



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

July 20, 2017

Limited Internal Control and Compliance Review Management Report

Phyllis Johnson, MSN, RN, FNP-BC
Executive Director
Mississippi Board of Nursing
713 S Pear Orchard Rd #300
Ridgeland, MS 39157

Dear Ms. Johnson:

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

1. Strengthen controls over procurement card purchases;
2. Comply with state laws over bank accounts;
3. Deposit funds to the agency's bank account promptly and transfer funds to the state treasury timely;
4. Ensure vendors are paid timely in accordance with state purchasing laws;
5. Comply with state travel regulations;
6. Properly document and correctly record employee leave; and,
7. Comply with state laws over entering executive sessions during board meetings.

Please review the recommendations and submit a plan to implement them by August 3, 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, 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 our recommendations enable the Mississippi Board of Nursing to carry out its mission more efficiently. If you have any questions or need more information, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "Stephanie C. Palmertree", is positioned above the typed name.

Stephanie 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 Board of Nursing for the year ended June 30, 2016. The Office of the State Auditor's staff members participating in this engagement included Thomas Wirt, CPA, Jeremy Ashley, Veronica Funchess and Dana McMorris.

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 Board of Nursing strengthen controls over procurement card purchases by requiring personnel to confirm purchases by signing the charge slips, invoices or other documentation of orders.

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 eight procurement card transactions, we noted four instances totaling \$1,370 in which there was no signature on the charge slips to determine if the purchases were made by an authorized user. In addition, the transactions were not logged on the sign in/out sheet used by the agency as a tracking document for procurement card purchases. 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 Laws over Bank Accounts

Executive Summary: State law permits agencies to open bank accounts that must be maintained in accordance with regulations established by the Department of Finance and Administration (DFA) and the Office of the State Treasurer (Treasury). We noted the Mississippi Board of Nursing was not compliant with some of these regulations. The agency maintained excessive cash balances in their account, did not submit

required documentation to Treasury used to ensure proper collateralization of public funds, and paid unauthorized service charges on the account.

Recommendation: We recommend the Mississippi Board of Nursing ensure compliance with state laws over the agency bank account. Account balances should be maintained in accordance with authorized amounts approved by DFA and Treasury. The agency should obtain authorization from DFA and Treasury to pay bank service charges. We further recommend the Public Depositors Annual Report be submitted to Treasury in a timely manner with accurate bank account information.

Finding Detail: During review of the Mississippi Board of Nursing's clearing bank account, we noted the following:

- The agency did not comply with the maximum allowed balance of \$10,000 as approved by DFA and Treasury. The agency's clearing account maintained balances that ranged between \$11,483 and \$26,954 for 8 out of 12 months of the fiscal year. It should be noted that this is a non-interest bearing account;
- The agency did not submit a Public Depositor Annual Report for fiscal year 2016 to Treasury; and,
- The agency paid \$858 in bank service charges which had not been approved by DFA and Treasury.

Section 7-9-12, Miss. Code Ann. (1972) allows agencies to request authorization from DFA and Treasury to open a bank account to serve as a collection or clearing account. Each account established shall have a maximum balance to be fixed by Treasury.

Section 27-105-1, Miss. Code Ann. (1972) allows state agencies to compensate depositories for the expense in maintaining deposit accounts subject to the approval by DFA and Treasury.

Section 27-105-5(6)(b), Miss. Code Ann. (1972) requires a public depositor to notify the Treasury, no later than thirty days after the end of the fiscal year, of its bank accounts that it has with a qualified public depository, including the balance in the accounts as of the fiscal year end.

Maintaining excessive bank account balances and remitting unapproved fees could result in the loss of investment revenue to the state. Failure to submit the Public Depositors Annual Report with accurate bank account information in a timely manner could result in the Treasury not having information necessary to determine proper collateralization of public funds.

Finding: Receipts Should Be Deposited Promptly, Recorded Properly and Transferred Timely to the State Treasury

Executive Summary: During our review of revenues collected by the Mississippi Board of Nursing, we noted checks received at the agency were not deposited timely into the agency's clearing bank account, receipts could not be accurately traced from the agency's logs to bank statements, and transfers from the agency's bank account to the state treasury were not made timely in accordance with state law.

Recommendation: We recommend Mississippi Board of Nursing ensure receipts are deposited into the agency's clearing account promptly upon receipt and transfers to the state treasury are made timely in compliance with state law. In addition, we recommend the agency maintain a check log of all receipts collected and compare the log to deposits made into the state treasury.

Finding Detail: During our review of 15 receipts at the Mississippi Board of Nursing, we noted:

- One instance in which a deposit was not made to the agency's clearing bank account within two business days of receipt;
- Six instances in which funds were not transferred from the agency's clearing account to the state treasury timely. The range of time from deposit of receipts in the clearing account until transfer to the state treasury was from five to 45 business days; and,
- Five instances in which deposits could not be accurately traced to the bank statements. For these instances, the agency could not provide a detailed daily deposit file to trace items listed on the agency's receipt log to the appropriate bank statement deposits. In result, we were not able to trace the specific items listed on agency's receipt log to specific deposits into the agency's clearing account, and also to the related transfers into the state treasury.

