



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

August 9, 2017

Limited Internal Control and Compliance Review Management Report

Commissioner Charlotte Corley
Mississippi Department of Banking and Consumer Finance
P.O. Box 12129
Jackson, MS 39236-2129

Dear Ms. Corley:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Department of Banking and Consumer Finance for the Fiscal Year 2016. In these findings, the Auditor's Office recommends the Mississippi Department of Banking and Consumer Finance:

1. Strengthen controls over procurement card purchases;
2. Comply with state purchasing laws; and,
3. Comply with state law over travel authorizations.

Please review the recommendations and submit a plan to implement them by August 23, 2017. 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, Members of the Legislature and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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

Sincerely,

A handwritten signature in dark ink, reading "Stephanie C. Palmertree".

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

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Department of Banking and Consumer Finance for the year ended June 30, 2016. The Office of the State Auditor's staff members participating in this engagement included Thomas Wirt, CPA, Selena Davis, CPA, Richard Aultman, CPA, and John Brandon.

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

In performing our review, we noted a certain matter involving internal control over financial reporting and instances of noncompliance that require the attention of management. These matters are noted under the headings **OTHER CONTROL DEFICIENCY** 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.

OTHER CONTROL DEFICIENCY

Finding: Controls over Procurement Card Purchases Should Be Strengthened

Executive Summary: Multiple instances were noted in which purchases made with procurement cards were not signed by the cardholder or purchaser at the agency. State regulations require purchases made with procurement cards to be confirmed in writing by the cardholder.

Recommendation: We recommend the Mississippi Department of Banking and Consumer Finance strengthen controls over procurement card purchases by requiring personnel to confirm purchases by signing the charge slips or invoices.

Finding Detail: Section 31-7-9, Miss. Code Ann. (1972) states that the Office of Purchasing, Travel, and Fleet Management at the Department of Finance and Administration (DFA) may adopt purchasing regulations governing the use of procurement cards. Section 10.112.04 of the *Mississippi Procurement Manual* requires a list of items purchased (either in form of a detailed sales receipt or an order description) to be reviewed and confirmed in writing by the cardholder. The list should have the cardholder's printed name and signature.

Based on testwork performed over 9 procurement card transactions, we noted 7 instances totaling \$1,701 in which documentation of purchases was not signed by the cardholder. Failure of the cardholder to initial/sign receipts for purchases could allow improper payments to be made or purchases to be made by unauthorized personnel.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding: Agency Should Comply with State Purchasing Laws

Executive Summary: Multiple instances were noted in which purchase orders were not obtained prior to obtaining services. In addition, we noted multiple instances in which invoices were paid for services that were not properly documented as received and inspected prior to payment. Furthermore, instances were noted in which payment requests were not filed timely by the agency. State law dictates purchases should

be properly authorized; services should be properly inspected, approved and documented prior to remitting payment of invoices; and, state law dictates a specified time period for timely payment of state obligations.

Recommendation: We recommend the Mississippi Department of Banking and Consumer Finance ensure compliance with state purchasing laws. Purchase orders should be issued and approved prior to the ordering of goods and services. Personnel receiving goods or services should sign and date all invoices or other documentation as verification of proper receipt of goods or services prior to the disbursement of funds. Requests for payments should be filed with the Department of Finance and Administration timely in accordance with state law.

Finding Detail: During our review of 15 contractual services expenditures at the Mississippi Department of Banking and Consumer Finance during fiscal year 2016, we noted:

- Five instances in which the purchase order was issued subsequent to the receipt of services provided;
- Five instances in which there was no agency stamp or employee initials/signature on the invoice to document the receipt and approval of services provided prior to payment; and,
- Two instances in which payment requests were not made within 30 days after receipt of invoice.

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 kept 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 payment for services not yet received.

Section 31-7-303, Miss. Code Ann. (1972) requires payment requests to be filed with the Department of Finance and Administration (DFA) within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods or services. Within the Mississippi Accountability System for Government Information and Collaboration (MAGIC), payment requests are filed with DFA when an agency releases the payment in MAGIC which routes the payment request to DFA for approval via electronic workflow. Failure to submit payment requests within 30 days of the receipt of the invoice and receipt, inspection and approval of the goods and services could result in additional expenses being incurred by the agency through finance charges.

Finding: Travel Authorization Should Be Properly Documented in Accordance with State Law

Executive Summary: An instance was noted in which employee travel was not documented as authorized by agency management prior to the trip in accordance with state law.

Recommendation: We recommend the Mississippi Department of Banking and Consumer Finance ensure employee attendance to conventions, associations or meetings is authorized with written approval by the department head prior to travel in accordance with state law.

Finding Detail: During our review 15 travel expenditures during fiscal year 2016, we noted one instance in which written authorization was not obtained prior to an agency employee's travel to a convention.

Section 25-1-83, Miss. Code Ann (1972) states that prior written approval is required from the department head for employee attendance at any convention, association, or meeting in order for travel expenses to be reimbursed. Failure to obtain proper authorization for employee attendance to conventions, associations or meetings could result in reimbursement of travel expenditures that were not incurred for legitimate business purposes.

End of Report