supplemental Nutrition Assistance Program
10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558 - Temporary Assistance for Needy Families State Programs
93.575 - Child Care and Development Block Grant

93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund

MDHS Response: FULLY CORRECTED.

2017-040 **Controls Should Be Strengthened over Termination of Benefits for Non-Participation of Work-Eligible Adults in the Work Activities Program**

CFDA Number 93.558 - Temporary Assistance for Needy Families State Programs

MDHS Response: FULLY CORRECTED.

Corrective Action Plan: EA has decided to not implement a new processing system as described in the corrective action plan, however, the corrective action plan has been fully corrected. EA has instead implemented a more tailored method to effectively monitor the termination of benefits for non-participation of work-eligible adults in the work activities program. To further monitor work-eligible recipients who are not participating in work activities, new reports are generated that consist of all overdue high counter reviews. These reports are reviewed and monitored at the county, regional and state office level. This report is monitored to prevent case management errors.

2017-041 **Controls Should Be Strengthened over 20 Percent Exemption and Five Year Time Limit.**

CFDA Number 93.558 - Temporary Assistance for Needy Families State Programs

MDHS Response: FULLY CORRECTED.

Corrective Action Plan:

2017-042 **Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the CCDF Cluster.**

CFDA Number: 93.575 - Child Care and Development Block Grant
93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund

MDHS Response: FULLY CORRECTED.

We appreciate the courtesy and professionalism demonstrated by Jeremy Ashley and his field staff throughout the audit. Should you have any questions regarding our responses or corrective action plan, please do not hesitate to contact David Barton, Deputy Executive Director/Inspector General, at 601-359-4551.

Respectfully,



John Davis
Executive Director

JD: DB

pc: Jacob Black
Chip Butler
David Barton



MISSISSIPPI DIVISION OF
MEDICAID

Attachment A

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2018

- 1) 2017-033, Agency Should Segregate Expenditures by Grant Award Year in the Mississippi Accountability System for Government Information and Collaboration (MAGIC)
 - 2) 93.767 Children's Health Insurance Program (CHIP)
 - 3) Agency does not concur with finding.
 - 4) No corrective action has been planned.
-
- 1) 2017-034, Agency Should Implement Policy to Conduct Periodic Risk Analysis of all ADP Systems Involved in the Administration of HHS Programs
 - 2) 93.775 State Medicaid Fraud Control Unit
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII Medicare)
93.778 Medical Assistance Program (Medicaid: Title XIX)
 - 3) Fully Corrected

Signed: _____

A blue ink signature of Drew L. Snyder, consisting of a stylized 'D' followed by a series of loops and a long horizontal stroke.

Drew L. Snyder
Executive Director

Date: 3/5/19

Attachment B

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2018

2017-033 Agency Should Segregate Expenditures by Grant Award Year in the Mississippi Accountability System for Government Information and Collaboration (MAGIC)

93.767 Children's Health Insurance Program (CHIP)

NOT CORRECTED

Agency does not concur with the finding. The agency expends federal funds as instructed by the federal grantor agency. Segregating expenditures by grant award year in MAGIC would not provide any benefit to the agency. DOM believes OSA can audit for compliance with the period of performance requirement easily without DOM segregating expenditures by grant award year in MAGIC.

2017-034 Agency Should Implement Policy to Conduct Periodic Risk Analysis of all ADP Systems Involved in the Administration of HHS Programs

93.775 State Medicaid Fraud Control Unit

93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII Medicare)

93.778 Medical Assistance Program (Medicaid: Title XIX)

FULLY CORRECTED

Signed: _____

Drew L. Snyder
Executive Director

Date: _____

3/5/19

Attachment C

Medicaid

2017-033 Agency Should Segregate Expenditures by Grant Award Year in the Mississippi Accountability System for Government Information and Collaboration (MAGIC)

93.767 Children's Health Insurance Program (CHIP)

2017-034 Agency Should Implement Policy to Conduct Periodic Risk Analysis of all ADP Systems Involved in the Administration of HHS Programs

93.775 State Medicaid Fraud Control Unit

93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII Medicare)

93.778 Medical Assistance Program (Medicaid: Title XIX)

(This page left blank intentionally.)



State of Mississippi
DEPARTMENT OF REHABILITATION SERVICES

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
For the Year Ended June 30, 2018

2017-023 Agency Should Ensure Compliance with Medical Licensure Verification

CFDA #96.001 Social Security Disability Insurance Program

PARTIALLY CORRECTED

We have been diligently reviewing CE Provider files to ensure proper documentation is included. This review for the majority of the files has been completed. We will continue this review to ensure the remaining files include proper documentation.

2017-024 Agency Should Ensure Compliance Requirements of the Cost Allocation Plan

CFDA #96.001 Social Security Disability Insurance Program

FULLY CORRECTED

A blue ink signature of Chris Howard, written in a cursive style.

Chris Howard, Executive Director

1/1/19
Date

(This page left blank intentionally.)

III. MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS



(This page left blank intentionally.)

STATE OF MISSISSIPPI

MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS FOR THE YEAR ENDED JUNE 30, 2018 Instructions to Management

In order to provide a systematic approach for agencies to respond to audit findings, the management of each agency was requested to follow the instructions listed below in preparation of the formal response to single audit findings and the corrective action plan.

For each AUDIT FINDING, the agency should include the following: (1) *Catalog of Federal Domestic Assistance* (CFDA) number and program name, (2) type of compliance requirement, (3) audit finding number and finding heading, (4) response, and (5) corrective action plan. These items are discussed below:

1. Each CFDA number and program name should be listed in the same sequence presented in the management letter. The entire finding is not required to be repeated.
2. Each type of compliance requirement should be listed in the same sequence as presented in the management letter.
3. Each audit finding number and finding heading should be listed separately in the same sequence as presented in the management letter. The entire finding is not required to be repeated.
4. Responses of the agency to audit findings should be included directly below each audit finding heading. For each response, the agency should state whether they concur or do not concur with the individual finding and recommendation and the reasons why.
5. After an audit finding heading has been listed along with the corresponding agency response, the plan for corrective action should be listed using the following format:
 - a. Specific steps to be taken to correct situation.
 - b. Name(s) of the contact person(s) responsible for corrective action.
 - c. Anticipated completion date for corrective action.
 - d. Specific reasons why corrective action is not necessary, if applicable.

OMB Uniform Guidance, Section 200.521 requires audit findings to be resolved between federal agencies and audited agencies within six months after the receipt of the single audit report by the federal government. Audited agencies should maintain permanent files on all correspondence with the federal government during the audit resolution process. Federal agencies may ask for additional information pertaining to audit findings.

On the following pages, we have compiled the formal response to the findings and recommendations and the corrective action plan of each agency's management.

(This page left blank intentionally.)



STATE OF MISSISSIPPI

DEPARTMENT OF CORRECTIONS

PELICIA E. HALL, Esq.
COMMISSIONER

April 12, 2019

FINANCIAL AUDIT FINDINGS
or
OTHER AUDIT FINDINGS
or
COMPLIANCE REVIEW FINDINGS

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

Dear Mr. White:

In response to the financial audit finds for the period ending June 30, 2018, the Mississippi Department of Corrections is providing the following corrective action plan.

AUDIT FINDINGS:

2018-004 GAAP Package Reporting worksheets contain calculation and other errors. The record system is disorganized and not conducive for review and approval.

Response: Concur

Corrective Action Plan:

- A. The Agency uses an independent contractor to prepare its GAAP package. Moving forward the Agency will have an Agency employee shadow the contractor to ensure supporting documentation and worksheets are sufficient. The Agency will advise the contractor of the proper worksheets and documentation that is required. Ample time will be set aside to review the adjustments and reconciliations before the entries are made.

- B. Dell Lemley
- C. Plan will be followed during the next GAAP Package reporting period.

Sincerely,



Pelicia E. Hall, Commissioner
Commissioner of Corrections



MISSISSIPPI DEPARTMENT OF EDUCATION

Carey M. Wright, Ed.D.
State Superintendent of Education

March 20, 2019

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

Dear Mr. White;

The Mississippi Department of Education (MDE) is providing the following response and corrective action plan for the single audit findings for the fiscal year ending June 30, 2018.

2018-001 Procedures over issuing sub recipient program review letter should be strengthened to ensure that the letters are issued within the 30-day program requirement.

Response:

A. Specific steps to be taken to correct the situation.

The MDE will continue to strengthen the sub recipient program review by revising the Standard Operating procedures to advise staff of the process to document when an extension is needed for the program review letter. These procedures will follow the regulations allowance when extenuating circumstances exist. After the procedures are revised, existing staff will receive training and the procedures will be added to the training curriculum for new staff. .

B. Name of the contact person responsible for corrective action.
Scott Clements – Director of Child Nutrition and Healthy Schools

C. Anticipated completion date for corrective action:
June 30, 2019

Sincerely,

A handwritten signature in black ink, reading "Carey M. Wright".

Carey M. Wright, Ed.D.
State Superintendent of Education

(This page left blank intentionally.)



STATE OF MISSISSIPPI
GOVERNOR PHIL BRYANT

DEPARTMENT OF FINANCE AND ADMINISTRATION

LAURA D. JACKSON
EXECUTIVE DIRECTOR

April 18, 2019

FINANCIAL AUDIT FINDINGS
or
OTHER AUDIT FINDINGS
or
COMPLIANCE REVIEW FINDINGS

Shad White
Office of the State Auditor
State of Mississippi
Post Office Box 956
Jackson, Mississippi 39205-0956

Dear Mr. White,

In reference to your letter dated March 28, 2019, we submit the following responses and corrective action plans to the financial audit findings for the Department of Finance and Administration (DFA) for the fiscal year ended June 30, 2018.

AUDIT FINDINGS:

MATERIAL WEAKNESSES

Finding Number

2018-007

Finding Description

Strengthen Controls over segregation of Duties in SPAHRS

Response:

We acknowledge the finding.

DFA/MMRS has been sending SPAHRS Quarterly Security reports since 2000. These reports are part of what the Auditor's office would review with the agencies doing agency audits. Later the reports were made available for agency view in FMVIEW. Quarterly notifications are sent to the agencies when a new report is available. In 2018, DFA/MMRS required agencies to sign off on the security

reports. The agency responses are tracked via a spreadsheet. DFA/MMRS continues to email and call agency security contacts that have not returned the acknowledgment form.

The MMRS Security Supervisor checks each form that is processed to ensure it is completed and signed by the agency security contact. The forms are also viewed to ensure that the appropriate access is established. The forms are saved in DFA/MMRS' document management system.

Several of the security forms that were reviewed in the audit were dated as far back as 2000. The original documentation provided signatures, but the documents were not probably scanned. Staff has and continues to ensure that all pages are scanned. Most of the forms today are received electronically; therefore, reducing the risk of human error in scanning the documents.

**Corrective Action
has been taken:**

- A. A policy has been established that agency security contacts must provide written justification if an agency request access for human resource/recording and payroll authorization function access for an individual. This justification is saved in DFA/MMRS' document management system.

DFA employees SPAHRS security has been properly segregated using the PHUSR08 group.

Staff has been instructed to ensure that all pages of the completed forms are stored in the document management system.

- B. Michael Gonzalez is the contact person for this corrective action.

- C. The corrective action was completed on March 27, 2019.

- D. N/A

2018-008

Response:

Strengthen controls over change logs in SPAHRS

We acknowledge the finding.

Turning on the Natural Security logs would require a major upgrade to SPAHRS and would introduce functionality that

has never been utilized, and would be a major change with high risks. DFA is in the process of planning the HR/Payroll implementation of MAGIC and does not want to take on the risk of doing a major change to SPAHRS at this time.

The quarterly security verification process provides a process for agencies to verify new and updated SPAHRS Security requests. Additionally when forms are received by DFA/MMRS, the forms are checked to make sure they are signed, the access requested is appropriate. The requested updates are made in SPAHRS and the forms are electronically signed and filed. The MMRS Security Supervisor verifies that the forms are signed by the agency security contact and all documentation is correct.

Corrective Action:

- A. DFA is beginning the MAGIC Phase II implementation.
- B. Michael Gonzalez is the contact person for this corrective action.
- C. The anticipated completion date of Phase II is July 1, 2022.
- D. N/A

2018-016

Strengthen controls over accounting period close

Response:

We concur with the finding.

The 13 period was opened to delete prior fiscal year parked/abandoned documents from MAGIC during the Lapse Period Close process. The 13 period should have been closed after the documents were deleted, but was not.

Corrective Action:

We are taking the following steps to ensure this does not happen in the future.

- A. Steps have been added to the Lapse Period Close tasks list to take a screenshot of the OB52 table at the beginning and at the end of the list to verify the open periods for the two screenshots match. OFM will confirm on September 1 that only periods 3 and 14 are open.

OFR will add a step to the 13 period closing process to check for parked/abandoned documents prior to closing the period. If documents are found, they will request the agency who created them to delete the documents. If the agency does not respond to the request, OFR or MMRS will delete the documents using a Fire Fighter ID. Once the documents are deleted, OFR will send a request to OFM to proceed with closing the 13th period.

OFM will be responsible for opening and closing all periods. Periods 1 -12 are typically opened and closed through a monthly automated process. Period 13 will be opened by OFM as part of OFM's June 30 year-end processing tasks. Period 13 will be closed and Period 14 will be opened by OFM the day after GAAP packets are due. OFR will notify OFM to close Period 14 on the opinion date of the CAFR.

Only in extreme emergencies, where OFM could not be reached, would MMRS staff utilize a Fire Fighter ID to open or close periods. If such an instance occurs, MMRS will take before and after screenshots. MMRS will notify OFM of the opening and closing and Fire Fighter ID so this information can be added to OFM's log.

- B. Teresa Hayes is the contact person for this corrective action.
- C. The change will be completed by June 30, 2019.
- D. N/A

2018-021

Strengthen process for compiling CAFR and Schedule of Federal Awards

Response:

We concur with the finding.

Corrective Action:

- A. OFR will update the GAAP reporting section of the MAAPP manual to assist GAAP Coordinators in preparing their GAAP packets. OFR will also continue to examine options for more efficient collection of information to reduce GAAP preparation time. In addition, OFR will meet with the Office of the State Auditor to discuss ways to have audit adjustments and

finalized audits sooner.

- B. The contact person responsible for this corrective action is Shondra Barker.
- C. The anticipated implementation for this corrective action plan is June 2019.
- D. N/A

2018-022

Implement written policies relating to accounting and reporting matters

Response

We concur with the finding.

Corrective Action:

- A. The 2018 MAAPP Manual Revision was updated and uploaded to DFA's website as of 12/31/2018. Updates will continue.
- B. The contact person is Lisa Dunn.
- C. It has been completed.
- D. N/A

2018-023

Strengthen process for recording interagency transfers, payables, and receivables

Response:

We concur with the finding.

Effective April, 2019, system edits have been implemented to reduce the amount of reclassification entries needed for transfers. In addition, agencies have been instructed to review outstanding payables and receivables for the interagency activity and to be mindful of coding transactions as transfers.