Section 7-9-21, Miss. Code Ann (1972) requires agencies to deposit funds into the state treasury by the end of the next business day following the date of collection. Good internal controls require checks to be deposited promptly upon receipt and accurately recorded in the agency's logs. The check log should be verified and agreed to deposits made into the state treasury.

The untimely deposit and transfer of funds to the state treasury may result in the loss of investment earnings and increases the risk of theft and/or misplacements of funds while held at the agency. In addition, failure to document cash receipts in a check log could lead to lost or misappropriated assets. Furthermore, failure to agree the receipt log to state treasury deposits could result in inaccurate reporting to treasury due to agency errors.

Finding: Vendors Should Be Paid Timely in Accordance with State Purchasing Laws

Executive Summary: Multiple instances were noted in which payments to vendors were not made timely. State law dictates a specified time period for timely payment of state obligations.

Recommendation: We recommend the Mississippi Board of Nursing ensure vendors are paid timely in accordance with state purchasing laws.

Finding Detail: 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.

During our review of 20 contractual services expenditures, we noted four instances in which in which payment requests were not made to the Department of Finance and Administration 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.

Finding: Agency Should Comply with State Travel Regulations

Executive Summary: The agency did not maintain all travel vouchers on file in order to provide an adequate audit trail. In addition, an instance was noted in which a travel advance was not settled timely as required by state travel regulations.

Recommendation: We recommend the Mississippi Board of Nursing ensure compliance with state regulations over travel advances. In addition, we recommend the agency ensure all travel vouchers and supporting documentation are maintained on file at the agency.

Finding Detail: During our review of 10 travel vouchers at the Mississippi Board of Nursing during fiscal year 2016, we noted:

- One instance in which a travel voucher for \$1,415 and supporting documentation was not maintained on file and could not be located by the agency; and
- One instance in which the excess of a travel advance over actual travel expenses incurred was not refunded to the agency within 10 working days of the following month. The \$2,073 travel advance was \$1,907 greater than the actual expenses incurred at \$166. The travel was completed in March of 2016; however, the travel voucher was not settled in the Statewide Payroll and Human Resources System (SPAHRs) until April 19, 2017, or three days after the 10th working day of the following month, and the repayment was not deposited until June 16, 2016.

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.

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: Employee Leave Should Be Documented Properly and Recorded Correctly

Executive Summary: Multiple instances were noted in which employee leave slips were not on file at the agency, documentation to justify medical leave was not provided and usage of compensatory leave was not correctly recorded into SPAHRs as required by state laws.

Recommendation: We recommend the Mississippi Board of Nursing ensure employee leave records are properly maintained. The agency should ensure monthly leave reports are adequately documented, reviewed and maintained by supervisory personnel.

Finding Detail: During our review of the Mississippi Board of Nursing, we reviewed personal and major medical leave records for fiscal year 2016 to ensure leave was recorded correctly and used in accordance with applicable state laws. Testwork was also performed to ensure employees were accruing compensatory time in accordance with the agency policies. Based on the testwork over leave records for 15 employees at the agency, we noted the following problems:

- Leave request forms were not kept on file for any employees in November of 2015;
- Leave request forms were missing for seven employees in April of 2016;
- Two instances out of five medical leave items tested in which certification from the employee's physician was not documented when employee used more than 32 hours of leave for illness; and,

- Two instances out of five compensatory leave items tested in which compensatory leave time taken and used per agency records did not agree with compensatory hours entered into the Statewide Payroll and Human Resources System (SPAHRS).

Section 25-3-97, Miss. Code Ann. (1972) states that all organizations shall keep accurate records of the leave accumulated and used by the officers and employees thereof.

Section 25-3-95(2)(a) states each absence due to illness of 32 consecutive working hours (combined personal leave and major medical leave) shall be authorized only when certified by their attending physician.

Failure to comply with state laws over leave could result in the use of leave time not earned by the employee or use of the wrong type of leave.

Finding: Reasons for Executive Sessions Should be Openly Stated in Board Meetings and Documented in Board Minutes

Executive Summary: An instance was noted in which the Mississippi Board of Nursing went into an executive session without stating the reason as required by state law. State law limits boards from entering into an executive session to a specific set of allowable reasons.

Recommendation: We recommend the Mississippi Board of Nursing ensure compliance with state laws over board meetings. Reasons for entering into executive sessions should be stated in the open meeting and recorded in the minutes of the meeting.

Finding Detail: During our review of the Mississippi Board of Nursing's board minutes, we noted one instance in which the reason for entering into an executive session was not stated in the open meeting and recorded in the board minutes.

Section 25-41-7, Miss. Code Ann. (1972) requires the reason for holding an executive session to be stated in the open meeting and the reason stated to be recorded in the minutes of the meeting.

Failure to state the reason for entering into an executive session could result in the board being closed to the public for a reason other than what is allowable by law.

End of Report