



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

August 18, 2017

Limited Internal Control and Compliance Review Management Report

Gary Rickard
Executive Director
MS Department of Environmental Quality
P.O. Box 2261
Jackson, MS 39225

Dear Mr. Rickard:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Department of Environmental Quality for the fiscal years ended June 30, 2016 and 2017. In these findings, the Auditor's Office recommends the Mississippi Department of Environmental Quality:

1. Strengthen controls over capital assets;
2. Comply with state laws over contractual services;
3. Comply with state laws over board meetings;
4. Comply with state laws over travel; and
5. Comply with state laws over subsidies, loans, and grants.

Please review the recommendations and submit a plan to implement them by September 1, 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 Environmental Quality to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Department Environmental Quality throughout the audit. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie C. Palmertree".

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

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Department of Environmental Quality for the years ended June 30, 2016 and 2017. The Office of the State Auditor's staff members participating in this engagement included Deanna White, CPA, Selena Davis, CPA, Richard Aultman, CPA, Katherine Landrum, CPA, Dana McMorris and Clayton Southerland.

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 the internal control over financial reporting that might be weaknesses. In accordance with Section 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 certain matters 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 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.

OTHER CONTROL DEFICIENCIES

Finding: Controls over Capital Assets Should Be Strengthened

Executive Summary: Multiple instances were noted in which the Property Disposition Form was not completed by the department releasing custody of the property. Also, instances were noted in which no Property Disposition Form was completed authorizing the deletion of the asset.

Recommendation: We recommend the Mississippi Department of Environmental Quality (MDEQ) strengthen controls over the approval process for the deletion of capital assets.

Detailed Analysis: Based on testwork performed over five asset deletions transactions, we noted two instances in which the MDEQ Property Disposition Form was not completed by the department releasing custody of the property. In addition, we noted two instances in which there was no MDEQ Property Disposition Form to authorize the deletion of the asset.

Good internal controls require administrative personnel approval before the asset is transferred out. Failure to have approval before assets are transferred out could result in assets being misplaced or stolen.

INSTANCES OF NONCOMPLIANCE WITH STATE LAW

Finding: Agency Should Comply with State Laws over Contractual Services

Executive Summary: Multiple instances were noted in which invoices were not paid within 30 days. 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.

Recommendation: We recommend the Mississippi Department of Environmental Quality ensure compliance with state purchasing laws. Payments of invoices should be made within 30 days of receipt. Invoices should be thoroughly reviewed to ensure that payments are made on time.

Detailed Analysis: During review of 30 contractual services expenditures, we noted four instances in which invoices were not paid within 30 days. Section 31-7-303, Miss. Code Ann. (1972) requires payment requests to be filed with the Department of Finance and Administration 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.

Finding: Agency Should Comply with Laws over Board Meetings

Executive Summary: In accordance with State law, a majority vote should be conducted regarding the removal of board member who has missed three consecutive meetings. During our audit, we noted one instance in which a Board member missed three consecutive meetings and a vote was not taken.

Recommendation: We recommend the Mississippi Department of Environmental Quality ensure compliance with laws over business meeting of the Board.

Detailed Analysis: MS Code Section 49-2-5 states that any member who shall not attend three (3) consecutive regular meetings of the commission shall be subject to removal by a majority vote of the commission members. One board member missed 3 consecutive meetings and no vote was taken. Failure to conduct a vote for removal when a board member misses three consecutive business meetings results in non-compliance with the State Code.

Finding: Agency Should Comply with State Laws over Travel

Executive Summary: During our audit we noted multiple instances where travel supporting documentation was not provided with the travel voucher. We also noted another instance in which a travel advance was not settled timely and a separate instance in which a travel voucher was not properly authorized. Failure to comply with state laws regarding travel could result in misstatement, error or undetected fraud.

Recommendation: We recommend that the Mississippi Department of Environmental Quality become compliant with state laws and DFA's travel manual over travel expenditures.

Detailed Analysis: During our audit of 35 travel expenditures at the Mississippi Department of Environmental Quality, we noted:

- Four instances in which the travel voucher was paid without the proper receipts or supporting documentation;
- One instance in which the travel advance was not settled within 10 days of the following month in which the travel occurred; and
- One instance where there was no documentation authorizing travel.

All of these findings were related to the fiscal year ended June 30, 2017.

Good internal controls require the agency maintain travel vouchers and supporting documentation on file to provide an audit trail.

Section 13.20.60 of the Mississippi Agency Accounting Policies and Procedures (MAAPP) manual requires travel advances to be settled within 10 working days after the end of the month in which travel was completed.

Section 13.20.20 of the MAAPP manual requires approval signatures on the travel authorization form prior to incurring trip expenses.

Failure to maintain travel records or comply with state travel regulations could result in excessive travel costs being incurred by the agency or incorrect payment for reimbursement of travel expenses.

Finding: Agency Should Comply with State Laws over Subsidies, Loans and Grants

Executive Summary: During our audit of subsidies, loans and grants, we noted a duplicate payment was made to a grantee. Proper supporting documentation was not received from the grantee and therefore the payment was not recognized as duplicate. Good internal controls require proper procedures be followed in processing subsidies, loans, and grant reimbursements.

Recommendation: We recommend that the Mississippi Department of Environmental Quality strengthen controls over their reimbursement process for sub-grantee by properly reviewing documentation to support the amount for reimbursement claimed.

Detailed Analysis: During our review of 20 subsidies, loans and grants expenditures, we noted one instance in which MDEQ overpaid a sub-grantee in the amount of \$719.53 as part of a \$67,426.73 payment. According to the Improper Payments Elimination and Recovery Act of 2010 (Public Law 111-204), Section 2. (f) (2), an improper payment means any payment that should not have been made, including overpayments and duplicate payments. Failure to properly process subsidies, loans, and grant reimbursements could result in the loss of funds to the state as well as errors or fraud could occur without being detected in a timely manner.

End of Report