Corrective Action:

- A. As part of the review of interim financial statements, agencies will be advised to review and adjust receivables and payables balances, if necessary. The relevant DFA offices will review the business process to identify possible changes to the accounting system for interagency transactions.

B. The contact person responsible for this corrective action is Shondra Barker.

C. The anticipated implementation for this corrective action plan is June 2019.

D. N/A

2018-024

CFO qualifications and attend mandatory training

Response:

We acknowledge this finding.

The Department of Finance and Administration (DFA) is the primary agency responsible for state government financial and administrative operations, and we fully accept and embrace the magnitude of that responsibility. However, while DFA is the executive branch control agency over governmental accounting and financial reporting, and in particular, the completion of the annual comprehensive annual financial report, we rely heavily on the cooperation and input of every other state agency to successfully accomplish that task.

We acknowledge that Section 7-7-3 of Miss. Code Ann. (1972) requires DFA to conduct training seminars on a regular basis to ensure that agencies have access to persons proficient in the correct use of the state accounting system. Before implementation of the new statewide system and since that time, we have provided class training, one-on-one personalized training and detailed assistance via the call center to agency personnel to help them understand the processes required for daily workflow. We have training material, work instructions and job aids available on the internet that are easily accessible. In addition to providing training on the state accounting system, we also provide training on GAAP reporting for financial statement preparation. While we have clearly stated that these training sessions are necessary, we continue to have agencies that do not attend.

The finding specifically calls into question the lack of qualifications and skill requirements of agency accounting personnel, and specifically mentions the lack of qualified personnel serving as Chief Fiscal Officers. While we have the responsibility to provide systems to facilitate the financial reporting and operations of the state and to

provide training to employees that use these systems, we do not have the oversight of the hiring or selection of agency employees. Hiring of qualified employees is the responsibility of each state agency head.

Corrective Action:

A. The audit finding recommendation is for DFA to implement mandatory training sessions for accounting personnel and chief fiscal officers.

DFA will continue to provide training opportunities for accounting personnel and chief fiscal officers, and will pursue and provide additional training as funding allows. DFA will also consider requiring attendance, however enforcement of that will be difficult.

B. The contact person responsible for this corrective action is Laura Jackson.

C. The corrective action will be implemented during FY 2019.

D. N/A

2018-030

Segregation of duties in MAGIC

Response:

We acknowledge the finding.

In an effort to provide adequate role definitions for agencies to achieve segregation of duties, DFA/MMRS is in the process of only providing business roles instead of privileges in IDM. This will allow IDM to match the MAGIC Security Roles and Definitions document. The ability for security contacts to assign privileges has been removed.

Corrective Action:

A. DFA/MMRS now requires agencies to sign off on the security reports or have MAGIC access revoked for their entire agency. The agency responses are tracked via a spreadsheet.

DFA/MMRS continues to email and call agency security contacts that have not returned the acknowledgment form.

DFA/MMRS will establish a process for review and verification that the all quarterly forms are received.

- B. Michael Gonzalez is the contact person for this corrective action.
- C. The change will be completed by December 31, 2019.
- D. N/A

SIGNIFICANT DEFICIENCIES

2018-009

Software updates and risk assessment for end-of-life component in SPAHRS

Response:

We acknowledge the finding.

DFA/MMRS is in the process of planning the Phase II MAGIC implementation. The implementation will be done in a phased approach with all agencies implemented over a three-year period.

Corrective Action:

- A. SPAHRS will be decommissioned after all agencies are converted to MAGIC.
- B. Brenda Benson is the contact person for this corrective action.
- C. The anticipated completion date of Phase II is July 1, 2022.
- D. N/A

2018-020

Strengthen controls over security audit logo of MAGIC

Response:

We acknowledge the finding.

DFA/MMRS has addressed this finding through a manual review of the security audit logs to capture unsuccessful user dialog attempts for SAPGUI users in MAGIC. The audit log event classes included in this review were acknowledged by all parties within the final audit response. DFA's internal review process occurs on a weekly basis of the prior week's security log activity report. DFA's assigned reviewer runs transaction SM20 in PEA (ECC), PRA (SRM), and PCA (CRM) to view the log activity report. Security audit log files are exported and saved in Excel format to designated folder location. Each log file is reviewed for patterns/repeated failed logons of users and RFC/function calls. Each finding identified will be addressed with the MAGIC security team and defect created in HPQC, if system modifications are required. This assessment also includes audit configuration change reviews for potential issues. The weekly audit logs are analyzed and the final results are reviewed monthly by the team manager and filed in SharePoint.

Corrective Action:

- A. DFA is in the process of implementing query automation process for these reports to help streamline the review process and reduce the number of manual steps required. Datasets captured within the automation will be reviewed against the audit log data producing a summary of the report findings.
- B. Michael Gonzalez is the contact person for this corrective action.
- C. The change will be completed by December 31, 2019.
- D. N/A

2018-032

Strengthen controls over vendor master file and one-time vendors

Response:

We concur with this finding.

Corrective Action:

- A. DFA has discontinued use of the state-wide one-time vendor number 9000000000 and assigned each agency at least one one-time vendor code to be used for their one-time payments to vendors. It is now the agency's responsibility to ensure that vendors who

receive more than one payment are handled appropriately and are not paid using the agency's one-time vendor number

- B. The contact person is Lisa Dunn
- C. The vendor number 9000000000 was blocked as of 1/31/2019
- D. N/A

2018-033

Strengthen controls over policies and procedures related to journal entry approval.

Response:

We concur with the finding.

Corrective Action:

- A. OFA plans to publish internally these formalized policies and procedures.
- B. Marcus Moore is the contact person for this corrective action.
- C. The anticipated implementation is no later than December, 2019.
- D. N/A

Sincerely,


Laura D. Jackson
Executive Director



STATE OF MISSISSIPPI
GOVERNOR PHIL BRYANT

DEPARTMENT OF FINANCE AND ADMINISTRATION
LAURA D. JACKSON
EXECUTIVE DIRECTOR

April 9, 2019

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

Dear Mr. White:

In reference to your letter dated April 1, 2019, we submit the following responses and corrective action plans to the financial audit findings in the Department of Finance and Administration – Office of Insurance for the fiscal year ended June 30, 2018.

AUDIT FINDINGS:

MATERIAL WEAKNESSES

Finding Number	Finding Description
2018-005	<u>Plan management should implement a process, whereas the financial reporting process, including the reconciliation of interfund transfers and due to and due from other funds accounts, is subject to sufficient review and approval to prevent future errors.</u>
Response	Management at the Department of Finance and Administration – Office of Insurance concurs with this finding.
Corrective Action Plan	<p>(a) We have addressed GAAP packet training with new accounting staff and will implement an enhanced review process to ensure all interfund transfers and due to and due from accounts are properly reconciled.</p> <p>(b) The contact person responsible for this corrective action is Richard Self.</p> <p>(c) The implementation for this corrective action is currently underway and will be complete prior to the FY 2019 GAAP packet preparations.</p>

2018-025

Department of Finance and Administration – Office of Insurance (DFA Insurance) Should Strengthen Controls over Financial Reporting and the Implementation of New Governmental Accounting Standards.

Response

Management at the Department of Finance and Administration – Office of Insurance does not concur with this finding. While implementing the standards for GASB 74 and GASB 75 as they relate to the State and School Employees' Life and Health Insurance Plan (Plan) has been a fluid process over the past two years, management has been actively engaging with actuaries, auditors, and other professionals throughout this period to ensure that the required data and reporting elements were identified, captured, and reported timely and accurately. From as early as 2016, management has been working with its actuary to understand and prepare for the upcoming requirements of GASB 74/75 to ensure efficient and cost effective compliance. The results of these efforts were the release of the Plan's GASB Statement 74 actuarial report and the GASB Statement 75 actuarial report on November 5, 2018, after significant consulting and editorial input from the Office of the State Auditor (OSA) and the Plan's auditor BKD, LLP. The delay incident to the production and release of these reports stemmed from inconsistent advice from the consulting professionals as to how best to benefit the local employer users of the information consistent with GASB and OSA requirements. Agency management was proactive and cooperative throughout the process, including facilitating the establishment of an OPEB trust in 2018 to ensure that OPEB liability allocation schedules commissioned and paid for by the Plan were acceptable for use by local employers to avoid unnecessary and duplicative effort and cost at the local levels. Agency management was likewise proactive and cooperative in working with auditors to ensure audit testwork was planned and conducted as efficiently as possible, including significant efforts to encourage local employers to respond to audit confirmations and related information requests. In summary, management has a process for identifying, understanding and implementing as indicated, new accounting pronouncements that are applicable to the Plan. Further, management did in fact comply with applicable accounting standards, including reporting financial information in accordance with GASB as they relate to OPEB. As such, management does not believe that a material weakness exists in its internal controls regarding new accounting pronouncements.

Corrective Action Plan

(a) Management will continue to ensure that OPEB liabilities are accounted for correctly and timely and that staff appropriately analyzes and implements, as needed, new accounting pronouncements applicable to the Plan.

(b) The contact person responsible for this corrective action is Richard Self.

(c) With definitive guidelines and agreement among the parties, more aggressive actuary and audit timelines for subsequent year OPEB reports have already been implemented to assist local employers, as well as the CAFR preparation and audit, by providing the resulting data earlier in the reporting cycle.

(d) N/A – See above

2018-031

Department of Finance and Administration – Office of Insurance (DFA Insurance) Should Ensure Compliance with State Law with Regards to Availability of Accounting Records.

Response

Management at the Department of Finance and Administration – Office of Insurance does not concur with this finding. During the course of the audit, OSA requested confidential Plan census information collected and maintained by the agency as a Covered Entity under the Health Insurance Portability and Accountability Act (HIPAA). In an effort to minimize the risks of potential HIPAA violations, management suggested alternatives to providing such information directly to OSA, with the common goal of accommodating the information needs pursuant to the audit testwork. Among the suggested alternatives were the options of OSA securing this information directly from the impacted employers, thereby eliminating HIPAA applicability. Absent collecting the information directly from the local employers who initially created the data, management suggested executing a separate agreement between the Plan and OSA, similar to the HIPAA Business Associate Agreement, to address access to, use of, and consequences for breaches, of the protected health information. Ultimately, alternative audit procedures through an AUP agreement with the Plan's auditor, BKD, LLP, were agreed to by the agency and OSA. This mutually agreed upon alternative thus avoided any potential audit scope limitation and prevented HIPAA-protected data from being subjected to unnecessary risk of breach. Management does not agree and strongly objects to OSA's conclusion that the mutually agreed upon alternative "equated to a violation of law". In summary, management has a legal and fiduciary responsibility to safeguard protected health information of the over 200,000 active and retired public employees, elected officials, and their covered dependents participating in the Plan,

and will continue to work with OSA to ensure compliance with audit needs without incurring unnecessary risks. Management has, to the best of our knowledge, complied with all applicable State and federal laws and regulations. As such, management does not believe that the mutually agreed upon alternative audit testwork was an instance of noncompliance.

Corrective Action Plan

(a) Management will continue to work with OSA to provide adequate access to records to ensure compliance with audit needs and all applicable State and federal laws without incurring unnecessary risks.

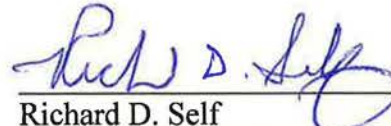
(b) The contact person responsible for this corrective action is Richard Self.

(c) N/A – See above

(d) N/A – See above

Sincerely,


Laura D. Jackson
Executive Director
Department of Finance and Administration


Richard D. Self
State Insurance Administrator
DFA – Office of Insurance



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

NOTE FROM AUDITOR

DEPARTMENT OF FINANCE AND ADMINISTRATION – OFFICE OF INSURANCE

MATERIAL WEAKNESSES

Finding Number
2018-025

Finding and Recommendation

Department of Finance and Administration – Office of Insurance (DFA Insurance) Should Strengthen Controls Over Financial Reporting and the Implementation of New Governmental Accounting Standards.

Audit Response

GASB Statement 74 and GASB 75 were ratified June 2015. When Office of the State Auditor (OSA), Department of Finance and Administration (DFA) and Mississippi Department of Education (MDE) representatives met with representative from the Office of Insurance (DFA Insurance) in August 2017, DFA Insurance informed OSA that the State had no intention of forming a trust; therefore, GASB 74 would not be applicable and that they would speak to their actuary to determine if additional actuarial studies for local governments, component units, and other state agencies could be “bundled” with the State’s actuary study for cost savings. OSA informed DFA Insurance that each local government would be required to present the liability of their own staff if no trust were established and a proportionate share allocation would not be appropriate. OSA explained where in GASB 75 this requirement was established. After numerous discussions between DFA, OSA, MDE, and DFA Insurance, DFA Insurance decided to establish a trust so that a proportionate share allocation could be utilized. The trust was established in June 2018. However, an additional audit contract for the audit of the actuary report, in accordance with GASB 75 was not ratified until October 2018. The audit of the actuarial proportionate share allocation was not available until the end of November 2018; and the audit of the plan’s census data (in accordance with GASB 75 and Auditing Standards) was not available until April 2019. Information regarding the proportionate share of the OPEB liability for the State of Mississippi was not presented to OSA for audit until March 2019. Due to these delays in implementing the GASB standards, it was not possible to opine on the Comprehensive Audited Financial Report (CAFR) for the State of Mississippi until well after the deadline of December 31, 2018. OSA directly contributes this delay to DFA Insurance.



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

NOTE FROM AUDITOR

DEPARTMENT OF FINANCE AND ADMINISTRATION – OFFICE OF INSURANCE

MATERIAL NONCOMPLIANCE

Finding Number
2018-031

Finding and Recommendation

Department of Finance and Administration – Office of Insurance (DFA Insurance) Should Ensure Compliance with State Law with Regards to Availability of Accounting Records.

Audit Response

As quoted in the Criteria of the Finding, *Section 7-7-215 (2) of the Mississippi Code of 1972, Annotated* states that the Office of the State Auditor (OSA) shall have access to all requested documents needed in order to complete an audit of any governmental entity under OSA audit. As auditors, OSA has access to confidential information from any and all state agencies under audit. Information was requested multiple times from personnel at the Department of Finance and Administration – Office of Insurance (DFA Insurance) and this information was withheld from OSA auditors. OSA staff went to great lengths to reassure DFA Insurance that allowing OSA to test census data was not only necessary, but required by auditing standards. OSA also assured DFA Insurance that providing the information would not result in a HIPPA violation. However, DFA Insurance continued to deny OSA the requested information.

OSA was able to obtain sufficient audit evidence that the census data provided to the actuary was complete and accurate; however, circuitous methods had to be used. DFA Insurance's refusal to provide the requested information is a direct violation of OSA's statutory authority.



