



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

January 24, 2019

**Limited Internal Control and Compliance Review Management Report**

Chief Justice William L. Waller, Jr and  
Presiding Justice Randolph  
Supreme Court of Mississippi  
P.O. Box 117  
Jackson, Mississippi 39205-0117

Dear Chief Justice Waller and Presiding Justice Randolph:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Supreme Court of Mississippi for the Fiscal Years 2016 and 2017. In these findings, the Auditor's Office recommends the Supreme Court of Mississippi:

1. Strengthen controls over personal, major medical & compensatory leave policies and procedures;
2. Strengthen controls over travel expenditures;
3. Strengthen controls over contractual services expenditures; and
4. Strengthen controls over purchasing procedures.

Please review the recommendations and submit a plan to implement them by February 7, 2019. The enclosed findings contain more information about our recommendations.

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

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

I hope you find that our recommendations enable the Supreme Court of Mississippi to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the

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Supreme Court of Mississippi throughout the review. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Stephanie C. Palmertree". The signature is written in a cursive style with a large initial 'S'.

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

The Office of the State Auditor has completed its limited internal control and compliance review of the Supreme Court of Mississippi for the years ending June 30, 2017 and June 30, 2016. The Office of the State Auditor's staff members participating in this engagement included Derrick Garner, CPA, Deanna White, CPA, Jeremy Miller, CPA, Veronica Funchess and Carrie Middleton.

Our procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been met. Also, our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be weaknesses. In accordance with Mississippi Code Annotated (1972) §7-7-211 the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for these or other fiscal years to ensure compliance with legal requirements.

In performing our review, we noted certain matters involving the internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **OTHER CONTROL DEFICIENCIES** and **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**. A control deficiency 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.

During our compliance work at the Supreme Court, we were informed by Supreme Court personnel that the Supreme Court was not considered a "state agency" and therefore was not required to follow any of the regulations promulgated by the Department of Finance and Administration (DFA) and the Mississippi Code Section. Audit staff were then told that the employees tried to follow the regulations as often as possible and that, in lieu of other policies and procedures documented, the Supreme Court considered DFA policies their written policies.

Since good internal controls required documented policies and procedures, audit staff considered DFA's policies and procedures to be chosen policies by the Supreme Court and therefore audited compliance with these policies.

## **OTHER CONTROL DEFICIENCIES**

**Finding 1:** Controls over Personal, Major Medical and Compensatory Leave Should Be Strengthened.

**Executive Summary:** Multiple instances were noted in which employees were not properly documenting compensatory leave earned and used. Furthermore, after inquiry with management, the Supreme Court of Mississippi is not following internal leave policy for part-time employees. State law dictates all leave records should be properly maintained by state organizations and, good internal controls dictate organizations to follow written policies and procedures.

**Recommendation:** We recommend the Supreme Court of Mississippi strengthen controls over compliance with recording and reporting compensatory leave in order to ensure accuracy in internal records and Statewide Payroll and Human Resource System (SPAHRS).

**Finding Detail:** During our review of the Personal, Major Medical and Compensatory Leave at Supreme Court of Mississippi during Fiscal Years 2016 and 2017, we noted that, per auditor correspondence with Trial Judges, support staff usually work more than eight (8) hours per day during court terms; however, compensatory time earned or used by the support staff, who have permission to earn or use compensatory time, is not properly documented and submitted to the Finance & Administration Division of the Supreme Court of Mississippi for processing.

Section 25-3-97 (1), Miss. Code Ann. (1972) requires organizations to maintain accurate records of the leave accumulated and used by the officers and employees thereof. Additionally, good internal controls dictate that the Supreme Court of Mississippi follow proper procedures for documenting all personal, major medical and compensatory leave earned and used so that leave is properly reported in SPAHRS. Failure to document and properly maintain records internally within the judicial branch could lead to inaccurate reporting in SPAHRS.

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**Finding2:** Controls over Travel Expenditures Should Be Strengthened.

