



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

July 13, 2017

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

Virden Jones, Executive Director  
Mississippi Public Utilities Staff  
501 North West Street, Suite 301B  
Jackson, MS 39201

Dear Mr. Jones:

Enclosed for your review are the Limited Internal Control and Compliance Review Findings for the Mississippi Public Utilities Staff for the Fiscal Year 2016. In these findings, the Auditor's Office recommends the Mississippi Public Utilities Staff:

1. Strengthen controls over procurement card purchases;
2. Prepare and approve purchase orders prior to the ordering of goods and services; and,
3. Comply with state travel laws.

Please review the recommendations and submit a plan to implement them by July 27, 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 Public Utilities Staff to carry out its mission more efficiently. I appreciate the cooperation and courtesy extended by the officials and employees of the Mississippi Public Utilities Staff 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  
Enclosures

The Office of the State Auditor has completed its limited internal control and compliance review of the Mississippi Public Utilities Staff 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, Virginia Anderson, 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 the 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 Public Utilities Staff 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 six procurement card transactions, we noted three instances totaling \$2,252 in which there was no signature on the charge slips to determine if the purchases were made by an authorized user.

## **INSTANCES OF NONCOMPLIANCE WITH STATE LAW**

**Finding:** Purchase Orders Should Be Prepared and Approved Prior to the Ordering of Goods and Services

**Executive Summary:** Multiple instances were noted in which purchase orders were not obtained prior to ordering goods or services. State law dictates purchases should be properly authorized.

**Recommendation:** We recommend the Mississippi Public Utilities Staff prepare and approve purchase orders prior to the ordering of goods and services.

**Finding Detail:** 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.

During our review of 10 contractual service expenditures, we noted 7 instances in which purchase orders were prepared after the invoices were received. Failure to create and approve a purchase order prior to the date the goods and services are ordered impedes the ability of the agency and the Department of Finance and Administration to maintain budgetary controls over the agency's expenditures.

**Finding:** Agency Should Comply with State Travel Laws

**Executive Summary:** State employees may be reimbursed the actual cost of meals related to official travel, not to exceed the daily maximums for the specific location of assignment as established by the Department of Finance and Administration (DFA). We noted instances at the Mississippi Public Utilities Staff in which meal expenses exceeding DFA's daily allowable limit were reimbursed. Reimbursing employees without following the guidelines as set forth by DFA's *State Travel Policy Rules and Regulations* leads to incorrect reimbursement of travel expenses.

**Recommendation:** We recommend the Mississippi Public Utilities Staff ensure compliance with state travel laws and regulations set forth in the Department of Finance and Administration's *State Travel Policy and Regulations* handbook.

**Finding Detail:** Section 25-3-41, Miss. Code Ann. (1972) established guidelines for travel reimbursement and provides that DFA will set rules and regulations regarding such travel. Section 8.124 of DFA's *State Travel Policy Rules and Regulations* allows DFA to set the maximum reimbursement rates for all areas traveled by employees.

Based on testwork performed over 10 travel vouchers, we noted two instances on one voucher in which the maximum daily allowable reimbursement amount for meals exceeded the rate set by DFA. The maximum daily meal reimbursement amount for the location set by DFA was \$46; however, the employee was allowed \$56 on one day and \$55 another day.

**End of Report**