MISSISSIPPI STATE DEPARTMENT OF HEALTH

FINANCIAL AUDIT FINDINGS

April 25, 2019

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

Dear Mr. White:

We have reviewed the audit finding below in reference to the Mississippi State Department of Health 2018 fiscal year audit. Listed below is our individual response and plan for corrective action:

Audit Finding:

2018-019 Controls Should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process

Response: The agency partially concurs with this finding.

Corrective Action: At the time of the audit one employee did have access to the "FA- Fixed Assets Property Officer – MUV" role. While this role is specific to outside agencies, DFA allowed our MAGIC security contact to request this role. The access has been deleted; however, we believe it is DFA's responsibility to ensure assignments are not approved for staff this is agency specific.

The agency is aware of the segregation of duties conflicts identified. However, in order for the agency/office to operate it is necessary for these individuals to have the access given. These conflicts are communicated to our MAGIC security contact. We will ensure they communicate this in the quarterly certification submitted to DFA. Also, in certain limited situations, staff may enter and approve the same transaction. These will be reviewed and signed off by supervisory staff to ensure proper controls.

Name of contact person responsible for corrective action: Information Technology Dept and Sharon Dowdy

Anticipated completion date of corrective action: June 30, 2019

Office of the State Auditor
April 25, 2019
Page 2

Should you have any questions regarding our response or corrective action plan, please feel free to contact Sharon Dowdy, 601-576-7359.

Sincerely,



Thomas E. Dobbs III, M.D., M.P.H.
State Health Officer



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

NOTE FROM AUDITOR

DEPARTMENT OF HEALTH

SIGNIFICANT DEFICIENCY

2018-019 The Department of Health Should Strengthen Controls over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.

Audit Response The Office of the State Auditor (OSA) agrees with the Department of Health that the Department of Finance and Administration allowed Health to assign the role; however, it is the Department of Health's responsibility to ensure that adequate segregation of duties is maintained at their own Agency or if not possible, that compensating controls have been implemented.

(This page left blank intentionally.)



MISSISSIPPI STATE DEPARTMENT OF HEALTH

SINGLE AUDIT FINDINGS

May 31, 2019

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

Dear Mr. White:

We have reviewed the audit finding below in reference to the Mississippi State Department of Health 2018 fiscal year audit. Listed below is our individual response and plan for corrective action:

Audit Finding:

2018-059 Controls Should Be Strengthened to Ensure Compliance with Provider Health and Safety Standards Requirements

CFDA Number: 93.777 – State Survey Certification of Health Care Providers and Suppliers (Title XVIII) Medicare

Requirement: Special Test and Provisions – Provider Health and Safety Standards

Response: The agency concurs with this finding.

Corrective Action: Managing survey workload is directly related to fully staffed survey teams. The Bureau of HFLC has implemented a new Long-Term Care (LTC) infrastructure which consists of four (4) survey regions (NE, NW, SE, SW) to better manage workload, productivity, and efficiencies. Nurse Managers will manage survey teams within four (4) survey regions (NE, NW, SW, SE) across the state. Recruitment actively continues for onboarding of team members/surveyors to achieve a fully staffed LTC infrastructure. As recruitment continues, the goal for the LTC Division under the new LTC infrastructure is to have 30 surveyors to manage the recertification, complaint, and revisit survey workload as budget resources allow. Monthly LTC survey schedules will be developed by the Nurse Manager and team members for each respective LTC Survey District (NE, NW, SE, SW) and reviewed/approved by the Chief Nurse for LTC to ensure performance goals are met. The LTC survey workload as well as the LTC survey intervals will be monitored through the suite of CMS reports as well as through the requested monthly reporting and communication with the MS Division of Medicaid

Name of contact person responsible for corrective action: Marilyn Winborne

Anticipated completion date of corrective action: December 2019

Should you have any questions regarding our response or corrective action plan, please feel free to contact Sharon Dowdy, 601-576-7359.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Dobbs", with a stylized flourish at the end.

Thomas E. Dobbs III, M.D., M.P.H.
State Health Officer



MISSISSIPPI STATE DEPARTMENT OF HEALTH

FINANCIAL AUDIT FINDINGS

May 1, 2019

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

Dear Mr. White:

We have reviewed the audit finding below in reference to the Drinking Water Systems Improvements Revolving Loan Fund 2018 fiscal year audit. Listed below is our individual response and plan for corrective action:

Audit Finding:

2018-006 Management is responsible for establishing and maintaining effective internal control over financial reporting, including the basic financial statements and related notes to the financial statements.

Response: The agency concurs with this finding.

Corrective Action: The agency has identified staff that will be responsible for the oversight of the preparation of the GAAP financial statements and to gather the information needed for the notes to the financial statements. In addition, management has made changes to ensure proper segregation of duties. Management is also in the process of testing new software to track loans that will alleviate the need for the large Excel schedules.

Name of contact person responsible for corrective action: Jonathan Chaney

Anticipated completion date of corrective action: June 30, 2019

Should you have any questions regarding our response or corrective action plan, please feel free to contact Sharon Dowdy, 601-576-7359.

Sincerely,

Thomas E. Dobbs III, M.D., M.P.H.
State Health Officer

(This page left blank intentionally.)



STATE OF MISSISSIPPI
Phil Bryant, Governor
DEPARTMENT OF HUMAN SERVICES
John Davis
Executive Director

FINANCIAL AUDIT FINDINGS

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

May 10, 2019

Dear Mr. White:

Enclosed for your review is the agency's official response and corrective action plan to the financial audit finding in the "Financial Audit Management Report" as outlined in the Mississippi Department of Human Services financial audit performed for the Fiscal Year 2018.

FINANCIAL AUDIT FINDINGS:

2018-034 **Controls Should be Strengthened over MAGIC Segregation of Duties, Business Role Assignments and Quarterly Security Certification Process.**

Response: The Mississippi Department of Human Services ("MDHS") is in agreement that controls should be strengthened concerning MAGIC security access and ensure that roles are properly assigned, duties are separated and employees that are no longer associated with MDHS have their access removed in a timely manner.

Corrective

Action Plan: The Division of Budgets and Accounting ("B&A") will implement internal control procedures that ensure that duties are separated by failing to allow an employee to initiate and approve the same document. A different employee in a supervisor role will have to approve. MDHS will also work closely with Department of Finance and Administration ("DFA") in validating the MAGIC user roles by reviewing quarterly reports and confirming with an employee's supervisor said roles are required. If it is noticed an employee has an incorrect role, B&A will modify it to the correct access role.

B&A will communicate with the Division of Human Resources at MDHS to receive a list of employees separated from the agency to ensure said employee's access to MAGIC has been terminated. This will be completed on a monthly basis. By doing such, this should ensure that unauthorized access to MAGIC from an employee no longer associated with MDHS is terminated in a timely manner.

David Barton, the Inspector General, will be the point of contact concerning the corrective action plan. The anticipated completion date for the corrective actions is June 30, 2019.

We appreciate the courtesy and professionalism demonstrated by Jeremy Ashley and his field staff throughout the audit. Should you have any questions regarding our response or corrective action plan, please do not hesitate to contact David Barton, Deputy Executive Director/Inspector General, at 601-359-4551.

Respectfully,

A handwritten signature in black ink, appearing to read "John Davis", written in a cursive style.

John Davis
Executive Director

JD:DB

pc: David Barton
Jacob Black



STATE OF MISSISSIPPI
Phil Bryant, Governor
DEPARTMENT OF HUMAN SERVICES
John Davis
Executive Director

SINGLE AUDIT FINDINGS

June 6, 2019

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

Dear Mr. White:

Enclosed for your review is the agency's official response and correlating corrective action plans to the Single Audit Findings in the Single Audit Management Report as outlined in the Mississippi Department of Human Services (MDHS) audit performed for the State Fiscal Year 2018:

SINGLE AUDIT FINDINGS:

ELIGIBILITY

Material Weakness

Material Noncompliance

CFDA Number 93.558 - Temporary Assistance for Needy Families State Programs

2018-045

Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the Temporary Assistance for Needy Families (TANF) Program.

MDHS Response: MDHS is in agreement that controls should be strengthened over compliance with eligibility and benefit payment requirements to the TANF Program.

Corrective Action Plan:

In order to strengthen compliance, the Division of Economic Assistance (EA) will conduct a ten percent (10%) review by supervisory employees of EA and by program specialists at approval (initial application and subsequent reapplications). Additionally, supervisory staff will review ten

percent (10%) TANF case actions at the time an action is taken. Said efforts are to ensure documentary files are accurate and complete.

In order to correct any discrepancies within current cases, a ten percent (10%) review of all open TANF and Transitional Service cases will be conducted. As a result of said review, any funds that are deemed to be an overpayment will be recovered in accordance with existing policy and procedures.

Training will also be conducted to ensure all employees of EA have an in-depth understanding of policy contained within Volume III and resulting procedures. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. The anticipated completion date for the corrective action plan is December 1, 2019.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

CFDA Number 10.551 - Supplemental Nutrition Assistance Program
 93.558 - Temporary Assistance for Needy Families State Programs
 93.667 - Social Services Block Grant
 93.575 - Child Care and Development Block Grant
 93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund
 93.568 - Low Income Home Energy Assistance Program

2018-046

Controls Should Be Strengthened over On-Site Monitoring for the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Child Care and Development Block Grant (CCDF), Low Income Home Energy Assistance Program (LIHEAP), and Social Services Block Grant (SSBG) Programs

MDHS Response: MDHS is in agreement that controls should be strengthened over on-site monitoring for SNAP, TANF, CCDF, LIHEAP, and SSBG programs.

Corrective Action Plan:

MDHS will train all employees in the Monitoring unit of Program Integrity Division in regards to the new implemented tracking system and the importance of timely uploading of all required documents on both the common drive and Smartsheets. Monitors are also submitting weekly itineraries to ensure that all required documents from the onsite monitoring visits are uploaded and reviewed within two (2) weeks following the visit.

To do such monitors are utilizing Smartsheets, in which will also continue to aide notifying employees when responses and reports are due. Furthermore, said will be memorialized because the Monitoring unit will also develop a monitoring procedure manual to include processes, procedures, and documentation requirements. This manual will outline the process to document the review, prepare findings, and communicate to sub recipients. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. This corrective action plan shall be implemented by August 1, 2019.

SUBRECIPIENT MONITORING

Material Weakness

Material Noncompliance

CFDA Number	93.558 – Temporary Assistance for Needy Families State Programs
	93.667 – Social Services Block Grant
	93.575 – Child Care and Development Block Grant
	93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund
	93.568 – Low Income Home Energy Assistance Program

2018-047 **Controls Should Be Strengthened over Sub Recipient Monitoring of OMB Uniform Guidance Audits for the Child Care and Development Block Grant (CCDF), Temporary Assistance for Needy Families (TANF), Social Services Block Grant (SSBG) and Low Income Home Energy Assistance (LIHEAP) Programs.**

MDHS Response: MDHS is in agreement that controls should be strengthened over Sub Recipient monitoring of OMB Uniform Guidance Audits for CCDF, TANF, SSBG, and LIHEAP Programs.

Corrective Action Plan:

MDHS will train all employees in the Monitoring unit of Program Integrity Division in regards to the new implemented tracking system and the importance of timely uploading of all required documents on both the common drive and Smartsheets. Monitors are also submitting weekly itineraries to ensure that all required documents from the onsite monitoring visits are uploaded and reviewed within two (2) weeks following the visit. To do such monitors are utilizing Smartsheets, in which will also continue to aide notifying employees when responses and reports are due. Furthermore, said will be memorialized because the Monitoring unit will also develop a monitoring procedure manual to include processes, procedures, and documentation requirements. This manual will outline the process to document the review, prepare findings, and communicate to sub recipients. The name of the contact person who is responsible for this

corrective action plan is David Barton, Inspector General. This corrective action plan shall be implemented by August 1, 2019.

ELIGIBILITY

Significant Deficiency

Immaterial Noncompliance

CFDA Number 93.575 – Child Care and Development Block Grant
 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2018-048

Controls Should Be Strengthened to Ensure Compliance with Eligibility and Benefit Payment Requirements of the Child Care and Development Block Grant (CCDF) Cluster.

MDHS Response: MDHS agrees that controls should be strengthened to ensure compliance with eligibility and benefit payment requirements of the CCDF Cluster.

Corrective Action Plan:

The Division of Early Childhood Care and Development (DECCD) has modified several business practices to decrease the errors and avoid improper payments. DECCD implemented a new document upload function that allows submitted documents from applicants to be uploaded directly to the applicant's application every fifteen (15) minutes. This new process has already been implemented and affords the eligibility employee to be able to process the application with all required documents in an efficient manner. Additionally, over the course of the year DECCD has administered extensive trainings for all DECCD eligibility employees. The trainings included reviewing the co-payment chart, eligibility requirements for parents and processing applications based on documents received. Moreover, an eligibility checklist and a desk guide was developed as an internal control for staff to use as a guide when approving a parent application.

Furthermore, the Quality Control Department (QC) of the Office of the Inspector General, a separate and distinct department from DECCD, has hired four (4) full time QC reviewers. Their job responsibilities are solely dedicated to DECCD reviews, in which resulted in improved internal quality control. Said employees pull, and will continue to pull, sample cases on a monthly basis to review the eligibility and proper payment of each case in the sample. DECCD has also began corrective action trainings to DECCD employees on common identified errors by quality control and on any modification to the state and federal regulations. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. Note this corrective action plan was implemented on or about October 1, 2018.

ALLOWABLE COST/COST PRINCIPLES

Significant Deficiency

200 South Lamar Street, Post Office Box 352 • Jackson, Mississippi 39205 • Telephone (601)359-4500 • www.mdhs.ms.gov

Immaterial Noncompliance

CFDA Number 93.575 Child Care and Development Block Grant
 93.596 Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2018-049 **Controls should Be Strengthened to Ensure Compliance with Allowable Cost Requirements of the Child Care and Development Block Grant (CCDF) Cluster.**

MDHS Response: MDHS is in agreement that controls should be strengthened to ensure compliance with allowable cost requirements of the Child Care and Development Block Grant (CCDF) Cluster.

Corrective Action Plan:

MDHS met with Information Technology Services (ITS) to modify existing business rules in Child Care Payment System (CCPS). The rule amendments were to include that it will be presumed that children age six (6) or older receives a part-time certificate on school days, unless the parent submits proof that the parent works or is in school non-traditional hours, and that the provider of choice offers care in non-traditional hours as prescribed by the parents work requirements. Additionally, a business rule will be added to make it impossible for CCPS to issue more than one (1) certificate per child.

Furthermore, the Quality Control Department (QC) of the Office of the Inspector General, a separate and distinct department from DECCD, has hired four (4) full time QC reviewers. Their job responsibilities are solely dedicated to DECCD reviews, in which resulted in improved internal quality control. Said employees pull, and will continue to pull, sample cases on a monthly basis to review the eligibility and proper payment of each case in the sample. DECCD has also began corrective action trainings to DECCD staff on common identified errors by quality control and on any modification to the state and federal regulations. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. Note this corrective action plan was implemented on or about October 1, 2018.