**Executive Summary:** Instances were noted in which travel was not correctly itemized as taxable or nontaxable on the Travel Voucher. In addition, an instance was noted in which an employee documented a different mileage reimbursement total on the Travel Voucher for multiple days of reimbursement claimed for the same points of travel with no explanation noted. Lastly, multiple instances were noted in which points and purpose of travel were not documented for each day travel reimbursement was claimed on the Travel Voucher.

**Recommendation:** We recommend the Supreme Court of Mississippi strengthen controls over the reimbursement of travel expenditures to follow the Supreme Court of Mississippi travel policies and ensure compliance with state rules and regulations set forth by the Department of Finance and Administration, Office of Purchasing, Travel and Fleet Management. We additionally recommend that any amounts overpaid or paid in violation of state law be reimbursed to the Agency.

**Finding Detail:** During our review of fifty (50) travel transactions, we noted:

- One (1) instance in which an employee traveled in state with and without overnight stay. All meals claimed were itemized as non-taxable.
- Three (3) instances in which purpose of travel and two (2) instances in which points of travel were not documented each day travel reimbursement was claimed. Total travel for the three instances was \$691.20, \$378.00 and \$625.41.

DFA's *State Travel Policy Rules & Regulations*, Section 8.126 "Taxable and Non-Taxable Meals" requires any reimbursement of meal expenses for travel not including an overnight stay is considered nondeductible compensation and therefore taxable to the traveler. Failure to properly itemize travel reimbursements could lead to reimbursements not being correctly reported to the Internal Revenue Service.

Supreme Court of Mississippi travel policies, Section 6.0, page 35 requires that "points of travel must be indicated on travel vouchers whether in-state or out-of-state for every day reimbursement is claimed." Additionally, good internal controls dictate that purpose of travel should be documented on the Travel Reimbursement Form for each day travel reimbursement is claimed. Failure to properly document points and purpose of travel on the Travel Voucher could lead to incorrect reimbursement amounts to employee.

DFA's *State Travel Policy Rules & Regulations*, Section 2.107 "Travel Routing," requires that for travel in a privately-owned vehicle, the mileage between points of travel should be made from the most direct practical route. Failure of employee to utilize the most direct practical route could lead to overpayment of reimbursement.

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**Finding 3:** Controls over Contractual Services Expenditures Should Be Strengthened.

**Executive Summary:** Several instances were noted in which invoices were paid for services that were not properly documented as received and inspected prior to payment. Furthermore, there were several instances in which Supreme Court of Mississippi personnel could not locate applicable contracts and an instance where there was no evidence of a supervisory review in MAGIC via the workflow for invoices submitted to the Department of Finance and Administration for payment.

**Recommendation:** We recommend the Supreme Court of Mississippi strengthen controls over contractual services expenditures to ensure compliance with state laws and applicable policies and procedures. We also recommend the Supreme Court of Mississippi strengthen controls to maintain all applicable contracts and properly document preparation and approval of payment requests submitted to Department of Finance and Administration in MAGIC.

**Finding Detail:** During our review of fifty (50) contractual services transactions, we noted fifteen (15) instances in which there was no evidence that services had been inspected, approved, and documented prior to payment of invoice.

Section 31-7-305 (1), Miss. Code Ann. (1972) requires a record to be kept of the date of receipt of invoice and dates of receipt, inspection and approval of the goods or services. In addition, the *Mississippi Agency Accounting Policies and Procedures MAAPP Manual* Section 29.60.51, suggests agencies may use a stamp format placed on the packing slip, delivery ticket or invoice. This format should include condition of merchandise, quantity received, date, and the signature of the employee receiving the merchandise from the vendor. Failure to keep a record of services received could result in untimely payments to vendors for services received.

