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Mississippi Department of Transportation

Compliance Audit Report on the U.S. Department of Transportation –
Highway Planning and Construction Cluster

June 30, 2016



Mississippi Department of Transportation

June 30, 2016

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Independent Auditor's Report on the Schedule of Expenditures of Federal Awards – Program Audited

Ms. Melinda McGrath, P.E.
Executive Director
Mississippi Department of Transportation
Jackson, Mississippi

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards (the Schedule) for the U.S. Department of Transportation – Highway Planning and Construction Cluster of the Mississippi Department of Transportation (MDOT) – [Program Audited] for the year ended June 30, 2016, and the related notes to the Schedule.

Management's Responsibility for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MDOT's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MDOT's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Ms. Melinda McGrath, P.E.
Executive Director
Mississippi Department of Transportation
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Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards of the Program Audited for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Jackson, Mississippi
March 22, 2017

Mississippi Department of Transportation
Schedule of Expenditures of Federal Awards – Program Audited
Year Ended June 30, 2016

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	\$ 55,613,254	\$ 492,499,285

Notes to Schedule

- The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the U.S. Department of Transportation – Highway Planning and Construction Cluster of the Mississippi Department of Transportation (MDOT) under programs of the federal government for the year ended June 30, 2016. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MDOT, it is not intended to and does not present the financial position, changes in net position or cash flows of MDOT or the State of Mississippi.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular No. 87, *Cost Principles for State, Loan and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- MDOT has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's Report on Compliance with
Requirements that Could Have a Direct and Material Effect
on the Program Audited and on Internal Control Over
Compliance in Accordance with the *OMB Compliance Supplement***

Ms. Melinda McGrath, P.E.
Executive Director
Mississippi Department of Transportation
Jackson, Mississippi

**Report on Compliance for the U.S. Department of Transportation – Highway Planning and
Construction Cluster**

We have audited the compliance of the Mississippi Department of Transportation (MDOT) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the U.S. Department of Transportation – Highway Planning and Construction Cluster [Program Audited] for the year ended June 30, 2016.

Management's Responsibility

Management of MDOT is responsible for compliance with the federal statutes, regulations and the terms and conditions of federal awards applicable to the Program Audited.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Program Audited based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Program Audited occurred. An audit includes examining, on a test basis, evidence about MDOT's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Program Audited. However, our audit does not provide a legal determination on MDOT's compliance.

***Opinion on U.S. Department of Transportation – Highway Planning and Construction Cluster
[Program Audited]***

In our opinion, MDOT complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its U.S. Department of Transportation – Highway Planning and Construction Cluster [Program Audited] for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of MDOT is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered MDOT's internal control over compliance with the requirements that could have a direct and material effect on the Program Audited to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the Program Audited and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MDOT's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
March 22, 2017

Mississippi Department of Transportation
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statement

1. The type of report the auditor issued on whether the financial statement audited was prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

Federal Awards

2. The independent auditor's report on internal control over compliance for federal awards – program audited disclosed:

Significant deficiency(ies)? ☐ Yes ☒ None reported

Material weakness(es)? ☐ Yes ☒ No

3. The opinion expressed in the independent auditor's report on compliance for federal awards – program audited was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

4. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

☐ Yes ☒ No

5. The Program Audited was:

Cluster/Program	CFDA Number
Highway Planning and Construction Cluster	20.205

Mississippi Department of Transportation
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2016

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding	Questioned Costs
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No matters are reportable

Mississippi Department of Transportation
Schedule of Prior Findings and Questioned Costs
Year Ended June 30, 2016

Reference Number	Summary of Finding	Status
2015-015	Controls should be strengthened to ensure capital assets are reported timely and accurately	Corrective action was taken