REPORTING

Significant Deficiency

CFDA Number 10.551 – Supplemental Nutrition Assistance Program
 93.558 – Temporary Assistance for Needy Families State Programs
 93.575 – Child Care and Development Block Grant
 93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2018-050 **Controls Should Be Strengthened over the Submission of Required Federal Reports for the Child Care and Development Block Grant**

**(CCDF), Supplemental Nutrition Assistance Program (SNAP), and
Temporary Assistance for Needy Families (TANF) Programs.**

MDHS Response: MDHS is in agreement that controls should be strengthened over the submissions of required federal reports for CCDF, SNAP, and TANF Programs.

Corrective Action Plan:

The Division of Budgets and Accounting (B&A) implemented procedures to address the concerns of the report review processes and the submission of said reports in July of 2018. Thus, the six (6) instances identified as late submissions, were anomalies as the policies and procedures have been implemented and trained on with all employees within B&A. Moreover, the employees of B&A are aware and compliant with the policies and procedures cited in this finding. Specifically, four (4) of the instances cited were the direct result of technical system failures and two (2) were related to the absence of key personnel due to unforeseeable family emergencies. Therefore, the six (6) untimely instances were caused by circumstances beyond the employee's control. However, with that stated the B&A Director will reiterate to employees that all reports are to be returned to the supervisor if there is no final signature for approval and will be reminded that all reports must be submitted into the grant status database in a timely manner. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. Note this corrective action plan was implemented on or about July 1, 2018.

EARMARKING

Significant Deficiency

Immaterial Noncompliance

CFDA Number 93.575 - Child Care and Development Block Grant
93.596 - Child Care Mandatory and Matching Funds of the Child Care and Development Fund

**2018-051 Controls Should Be Strengthened to Ensure Compliance with
Earmarking and Minimum Targeted Funds Requirements.**

MDHS Response: MDHS is in agreement that controls should be strengthened to ensure compliance with earmarking and minimum targeted funds requirements.

Corrective Action Plan:

MDHS requested and was granted approval from Administration of Children and Families (ACF) to revise the Federal Fiscal Year 2019 CCDF 696 report for quarter ending 9/30/2017. The report was revised to adjust expenses from other qualified quality activities to meet the required targeted earmarks. This process was completed and the report resubmitted to ACF on June 5, 2019. Documentation can be provided upon request. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General.

SPECIAL TESTS

Material Weakness

Martial Noncompliance

CFDA Number 93.575 - Child Care and Development Block Grant
93.596 – Child Care Mandatory and Matching Funds of the Child Care and Development Fund

2018-052 **Controls Should Be strengthened over Compliance with Health and Safety Requirements of the Child Care and Development Fund (CCDF) Cluster.**

MDHS Response: MDHS is in agreement that controls should be strengthened over compliance with health and safety requirements of the Child Care and Development Fund (CCDF) Cluster.

Corrective Action Plan:

DECCD entered into an agreement with Mississippi Department of Health to restructure the unlicensed child care providers, who are now called family child care providers. Said group of providers are required to comply with the following requirements with the Mississippi Department of Health: 1.) attend health and safety training, 2.) comply with criminal background checks for all eligible adults in the home, 3.) register as a family child care provider, and 4.) agree to be monitored by the Mississippi Department of Health. All has to be completed for the family child care provider to continue to be a CCDF provider.

The Mississippi Department of Health began inspections for monitoring compliance. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. This corrective action plan expects to be completed by June 30, 2019.

EARMARKING

Significant Deficiency

Immaterial Noncompliance

CFDA Number 93.558 Temporary assistance for Needy Families State Programs
2018-053 **Controls Should Be Strengthened over 20 Percent Exemption and Five Year Time Limit.**

MDHS Response: MDHS agrees controls should be strengthened over the 20 Percent Exemption and Five (5) Year Time Limit.

Corrective Action Plan:

MDHS EA division will conduct refresher training to ensure all employees have an in-depth understanding of policy contained within Volume III and resulting procedures.

The county and regional employees of MDHS will continue monitoring the 20 Percent Exemption Report and the report for the five (5) Year Time Limit

(MDHS-EA-313 and MDHS-EA-313A) and submitting verification of the review monthly. In order to strengthen compliance, an individual at the MDHS State Office has been designated to monitor and ensure compliance each month with the 20 Percent Exemption and the five (5) Year Time Limit in a separate review. Any discrepancies identified will be sent through the Field Operations Director of EA to ensure appropriate case action has been taken to terminate benefits or grant permissible exemptions. The name of the contact person who is responsible for this corrective action plan is David Barton, Inspector General. The anticipated completion date for the corrective action plan is July 1, 2019.

We appreciate the courtesy and professionalism demonstrated by Jeremy Ashley and his field staff throughout the audit. Should you have any questions regarding our responses or corrective action plan, please do not hesitate to contact David Barton, Inspector General, at 601-359-4551.

Respectfully,

A handwritten signature in black ink, appearing to read "John Davis", with a stylized, cursive script.

John Davis, Executive Director

JD: DB

pc: Jacob Black
David Barton
Christopher Rand



STATE OF MISSISSIPPI

Phil Bryant
Governor

MISSISSIPPI DEPARTMENT OF MARINE RESOURCES

Joe Spraggins, Executive Director

FINANCIAL AUDIT FINDINGS

25 April 2019

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

Dear Mr. White,

Enclosed you will find the requested information and response from the Mississippi Department of Marine Resources (MDMR) in regards to audit reference number 2018-002. The agency has carefully evaluated the finding and its response to ensure that the necessary steps are being taken to avoid future findings of a similar nature.

AUDIT FINDINGS:

2018-002 Errors in Federal Grants Schedule

Each year, MDMR submits the grant schedule by the date specified by the Department of Finance and Administration (DFA) in accordance with DFA policy. MDMR recently discovered that as a result of DFA reporting requirements, a portion of grant expenditures were not being adequately captured on the grants schedule. DFA assisted with this review and it was determined that MDMR capital assets were not posting directly to the grant under which they were acquired. Due to the deadline, DFA was unable to reclassify the necessary assets prior to the grants schedule submission. Additionally, a continual reporting error was discovered as DFA policy has maintained this policy since the inception of MAGIC. Upon discovery of this error, DMR worked quickly to reconcile these items, even though this was a direct result of a policy that was outside of agency purview. Both MDMR and DFA have continued to work in tandem to find a solution to this error in the hopes that this will not be a continual problem.

Corrective Action Plan

- A. As stated above, both MDMR and DFA worked together and efficiently as soon as it was realized that there was going to be a reporting issue.
- B. Grants Bureau Director, Dr. Kimberly Rasmussen, has begun the initial review for the 2019 grants schedule submission. Dr. Rasmussen will be the point of contact for this submission moving forward.
- C. The reporting issue is an ongoing matter and as a result, no specific date for corrective action is necessary.
- D. At this time, no corrective action is necessary. The audit finding was a result of inconsistent reporting systems between two state agencies and not the result of negligence on any one party. DFA was able to ascertain the necessary information from MDMR finances. Moreover, MDMR acted in accordance with all policies and procedures set forth internally and by DFA. Both MDMR and DFA are working in tandem to correct this issue with the hopes of avoiding future findings that are a result of a difference in agency reporting.

Sincerely,


Joe Spraggins
Executive Director

DEPARTMENT OF MENTAL HEALTH

State of Mississippi

239 North Lamar Street
1101 Robert E. Lee Building
Jackson, Mississippi 39201



(601) 359-1288
FAX (601) 359-6295
TDD (601) 359-6230

Diana S. Mikula - Executive Director

April 15, 2019

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

FINANCIAL AUDIT FINDINGS

Dear Mr. White:

In response to the findings issued by your office on April 1, 2019, please review the following information.

AUDIT FINDINGS:

2018-015 Controls Should be Strengthened Over the Segregation of Duties and the Data Entry and Approval Process of Employee Time Records and Contract Worker Information in the Statewide Payroll and Human Resource System (SPAHRs)

Response:

We concur with the findings. Since the audit of processes during fiscal year 2018 the agency has adjusted the duties assigned to staff in both the Bureau of Human Resources and the Bureau of Administration to ensure segregation of duties and the data entry and approval process of employee time records and contract information in SPAHRs. The Director of the Bureau of Human Resources completes a quarterly review of users which consist of utilizing the report in FM View to ensure accurate user access codes, deletions, and additions. The agency implemented a corrective action plan inclusive of the following transactions.

Corrective Action Plan:**Data Entry and Approval of Time Records:**

- A. Human Resources staff receives all employee time records after they have been reviewed by the authorized timekeeper in each division and approval has been documented by the authorizing manager.
- B. The Human Resources Personnel Officer reviews the time records for signature and approval documents prior to entering them into SPAHRS.
- C. The Human Resources Personnel Officer informs the Payroll Officer that all time has been verified.
- D. The Payroll Officer runs time checking for any error messages.
- E. Error messages received by the Payroll Officer are reported to the Human Resources Director for review and problem solving.

Data Entry and Approval of Contract Worker Information:

- A. The Human Resources Director collects all required documentation from contract workers and enters the information into SPAHRS.
- B. The Human Resources Director provides copies of all documents to the Contract Payroll Officer to enter tax and direct deposit information, and verifies the information submitted.
- C. Division Directors authorize the time records and submit them to the Personnel Officer.
- D. The Personnel Officer enters reported time into SPAHRS and informs the Contract Payroll Officer that the time has been verified.
- E. The Contract Payroll Officers runs time for contract worker payments.

2018-018 Controls Should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process**Response:**

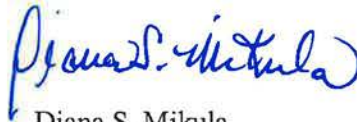
We concur with this finding. The six instances in which Mississippi Department of Mental Health employees had access to roles specific to outside agencies may be something that needs to be added to the MAGIC Security Report, as it does not seem to be included in information that our agency currently reviews. Irrespective of those six instances, role violations such as the seven noted in your report have been corrected in conjunction with a recent block grant audit performed by your office. While actions have been taken on this matter, the corrective action plan below also includes internal procedural measures.

Corrective Action Plan:

- A. Review MAGIC security reports for role violations with respect to segregation of duties by April 15, 2019.
- B. Changes roles in MAGIC for any role violations with respect to segregation of duties by April 15, 2019.
- C. By April 26, 2019, the Standard Operating Procedures for the Fiscal Services division shall be modified to require the Fiscal Services Director to review the quarterly MAGIC Security Reports and, if necessary or beneficial, modify security roles to ensure proper segregation of duties, when practical. When it is impractical to modify security roles in MAGIC, compensating controls shall be implemented.

We appreciate the opportunity to respond to these findings and value the time your employees dedicate to this important function in our agency. Please contact me or Kelly Breland, Director of the Bureau of Administration, if you have questions or concerns.

Sincerely,



Diana S. Mikula
Executive Director

(This page left blank intentionally.)

DEPARTMENT OF MENTAL HEALTH

State of Mississippi

239 North Lamar Street
1101 Robert E. Lee Building
Jackson, Mississippi 39201



(601) 359-1288
FAX (601) 359-6295
TDD (601) 359-6230

Diana S. Mikula - Executive Director

May 31, 2019

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

SINGLE AUDIT FINDINGS

Dear Mr. White:

In response to the findings issued by your office on May 23, 2019, please review the following information.

AUDIT FINDING: 2018-061 Controls Should Be Strengthened to Ensure Compliance with Independent Peer Review Requirements.

Response:

We concur with the findings. Since November 2018, the Department of Mental Health's (DMH's) Bureau of Alcohol and Drug Services has developed a plan to create and implement a peer review process. This process will implement an independent peer review to assess at least 5% of the certified providers funded with Substance Abuse Block Grant (SABG) funds annually. Utilizing a standardized assessment tool, the evaluation will assess the effectiveness of the treatment provided and allow for targeted and comprehensive training to enhance service delivery and outcomes.

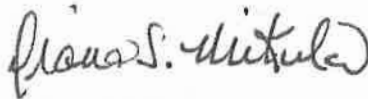
Corrective Action Plan:

- A. **Select assessment tool to be used in in the independent assessment and evaluation.** The tool selected was the Dual Diagnosis Capability in Mental Health Treatment assessment (DDCMHT).

- B. Contract with an outside vendor to conduct independent reviews and assessment of DMH certified substance use providers.** DMH selected the Mississippi Public Health Institute (PHI) to conduct the independent review of the DMH certified substance use providers.
- C. Assess at least 5% of all DMH Certified Substance Use Providers.** All DMH certified substance use providers will be assessed using the DDCMHT assessment to gather baseline data, which will be complete by the end of state fiscal year 2019.
- D. Reevaluate at least 5% of the DMH Substance Use Providers annually to establish baseline data and subsequent follow up evaluations to show effectiveness of treatment and services provided.** Mississippi Public Health Institute will re-evaluate at least 5% of the DMH Certified Substance Use providers to give a comparative evaluation and will report these evaluation to DMH at least annually by the end of each state fiscal year.
- E. Fully implement the Independent Review process as a continual tool of the SABG Block grant process.** DMH, beginning in fiscal year 2020, will fully implement the independent review process as a permanent tool for SABG evaluation utilizing the Mississippi PHI to not only evaluate, but to offer targeted training and technical assistance.

We appreciate the opportunity to respond to these findings and value the time your employees dedicate to this important function in our agency. Please contact me or Kelly Breland, Director of the Bureau of Administration, if you have questions or concerns.

Sincerely,



Diana S. Mikula
Executive Director



STATE OF MISSISSIPPI MILITARY DEPARTMENT



THE ADJUTANT GENERAL'S OFFICE
POST OFFICE BOX 5027
JACKSON, MISSISSIPPI 39296-5027

May 7, 2019

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

Dear Mr. White:

This letter serves to explain the corrective actions taken for the audit finding from the FY18 Financial Audit on Funds 3370100000 and 5370900000. More specifically, finding 2018-044 "Controls Over the Payroll Transactions Should be Strengthened".

Response: The internal control finding centered around our failure to perform timely reclassification of the state's share of payroll expenses out of Grant Fund 5370900000 and into Special Fund 3370100000 as it relates to CFDA 12.401. This oversight was discovered by the Agency immediately following year end closure, and immediately identified to Harper, Raines, and Knight auditors upon their arrival. The idea being that we would solicit their assistance in preparing adjusting entries that would correct the financial statements.

Corrective Action Plan:

A. The Mississippi Military Department has instituted the practice of reclassifying these payroll expenses on a monthly basis. This entry is calculated at the beginning of each month for the preceding month, not later than the 10th day of the month.

B. Name of the contact person responsible for corrective action. LTC(R) Wayne Carpenter, Director of the Fiscal Division, Mississippi Military Department. 601-313-6220, wcarpenter@mil.ms.gov.

C. Anticipated completion date for corrective action. Corrective action has already been implemented, and entries have been completed monthly since the beginning of the fiscal year.

Amos P. Parker, Jr.
Brigadier General, Mississippi Army National Guard
Assistant Adjutant General - Army

(This page left blank intentionally.)