#### **OTHER CONTROL DEFICIENCY AND INSTANCE OF NONCOMPLIANCE WITH STATE LAW**

**Finding 4:** Controls over Purchasing Should Be Strengthened.

**Executive Summary:** Multiple instances were noted in which purchase orders were not obtained prior to the receipt of goods and services of commodities. In addition, invoices were paid for services that were not properly documented as received and inspected prior to payment. Lastly, auditor noted an instance in which approval for a sole-source purchase was not obtained from the Department of Finance and Administration, as well as an instance in which an expenditure exceeding five thousand dollars (\$5,000) did not have proper documentation of competitive bids.

**Recommendation:** We recommend the Supreme Court of Mississippi strengthen controls over purchasing to ensure compliance in: issuing and approving purchase orders prior to the receipt of goods or services; documenting receipt date of goods or services on invoices; obtaining permission in writing for sole-source purchasing; and documentation of competitive bids and selection of the lowest bidder when using a non-state contract vendor for purchases over \$5,000.

**Finding Detail:** During our review of fifty (50) commodities transactions, we noted:

- Thirty-three (33) instances in which Supreme Court of Mississippi failed to secure a purchase order prior to the invoice date and/or receipt of goods or services;
- Fourteen (14) instances in which a received date with initials or signature was missing from the invoice;

- One (1) instance in which approval was not obtained in writing from the Office of Purchasing, Travel, and Fleet Management for sole source purchasing for printing supplies from the National Conference of Bar Examiners in FY'16 in the amount of \$11,136; and,
- One (1) instance in which items were purchased totaling over five thousand dollars (\$5,000) without obtaining at least two (2) written competitive bids.

Section 7-7-23, Miss. Code Ann. (1972) requires purchase orders to be issued for goods and services paid from funds in the state treasury. Failure to create and approve a purchase order prior to the date the goods and services are received impedes the ability of the agency and the Department of Finance and Administration to maintain budgetary controls over the agency's expenditures.

Section 31-7-305, Miss. Code Ann. (1972) requires a record to be maintained of the date of receipt of invoice and dates of receipt, inspection and approval of the goods or services. Failure to keep a record of services received could result in late payments to vendors for services rendered.

Section 31-7-13 (m) (viii), Miss Code Ann. (1972) requires a certification of the conditions and circumstances requiring a sole-source purchase to be filed with the Department of Finance and Administration. If approved, the Department of Finance and Administration will provide written authorization of the sole-source purchase. Failure to obtain written documentation of approval of sole-source purchasing from the Department of Finance and Administration could result in improper purchases.

Section 31-7-13 (b), Miss Code Ann. (1972) requires purchases of an expenditure of more than five thousand dollars (\$5,000) but not more than fifty thousand dollars (\$50,000), at least two (2) competitive written bids should be provided from the lowest and best bidder. Failure to obtain at least (2) written competitive bids could result in unfair procurement practices due to inadequate competition.

*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 are adequate control activities in place. Good internal controls dictate documentation over purchasing be maintained by the agency to ensure compliance with proper internal controls.

**End of Report**



SUPREME COURT OF MISSISSIPPI

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DAVID M. ISHEE  
T. KENNETH GRIFFIS, JR.  
JUSTICES

HUBBARD T. SAUNDERS IV  
COURT ADMINISTRATOR  
AND COUNSEL

February 7, 2019

*Via Hand Delivery and U.S. Mail*

Shad White, State Auditor  
Office of the State Auditor  
State of Mississippi  
501 N. West Street, Suite 801  
P. O. Box 956  
Jackson, MS 39205-0956

Dear Mr. White:

A handwritten signature in blue ink that reads "Shad".

I would like to compliment your staff on the professionalism they exhibited throughout the Fiscal Year 2016 and 2017 audit. Although I did not personally interact with your staff, our Finance Director Carol Allgood shared with me her and her staff's experience in working with your agency.

On January 24, 2019, I met with your Director of Compliance, Derrick Garner, along with then-Chief Justice Waller. Mr. Garner conducted himself in a most professional manner. Our conference was short, concise, and to the point. I was pleased to hear him comment on this Court's "great staff" and opine that the Court had a "clean audit."