STATE OF MISSISSIPPI MILITARY DEPARTMENT



THE ADJUTANT GENERAL'S OFFICE
POST OFFICE BOX 5027
JACKSON, MISSISSIPPI 39296-5027

June 24, 2019

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

Mr. White:

This letter addresses the corrective actions taken regarding the single audit finding for the Mississippi Military Department for Fiscal Year 2018.

Finding 2018-062: CFDA Number 12.400 – Military Construction, National Guard. “Controls Should Be Strengthened to Ensure Compliance with Federal Reporting Requirements”.

This finding centers around the requirement of NGR 5-1, Section 11-4 to request federal reimbursement utilizing OMB Standard Form (SF) 270. We agree with this finding, and have had conversations with our federal partners. They agree that an SF270 should be submitted. The current implementation plan is detailed below.

Finding 2018-063: CFDA Number 12.400 – Military Construction, National Guard. “Controls Should Be Strengthened to Ensure Compliance with Cash Management Requirements.”

This find centers around the requirement of NGR 5-1, Section 11-4(a) requiring that reimbursement requests not be submitted to the Federal Government prior to the grantee expending State Government funds. We agree with this finding and have had conversations with our federal partners. They agree that our processes should be changed to comply with this requirement. The current implementation plan is detailed below.

Corrective Action Plan:

Establish a separate grant and billing voucher (SF270) for each MCCA (Military Construction Cooperative Agreement) awarded under CFDA 12.400. This will allow the MMD to segregate costs by project allowing for a cleaner method of accounting.

Transitioning to this approach will be as follows:

Existing projects beginning prior to FY19: Costs for projects in progress prior to the beginning of FY19 must continue as a consolidated grant and be billed together. (TASM-G Hangar,

Columbia Armory, Camp Shelby Water Well) At this point, it is uncertain if they can be billed on an SF270, because the MCCA #'s are all different. We will need to discuss these in further detail with our federal partner.

For MILCON projects initiated during FY19, we will create a separate grant and reclass current FY expenditures against this grant and bill them on separate SF 270s. (Multipurpose Machine Gun Range). The initial SF270 may be a little confusing, as voucher #1 will already have expenditures listed from previous billings where we didn't prepare an SF270.

For all future MCCA MILCON projects, we will create a separate Grant and bill them each using a separate SF270 series. Requests for reimbursement will not be submitted until the end of the month along with CFDA 12.401 requests for payment, and they will be requested on an SF 270. This will ensure that requests are not made prior to the funds being expended, and will correct the finding that we are not requesting payments on an SF270.

The contact person responsible for corrective action is LTC(R) Wayne Carpenter, Director of the Fiscal Division, Mississippi Military Department. 601-313-6220, wcarpenter@mil.ms.gov.

A handwritten signature in black ink, appearing to read 'Amos Parker, Jr.', with a stylized, cursive script.

Amos P. Parker, Jr.
Brigadier General, MSARNG
Assistant Adjutant General - Army



FINANCIAL AUDIT FINDING

April 18, 2019

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

Dear Mr. White:

We received the Financial Audit Management Report and the following details our response to the Audit Finding for FY 2018:

<u>Finding Number</u>	<u>Finding and Recommendation</u>
------------------------------	--

SIGNIFICANT DEFICIENCIES

2018-013	<u>Mississippi Department of Transportation Should Strengthen Controls Over the Segregation of Duties and the Data Entry and Approval Process of Employee Time Records and Contract Worker Information in the Statewide Payroll and Human Resource System (SPAHRs).</u>
----------	---

Response:

MDOT concurs with this finding except for the approval process of employee time records. Each Division/District of MDOT certifies and maintains time reports for their employees. Time data input into SPAHRs is approved before and after being entered in the system. The Payroll Section also monitors time reports for accuracy and resolves any discrepancy found prior to certifying payroll in SPAHRs. During the audit, when the request for 20 employees time records was given to MDOT's staff, those time records had to be gathered from the Divisions/Districts. As the time records were obtained, MDOT submitted them to the CPA firm via email on three occasions. During the last

submission of time records MDOT was notified the audit had been closed so it appears these time records were not tested.

Corrective Action Plan:

- A. The Mississippi Department of Transportation will strengthen control to ensure the salary information of the contract workers entered into the SPAHRS agrees to the workers' contract. MDOT will stop the practice of rounding the contract total to the nearest dollar in SPAHRS. MDOT has added a step to its process for a second reviewer to verify the contract worker information entered into the SPAHRS agrees to the contract. When proper segregation of duties is not practical, MDOT will establish compensating controls.
- B. The Financial Management Director, Alison Brown and her staff are responsible for this corrective action plan.
- C. This corrective action plan was implemented on April 8, 2019.

2018-017

Controls Should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.

Response:

We concur.

Corrective Action Plan:

- A. The Mississippi Department of Transportation will strengthen controls over MAGIC security and ensure that roles are properly assigned, duties are segregated, and the MAGIC roles that are specific to outside agencies are not requested. While MDOT had many controls in place, a process has been established where the quarterly MAGIC security report will not be submitted to DFA without approval from the Financial Management Director to ensure there is no improper segregation of duties. When proper segregation of duties is not practical, MDOT has controls in place to ensure fraudulent activity is recognized. MDOT has daily and monthly reconciliations that are performed by someone other than the person processing warrants.

B. The Financial Management Director, Alison Brown and Information Systems Deputy Director, Wesley Simon are responsible for this corrective action plan.

C. This corrective action plan was implemented on October 17, 2018.

Sincerely,



Melinda L. McGrath, PE
Executive Director

MLM:trb

cc: Lisa Hancock, Deputy Executive Director/Administration
Alison Brown, Financial Management Director



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

NOTE FROM AUDITOR

DEPARTMENT OF TRANSPORTATION

SIGNIFICANT DEFICIENCIES

2018-013 The Department of Transportation (MDOT) Should Strengthen Controls Over the Segregation of Duties and the Data Entry and Approval Process of Employee Time Records and Contract Worker Information in the Statewide Payroll and Human Resource System (SPAHRs).

Audit Response All information provided timely by the Department of Transportation (MDOT) was considered when performing audit testwork.

Melinda L. McGrath
Executive Director

P. O. Box 1850
Jackson, MS 39215-1850
Telephone (601) 359-7001
FAX (601) 359-7110
GoMDOT.com



James A. Williams, III
Deputy Executive Director/Chief Engineer
Lisa M. Hancock
Deputy Executive Director/Administration
Willie Huff
Director, Office of Enforcement
Charles R. Carr
Director, Office of Intermodal Planning

SINGLE AUDIT FINDINGS

June 5, 2019

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

Dear Mr. White:

We have received the Single Audit Management Report and the following details our response to the Audit Findings for fiscal year 2018:

AUDIT FINDINGS:

CFDA

Number **20.205 – Highway Planning and Construction**

Compliance

Requirement **Subrecipient Monitoring**

2018-010 **Controls Should Be Strengthened to Ensure Compliance with Subrecipient Monitoring Requirements**

Response: We concur that we were not collecting an audit report for every subrecipient meeting the threshold requirement when expending federal dollars; we were collecting audit reports for all subrecipients meeting the threshold requirement when expending US DOT dollars designated as pass-through funds of the Mississippi Department of Transportation (MDOT). MDOT acknowledges the monitoring requirements as set forth in the new OMB circular “*Uniform Administrative Requirements, Cost Principles and Audit Requirements*” codified under 2 C.F.R. Part 200. As required, MDOT, as the pass-through entity of the state’s FHWA funds, has implemented numerous monitoring internal controls during the years to reduce the risk of waste, fraud and abuse through better performance and accountability from every subrecipient. The established monitoring internal controls are outlined as to the context of the federal award lifecycle; pre-award, post-award including audit and close-out.

MDOT acknowledges it is the subrecipients' responsibility to submit the single audit report directly to the FAC within the submission provisions of Subpart F of the uniform grant guidance. MDOT will modify its communication process related to the subrecipients' single audit reports to ensure compliance. In lieu of the annual distribution of notification letters to the subrecipients, MDOT will require its subrecipients to complete and submit a certification letter to MDOT.

Corrective Action Plan:

- A. MDOT will develop a standardized Single Audit Certification Letter template for use by its subrecipients along with revising the subaward agreement and the processes and procedures in the Project Development Manual which are applicable to Subpart F of the uniform grant guidance. The certification letter will also provide information whether or not a single audit is expected to be performed based on the subrecipient's incurred federal expenditures. If a single audit report is expected, the certification letter will state that the report will be forwarded to the FAC within 30 days of receipt of the report. The modification to our communication process will fall more in line with the reporting requirements under Subpart F of the uniform grant guidance.

To address the second part of the condition element; the submission of the audit report to the FAC within the earlier of 30 calendar days after receipt of the auditor's report, MDOT will incorporate this submission provision within the Single Audit Certification Letter.

The Single Audit Certification Letter will be MDOT's means to obtain assurance its subrecipients comply with the reporting provisions of Subpart F of the uniform grant guidance.

- B. Diane Gavin, CPA – Director of Internal Audit and Lee Frederick, PE – State LPA Engineer
- C. Anticipated date to complete: Before the year ending June 30, 2020. However, effective immediately, MDOT will verify that a Single Audit reporting package submitted with a subrecipient's application packet has been accepted by the FAC as part of the pre-award risk assessment.

CFDA

Number **20.205 – Highway Planning and Construction**

Compliance

Requirement **Special Test & Provisions – Quality Assurance Program**

2018-057 **Controls Should Be Strengthened over the Quality Assurance Program**

Response: MDOT concurs with this finding.

Corrective Action Plan:

- A. The Mississippi Division of FHWA was notified of the oversight on February 21, 2019. MDOT is in the process of preparing an official request to have the SOP revision approved by FHWA. MDOT will educate and/or train employees on the SOP Approval process.
- B. James Williams, PE - Deputy Executive Director/Chief Engineer and Lisa Hancock, CPA - Deputy Executive Director/Administration
- C. Immediately

Sincerely,



Melinda L. McGrath, PE
Executive Director

MLM: trb

cc: Lisa Hancock, CPA - Deputy Executive Director/Administration
 James Williams, PE - Deputy Executive Director/Chief Engineer

(This page left blank intentionally.)



STATE OF MISSISSIPPI
PHIL BRYANT, GOVERNOR
DEPARTMENT OF PUBLIC SAFETY
MARSHALL L. FISHER, COMMISSIONER

FINANCIAL AUDIT FINDINGS
or
OTHER AUDIT FINDINGS
or
COMPLIANCE REVIEW FINDINGS

April 15, 2019

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

Dear Mr. White:

We are constantly striving to improve the operation of our department. We extend our appreciation to you and your staff for providing us assistance to that end. We also extend our appreciation for the professional manner in which your staff conducted itself.

AUDIT FINDINGS:

2018-014 Controls Should be Strengthened Over the Segregation of Duties and the Approval Process of Employee Time Records in the Statewide Payroll and Human Resource System (SPAHRS).

Response: We agree with this finding.

Corrective Action Plan:

- A. We certainly understand the value of internal controls and the specific internal control of Segregation of Duties. Virtually immediately, we instituted measures to solve the Segregation of Duties portion of the finding by changing the SPAHRS access level of certain employees. Subsequently, we learned there are multiple Read Only access options available and we will pursue those in the immediate future. We are coordinating with our agency security contact to establish the appropriate access.

April 15, 2019
Shad White, State Auditor
Responses/Corrective Action Plan

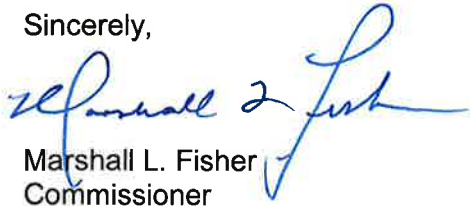
With respect to the approval process portion of the finding, our Human Resources Office has instituted a check and balance measure within the time and attendance system in order to decrease the risk of fraud, misappropriation of assets, inappropriate changes to data, and unauthorized activity.

- B. The SPAHRS security contact is Natalie Holmes, Human Resources Director, email, nholmes@dps.ms.gov or phone, (601) 987-1453.
- C. As mentioned in A. above, we modified the access virtually immediately upon notification of the impending finding and resolved the time approval process in like fashion.
- D. N/A.

Again, we thank you for assisting us in making our operations at DPS better. We are serious about our role as stewards of the taxpayers' resources.

Point of Contact for this response is Mark Valentine, Comptroller at email, mvalentine@dps.ms.gov or phone, (601) 987-1452.

Sincerely,



Marshall L. Fisher
Commissioner



State of Mississippi
DEPARTMENT OF REHABILITATION SERVICES

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

January 24, 2019

Dear Mr. White:

This letter serves as the response to the financial audit finding noted by the Office of the State Auditor during its review of the Mississippi Department of Rehabilitation Services for fiscal year 2018.

AUDIT FINDING:

2018-03 Controls should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process

Response: The Mississippi Department of Rehabilitation Services has implemented procedures to strengthen controls over MAGIC's Segregation of Duties, Business Role Assignments, and Quarterly Security Certification Process.

Corrective Action Plan:

- A. Specific role violations noted have been reviewed and corrected. For roles where duties have not been segregated due to extenuating circumstances, compensating controls have been set up to ensure all actions in the system are proper.
- B. MAGIC quarterly security reports will be reviewed by the MAGIC Security Contact as well as the Director of Finance to ensure all roles reflect a proper segregation of duties.
- C. Human Resources will notify the MAGIC Security Contact as well as the Director of Finance when an employee has separated from the agency. We will ensure access to the system is terminated in a timely manner.

Mr. Shad White
January 24, 2019
Page 2

- D. Human Resources will communicate all new hires as well as position changes to the MAGIC Security Contact and the Director of Finance in order to ensure roles are properly established/changed as needed based on position duties.

I appreciate the work performed and the courtesy extended by your staff. Should you have any additional questions, please feel free to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Howard", with a large, sweeping loop at the end.

Chris Howard
Executive Director



FINANCIAL AUDIT FINDINGS

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

April 4, 2019

Dear Mr. White:

With respect to your audit of the financial statements of the Department of Revenue for the Fiscal Year ended June 30, 2018, we offer the following comments:

SIGNIFICANT DEFICIENCIES

2018-026 Controls Should Be Strengthened over the Reconciliation of Alcohol Beverage Control Taxes

Response: We agree. MDOR recognizes the potential impact on financial statements when good internal controls are not in place. Since all ABC funds are receipted into Fund 39895 and then flow to the other ABC funds we felt it was necessary to work first on developing a reconciliation for Fund 39895. We originally developed a monthly reconciliation for Fund 39895. However, due to the complexities of the various price elements in MARS, a daily reconciliation process was determined to be a more efficient way to identify differences; however, reconciling daily is a very time consuming process that has required hours of assistance from the MARS team that was limited due to other priority status projects. A monthly reconciliation process for Fund 33895 has been developed and differences noted are being discussed with the MARS team and ABC staff as needed. An attempt to decrease the number of manual GAAP entries required by allowing for more OFR automatic accruals resulted in a GAAP adjustment being coded to the wrong cost category in MAGIC. This error was not recognized in the review of the OFR accruals.

Corrective Action:

- A. We will continue to work to get the reconciliations current. We will strengthen controls over the review of GAAP packet adjustments.
- B. Name of person responsible for corrective action:
Drew Maddox, Chief Financial Officer
- C. Anticipated completion date for corrective action:
August 15, 2019

2018-027 Controls Should Be Strengthened over MAGIC Segregation of Duties, Business Role Assignments and Quarterly Certification Process

Response: We agree. In preparation for the implementation of MAGIC MDOR was asked to assign roles in MAGIC to our staff. At that time we did not have a thorough understanding of what the roles allowed users to do which resulted in roles being assigned that were conflicting, not allowed for our agency or improperly assigned. Many of these role assignments were not reviewed after MAGIC go live to determine if they were appropriate. Also, lack of sufficient staffing caused us to assign some roles that were security conflicts even though internally we had procedures in place for segregation of duties and therefore the user did not perform conflicting roles.

Corrective Action Plan:

- A. MDOR will implement a process where the MAGIC security roles are reviewed quarterly by the Accounting Bureau Director and the Office Director-Administrative Services.
- B. Contact person responsible for corrective action:
Frank Puryear, Office Director-Administrative Services
- C. Anticipated completion date for corrective action:
April 30, 2019

Our staff is available to furnish any additional information requested or further details concerning this audit of our financial statements and the implementation of suggested changes.

Respectfully,



Herb Frierson,
Commissioner of Revenue



MISSISSIPPI DIVISION OF
MEDICAID

FINANCIAL AUDIT FINDINGS

April 9, 2019

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

Dear Mr. White:

In accordance with your correspondence dated March 29, 2019, the Mississippi Division of Medicaid (DOM) is providing the following responses for the financial audit finding for the fiscal year ending June 30, 2018.

AUDIT FINDING:

2018-012 Controls Should Be Strengthened over Mississippi's Accountability System for Government Information and Collaboration (MAGIC) Segregation of Duties, Business Role Assignments and Quarterly Security Certification Process.

RESPONSE:

The Mississippi Division of Medicaid (DOM) concurs with the finding. DOM will strengthen controls over MAGIC security to ensure that roles are properly assigned, duties are segregated and roles are reviewed in accordance with the MAAPP manual.

CORRECTIVE ACTION PLAN:

- A. DOM has reviewed MAGIC Quarterly Security Report to ensure terminated employee profiles were removed, updated user profiles to ensure no employee had processor and approval rights for the same functions and ensured users are only assigned roles that relate to their current job duties. This review will be performed each quarter when the MAGIC security report is received.

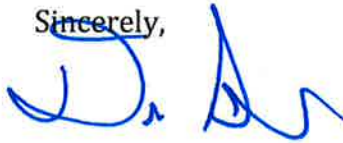
Office of the State Auditor
April 9, 2019

B. Gia Allen

C. Completed by February 28, 2019

If you have any questions, please contact Jennifer Wentworth at (601) 359-3147.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D. Snyder', with a stylized flourish at the end.

Drew L. Snyder
Executive Director



MISSISSIPPI DIVISION OF
MEDICAID

SINGLE AUDIT FINDINGS

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

June 7, 2019

Dear Mr. White:

We have reviewed the single audit findings below in reference to our fiscal year 2018 audit. Listed below are our individual responses and plans for corrective action:

AUDIT FINDING:

CFDA Number – 93.796 – State Survey and Certification of Health Care Providers and Suppliers (Title XVIII Medicare)

Compliance Requirement: Special Test & Provisions

2018-059 Controls Should be Strengthened to Ensure Compliance with Provider Health and Safety Standards Requirements.

Response: The Mississippi Division of Medicaid (DOM) does concur with this finding. The Long-Term Care (LTC) facilities did not have the mandatory health and safety survey performed within the required 15 months of the survey period.

Corrective Action Plan:

- A. Mississippi State Department of Health will provide to DOM on a monthly basis “Health Care Provider and Suppliers-State Survey Certification” form.
- B. Lashunda Woods
- C. July 1, 2019

AUDIT FINDING:

CFDA Number – 93.778 – Medical Assistance Program (Medicaid: Title XIX) State Survey

Compliance Requirement – Special Test & Provisions

2018-060 Controls Should be Strengthened to Ensure Compliance with ADP Risk Analysis and System Security Review Requirements.

Response: The Mississippi Division of Medicaid (DOM) acknowledges the need to strengthen internal controls to ensure compliance with the ADP risk analysis and system security review requirements. Further, DOM acknowledges that Service Organization Control (SOC) reports are not sufficient to meet the ADP Risk Analysis requirement.

Corrective Action Plan

- A. Because DOM lacks sufficient resources with the appropriate skill sets to establish and maintain a program for conducting periodic risk analyses, we are actively pursuing the procurement of managed security services. DOM will procure managed security services through Information Technology Services' Managed Service Provider, Knowledge Services, dba GuideSoft. The managed security services vendor will assist DOM in strengthening controls necessary to achieve and maintain compliance with ADP risk analysis and system security review requirements.
- B. iTECH Procurement Staff (Terry Norman, Grant Banks) and iTECH Technical and Oversight Staff (Brad Estess, Keith Robinson, Sheila Kearney)
- C. DOM is targeting to award and onboard a managed security services vendor by the end of calendar year 2019.

AUDIT FINDING:

CFDA Number – 93.778 –Medical Assistance Program (Medicaid; Title XIX)

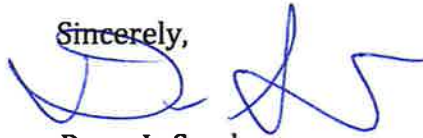
Compliance Requirement: Period of Performance

2018-058 Controls Should be Strengthened Over Period of Performance Requirements.

Response: The Mississippi Division of Medicaid (DOM) does concur with this finding. DOM does not segregate Federal funding by quarter, as required in the grant award letters.

Corrective Action Plan:

- A. DOM will revise its current fund report to properly identify quarterly grant awards to ensure current quarter funds are being used to satisfy quarterly expenditures.
- B. Gia Allen
- C. July 1, 2019

Sincerely,

Drew L. Snyder
Executive Director

(This page left blank intentionally.)



STATE OF MISSISSIPPI
PHIL BRYANT, GOVERNOR

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

GREGORY S. MICHEL
EXECUTIVE DIRECTOR

Financial Audit Findings

May 13, 2019

Honorable Shad White, State Auditor
Office of the State Auditor
State of Mississippi
P. O. Box 956
Jackson, MS 39205-0856

Dear Mr. White:

We have reviewed the audit findings below in reference to the Mississippi Emergency Management Agency 2018 fiscal year audit. Listed below is our individual response and plan for corrective action:

Audit Finding:

2018-029 Controls Should be Strengthened over MAGIC Segregation of Duties, Business Role Assignments and Quarterly Security Certification Process.

Response: The Mississippi Emergency Management Agency ("MEMA") is in agreement that controls should be strengthened concerning MAGIC security access and ensure that employee roles are properly assigned, duties are segregated and employees no longer with the Agency have their access removed timely.

Corrective

Action Plan: MEMA will be hiring additional staff to conduct internal controls reviews and to assist with entering Purchase Order documents and Payables. Dual roles had been assigned to certain employees in order to provide processing coverage for employees out on medical leave. MEMA requires approval at two levels for

Honorable Shad White, State Auditor
May 13, 2019
Page Two

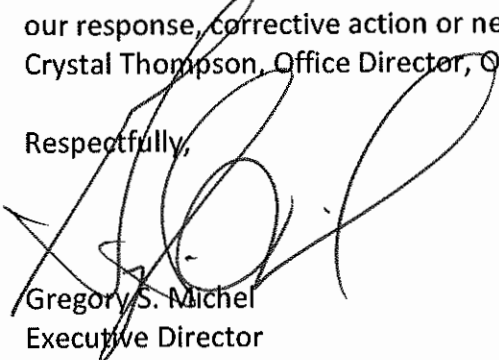
Purchase Orders and Payable documents. While dual roles exist in MAGIC, the two level approval process was still followed as evidenced on paper documents with entry and approval personnel initials.

MEMA Support Services Accounting and Finance Bureau will work with DFA in validating MAGIC user roles and to ensure going forward no further conflicts exist in employee assigned roles in MAGIC.

The MEMA Support Services Office Director will communicate monthly with the MEMA Human Resources Department to identify employees that are no longer with the Agency. This will ensure that all terminated personnel with MAGIC access is removed in a more timely manner.

Our Agency would like to express the courtesy and professionalism demonstrated by Thomas Wirt and his field staff while conducting the audit. Should you have any questions regarding our response, corrective action or need further information, please do not hesitate to contact Crystal Thompson, Office Director, Office of Support Services at 601-933-6603.

Respectfully,



Gregory S. Michel
Executive Director



STATE OF MISSISSIPPI

PHIL BRYANT, GOVERNOR

MISSISSIPPI EMERGENCY MANAGEMENT AGENCY

GREGORY S. MICHEL
EXECUTIVE DIRECTOR

Single Audit Findings

June 4, 2019

Honorable Shad White, State Auditor
Office of the State Auditor
State of Mississippi
Attn: Jason Ashley
P. O. Box 956
Jackson, MS 39205-0856

Dear Mr. White:

We have reviewed the audit findings below in reference to the Mississippi Emergency Management Agency 2018 fiscal year audit. Listed below is our individual response and plan for corrective action:

Finding:

CASH MANAGEMENT

2018-054 Controls Should Be Strengthened to Ensure Compliance with Federal Revenue Draw Requirements.

CFDA Number 97.039 – Hazard Mitigation Grant Program

Federal Award No. DR-MS-1604; DR-MS-4175

Federal Agency U.S Department of Homeland Security

Response: Concur

Corrective Action Plan:

1. Payments and draw requests from the programmatic office must include all backup – including but not limited to, payment requests, receipts, etc. The programmatic office must also provide a breakdown as to how the payment was calculated and what the payment represents. Support Services will provide an email response to the

requestor when the payment is complete. This same process will apply for draws. Draws for Subrecipient payment reimbursements will be done individually after the payment is processed.

2. Draws for administrative costs will be processed monthly. A breakdown detailing the calculation must be submitted each month by the programmatic office. Support Services will provide the email response to the requestor when the draw is complete.
3. All payments and draws must be made, approved and processed in a consistent and timely manner. All backup with detail must be provided by the programmatic office. The Support Services Grants division will verify all proper documentation is attached to the request and that the request is signed by the proper chain of command prior to any payment or draw being processed.

Finding:

SUBRECIPIENT MONITORING

2018-055 Controls Should be Strengthened to Ensure Compliance over Subrecipient Monitoring of OMB Uniform Guidance Audits.

CFDA Number 97.039 – Hazard Mitigation Grant Program

Federal Award No. DR-MS-1604 DR-MS-1916
 DR-MS-1972 DR-MS-1983
 DR-MS-4081 DR-MS-4101
 DR-MS-4175

Federal Agency U.S Department of Homeland Security

Response: Concur

Corrective Action Plan:

It is our understanding and agreement that this area of financial management and compliance be rewritten and managed differently. This will include payments to all subrecipients given by any Office within the Agency. Better and more organized records will be kept as a part of the new Single Audit Procedures that will be implemented. Procedures will ensure all letters and receipts of documents are sent and received timely and in compliance with 2 CFR. Extensions and grace periods will not be allowed outside of federal regulations.

Audit reports will be reviewed for certain required information as they are received. Any received audit that does not comply with the required information will be sent back and documented.

New Policies and Procedures will be written for Single Audits and will be monitored by the Office of Support Services. Support Services will work with all offices within the

Agency to ensure the correct data is captured and will review all documents that are sent out addressing Single Audit requirements.

Finding:

REPORTING

2018-056 Controls Should be Strengthened to Ensure Compliance with Federal Reporting Requirements.
CFDA Number 97.039 – Hazard Mitigation Grant Program
Federal Award No. DR-MS-1604, DR-MS-4081, DR-MS-4175
Federal Agency U.S Department of Homeland Security

Response: Concur.

Corrective Action Plan:

1. The cumulative amount on the Grant Schedule for Fund 5372U was overstated for fiscal years 2017 and 2018. In 2017, the numbers were incorrectly added to the grant schedule provided for Fund 5372U. This error was not caught and therefore was carried forward in the reporting for the fiscal year 2018. All fiscal reporting will be verified by line and column and not just carried forward from the prior year as to eliminate any errors from the prior fiscal year rolling forward.
2. Supporting documentation is housed in the individual programmatic offices and on their participant websites. New procedures requiring more detailed documentation will be implemented and the programmatic offices will provide reports to the Support Services Grants Division at the end of each quarter for verification and reporting on quarterly 425s.

Our Agency intends to implement changes in all areas within the Agency that are affected by the findings of this audit. We would like to express our thanks for the courtesy and professionalism demonstrated by Thomas Wirt and his field staff while conducting the audit. Should you have any questions regarding our response, corrective action or need further information, please do not hesitate to contact Crystal Thompson, Director, Office of Support Services at 601-933-6603.

Respectfully,


Gregory S. Michel
Executive Director

(This page left blank intentionally.)



FINANCIAL AUDIT FINDINGS
or
OTHER AUDIT FINDINGS
or
COMPLIANCE REVIEW FINDINGS

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

April 30, 2019

Dear Mr. White,

Below is a summary of the MPIC responses to the 6/30/18 FY audit findings.