Mr. Garner recognized the balancing act required of the Court's Finance Department to serve this branch of government and their desire to accommodate rules and regulations established by, or directed to, other branches. Even though the Court is exempt from certain purchasing laws, our staff does its best to utilize guidelines of the Department of Finance and Administration's Office of Purchase and Travel. I know from personal experience that our staff is most diligent in this area.

In direct response to your letter re: Limited Internal Control and Compliance Review Findings for the Supreme Court of Mississippi for the Fiscal Years 2016 and 2017 and the four findings listed therein, I offer the following:

1. It was noted that proper documentation regarding compensatory time earned or used by trial judges' support staff, who have permission to earn or use compensatory time, was not submitted to the Finance and Administration Division of the Supreme Court for processing. During the review, an auditor noted from trial judges' correspondence that their support staff often work more than eight (8) hours per day, a premise I can certify based upon personal experiences. We acknowledge that the compensatory time earned or used by the support staff of trial judges is not submitted to the Finance and Administrative Division of the Supreme Court. However, we have been advised that the trial judges of the various circuits are responsible for maintaining records of leave accumulated and used by their support staff to satisfy Section 25-3-97 of the Mississippi Code.

I would also like to address a misunderstanding about the Supreme Court's policies for part-time employees. The only part-time employees employed by this Court are contract employees, paid by the hour. They do not accrue comp time or leave.

2. We acknowledge in this two-fiscal-year review that a former non-judicial, non-management employee erred in itemizing a meal purchased during in-state travel without an overnight stay as non-taxable. The employee received \$29.32. The following was not withheld from the employee's check: federal income tax of \$7.33; state income tax of \$1.47; Social Security and Medicare taxes of \$2.24 as well as the State match of \$2.24. The employee received \$11.04 more than should have been paid.

Justices on the Supreme Court and Judges on the Court of Appeals receive mileage benefits for one round trip from their home per week. We acknowledge that, in the two fiscal years, an auditor found five instances where three separate Justices or Judges failed to indicate either the purpose or points of travel on their reimbursement forms. During the times described, all were traveling from the same home area for the same purpose, all of which had been documented previously during their terms. By copy of this letter, I am informing the Justices and Judges about the importance of including the purpose and points of travel on their future reimbursement forms. However, I find no fault with the staff in recognizing what they already knew from prior requests for payments.

3. We do not concur with the finding that invoices were paid for services that were not properly documented. Carol and I reviewed the finding. Each invoice was reviewed, signed, and dated by the division director for whom the services were provided, but only after the director was satisfied that the service was provided.

While there were some contracts that could not be located during the audit, those contracts were provided at the follow-up review, which should be recognized. The Finance Department has created a central location to keep all contracts and will implement procedures to ensure their files are kept current.



An auditor noted one (1) instance in which there was no evidence of supervisory review in MAGIC via the workflow for an invoice submitted to the Department of Finance and Administration (DFA) for payment. We do not concur with this finding. The invoice was an inter-governmental payment. Once these are entered into MAGIC by the paying entity, it is sent directly by MAGIC to DFA for payment. They are not routed to a supervisor within the organization for a secondary review.

4. During our visit with Mr. Garner, he indicated that there were several purchasing laws that the judiciary is exempt from following. Having just assumed this role and having not had any responsibility in this area prior to assuming my new duties, I want to assure you that my staff and the entire judiciary will continue to earn the trust of the public, being ever mindful of our expenditures.

Thank you for your dedicated service to our State.

Sincerely,



Michael K. Randolph,  
Chief Justice

cc: All Justices of the Mississippi Supreme Court  
All Judges of the Mississippi Court of Appeals  
Hubbard T. Saunders, IV, Court Administrator and Counsel  
Camille Evans, Assistant court Administrator  
Stephanie C. Palmertree, Director, Financial and Compliance Division  
Derrick J. Garner, Director, Compliance Audit Division  
Carol Allgood, Finance Director