AUDIT FINDINGS:

2018-036 Controls Related to Segregation of Duties Should Be Strengthened

Response: MPIC is made aware of certain deficiencies in internal control result from a lack of segregation of duties.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation –The Controller will be able to delegate the payroll to the Purchasing Clerk. This will add controls in the payroll department.
- B. Name(s) of the contact person(s) responsible for corrective action-Brenda Morgan, Controller and Jeff Solari, CEO
- C. Completion Date-April 15, 2019 Payroll and is Ongoing

2018-037 Controls Related to Maintenance of Source Documents Should Be Strengthened

Response: A financial reporting system requires an appropriate review function to ensure that all relevant information is processed correctly and appropriately assimilated into the financial reporting process.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – The accounting department will enforce stronger controls to make sure every receipt, expense report, and journal entry have the proper set of documentation attached. If the employee doesn't adhere to the rules, then they will be written up.
- B. Name(s) of the contact person(s) responsible for corrective action-Brenda Morgan, Controller and Jeff Solari, CEO
- C. Completion Date: March 31, 2019

2018-038 Controls Over Inventory Controls Should Be Strengthened

Response: MPIC is aware that the inventory controls should be strengthened to make sure no misstatements are made and inventory is accurately stated.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – Further research is being done to find a better inventory management system than Quickbooks but that will also be less expensive as other comparable inventory management software companies like Global Shop. Print Shop has established a month-end reconciling system in which they send accounting daily inventory tracking tickets that tie back to a master spreadsheet. Accounting will start matching these tracking tickets against customer sales orders that get billed.
- B. Name(s) of the contact person(s) responsible for corrective action-Brenda Morgan, Controller and Jeff Solari, CEO
- C. Anticipated completion date for corrective action: Ongoing

2018-039 Controls Related to Property Control System Should Be Strengthened

Response: MPIC is aware that there are certain changes that need to be made to the property control system and working on a plan.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – The Controller will adopt the capitalization threshold set by the audit CPA firm. She is also going to work with them on the further review of the criteria to determine whether something should be classified as a capital lease and put those procedures in place going forward.
- B. Name(s) of the contact person(s) responsible for corrective action-Brenda Morgan, Controller and Jeff Solari, CEO
- C. Anticipated completion date for corrective action: Ongoing

2018-040 Controls Related to Pension and Postemployment Benefit Liability Controls Should Be Strengthened

Response: MPIC was not aware that the internal accounting department was supposed to be preparing the Pension and Postemployment benefits calculations internally. Going forward they are going to learn how to prepare it so the external audit firm does not have to anymore.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – The accounting department will take the steps to learn how to prepare and calculate the allocation entry for pension and post-employment benefits without the assistance of the CPA audit firm.
- B. Name(s) of the contact person(s) responsible for corrective action-Brenda Morgan, Controller and Jeff Solari, CEO
- C. Anticipated completion date for corrective action: 6/30/20

2018-041 Controls Related to Reconciliations, Review and Close-out Process for Financial Reporting Should Be Strengthened

Response: MPIC is aware that controls related to reconciliations, review and close-out process for financial reporting should be strengthened and working on a plan to do so.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – The accounting department will try to allocate more month-end responsibilities to other staff so that the Controller can do more reviewing than preparing which will help eliminate any errors. Another solution would be to hire an outside CPA firm to start reviewing the month-end books for a second set of eyes for due diligence.
- B. Name(s) of the contact person(s) responsible for corrective action-Brenda Morgan, Controller and Jeff Solari, CEO
- C. Anticipated completion date for corrective action: 7/1/19

2018-042 Controls Related to Information Technology General Controls (ITGC) Should Be Strengthened

Response: MPIC is aware that certain ITGC controls need to be put in place and working on a plan to do so.

Corrective Action Plan:

- A. Specific steps to be taken to correct the situation – A contract is going to be put in place for Blakeney Data Solutions that lists terms of what services the third party provider is going to offer MPIC. Also, Blakeney Data Solutions will help implement a cloud based backup process. This will eliminate the backup tape system that is currently in place.
- B. Name(s) of the contact person(s) responsible for corrective action- Jeff Solari, CEO
- C. Anticipated completion date for corrective action: 7/1/19

Signed,



Jeff Solari , CEO



Brenda Morgan, Controller



OFFICE OF THE STATE TREASURER
LYNN FITCH
TREASURER

FINANCIAL AUDIT FINDINGS

April 10, 2019

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

Dear Auditor White:

In accordance with your correspondence dated March 27, 2019, the Office of the State Treasurer (OST) is providing the following response for the financial audit finding for the fiscal year ended June 30, 2018.

AUDIT FINDINGS:

2018-028 Controls Should Be Strengthened over Arbitrage Calculations

Response: We concur with this finding; however, we would like to emphasize that the arbitrage that was paid during the fiscal year ending June 30, 2018 was actually from a fiscal year 2011 transaction, was identified by OST precisely as a result of the strengthening of our controls over arbitrage calculations, and was resolved by OST prior to the audit.

Corrective Action Plan:

- A. Over the past several years, OST has worked to strengthen controls to ensure all bonds are monitored for the timing of arbitrage calculations and rebate submissions, and that those calculations and rebate submissions occur timely, in accordance with the Internal Revenue Service Regulations. And, we will continue to further strengthen controls in the upcoming year. Due to current interest rates being significantly lower than stated bond yields, there were no arbitrage payments due and no required filings with the IRS related to FY2018.

As part of our ongoing commitment to strengthening the controls, OST worked with the State's arbitrage consultant to ensure better efficiency, maintenance, and reporting for *all* bond issues requiring arbitrage rebate calculations. During this process, OST determined that a final arbitrage calculation was not performed on the \$40,252,000 State of Mississippi General Obligation Note, Series 2009C. This was a one-year short-term note issued November 18, 2009, with a maturity date of November 17, 2010. The 2009C Note was refunded with proceeds from the Series 2010F bonds, which were dated November 10, 2010.

Again, as a result of our ongoing commitment to strengthening controls in this area, OST determined in early May 2018 that no arbitrage calculation had been performed on this issue, though it should have been performed no later than January 16, 2011. OST promptly provided the information to the arbitrage consultant on May 7, 2018. The arbitrage consultant notified OST on May 14, 2018 of the arbitrage liability with the Form 8038-T to be filed with the IRS. OST immediately processed the transaction in MAGIC and mailed the required forms and check for the payment to the IRS on May 15, 2018.

It is important to note that OST received a letter dated August 14, 2018 from the IRS stating that the filing had been reviewed and the agency determined there was no willful neglect in filing late. In fact, the IRS accepted the OST request for a retroactive extension of time to file and thus there is no recorded late arbitrage filing related to this issue and no assessed penalty. A copy of that IRS letter is attached. All supporting documentation on this matter was provided without prompting to the Office of the State Auditor during their audit fieldwork.

OST has made substantial progress on strengthening controls on arbitrage calculations and will continue to do so.

- B. Yolanda Nash – Director of Accounting, Bonds and Financial Management
- C. July 1, 2019
- D. N/A

Sincerely,

A handwritten signature in black ink, appearing to read "Lynn Fitch", with a stylized flourish at the end.

Lynn Fitch
Treasurer
State of Mississippi

Harry Lee James, P.E.
State Aid Engineer
P.O. Box 1850
Jackson, Mississippi 39215
Phone (601) 359-7150



412 E. Woodrow Wilson Ave.
Jackson, Mississippi 39216
Fax (601) 359-7141
www.osarc.ms.gov
mail@osarc.ms.gov

FINANCIAL AUDIT FINDING

Shad White, State Auditor
April 16, 2019
Office of the State Auditor
State of Mississippi
P.O. Box 956
Jackson, MS 39205-0956

Dear Mr. White:

This letter is in response to the Financial Audit Management Report dated April 5, 2019 regarding the Fiscal Year 2018 audit of the Mississippi Department of Transportation-Office of State Aid Road Construction. We respectfully submit our response and corrective action plan for the finding listed below.

AUDIT FINDING:

2018-035 Controls Should be Strengthened Over the Segregation of Duties in the Statewide Payroll and Human Resource System (SPAHRS).

Response:

The Mississippi Department of Transportation-Office of State Aid Road Construction (OSARC) concurs with the Office of the State Auditor's finding. Four of the fifty-four OSARC full-time personnel have access to SPAHRS. All four users have access to both the human resource/recording function, as well as the payroll/authorization function. These four users are responsible for all personnel, payroll, travel, and leave functions in the agency. Due to the size of the agency, and in order to have a primary and secondary user for the required functions, proper segregation of duties is not practical. Internal controls are in place to compensate for the lack of segregation within SPAHRS.

Corrective Action Plan:

A.

1. All entries in SPAHRS must be approved by one of the control agencies. Personnel action entries must be approved by the Mississippi State Personnel Board. Payroll, travel, and leave entries must be approved by the Department of Finance and Administration.
2. Prior to entries in SPAHRS being forwarded to one of the control agencies for approval, in-house policy requires that one person generates an entry and another approves the entry. Monthly and supplemental payroll is prepared by Tashala Williams or Nita Caylor and reviewed/approved by Nita Caylor or Brandi Stuart. Personnel actions are entered by Audrey Carter or Brandi Stuart and must be made with accompanying forms. These forms must be signed by the employee, Audrey Carter, Brandi Stuart, and the State Aid Engineer (Executive Director). These forms are reconciled with the monthly preliminary payroll run to support any changes to agency personnel records in SPAHRS. Once leave is entered into the system, each supervisor approves the Leave Balance Listing for their department. Travel Vouchers must be verified and approved and are reconciled with approved Travel Authorizations before being processed.

B.

Persons responsible for the corrective action plan:

1. Brandi Stuart – OSARC Director of Administrative Services
2. Nita Caylor – OSARC Director of Accounting and Finance
3. Audrey Carter – OSARC Director of Human Resources
4. Tashala Williams – OSARC Accountant

C.

Steps A.1 and A.2 are currently in place and strictly adhered to.

Sincerely,

A handwritten signature in blue ink that reads "Harry Lee James". The signature is written in a cursive style with a large, stylized "H" and "J".

Harry Lee James, P.E.
State Aid Engineer



MISSISSIPPI STATE PERSONNEL BOARD

KELLY HARDWICK
EXECUTIVE DIRECTOR

April 16, 2019

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

Re: Financial Audit Findings

Dear Mr. White:

Thank you for your recommendations and the opportunity to respond to your letter dated April 3, 2019. The following corrective actions will enable the Mississippi State Personnel Board (MSPB) to carry out its mission more efficiently, strengthen internal controls and ensure compliance with state laws.

AUDIT FINDINGS:

Finding Number 2018-011: Controls should be strengthened over the segregation of duties in the Statewide Payroll and Human Resource System (SPAHRs).

Response # 1: MSPB concurs that a satisfactory control environment is only effective when control activities, such as proper segregation of duties exist and are effective. MSPB also agrees that when expansive segregation of duties is not practical, compensating controls should be implemented. Before addressing the Corrective Action Plan for the first condition specified in the report, these are the procedures that were in place prior to the assessment as compensating controls, in reference to Human Resources actions and Payroll processing in SPAHRs. It is the MSPB's position that these procedures (through a system of checks and balances) provide effective controls in lieu of the standard separation of duties. The addition of the one recommendation provided by Horne Cyber Solutions, LLC, will provide a record of additional oversight.

Payroll Processing & Time Reporting Procedures:

1. Each employee submits a signed timesheet (along with leave documentation) to their supervisor.
2. Each supervisor approves with signature and submits timesheets to the Personnel/Payroll Officer.
3. The Personnel/Payroll Officer (based on hardcopy timesheets) creates timesheets in SPAHRS and enters any payroll data changes requested by staff.
4. The Personnel/Payroll Officer runs a preliminary payroll report and reviews the applicable reconciliation reports available through SPAHRS.
5. The Personnel/Payroll Officer submits the timesheets to the H/R Director, along with the preliminary payroll report and a leave balance report.
6. The H/R Director reconciles the preliminary payroll report to a running electronic file to verify any changes to salaries, deductions or any applicable payroll data in SPAHRS.
7. The H/R Director reconciles the leave balance report to the hardcopy timesheets to verify the time data in SPAHRS.
8. The Personnel/Payroll Officer finalizes the payroll run in SPAHRS.

New Hire Procedures:

1. Upon the selection of a new employee, an inquiry is sent to the hiring manager from Administrative Services.
2. Based on the response, a personnel data checklist (which includes applicable agency payroll data) is completed by the H/R Director.
3. The H/R Director forwards the personnel data checklist to the Personnel/Payroll Officer.
4. The Personnel/Payroll Officer enters the data into SPAHRS; the H/R Director forwards a timesheet template to the new employee.
5. Administrative Services picks up with Steps 1 - 8 of payroll and time reporting procedures for the new employee.

Other Personnel Actions (Changes in Status):

1. After approval by the Executive Staff, a personnel action notification is forwarded to Administrative Services.
2. Based on the notification, a personnel data checklist (which includes applicable agency payroll data) is completed by the H/R Director.
3. The H/R Director forwards the personnel data checklist to the Personnel/Payroll Officer.
4. The Personnel/Payroll Officer enters the data into SPAHRS; the H/R Director reconciles SPAHRS to the personnel data checklist.
5. Administrative Services picks up with Steps 1 - 8 of Payroll and Time reporting procedures for the personnel action.

Corrective Action Plan:

At the conclusion of its assessment, Horne Cyber Solutions, LLC recommended that the MSPB insert one additional step into its Payroll Processing & Time Reporting Procedures, in effect updating all of the above procedures. The update is as follows:

1. The H/R Director should review, reconcile and approve by signature a printout of the final payroll report following the final approval in SPAHRS by the Personnel/Payroll Officer.

The corrective action was made effective on 12/20/2018.

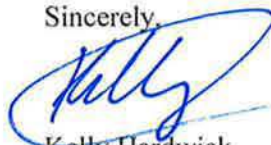
Response # 2: MSPB does not concur with the assertion that access to SPAHRS at any level is provided to staff without the appropriate approval and documentation.

Corrective Action Plan:

No corrective action is required. At the MSPB, either the Director of Administrative Services (primary) or the Director of Information Technology (secondary) completes and submits the SPAHRS Security Profile Maintenance Form (in coordination with the applicable supervisor) to the Department of Finance & Administration to request the appropriate SPAHRS access for MSPB personnel.

If the above corrective actions are not responsive to your recommendation or you have any questions, please contact Tony Moore at 601-359-6712. We commend you and your staff for their courtesy and cooperation throughout the review.

Sincerely,



Kelly Hardwick

MSPB Executive Director

KH:sg



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

NOTE FROM AUDITOR

OFFICE OF THE STATE PERSONNEL BOARD

SIGNIFICANT DEFICIENCY

2018-011 Office of State Personnel Board Should Strengthen Controls over the Segregation of Duties in the Statewide Payroll and Human Resource System (SPAHRs).

Audit Response The Office of the State Auditor (OSA) does not dispute that the policy of the Office of the State Personnel Board is to ensure that access to SPAHRs is approved before access is granted; however, testwork noted that appropriate approval was not on file for two users. Therefore, the Office of the State Personnel Board should improve the retention of records, or strengthen controls to ensure that users are appropriately approved in the future.



VETERANS' HOME PURCHASE BOARD OF THE STATE OF MISSISSIPPI

FINANCIAL AUDIT FINDINGS or OTHER AUDIT FINDINGS or COMPLIANCE REVIEW FINDINGS

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

April 23, 2019

Dear Mr. White:

Please accept this as our response to the Audit finding and our plan of action to correct the matter. Our Board and Management Staff take this finding very serious and are committed to correcting it. We agree with the findings and have taken steps described herein to resolve this issue. This Agency makes and services mortgage loans to qualified Mississippi Veterans. In this process the VHPB is responsible for administering escrow accounts on behalf of each borrower to pay property taxes and homeowner's insurance premiums much the same as a private sector lender. VHPB determines the borrower's monthly escrow deposits needed to maintain the account through an annual escrow analysis. The following, please find the "Finding", "Our Response" and Our Corrective Action Plan".

AUDIT FINDINGS:

2018-043 Strengthen Controls over Reconciling Escrow Accounts

Response:

The Veterans' Home Purchase Board does concur with the finding that the Agency must strengthen controls over reconciling escrow accounts.

Corrective Action Plan:

A. The Management of the Veterans' Home Purchase Board has implemented revised policies and procedures addressing the Finding of the FY 2018 Audit and in addition has divided the Servicing Department into two separate departments. These new departments are the Escrow Department and

Servicing Department. A new position was created to manage the duties of the Escrow Department which include but not limited to the impounding of escrowed funds, management, tracking, the payment of the property insurance and property taxes as required, loan payoff and annual escrow payment analysis. The Servicing Department is responsible for but not limited to the collecting and posting of mortgage payments, reporting interest paid to the IRS, providing interest statements to customers, loan delinquent management and loss mitigation. Since the implementation of these changes in the operations concerning escrows, escrow payments, balancing and escrow analysis we have noticed a drastic improvement and positive effect on the problems outlined in this audit, with more positive changes to come. The Agency and its Board are committed to resolving these issues. Being short staffed, management is committed to step up cross training not only in these two departments but Agency wide.

The new policy and procedures for the Escrow Department require each member of the Escrow Department that orders payments for escrow items to perform a daily reconciliation of the escrow subsidiary ledger (ILS) activity with the general Ledger escrow (Magic System) activity. With emphasis on ensuring agreement with the two systems. To accomplish this, each designated employee with this responsibility is provided a computer with two monitor screens. When a payment is required, one monitor will display the ILS System and the other will display the "Magic System". Once the transaction is completed in the ILS System, the employee will immediately complete the transaction in the "Magic System". To further verify that the two systems are reconciled, each employee described above will print the "G/L Daily Disbursement Report from ILS and reconcile (compare) it with the printed work flow history report ZF_WF_STATUS from the Magic System. In addition, the Warrant Status Report will be printed daily.

Each day these reconciliation documents will be submitted to the Supervisor of the Escrow Department for his/her review and used in authorizing the release of the Warrant (check or payment) in the Magic System. The Supervisor will initial the documents as evidence of his/her review. These documents are maintained in a binder in order by day. Other reports are pulled daily, weekly and monthly to follow up on the timeliness and accuracy of the warrants ordered and daily balancing.

The Supervisor of the Escrow Department will track the warrants ordered through the Magic System against the warrants received from DFA on a daily basis. (using the Warrant Status by Agency Report (ZFFM WARR_STATUS)

The Supervisor will receive the warrants and compare to the daily reconciliation as received with the emphasis on warrants not received or rejected. (G/L accounting line item display (FBL3N))

Days in which there is no activity will be documented for support. Reconciliations will document the preparer and reviewer and will be properly stored in an orderly fashion.

Discrepancies will be immediately investigated and corrections made timely and verified by Supervisor.

It is the policy of the Veterans' Home Purchase Board to pay the Ad Valorem Taxes for each loan account escrowed with the Agency for that purpose on an annual basis before the final date due, so that interest does not accrue. To verify that each account is paid in a timely manner (prior to or by due date), the Supervisor of the Escrow department will check the master loan list (Account Summary per County report from ILS) to ensure that the taxes for that county have been paid. When checking each account on the list the parcel in question is checked in the county data base for verification of payment. For those parcels not on the data base a phone call to the county is placed for verification or if more than 10 parcels are in question a fax is sent to the county for verification and a follow up is performed if needed.

It is the policy of the Veterans' Home Purchase Board when reviewing each account that the status of exemptions or taxes due is compared with our records for accuracy. Also, this process will include the general ledger escrow (one per county) balancing with the county master list for amounts due.

It is the Policy of the Veterans' Home Purchase Board to require that the Servicing Department (insurance payment agent) promptly pay (received and credited by the receiving insurance company) the insurances escrowed for, such as but not limited to, Hazard Insurance and Flood Insurance prior to or no later than the due date. To accomplish this, it is the policy of the Veterans' Home Purchase Board to require the Supervisor of the department or their designee to notify when needed the Insurance Servicing Vendor to provide the Agency a 60-day billing notice before the payment is due. This time is needed due to common delays in obtaining the warrant (check or payment) through the MAGIC System and DFA. It is the Policy of the Veterans' Home Purchase Board to compare on a daily basis the list of accounts due for payment of insurance provided by our vendor (insurance tracking service) with the debiting of the accounts in ILS and the ordering of the warrants in the MAGIC System (following the daily reconciliation policy). It is further the policy of the Veterans' Home Purchase Board to follow up with the insurance company being paid to verify payment has been received.


During the FY 2018 Audit, a finding was discovered that the escrow impoundment for a portion of the loan servicing portfolio was not receiving an annual Escrow analysis and statement. Investigation and consultation with the escrow vendor's I.T. department revealed that the issue was due to an improper entry when the loan was entered into the servicing system. This process has been corrected by employee training and new procedures.

The entire loan servicing portfolio has since received an initial analysis and/or its regular annual analysis, with any shortages or surpluses being handled during the system generated monthly reviews. The current process will resolve the entirety of the issue by the completion of the current cycle, with the escrow shortages being spread over future payments as is normal in the industry.

B. The Agency has created a new position to manage and supervise the newly created "Escrow Department". The new supervisor of this department, Mr. David Peters, is responsible for implementing the corrective action.

C. The corrective action plan has already been implemented and is showing results. It is anticipated that by the end of this calendar year or the completion of our full- cycle, the new procedures will be routine and will reflect very few errors.

D. N/A



Lonnie C. Carlton
Executive Director
Veterans' Home Purchase Board

(This page left blank intentionally.)

IV. INDICES



(This page left blank intentionally.)

STATE OF MISSISSIPPI

**INDEX OF FINANCIAL STATEMENT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS (by finding number)

<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>
2018-002	83	Department of Marine Resources
2018-003	93	Department of Rehabilitation Services
2018-004	51	Department of Corrections
2018-005	69	Department of Finance and Admin - Insurance
2018-006	79	Department of Health- Drinking Water
2018-007	53	Department of Finance and Administration
2018-008	55	Department of Finance and Administration
2018-009	63	Department of Finance and Administration
2018-011	115	State Personnel Board
2018-012	103	Division of Medicaid
2018-013	99	Department of Transportation
2018-014	91	Department of Public Safety
2018-015	85	Department of Mental Health
2018-016	55	Department of Finance and Administration
2018-017	100	Department of Transportation
2018-018	86	Department of Mental Health
2018-019	75	Department of Health
2018-020	64	Department of Finance and Administration
2018-021	57	Department of Finance and Administration
2018-022	58	Department of Finance and Administration
2018-023	60	Department of Finance and Administration
2018-024	61	Department of Finance and Administration
2018-025	69	Department of Finance and Admin – Insurance
2018-026	95	Department of Revenue
2018-027	96	Department of Revenue
2018-028	119	Office of State Treasurer
2018-029	105	Emergency Management
2018-030	62	Department of Finance and Administration
2018-031	71	Department of Finance and Admin – Insurance
2018-032	67	Department of Finance and Administration
2018-033	66	Department of Finance and Administration
2018-034	81	Department of Human Services
2018-035	113	Office of State Aid Road
2018-036	107	MS Prison Industries
2018-037	107	MS Prison Industries
2018-038	108	MS Prison Industries
2018-039	109	MS Prison Industries
2018-040	110	MS Prison Industries
2018-041	111	MS Prison Industries
2018-042	111	MS Prison Industries
2018-043	121	Veterans Home Purchasing Board
2018-044	89	Department of Military

(This page left blank intentionally.)

MANAGEMENT RESPONSES AND CORRECTIVE ACTION PLANS (by State Agency)

Department of Corrections: Page 195
Department of Finance and Administration: Page 199
Department of Finance and Administration – Insurance: Page 209
Department of Health: Page 215
Department of Health – Drinking Water: Page 221
Department of Human Services: Page 223
Department of Marine Resources: Page 233
Department of Mental Health: Page 235
Department of Military: Page 241
Department of Transportation: Page 249
Department of Public Safety: Page 253
Department of Rehabilitation Services: Page 255
Department of Revenue: Page 257
Division of Medicaid: Page 259
MS Emergency Management: Page 265
MS Prison Industry: Page 271
Office of the Treasurer: Page 275
Office of State Aid Road: Page 277
State Personnel Board: Page 279
Veterans Home Purchasing Board: Page 283

(This page left blank intentionally.)

STATE OF MISSISSIPPI

**INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY FEDERAL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2018**

1. U.S. Department of Agriculture: Page 125
2. U.S. Department of Commerce: None
3. U.S. Department of Defense: Page 131
4. U.S. Department of Housing and Urban Development: None
5. U.S. Department of the Interior: None
6. U.S. Department of Justice: None
7. U.S. Department of Labor: None
8. U.S. Department of Transportation: Page 135
9. U.S. Department of Treasury: None
10. Appalachian Regional Commission: None
11. General Services Administration: None
12. National Foundation on the Arts and Humanities: None
13. Small Business Administration: None
14. U.S. Department of Veterans Affairs: None
15. Environmental Protection Agency: None
16. U.S. Department of Energy: None
17. U.S. Department of Education: None
18. Gulf Coast Ecosystem Restoration Council: None
19. National Archives and Records Administration: None
20. U.S. Department of Health and Human Services: Page 139
21. Corporation for National and Community Service: None
22. Executive Office of the President: None
23. Social Security Administration: None
24. Department of Homeland Security: Page 165

(This page left blank intentionally.)

STATE OF MISSISSIPPI

**INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY STATE GRANTEE AGENCY
FOR THE YEAR ENDED JUNE 30, 2018**

1. Agriculture and Commerce: None
2. Animal Health: None
3. Archives and History: None
4. Arts Commission: None
5. Attorney General: None
6. Board for Community and Junior Colleges: None
7. Central Mississippi Residential Center: None
8. Corrections: None
9. Education: Page 125
10. Emergency Management: Page 165
11. Employment Security: None
12. Environmental Quality: None
13. Finance and Administration: None
14. Forestry Commission: None
15. Gaming Commission: None
16. Governor's Office: None
17. Health: Page 139
18. Human Services: Pages 127, 141
19. Insurance: None
20. Library Commission: None
21. Marine Resources: None
22. Medicaid: Page 158
23. Mental Health: Page 162
24. Military Department: Page 131
25. Mississippi Development Authority: None
26. Oil and Gas Board: None
27. Pharmacy: None
28. Public Safety: None
29. Public Service Commission: None
30. Rehabilitation Services: None
31. Soil and Water Conservation Commission: None
32. Supreme Court: None
33. Transportation: Page 135
34. Treasury: None
35. Veterans Affairs Board: None
36. Wildlife, Fisheries and Parks: None

Note: If findings and recommendations related to an agency appear on more than one page in a sequence, only the first page is indicated in the above reference.

(This page left blank intentionally.)

STATE OF MISSISSIPPI

**INDEX OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
LISTED BY FINDING NUMBER
FOR THE YEAR ENDED JUNE 30, 2018**

<u>FINDING NUMBER</u>	<u>PAGE NUMBER</u>	<u>STATE GRANTEE AGENCY NAME</u>
2018-001	125	Department of Education
2018-010	135	Department of Transportation
2018-045	143	Department of Human Services
2018-046	128,151	Department of Human Services
2018-047	153	Department of Human Services
2018-048	144	Department of Human Services
2018-049	141	Department of Human Services
2018-050	127,149	Department of Human Services
2018-051	146	Department of Human Services
2018-052	155	Department of Human Services
2018-053	147	Department of Human Services
2018-054	165	Emergency Management
2018-055	168	Emergency Management
2018-056	167	Emergency Management
2018-057	137	Department of Transportation
2018-058	158	Division of Medicaid
2018-059	139, 159	Department of Health; Division of Medicaid
2018-060	160	Division of Medicaid
2018-061	162	Department of Mental Health
2018-062	132	Military
2018-063	131	Military

(This page left blank intentionally.)

STATE OF MISSISSIPPI

**INDEX OF MANAGEMENT RESPONSES TO FEDERAL AWARD FINDINGS
AND CORRECTIVE ACTION PLANS
LISTED BY STATE GRANTEE AGENCY
FOR THE YEAR ENDED JUNE 30, 2018**

1. Agriculture and Commerce: None
2. Animal Health: None
3. Archives and History: None
4. Arts Commission: None
5. Attorney General: None
6. Board for Community and Junior Colleges: None
7. Central Mississippi Residential Center: None
8. Corrections: None
9. Education: Page 197
10. Emergency Management: Page 267
11. Employment Security: None
12. Environmental Quality: None
13. Finance and Administration: None
14. Forestry Commission: None
15. Gaming Commission: None
16. Governor's Office: None
17. Health: Page 219
18. Human Services: Page 225
19. Insurance: None
20. Library Commission: None
21. Marine Resources: None
22. Medicaid: Page 261
23. Mental Health: Page 239
24. Military Department: Page 243
25. Mississippi Development Authority: None
26. Oil and Gas Board: None
27. Pharmacy: None
28. Public Safety: None
29. Public Service Commission: None
30. Rehabilitation Services: None
31. Soil and Water Conservation Commission: None
32. Supreme Court: None
33. Transportation: Page 249
34. Treasury: None
35. Veterans Affairs Board: None
36. Wildlife, Fisheries and Parks: None

(This page left blank intentionally.)

V. ACKNOWLEDGMENTS



(This page left blank intentionally.)

ACKNOWLEDGMENTS

REPORT PREPARED BY:

Shad White, State Auditor
Patrick S. Dendy, CPA, Deputy State Auditor
Stephanie C. Palmertree, CPA, CGMA, Director, Financial and Compliance Audit Division
Donna Parmegiani, CPA, Director, Agency Audit Section
Jason K. Ashley, Director, Administrative Services of Audit Division

Many thanks to the following managers, supervisors and field staff of the Office of the State Auditor for their efforts in gathering information contained in this Single Audit Report:

Managers

Michael Torres, CPA
Angela Mire, CPA
Thomas Wirt, CPA

Supervisors

Jeremy Ashley, CFE
Alan Jarrett
Ashley Jolly, CPA
John T. Newell, CPA

Field Staff

Virginia Anderson	Katherine Landrum, CPA, CIA
Richard Aultman, CPA	Shavonda Lott
John Brandon	Emily Mathis
Allen Case, CPA	Dana McMorris
LaSabre Charleston	Lisa Meade, CPA
Phillip Chu, CPA	Carrie Middleton
Brianna Dang	Jeremy Miller, CPA
Alisa Evans	Lee Pittman, CPA
Veronica Funchess	Clayton Southerland
Kari Horn	Vincent Steiner
Buck Jenkins, CPA	Elevia Tate
Ashley Kilpatrick	Michael Walker, CPA

Information Systems Staff

LaDonna Johnson, CISA
Jennifer Morrow
Steve Wimberley, CPA, CGMA

We would also like to thank staff members of the Office of Financial Reporting, Department of Finance and Administration, for their assistance through compilation of the Schedule of Expenditures of Federal Awards.

Special thanks to Mark Millet for graciously allowing us to use his artwork as the cover of this report. Mark's work can be viewed at his website <http://markmillet.com>.

(This page left blank intentionally.)